SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

| | ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____.

COMMISSION FILE NUMBER 1-13796

GRAY COMMUNICATIONS SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

GEORGIA	52-0285030
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4370 PEACHTREE ROAD, NE ATLANTA, GA (Address of principal executive offices)	30319 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
CLASS A COMMON STOCK (NO PAR VALUE)	NEW YORK STOCK EXCHANGE
CLASS B COMMON STOCK (NO PAR VALUE)	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. | |

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 15, 2002: CLASS A AND CLASS B COMMON STOCK; NO PAR VALUE - $151,411,369

The number of shares outstanding of the registrant's classes of common stock as of March 15, 2002: CLASS A COMMON STOCK; NO PAR VALUE - 6,848,467 SHARES; CLASS B COMMON STOCK, NO PAR VALUE - 8,803,810 SHARES

DOCUMENTS INCORPORATED BY REFERENCE: None

PART 1

ITEM 1. BUSINESS

As used herein, unless the context otherwise requires, the "Company" or "Gray" mean Gray Communications Systems, Inc. and its subsidiaries. Unless otherwise indicated, the information herein has been adjusted to give effect to a three-for-two stock split of the Company's Class A Common Stock, no par value (the "Class A Common Stock"), and the Company's Class B Common Stock, no par value (the "Class B Common Stock"), effected in the form of a stock dividend declared on the respective class of common stock on August 20, 1998. Unless otherwise indicated, all station rank, in-market share and television household data herein are derived from the Nielsen Station Index, Viewers in Profile, dated November 2001, as prepared by A.C. Nielsen Company ("Nielsen").

GENERAL

The Company currently owns and operates 13 network-affiliated television stations in 11 medium-size markets in the southeastern ("Southeast"), southwestern ("Southwest") and midwestern (`Midwest") United States. Twelve of the Company's 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." The Company also owns and operates four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total circulation of over 126,000. The Company also owns and operates a paging business located in the Southeast that had approximately 75,000 units in service at December 31, 2001. The Company also owns and operates a satellite uplink business based in Tallahassee, Florida and Baton Rouge, Louisiana.

In 1993, after the acquisition of a large block of the Class A Common Stock by Bull Run Corporation ("Bull Run"), the Company implemented a strategy to foster growth through strategic acquisitions and certain select divestitures. Bull Run continues to be a principal shareholder of the Company since its investment in 1993. Since January 1, 1994, the Company's significant acquisitions have included 12 television stations, three newspapers, a transportable satellite uplink business and a paging business located in the Southeast, Southwest and Midwest and the divestiture of two stations in the Southeast. As a result of the Company's acquisitions and in support of its growth strategy, the Company has added certain key members of management and has greatly expanded its operations in the television broadcasting and newspaper publishing businesses.

ACQUISITIONS, INVESTMENTS AND DIVESTITURES

2001 Acquisition of Equity Investment in Sarkes Tarzian, Inc.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock of Sarkes Tarzian, Inc. ("Tarzian") from Bull Run. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the "Estate") in January 1999.

The acquired shares of Tarzian represent 33.5% of the total outstanding common stock of Tarzian (both in terms of the number of shares of common stock outstanding and in terms of voting rights), but such investment represents 73% of the equity of Tarzian for purposes of dividends if paid as well as distributions in the event of any liquidation, dissolution or other sale of Tarzian.

Tarzian is a closely held private company that owns and operates two television stations and four radio stations: WRCB-TV Channel 3 in Chattanooga, Tennessee, an NBC affiliate; KTVN-TV Channel 2

in Reno, Nevada, a CBS affiliate; WGCL-AM and WTTS-FM in Bloomington, Indiana; and WAJI-FM and WLDE-FM in Fort Wayne, Indiana. The Chattanooga and Reno markets are the 86th and the 110th largest television markets ("DMA's") in the United States, respectively, as ranked by the A.C. Nielsen Company.

Gray paid $10 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company has previously capitalized and paid to Bull Run $3.2 million of costs associated with the Company's option to acquire these shares. This acquisition has been accounted for under the cost method of accounting and reflected as a non-current other asset.

On February 12, 1999, Tarzian filed a complaint against Bull Run and the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run's purchase of the shares, and requests judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and the Company cannot predict when the final resolution of the litigation will occur. The 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 (or its successors or assigns), the purchase agreement will be rescinded and the Estate will be required to pay for the benefit of Gray, as successor in interest, the full $10 million purchase price, plus interest.

Acquisition of the Texas Stations

On October 1, 1999, the Company completed its acquisition of all the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd. The Company acquired the capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company in merger transactions with the shareholders of KWTX Broadcasting Company and Brazos Broadcasting Company receiving a combination of cash and the Company's Class B Common Stock for their shares. The Company acquired the assets of KXII Broadcasters Ltd. in an all cash transaction. These transactions are referred to herein as the "Texas Acquisitions."

Aggregate consideration (net of cash acquired) paid in the Company's Class B Common Stock and cash was approximately $146.4 million which included a base purchase price of $139.0 million, transaction expenses of $2.8 million and certain net working capital adjustments (excluding cash) of $4.6 million. In addition to the amount paid, the Company assumed approximately $600,000 in liabilities in connection with the asset purchase of KXII Broadcasters Ltd. The Company funded the acquisitions by issuing 3,435,774 shares of the Company's Class B Common Stock (valued at $49.5 million) to the sellers, borrowing an additional $94.4 million under its Senior Credit Facility and using cash on hand of approximately $2.5 million.

With the Texas Acquisitions the Company added the following television stations to its broadcast segment: KWTX-TV, the CBS affiliate located in Waco, Texas; KBTX-TV, the CBS affiliate located in Bryan, Texas, each serving the Waco-Temple-Bryan, Texas television market and KXII-TV, the CBS affiliate serving Sherman, Texas and Ada, Oklahoma. Under Federal Communications Commision (the "FCC") regulations, KBTX-TV is operated as a satellite station of KWTX-TV. The stations are collectively referred to herein as the "Texas Stations."

Acquisition of The Goshen News

On March 1, 1999, the Company acquired substantially all of the assets of The Goshen News from News Printing Company, Inc. and affiliates thereof, for aggregate cash consideration of approximately $16.7 million including a non-compete agreement (the "Goshen Acquisition"). The Goshen News is

currently a 16,000-circulation newspaper published Monday through Sunday and serves Goshen, Indiana and surrounding areas. The Company financed the acquisition through borrowings under its Senior Credit Facility.

Busse - WALB Transactions

On July 31, 1998, the Company completed the purchase of all of the outstanding capital stock of Busse Broadcasting Corporation ("Busse"). The purchase price was approximately $126.6 million, less the accreted value of Busse's 11 5/8 % Senior Secured Notes due 2000 (the "Busse Senior Notes"). The purchase price of the capital stock consisted of the contractual purchase price of $112.0 million, associated transaction costs of $3.9 million, acquisition costs associated with the Busse Senior Notes of $5.1 million and Busse's cash and cash equivalents of $5.6 million. Immediately following the acquisition of Busse, the Company exercised its right to satisfy and discharge the Busse Senior Notes, effectively prefunding the Busse Senior Notes at the October 15, 1998 call price of 106, plus accrued interest. The amount necessary to satisfy and discharge the Busse Senior Notes was approximately $69.9 million.

Immediately prior to the Company's acquisition of Busse, Cosmos Broadcasting Corporation acquired the assets of WEAU-TV ("WEAU") from Busse and exchanged them for the assets of WALB-TV, Inc. ("WALB"), the Company's NBC affiliate in Albany, Georgia. In exchange for the assets of WALB, the Company received the assets of WEAU, which were valued at $66.0 million, and approximately $12.0 million in cash for a total value of $78.0 million. The Company recognized a pre-tax gain of approximately $72.6 million and estimated deferred income taxes of approximately $28.3 million in connection with the exchange of WALB. The Company funded the remaining costs of the acquisition of Busse's capital stock through borrowings under the Company's Senior Credit Facility.

As a result of these transactions, the Company acquired the following television stations: KOLN-TV ("KOLN"), the CBS affiliate serving the Lincoln-Hastings-Kearney, Nebraska market; its satellite station KGIN-TV ("KGIN"), the CBS affiliate serving Grand Island, Nebraska; and WEAU, an NBC affiliate serving the La Crosse-Eau Claire, Wisconsin market. These transactions also satisfied the FCC's requirement for the Company to divest itself of WALB. These transactions are referred to as the "Busse-WALB Transactions."

WITN Acquisition

In August 1997, the Company acquired substantially all of the assets of WITN-TV ("WITN"), a NBC affiliate serving the Greenville-New Bern-Washington, North Carolina market (the "WITN Acquisition"). The purchase price for the WITN Acquisition was approximately $41.7 million, including fees, expenses, working capital and other adjustments.

GulfLink Acquisition

In April 1997, the Company acquired all of the issued and outstanding common stock of GulfLink Communications, Inc. ("GulfLink") of Baton Rouge, Louisiana (the "GulfLink Acquisition"). The GulfLink operations included nine transportable satellite uplink trucks. The purchase price for the GulfLink Acquisition approximated $5.2 million, including fees, expenses, and certain assumed liabilities. Subsequent to the GulfLink Acquisition, certain other satellite uplink truck operations of the Company were combined with GulfLink and the operating name was changed to Lynqx Communications.

TELEVISION BROADCASTING

The Company's Stations and their Markets

As used in the tables for each of the Company's stations and in this section (i) "Total Market Revenues" represent gross advertising revenues, excluding barter revenues, for all commercial television stations in the market, as reported in Investing in Television 2001 Market Report, Fourth Edition November 2001 Ratings published by BIA Publications, Inc. (the "BIA Guide"), except for revenues in WYMT-TV's ("WYMT") 16-county trading area which is not separately reported in the BIA Guide; (ii) "in-market share of households viewing television" represents the percentage of the station's audience as a percentage of all viewing by households of local commercial stations in the market from 7 a.m. to 1 a.m. Sunday through Saturday, as reported by Nielsen for November 2001; (iii) "station rank in DMA" is based on Nielsen estimates for November 2001 for the period from 7 a.m. to 1 a.m. Sunday through Saturday; (iv)"station news rank in DMA" is based on management's review of the Nielsen estimates for November 2001, (v) estimates of population, average household income, effective buying income and retail business sales growth projections are as reported in the BIA Guide; and (vi) television households are as reported by Nielsen for November 2001. Designated Market Area is defined herein as "DMA."

Station	Market	DMA Rank(1)	Commercial Stations in DMA(2)	Station Rank in DMA	Station News Rank in DMA	Television Households(3)	Total Market Revenues in DMA for 2001 (in thousands)	In-Market Share of Households Viewing TV
WVLT(4)	Knoxville, TN	62	5	2	3	478,000	74,900	27%
WKYT	Lexington, KY	66	6	1	1	436,000	55,000	35
WYMT(5)	Hazard, KY	66	N/A	1	1	169,000	5,000	33
KWTX/ KBTX(6)	Waco - Temple - Bryan, TX	94	5	1	1	299,000	31,400	38
KOLN/ KGIN(7)	Lincoln-Hastings -Kearney, NE	102	5	1	1	269,000	27,200	47
WITN(4)	Greenville- New Bern-Washington, NC	106	6	1	1	251,000	33,700	31
WCTV	Tallahassee, FL- Thomasville, GA	113	5	1	1	237,000	26,200	56
WRDW	Augusta, GA	114	6	1	1	234,000	31,400	33
WEAU	La Crosse- Eau Claire, WI	127	5	1	1	198,000	25,500	33
WJHG	Panama City, FL	159	5	1	1	121,000	14,600	50
KXII	Sherman,TX-Ada,OK	160	2	1	1	119,000	8,600	67

(1) Ranking of DMA served by a station among all DMAs is measured by the number of television households based within the DMA in the November 2001 Nielsen estimates.
(2) Includes independent broadcasting stations and excludes satellite stations such as KBTX and KGIN.
(3) Based upon the approximate number of television households in the DMA as reported by Nielsen for November 2001.
(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 ratings 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.

The percentage of the Company's total revenues contributed by the Company's television broadcasting segment was approximately 68.1%, 70.5% and 67.4% for the years ended December 31, 2001, 2000 and 1999, respectively.

In the following description of each of the Company's stations, information set forth below concerning estimates of population, Total Market Revenues, average household income, projected effective buying income and projected retail business sales growth has been derived from the BIA Guide. Estimates of television households are as reported by Nielsen for November 2001.

WVLT, the CBS affiliate in Knoxville, Tennessee

WVLT, acquired by the Company in September 1996, began operations in 1988. Knoxville, Tennessee is the 62nd DMA in the United States, with approximately 478,000 television households and a total population of approximately 1.2 million. Total Market Revenues in the Knoxville DMA in 2001 were approximately $74.9 million. According to the BIA Guide, the average household income in the Knoxville DMA in 1999 was $39,299, with effective buying income projected to grow at an annual rate of 5.3% through 2004. Retail business sales growth in the Knoxville DMA is projected by the BIA Guide to average 6.3% annually during the same period. The Knoxville DMA has five licensed commercial television stations, four of which are affiliated with major networks. The Knoxville DMA also has two public broadcasting stations.

Market Description. The Knoxville DMA, consisting of 22 counties in eastern Tennessee and southeastern Kentucky, includes the cities of Knoxville, Oak Ridge and Gatlinburg, Tennessee. The Knoxville area is a center for education, manufacturing, healthcare and tourism. The University of Tennessee's main campus with approximately 26,000 students is located within the city of Knoxville. Leading manufacturing employers in the area include: Lockheed Martin Energy Systems, Inc., DeRoyal Industries, Aluminum Company of North America, Phillips Consumer Electronics North America Corp., Clayton Homes and Sea Ray Boats, Inc.

WKYT, the CBS affiliate in Lexington, Kentucky

WKYT, acquired by the Company in September 1994, began operations in 1957. Lexington, Kentucky is the 66th largest DMA in the United States, with approximately 436,000 television households and a total population of approximately 1.2 million. Total Market Revenues in the Lexington DMA in 2001 were approximately $55.0 million. According to the BIA Guide, the average household income in the Lexington DMA in 1999 was $37,411, with effective buying income projected to grow at an annual rate of 5.3% through 2004. Retail business sales growth in the Lexington DMA is projected by the BIA Guide to average 5.3% annually during the same period. The Lexington DMA has six licensed commercial television stations, including WYMT, WKYT's sister station, five of which are affiliated with major networks. The Lexington DMA also has one public television station.

Market Description. The Lexington DMA consists of 39 counties in central and eastern Kentucky. The Lexington area is a regional hub for shopping, business, healthcare, education, and cultural activities and has a comprehensive transportation network and low commercial utility rates. Major employers in the Lexington area include Toyota Motor Corp., Lexmark International, Inc., Verizon Communications Inc., Square D Company, Ashland, Inc., the University of Kentucky and International Business Machines Corporation. Eight hospitals and numerous medical clinics are located in Lexington, reinforcing Lexington's position as a regional medical center. The University of Kentucky's main campus with approximately 25,000 students is also located in Lexington. Frankfort, the capital of Kentucky is also located within WKYT's service area.

WYMT, the CBS affiliate in Hazard, Kentucky

WYMT, acquired by the Company in September 1994, began operations in 1985. WYMT has carved out a niche trading area comprising 16 counties in eastern and southeastern Kentucky. This trading area is a separate marketing area of the Lexington, Kentucky DMA with approximately 169,000 television households and a total population of approximately 456,000. WYMT is the only commercial television station in this 16-county trading area. Total Market Revenues in the 16-county trading area for the year ended December 31, 2001, were approximately $5.0 million. WYMT is the sister station of WKYT and shares many resources and simulcasts some local programming with WKYT.

Market Description. The mountain region of eastern and southeastern Kentucky where Hazard is located is on the outer edges of four separate markets: Bristol-Kingsport-Johnson City, Charleston-Huntington, Knoxville and Lexington. Prior to 1985, mountain residents relied primarily on satellite dishes and cable television carrying distant signals for their television entertainment and news. Established in 1985, WYMT is the only local broadcast station received in its 16-county trading area. The trading area's economy is primarily centered around coal and related industries, such as natural gas and oil.

KWTX and KBTX, the CBS affiliates in Waco-Temple-Bryan, Texas

KWTX and KBTX, acquired by the Company in October 1999, began operations in 1955 and 1957, respectively. KWTX is a full power VHF television station located in Waco, Texas. KBTX is a full power VHF television station located in Bryan, Texas and, under FCC rules, is operated primarily as a satellite station to KWTX in order to serve the entire broadcast market. Waco-Temple-Bryan, Texas is the 94th largest DMA in the United States, with approximately 299,000 television households and a total population of approximately 848,000. Total Market Revenues in the Waco-Temple-Bryan DMA in 2001 were approximately $31.4 million. According to the BIA Guide, the average household income in the Waco-Temple-Bryan DMA in 1999 was $38,822, with effective buying income projected to grow at an annual rate of 4.3% through 2004. Retail business sales growth in the Waco-Temple-Bryan DMA is projected by the BIA Guide to average 4.7% annually during the same period. The Waco-Temple-Bryan DMA has five licensed commercial television stations (excluding KBTX), four of which are affiliated with major networks. The Waco-Temple-Bryan DMA also has three public television stations.

Market Description. The Waco-Temple-Bryan DMA consists of 14 counties covering a large portion of central Texas and the Brazos Valley. The cities of Waco, Temple, Killeen, Bryan and College Station are the primary economic centers of the region. College Station, Texas is the home of Texas A&M University with approximately 45,000 students and Baylor University is located in Waco, Texas with approximately 13,000 students. The Waco-Temple-Bryan economy centers on education, medical services and U.S. military installations. Leading employers in the area include: Texas A&M University, Raytheon, Baylor University, St. Joseph's Regional Medical Center, Killeen ISD, Scott and White Hospital and the U.S. Army base at Fort Hood, Texas.

KOLN\KGIN, the CBS affiliates in Lincoln-Hastings-Kearney, Nebraska

KOLN and KGIN, acquired by the Company in July 1998, began operations in 1953 and 1961, respectively. KOLN is a full power VHF television station located in Lincoln, Nebraska. KGIN is a full power VHF television station located in Grand Island, Nebraska and, under FCC rules, is operated primarily as a satellite station to KOLN in order to serve the western portion of the Lincoln-Hastings-Kearney DMA. Lincoln-Hastings-Kearney, Nebraska is the 102nd largest DMA in the United States, with approximately 269,000 television households and a total population of approximately 687,000. Total Market Revenues in the Lincoln-Hastings-Kearney DMA in 2001 were approximately $27.2 million. According to the BIA Guide, the average household income in the Lincoln-Hastings-Kearney DMA in

1999 was $43,726, with effective buying income projected to grow at an annual rate of 4.8% through 2004. Retail business sales growth in the Lincoln-Hastings-Kearney DMA is projected by the BIA Guide to average 5.0% annually during the same period. The Lincoln-Hastings-Kearney DMA has five licensed commercial television stations, all of which are affiliated with major networks. The Lincoln-Hastings-Kearney DMA also has one public television station.

Market Description. The Lincoln-Hastings-Kearney DMA consists of 51 counties covering a large portion of the western two thirds of Nebraska and the northern tier of Kansas. The city of Lincoln is the primary economic center of the region, the capital of Nebraska and home to the University of Nebraska with approximately 23,000 students. The Lincoln-Hastings-Kearney economy centers around state government, education, medical services and agriculture. Leading employers in the area include: the State of Nebraska, the University of Nebraska, Gallup Inc., the Lincoln Public School System and several area hospitals.

WITN, the NBC affiliate in Greenville-New Bern-Washington, North Carolina

WITN, acquired by the Company in August 1997, began operations in 1955. Greenville-New Bern-Washington, North Carolina is the 106th largest DMA in the United States, with approximately 251,000 television households and a total population of approximately 710,000. Total Market Revenues in the Greenville-New Bern-Washington DMA in 2001 were approximately $33.7 million. According to the BIA Guide, the average household income in the Greenville-New Bern-Washington DMA in 1999 was $39,721, with effective buying income projected to grow at an annual rate of 4.8% through 2004. Retail business sales growth in the Greenville-New Bern-Washington DMA is projected by the BIA Guide to average 3.8% annually during the same period. The Greenville-New Bern-Washington DMA has six licensed commercial television stations, four of which are affiliated with major networks. The Greenville-New Bern-Washington DMA also has three public television stations.

Market Description. The Greenville-New Bern-Washington DMA consists of 15 counties in eastern North Carolina. Greenville, North Carolina (located 100 miles east of Raleigh) is the primary economic center of the region and home to East Carolina University with approximately 19,000 students. The Greenville-New Bern-Washington economy centers around education, manufacturing and agriculture. Leading employers in the area include: Pitt County Memorial Hospital, NADEP (Naval Rework Facility), East Carolina University, Catalytica Pharmaceuticals, Inc., PCS Phosphate, Rubber Maid Cleaning Products, Inc. and Weyerhaeuser Co.

WCTV, the CBS affiliate in Tallahassee, Florida-Thomasville, Georgia

WCTV, acquired by the Company in September 1996, began operations in 1955. Tallahassee, Florida-Thomasville, Georgia is the 113th largest DMA in the United States, with approximately 237,000 television households and a total population of approximately 655,000. Total Market Revenues in the Tallahassee-Thomasville DMA in 2001 were approximately $26.2 million. According to the BIA Guide, the average household income in the Tallahassee, Florida-Thomasville, Georgia DMA in 1999 was $38,678, with effective buying income projected to grow at an annual rate of 4.5% through 2004. Retail business sales growth in the Tallahassee, Florida-Thomasville, Georgia DMA is projected by the BIA Guide to average 6.4% annually during the same period. The Tallahassee-Thomasville DMA has five licensed commercial television stations, four of which are affiliated with major networks. The Tallahassee-Thomasville DMA also has one public television station.

Market Description. The Tallahassee-Thomasville DMA, consisting of 18 counties in the panhandle of Florida and southwest Georgia, includes Tallahassee, the capital of Florida, and Thomasville, Valdosta and Bainbridge, Georgia. The Tallahassee-Thomasville economy centers around state and local government as well as state and local universities which include Florida State University with approximately 33,000 students, Florida A&M University with

approximately 12,000 students, Tallahassee Community College, Thomas College and Valdosta State University. Florida State University and Florida A&M University each have their main campus located within the city of Tallahassee.

WRDW, the CBS affiliate in Augusta, Georgia

WRDW, acquired by the Company in January 1997, began operations in 1954. Augusta, Georgia is the 114th largest DMA in the United States, with approximately 234,000 television households and a total population of approximately 647,000. Total Market Revenues in the Augusta DMA in 2001 were approximately $31.4 million. According to the BIA Guide, the average household income in the Augusta DMA in 1999 was $36,606, with effective buying income projected to grow at an annual rate of 3.5% through 2004. Retail business sales growth in the Augusta DMA is projected by the BIA Guide to average 4.8% annually during the same period. The Augusta DMA has six licensed commercial television stations, four of which are affiliated with a major network. The Augusta DMA also has two public television stations.

Market Description. The Augusta DMA consists of 18 counties in eastern Georgia and western South Carolina, including the cities of Augusta, Georgia and North Augusta and Aiken, South Carolina. The Augusta, Georgia area is one of Georgia's major metropolitan/regional centers, with a particular emphasis on health services, manufacturing and the military. The federal government employs military and civilian personnel at the Department of Energy's Savannah River Site, a nuclear processing plant, and Fort Gordon, a U.S. Army military installation. Augusta has eight large hospitals, which collectively employ approximately 20,000 and reinforce Augusta's status as a regional healthcare center. Augusta is also home to the Masters Golf Tournament, which has been broadcast by CBS for 46 years.

WEAU, the NBC affiliate in La Crosse-Eau Claire, Wisconsin

WEAU, acquired by the Company in July 1998, began operations in 1953. La Crosse-Eau Claire, Wisconsin is the 127th largest DMA in the United States, with approximately 198,000 television households and a total population of approximately 532,000. Total Market Revenues in the La Crosse-Eau Claire, Wisconsin DMA in 2001 were approximately $25.5 million. According to the BIA Guide, the average household income in the La Crosse-Eau Claire, Wisconsin DMA in 1999 was $37,490, with effective buying income projected to grow at an annual rate of 3.8% through 2004. Retail business sales growth in the La Crosse-Eau Claire, Wisconsin DMA is projected by the BIA Guide to average 5.3% annually during the same period. The La Crosse-Eau Claire, Wisconsin DMA has five licensed commercial television stations, four of which are affiliated with major networks. The La Crosse-Eau Claire, Wisconsin DMA also has one public television station.

Market Description. The La Crosse-Eau Claire, Wisconsin DMA, consists of 12 counties in west central Wisconsin and two counties in eastern Minnesota. The La Crosse and Eau Claire, Wisconsin economy centers around medical services, agriculture, education and retail businesses. The University of Wisconsin maintains a 11,000-student campus in Eau Claire. Leading employers include Hutchinson Technologies, the University of Wisconsin at Eau Claire and several area hospitals.

WJHG, the NBC affiliate in Panama City, Florida

WJHG, acquired by the Company in 1960, began operations in 1953. Panama City, Florida is the 159th largest DMA in the United States, with approximately 121,000 television households and a total population of approximately 328,000. Total Market Revenues in the Panama City DMA in 2001 were approximately $14.6 million. According to the BIA Guide, the average household income in the Panama City DMA in 1999 was $36,902, with effective buying income projected to grow at an annual rate of

4.8% through 2004. Retail business sales growth in the Panama City DMA is projected by the BIA Guide to average 5.4% annually during the same period. The Panama City DMA has five licensed commercial television stations, three of which are affiliated with major networks. In addition, a station in Dothan, Alabama, an adjacent DMA, provides a CBS signal. The Panama City DMA also has one public television station.

Market Description. The Panama City DMA consists of nine counties in northwest Florida. The Panama City market stretches north from Florida's Gulf Coast to Alabama's southern border. The Panama City economy centers around tourism, military bases, manufacturing, education and financial services. Panama City is the county seat and principal city of Bay County. Leading employers in the area include: Tyndall Air Force Base, the U.S. Navy Coastal Systems Station, Sallie Mae Servicing Corp., Stone Container Corporation, Arizona Chemical Corporation and Gulf Coast Community College.

KXII, the CBS affiliate in Sherman, Texas - Ada, Oklahoma

KXII, acquired by the Company in October 1999, began operations in 1956. Sherman, Texas-Ada, Oklahoma is the 160th largest DMA in the United States, with approximately 119,000 television households and a total population of approximately 312,000. Total Market Revenues in the Sherman, Texas-Ada, Oklahoma DMA in 2001 were approximately $8.6 million. According to the BIA Guide, the average household income in the Sherman, Texas-Ada, Oklahoma DMA in 1999 was $34,745, with effective buying income projected to grow at an annual rate of 5.1% through 2004. Retail business sales growth in the Sherman, Texas-Ada, Oklahoma DMA is projected by the BIA Guide to average 4.8% annually during the same period. The Sherman, Texas-Ada, Oklahoma DMA has two licensed commercial television stations, both of which are affiliated with major networks.

Market Description. The Sherman, Texas-Ada, Oklahoma DMA, consists of one county in north central Texas and 10 counties in south central Oklahoma. The Sherman, Texas-Ada, Oklahoma economy centers around medical services, manufacturing and distribution services. Leading employers include Michelin, MEMC Southwest, Globitech, Raytheon, CIGNA, Johnson & Johnson and Texas Instruments.

Satellite Transmission and Production Services

The Company's satellite transmission and production services business, Lynqx Communications, operates C-band and Ku-band transportable satellite uplink units and provides production management services. Clients include NBC, CBS, ABC and other broadcast and cable services. Currently Lynqx operates 13 mobile satellite uplink units.

Industry Background

There are currently a limited number of channels available for broadcasting in any one geographic area, and the license to operate a television station is granted by the FCC. Television stations which broadcast over the very high frequency ("VHF") band (channels 2-13) of the spectrum generally have some competitive advantage over television stations which broadcast over the ultra-high frequency ("UHF") band (channels above 13) of the spectrum, because the former usually have better signal coverage and operate at a lower transmission cost.

Television station revenues are primarily derived from local, regional and national advertising and, to a much lesser extent, from network compensation and revenues from studio and tower space rental and commercial production activities. Advertising rates are based upon a variety of factors, including a program's popularity among the viewers an advertiser wishes to attract, the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Rates are also determined by a

station's overall ratings and in-market share, as well as the station's ratings and share among particular demographic groups, which an advertiser may be targeting. Because broadcast stations rely on advertising revenues, they are sensitive to cyclical changes in the economy. The size of advertisers' budgets, which are affected by broad economic trends, affect the broadcast industry in general and the revenues of individual broadcast television stations.

All television stations in the country are grouped by Nielsen, a national audience measuring service, into approximately 210 generally recognized television markets that are ranked in size according to various formulae based upon actual or potential audience. Each DMA is an exclusive geographic area consisting of all counties in which the home-market commercial stations receive the greatest percentage of total viewing hours. Nielsen periodically publishes data on estimated audiences for the television stations in the various television markets throughout the country.

Four major broadcast networks, ABC, NBC, CBS and FOX dominate broadcast television. Additionally, United Paramount Network ("UPN"), Warner Brothers Network ("WB") and the Pax TV Network have been launched as additional television networks. An affiliate of FOX, UPN, WB or Pax TV receives a smaller portion of each day's programming from its network compared to an affiliate of ABC, NBC or CBS.

The affiliation of a station with ABC, NBC or CBS has a significant impact on the composition of the station's programming, revenues, expenses and operations. A typical affiliate of these networks receives the majority of each day's programming from the network. This programming, along with cash payments ("network compensation") in certain instances, is provided to the affiliate by the network in exchange for a substantial majority of the advertising time available for sale during the airing of network programs. The network then sells this advertising time and retains the revenues. The affiliate retains the revenues from time sold during breaks in and between network programs and programs the affiliate produces or purchases from non-network sources. In acquiring programming to supplement programming supplied by the affiliated network, the affiliates compete primarily with other affiliates and independent stations in their markets. 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. In addition, a television station may acquire programming through barter arrangements. Under barter arrangements, a national program distributor may receive advertising time in exchange for the programming it supplies, with the station paying a reduced or no fee for such programming. Most successful commercial television stations obtain their brand identity from locally produced news programs.

In contrast to a station affiliated with a network, a fully independent station purchases or produces all of the programming that it broadcasts, resulting in generally higher programming costs. An independent station, however, retains its entire inventory of advertising time and all the revenues obtained therefrom. As a result of the smaller amount of programming provided by its network, an affiliate of FOX, UPN, WB or Pax TV must purchase or produce a greater amount of programming, resulting in generally higher programming costs. These affiliate stations, however, retain a larger portion of the inventory of advertising time and the revenues obtained therefrom compared to stations affiliated with the major networks.

Cable-originated programming is a significant competitor for viewers of broadcast television programming, although no single cable programming network regularly attains audience levels amounting to more than a small fraction of any single major broadcast network. The advertising share of cable networks has increased as a result of the growth in cable penetration (the percentage of television households which are connected to a cable system). Notwithstanding such increases in cable viewership and advertising, over-the-air broadcasting remains the dominant distribution system for mass-market television advertising.

Network Affiliation of the Stations

Each of the Company's 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 return, the network has the right to sell a substantial majority of the advertising time during such broadcasts. 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. Typically, prime-time programming generates the highest hourly network compensation payments. Such payments are subject to increase or decrease by the network during the term of an affiliation agreement with provisions for advance notices and right of termination by the station in the event of a reduction in such payments. The CBS affiliation agreements expire as follows: (i) WVLT, WKYT, WYMT and WCTV, on December 31, 2004, (ii) WRDW on March 31, 2005 and (iii) KWTX, KBTX, KOLN, KGIN and KXII on December 31, 2005. The Company has tentatively agreed with NBC to extend the affiliation agreements of WEAU, WITN and WJHG through December 31, 2011 and is currently working with NBC to finalize the definitive affiliation agreements. The CBS affiliation agreements for KWTX, KBTX and KXII were renegotiated during the fourth quarter of 2000 and were extended through December 31, 2005. For the year ended December 31, 2001, combined network compensation for our three NBC affiliates and the three CBS-affiliated Texas stations was $1.8 million and $1.3 million, respectively. As a result of these negotiations with NBC and CBS, network compensation for our three NBC affiliates and our CBS affiliates, KWTX, KBTX and KXII will be phased out over the next few years. Although network affiliation agreements have historically been renewed by the Company and the respective networks, the Company can not guarantee that any agreements will be renewed in the future under their current terms.

NEWSPAPER PUBLISHING

At December 31, 2001, the Company owned and operated five publications comprising four daily newspapers and an advertising shopper, located in the Southeast and Midwest. The percentage of total Company revenues contributed by the newspaper publishing segment was approximately 26.3%, 24.2% and 26.3% for each of the years ended December 31, 2001, 2000 and 1999, respectively.

The Albany Herald

The Albany Herald Publishing Company, Inc. ("The Albany Herald"), located in Albany, Georgia, publishes The Albany Herald, which is published seven days a week and serves southwest Georgia. The Albany Herald's circulation approximates 31,000 Sunday subscribers and 28,000 daily. The Albany Herald also produces a weekly advertising shopper and other niche publications.

Gwinnett Daily Post and Rockdale Citizen/Newton Citizen

The Gwinnett Daily Post and Rockdale Citizen/Newton Citizen are newspapers that serve communities in the metro Atlanta area with complete local news, sports and lifestyles coverage together with national stories that directly impact their local communities.

The Gwinnett Daily Post is published Tuesday through Sunday and has a circulation of approximately 65,000 subscribers. The Gwinnett Daily Post is located northeast of Atlanta in Gwinnett County, one of the fastest growing areas in the nation with an estimated population of approximately 650,000. According to Woods and Poole 2000 MSA Profile, Gwinnett County's population is projected to grow by 25% between 1999 and 2004. Since the purchase of the Gwinnett Daily Post in 1995, the frequency of publication has increased from three to six days per week and circulation has grown from 13,000 to 65,000 subscribers.

Rockdale Citizen/Newton Citizen is published seven days per week with a circulation of approximately 17,000. In 2000, the Company began publication of the Newton Citizen for distribution into neighboring Newton County. The Rockdale Citizen is located in Conyers, Georgia, the county seat of Rockdale County, which is 19 miles east of downtown Atlanta. Rockdale County and Newton County's combined population is estimated to be approximately 132,000.

The Goshen News

The Goshen News is published seven days a week with a circulation of 16,000 and serves Goshen, Indiana and surrounding areas. The Goshen News also produces a weekly advertising shopper. Since the Company acquired The Goshen News in 1999, it has added a Sunday edition and converted the Saturday edition to morning delivery.

Industry Background

Newspaper publishing is the oldest segment of the media industry and, as a result of the focus on local news, newspapers in general, remain an important media for local advertising. Newspaper advertising revenues are cyclical and have generally been affected by changes in national and regional economic conditions. Financial instability in the retail industry, including bankruptcies of larger retailers and consolidations among large retail chains can result in reduced retail advertising expenditures. Classified advertising, which makes up approximately one-third of newspaper advertising expenditures, can be affected by an economic slowdown and its effect on employment, real estate transactions and automotive sales. However, growth in housing starts and automotive sales, although cyclical in nature, generally provide continued growth in newspaper advertising expenditures. While the newspaper publishing industry is impacted by the economic cycles, it is not generally affected by the cyclical nature of political advertising revenue.

PAGERS AND WIRELESS SERVICES

The Paging Business

The paging business, acquired by the Company in September 1996, is based in Tallahassee, Florida and operates in Columbus, Macon, Albany, Thomasville, Valdosta and Savannah, Georgia, in Dothan, Alabama, in Tallahassee, Gainesville, Orlando and Panama City, Florida and in certain contiguous areas. In 2001, the Company's paging operations had approximately 75,000 units in service compared to approximately 90,000 units in service in 2000. The percentage of total Company revenues contributed by the paging segment was approximately 5.6%, 5.3% and 6.3% for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company's paging system operates by connecting a telephone call placed to a local telephone number with a local paging switch. The paging switch processes a caller's information and sends the information to a link transmitter which relays the processed information to paging transmitters, which in turn alert an individual pager by means of a coded radio signal. This process provides service to a "local coverage area." To enhance coverage further to its customer base, all of the Company's local coverage areas are interconnected or networked, providing for "wide area coverage" or "network coverage." A pager's coverage area is programmable and can be customized to include or exclude any particular paging switch and its respective geographic coverage area, thereby allowing the Company's paging customers a choice of coverage areas. In addition, the Company is able to network with other paging companies which share the Company's paging frequencies in other markets, by means of an industry standard network paging protocol, in order to increase the geographic coverage area in which the Company's customers can receive paging service. During 1999, the Company introduced services which allow its paging customers to receive electronic mail on their pagers. In addition, the Company expanded its

capability so that individuals may send text messages via the Internet to the Company's paging customers by accessing the paging businesses web page. In 2001, the Company introduced WebTouch, allowing its customers to access their account information through the web to make changes and payments.

A subscriber to the Company's paging services either owns a pager, thereby paying solely for the use of the Company's paging services, or leases a pager, thereby paying a periodic charge for both the pager and the paging services. Of the Company's pagers currently in service, approximately 70% are customer owned and maintained ("COAM") with the remainder being leased. COAM customers historically stay on service longer, thus enhancing the stability of the subscriber base and earnings. The Company is focusing its marketing efforts on increasing its base of COAM users.

Industry Background

Three tiers of carriers have emerged in the paging industry: (i) large nationwide providers serving multiple markets throughout the United States; (ii) regional carriers, like the Company's paging business, which operate in regional markets such as several contiguous states in one geographic region of the United States; and (iii) small, single market operators.

The paging industry has traditionally marketed its services through direct distribution by sales representatives. In recent years, additional channels of distribution have evolved, including: (i) carrier-operated retail stores; (ii) resellers, who purchase paging services on a wholesale basis from carriers and resell those services on a retail basis to their own customers; and (iii) sales agents who solicit customers and are compensated on a salary and commission basis.

ADDITIONAL INFORMATION ON BUSINESS SEGMENTS

Reference is made to Note I of notes to consolidated financial statements of the Company for additional information regarding business segments.

COMPETITION

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 the Company's 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 such programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of locally produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only.

In addition, the development of methods of television transmission of video programming other than over-the-air broadcasting, and in particular, cable television, has significantly altered competition for audience 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-broadcast programming.

Other sources of competition include home entertainment systems, "wireless cable" services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite ("DBS") video distribution services and the internet.

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). Competition exists for exclusive news stories and features as well. 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.

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 the Company's stations. The Company's stations compete for such advertising revenues with other television stations and other media in their respective markets. The stations also compete for advertising revenue 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.

Newspaper Industry

The Company's newspapers compete for advertisers with a number of other media outlets, including magazines, radio, television and the internet, as well as other newspapers, which also compete for readers with the Company's publications. One of the Company's newspaper competitors is significantly larger than the Company and operates in two of its newspaper markets. The Company differentiates its publications from the other newspaper by focusing on local news and local sports coverage in order to compete with its larger competitor. The Company clearly identifies the markets it wishes to target and seeks to become the primary source for local news and advertising information within those markets.

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. The Company competes by maintaining competitive pricing of its product and service offerings, by providing quality, reliable transmission networks and by furnishing subscribers a superior level of customer service.

The Company's primary competitors include those paging companies that provide wireless service in the same geographic areas in which the Company operates. The Company experiences competition from one or more competitors in all locations in which it operates; however, many of the Company's competitors have experienced financial difficulty in the past two years.

The Company's 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. In addition, technological developments in the wireless communications industry and enhancements of current technology have created new products and services, such as personal communications services and mobile satellite

services, which are also competitive with the paging services currently offered by the Company. FCC policies are aimed at encouraging such technological developments, new services and promoting competition. There can be no assurance that the Company's paging business would not be adversely affected by such technological developments or regulatory changes.

FEDERAL REGULATION OF THE COMPANY'S BUSINESS

Television Broadcasting

Existing Regulation. Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act") and the Telecommunications Act of 1996 (the "Telecommunications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC and empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the locations of stations, regulate the equipment used by stations, adopt regulations to carry out the provisions of the Communications Act and the Telecommunications Act and impose penalties for violation of such regulations. The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC.

License Grant and Renewal. Television broadcasting licenses generally are granted or renewed for a period of eight years but may be renewed for a shorter period upon a finding by the FCC that the "public interest, convenience, and necessity" would be served thereby. The broadcast licenses for each station are effective through the following dates: WVLT - August 1, 2005; WKYT - August 1, 2005; WYMT- August 1, 2005; KOLN and KGIN - June 1, 2006; WITN - December 1, 2004; WRDW - April 1, 2005; WCTV - April 1, 2005; WEAU - December 1, 2005, WJHG - - February 1, 2005, KBTX and KWTX - August 1, 2006, and KXII - August 1, 2006. The Telecommunications Act requires a broadcast license to be renewed if the FCC finds that: (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Telecommunications Act or the FCC's rules and regulations by the licensee; and (iii) there have been no other violations, which taken together would constitute a pattern of abuse. At the time an application is made for renewal of a television license, parties in interest may file petitions to deny, and such parties, including members of the public, may comment upon the service the station has provided during the preceding license term and urge denial of the application. If the FCC finds that the licensee has failed to meet the above-mentioned requirements, it could deny the renewal application or grant a conditional approval, including renewal for a lesser term. The FCC will not consider competing applications contemporaneously with a renewal application. Only after denying a renewal application can the FCC accept and consider competing applications for the license. Although in substantially all cases broadcast licenses are renewed by the FCC even when petitions to deny are filed against broadcast license renewal applications, there can be no assurance that the Company's stations' licenses will be renewed. The Company is not aware of any facts or circumstances that could prevent the renewal of the licenses for its stations at the end of their respective license terms.

Multiple Ownership Restrictions. Currently, the FCC has rules that limit the ability of individuals and entities to own or have an ownership interest above a certain level (an "attributable" interest, as defined more fully below) in broadcast stations, as well as other mass media entities. The current rules limit the number of broadcast stations that may be owned both on a national and a local basis. On a national basis, the rules preclude any individual or entity from having an attributable interest in co-owned television stations whose aggregate audience reach exceeds 35% of all United States households. Owners of television stations that have an attributable interest in another TV station in the same Nielsen DMA, or that operate a satellite station in the same market, do not have to include those additional same-market outlets in calculating its 35% aggregate television audience reach cap. A station owner with an attributable interest in a station in a separate market (including time-brokered local marketing agreements

("LMAs") and satellite stations) must count that additional audience as part of its national aggregate audience. The U.S. Court of Appeals for the D.C. Circuit has recently ordered the FCC to review the rule to determine whether it is necessary to protect the public interest.

On a local basis, the FCC has revised its local market television ownership rules, permitting station owners to realize the efficiencies of certain types of common ownership. The FCC currently allows the common ownership of two television stations without regard to broadcast signal contour overlap if the stations are in separate DMAs. The FCC continues to allow common ownership of two stations in the same DMA if their Grade B contours do not overlap. Entities are permitted to own two television stations within the same DMA if eight full-power independently owned television stations (commercial and noncommercial) will remain post-merger, and one of the co-owned stations is not among the top four-ranked stations in the market based on audience share. In order for a television station to count toward the minimum number of independent stations necessary for FCC approval of a proposed duopoly, its Grade B signal contour must overlap the Grade B signal contour of a at least one of the TV stations involved in the proposed combination. The common ownership of two television stations in the same market with an overlapping contour is permitted where the same-market licensee is the only reasonably available buyer and the station purchased is a "failed station" (either off the air for at least four months prior to the waiver application or involved in involuntary bankruptcy or insolvency proceedings) or a "failing" station (having a low audience share and financially struggling during the previous several years). A waiver of the FCC's ownership restrictions is possible if the applicants for waiver can show that the combination will result in the construction of a previously unbuilt station. A challenge to the rule limiting duopolies to markets whose eight separate voices would remain after a merger or combination is pending in the U. S. Court of Appeals for the D.C. Circuit.

The FCC also substantially modified its rules implementing TV-radio cross-ownership restrictions (the so-called "one-to-a-market" rule). Depending upon the particular circumstances an entity may own up to two television stations and six radio stations or one television station and seven radio stations in a market.

In addition, the FCC decided to retain the cable/television cross-ownership rule, which effectively prohibits joint ownership of a broadcast television station and cable system in the same market. An appeal challenging the FCC's decision to retain this rule was filed in the U. S. Court of Appeals for the D. C. Circuit, which recently vacated the rule and ordered the Commission to provide a stronger justification for the rule before it attempts to reinstate it.

The FCC has also initiated a proceeding to determine whether any changes should be made to its newspaper/broadcast cross-ownership rule. The rule, adopted by the FCC in the 1970s, generally prohibits one entity from owning both a commercial broadcast station and a daily newspaper in situations in which the predicted or measured contours of the station encompass entirely the community in which the newspaper is published.

Expansion of the Company's broadcast operations in particular areas and nationwide will continue to be subject to the FCC's ownership rules and any changes the FCC or Congress may adopt. Any relaxation of the FCC's ownership rules may increase the level of competition in one or more of the markets in which the Company's stations are located, particularly to the extent that the Company's competitors may have greater resources and thereby be in a better position to capitalize on such changes.

Under the FCC's ownership rules, a direct or indirect purchaser of certain types of securities of the Company could violate FCC regulations if that purchaser owned or acquired an "attributable" or "meaningful" interest in other media properties in the same areas as stations owned by the Company or in a manner otherwise prohibited by the FCC. All officers and directors of a licensee, as well as general partners, uninsulated limited partners or members of a limited liability company and stockholders who

own 5% or more of the voting power of the outstanding common stock of a licensee (either directly or indirectly), generally will be deemed to have an "attributable" interest in the licensee. Certain institutional investors, which exert no control or influence over a licensee, may own up to 20% of the voting power of the outstanding common stock before attribution occurs.

The FCC has recently revised its broadcast ownership attribution rules. The attribution rules define what constitutes a "cognizable interest" for purposes of applying the ownership rules. The FCC's attribution rules now include a new "equity/debt plus" attribution rule that functions in addition to the current attribution rules. Under the new rule, a holder of a financial interest, whether equity or debt or both, of 33% of licensee's total assets will have an attributable interest in that licensee if it is either a major program supplier to that licensee (supplying more than 15% of a station's total weekly broadcast programming hours) or if it is a same media market entity (including broadcasters, cable operators and newspapers). All stock, including common and preferred, voting and nonvoting stock, will be counted toward the 33% threshold. Time brokerage of another television station in the same market (including LMAs) for more than 15% of the brokered station's broadcast hours per week will result in the attribution of the time brokerage arrangement. Except for certain LMAs, any interest acquired on or after November 7, 1996, is subject to the FCC's revised ownership and attribution rules. To the best of the Company's knowledge, no officer, director or 5% stockholder of the Company currently holds an attributable interest in another television station, radio station, cable television system or daily newspaper that is inconsistent with the FCC's ownership rules and policies or with ownership by the Company of its stations.

Alien Ownership Restrictions. The Communications Act restricts the ability of foreign entities or individuals to own or hold interests in broadcast licenses. Foreign governments, representatives of foreign governments, non-citizens, representatives of non-citizens, and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-citizens, collectively, may directly or indirectly own or vote up to 20% of the capital stock of a licensee. In addition, a broadcast license may not be granted to or held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by non-citizens or their representatives or by foreign governments or their representatives, or by non-U.S. corporations if the FCC finds that the public interest will be served by the refusal or revocation of such license. The Company has been advised that the FCC staff has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such corporation and the FCC has made such an affirmative finding only in limited circumstances. The Company, which serves as a holding company for wholly-owned subsidiaries that are licensees for its stations, therefore may be restricted from having more than one-fourth of its stock owned or voted directly or indirectly by non-citizens, foreign governments, representatives of non-citizens or foreign governments, or foreign corporations.

Recent Developments. Congress has recently enacted legislation and the FCC currently has under consideration or is implementing new regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation and ownership of the Company's broadcast properties. In addition to the proposed changes noted above, such matters include, for example, spectrum use fees, political advertising rates, potential advertising restrictions on the advertising of certain products (such as hard liquor), the rules and policies to be applied in enforcing the FCC's equal employment opportunity regulations, cable carriage of digital television signals and viewing of distant network signals by direct broadcast satellite services. Other matters that could affect the Company's broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry, such as the recent initiation of direct broadcast satellite service, and the continued establishment of wireless cable systems and low power television stations.

In response to a decision of the U.S. Court of Appeals for the D.C. Circuit, the FCC suspended its requirement that licensees widely disseminate information about job openings to all segments of the

community to ensure that all qualified applicants, including minorities and women, have sufficient opportunities to compete for jobs in the broadcast industry. Recently the FCC voted to open a new proceeding to re-establish equal employment opportunity rules for broadcasters, which would reinstate the requirement that licensees widely disseminate information about job openings to all segments of the community and periodically disclose details concerning recruiting and outreach activities.

The 1992 Cable Act. On October 5, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). The FCC implemented the requirements of the 1992 Cable Act. Certain statutory provisions, such as signal carriage, retransmission consent and equal employment opportunity requirements, have a direct effect on television broadcasting. Other provisions are focused exclusively on the regulation of cable television but can still be expected to have an indirect effect on the Company because of the competition between over-the-air television stations and cable systems.

The signal carriage, or "must carry," provisions of the 1992 Cable Act require cable operators to carry the signals of local commercial and non-commercial television stations and certain low power television stations. Systems with 12 or fewer usable activated channels and more than 300 subscribers must carry the signals of at least three local commercial television stations. A cable system with more than 12 usable activated channels, regardless of the number of subscribers, must carry the signals of all local commercial television stations, up to one-third of the aggregate number of usable activated channels of such system. The 1992 Cable Act also includes a retransmission consent provision that prohibits cable operators and other multi-channel video programming distributors from carrying broadcast stations without obtaining their consent in certain circumstances. The "must carry" and retransmission consent provisions are related in that a local television broadcaster, on a cable system-by-cable-system basis, must make a choice once every three years whether to proceed under the "must carry" rules or to waive that right to mandatory but uncompensated carriage and negotiate a grant of retransmission consent to permit the cable system to carry the station's signal, in most cases in exchange for some form of consideration from the cable operator. Cable systems must obtain retransmission consent to carry all distant commercial stations other than certain "super stations" delivered via satellite. Under rules adopted to implement these "must carry" and retransmission consent provisions, local television stations are required to make an election of "must carry" or retransmission consent at three year intervals. Stations that fail to elect are deemed to have elected carriage under the "must carry" provisions. Other issues addressed in the FCC rules are market designations, the scope of retransmission consent and procedural requirements for implementing the signal carriage provisions. Each of the Company's stations has elected "must carry" status on certain cable systems in its DMA. On other cable systems the Company's stations have entered into retransmission consent agreements. This election entitles the Company's stations to carriage on those systems until at least December 31, 2002.

The 1992 Cable Act was amended in several important respects by the Telecommunications Act. Most notable, the Telecommunications Act repeals the cross-ownership ban between cable and telephone entities as well as the FCC's former video dial-tone rules (permitting telephone companies to enter the video distribution services market under several new regulatory options). The Telecommunications Act also (a) eliminated the broadcast network/cable cross-ownership limitation and (b) lifted the statutory ban on TV/cable cross-ownership within the same market area (without, however, eliminating the separate FCC regulatory restrictions on TV/cable cross-ownership, discussed above).

Digital Television Service. In December 1996, the FCC formally approved technical standards for digital advanced television ("DTV"). DTV is a flexible system that will permit broadcasters to utilize a single digital channel in various ways, including providing one channel of high-definition television programming with greatly enhanced image and sound quality or several channels of lower-definition television programming ("multicasting"), and is capable of accommodating subscription video and data services. Broadcasters may offer a combination of services, so long as they transmit at least one stream of

free video programming on the DTV channel. The FCC has assigned to each existing full power television station (including each station owned by the Company) a second channel to implement DTV while present television operations are continued on that station's existing analog channel. Although in some cases a station's DTV channel may only permit operation over a smaller geographic service area than that available using its existing channel, the FCC's stated goal in assigning channels was to provide stations with DTV service areas that will replicate their existing service areas. The FCC's DTV rules also permit stations to request new channel assignments and other modifications to their assigned DTV facilities, allowing them to expand their DTV service areas if certain interference criteria are met. Under FCC rules and the Balanced Budget Act of 1997, station owners may be required to surrender one channel in 2006 and thereafter provide service solely in the DTV format. Generally, under current FCC rules each of the Company's stations must construct DTV facilities and commence operations by May 2002. The Company completed its DTV implementation at WRDW, its Augusta, Georgia station, in early 2000. In 2001, the Company completed its DTV implementation at KWTX, its Waco, Texas station and WEAU, its Eau Claire, Wisconsin station. The Company currently intends to begin digital broadcast on KXII in Sherman, Texas by May 2002. It plans to complete the necessary DTV construction at all of its remaining stations within the next year and has sought six-month extensions of the May 2002 deadline.

In November 1998, the FCC issued a decision to implement the requirement of the Telecommunications Act that it charge broadcasters a fee for offering subscription services on the DTV channel. The FCC decision was to impose a fee of 5% of the gross revenues generated by such services. The FCC also is considering whether and how to extend cable systems' obligations for mandatory carriage of broadcast stations' DTV channels. Finally, the FCC is considering additional public interest obligations on broadcasters' digital operations. The FCC has asked for comment on four general categories of issues: (1) the application of television stations' public interest obligations to the new flexibility and capabilities of digital television, such as multiple channel transmission; (2) how television stations could best serve their communities in terms of providing their viewers information on their public interest activities, and using digital technology to provide emergency information in new ways; (3) how DTV broadcasters could increase access to television programming by people with disabilities, and further the longstanding legislative and regulatory goals of diversity; and (4) whether broadcasters could enhance the quality of political discourse through uses of the airwaves for political issues and debate.

In January 2001, the FCC issued an order addressing the must-carry rights of digital television broadcasters in which it determined the following:

(i) Digital-only television stations may immediately assert carriage rights on local cable systems;
(ii) Television stations that return their analog spectrum and convert to digital operations are entitled to must-carry rights; and
(iii) A digital-only station asserting must-carry rights is entitled only to carriage of a single programming stream and other "program-related" content, regardless of the number of programs it broadcasts simultaneously on its digital spectrum.

The FCC deferred making a decision as to whether broadcasters are entitled to simultaneous carriage of both their digital and analog signals during the transition to DTV. Nevertheless, the agency did announce its tentative conclusion that, although neither forbidden nor mandated by the Communications Act, dual carriage obligations would appear to impose an unconstitutional burden on a cable operator's First Amendment rights. The FCC is also considering whether rules for carriage of digital television signals by cable system operators should also apply to direct broadcast satellite operators.

Several parties have filed petitions for reconsideration of the FCC's DTV must-carry decision. Those petitions remain pending before the FCC, and we cannot predict what changes, if any, the FCC will make to its DTV must-carry rules on reconsideration.

Direct Broadcasting Satellite Systems. The FCC has authorized DBS, a service which provides video programming via satellite directly to home subscribers. Congress has enacted the Satellite Home Viewer Improvement Act ("SHVIA") that gives satellite companies the option of providing local broadcast stations to subscribers living in the station's local market area. This is referred to as "local-into-local."

Beginning January 1, 2002 DBS operators became subject to a requirement for mandatory carriage of local television stations, similar to that applicable to cable systems, for those markets in which a satellite carrier chooses to provide any local signal. Stations in affected markets were required to make must-carry elections by June 2001. SHVIA also extended the current system of satellite distribution of distant network signals to unserved households (i.e. those that do not receive a Grade B signal from a local network affiliate). In response to a challenge to certain provisions of SHVIA, a panel of the U.S. Court of Appeals for the Fourth Circuit upheld the requirement that DBS operators carry the signal of all local television stations in markets where they elect to carry any local signals. The court also upheld an FCC rule that permits DBS operators to offer all local television stations on a single tier or an a la carte basis. The rule allows consumers to choose between the two options.

In response to broadcasters' June 2001 elections, DBS operators issued a large number of carriage denial letters, prompting the FCC to issue an order in September 2001 clarifying the DBS mandatory carriage rules. In particular, the FCC emphasized that a satellite carrier must have a "reasonable basis" for rejecting a broadcast station's request for carriage. The Company cannot predict the impact of DBS service upon the Company's business.

Paging

Federal Regulation. The Company's paging operations, acquired by the Company in September 1996, are subject to regulation by the FCC under the Communications Act. The FCC has granted the Company licenses to use the radio frequencies necessary to conduct its paging operations.

License Grant and Renewal. The FCC paging licenses granted to the Company are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. The Company holds various FCC radio licenses which are used in connection with its 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. Although the Company is unaware of any circumstances which could prevent the grant of renewal applications, no assurance can be given that any of the Company's 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. None of the Company's licenses has ever been revoked or modified involuntarily, and such proceedings by the FCC are rarely undertaken.

EMPLOYEES

As of March 1, 2002, the Company had 1,203 full-time employees, of which 802 were employees of the Company's television stations and satellite business, 335 were employees of the Company's publications, 51 were employees of the Company's paging operations and 15 were corporate and administrative personnel. None of the Company's employees are represented by unions. The Company believes that its relations with its employees are satisfactory.

ITEM 2. PROPERTIES

The Company's principal executive offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia, 30319.

The types of properties required to support television stations include offices, studios, transmitter sites and antenna sites. A station's studios are generally housed with its offices in business districts. The transmitter sites and antenna are generally located in elevated areas to provide optimal signal strength and coverage. The types of properties required to support newspaper publishing include offices, facilities for printing presses and production and storage. Paging properties include leased retail, office and tower space.

The following table sets forth certain information regarding the Company's significant properties.

TELEVISION BROADCASTING

Station/ Property Location	Use	Owned or Leased	Approximate Size	Expiration of Lease
WVLT				
Knoxville, TN	Office and studio	Owned	18,000 sq. ft. building	--
	Transmission tower site	Leased	Tower space	Month to Month
WKYT				
Lexington, KY	Office, studio and transmission tower site	Owned	34,500 sq. ft. building on 20 acres	--
WYMT				
Hazard, KY	Office and studio	Owned	21,200 sq. ft. building on 2 acres	--
Hazard, KY	Transmission tower site	Leased	--	June 2005
Hazard, KY	Transmitter buildings and improvements	Owned	816 sq. ft. building and 864 sq.ft. building	--
KWTX				
Waco, TX	Office and studio	Owned	34,000 sq. ft. building on 4 acres	--
Moody, TX	Transmission tower site	Owned	27.9 acres	--

Station/ Property Location	Use	Owned or Leased	Approximate Size	Expiration of Lease
KBTX				
Bryan, TX	Office and studio	Owned	7,000 sq. ft. building on 23.4 acres	--
Grimes County, TX	Transmission tower site	Owned Leased	1,300 sq. ft. building on 560 acres	March 2023
Calvert, TX	Transmission tower site	Owned	80 sq. ft. building and 96 sq. ft. building on 3.1 acres	--
Falls County, TX	Transmission tower site	Owned	128 sq. ft. building on 2 acres	--
KOLN				
Beaver Crossing, NE	Transmission tower site	Owned	120 acres	--
Lincoln, NE	Office and studio	Owned	28,044 sq. ft. building on 5 acres	--
Bradshaw, NE	Transmission tower site	Owned	8 acres	--
KGIN				
Heartwell, NE	Transmission tower site	Owned	71 acres	--
Grand Island, NE	Office and studio	Leased	5,153 sq. ft.	Dec. 2003
WITN				
Washington, NC	Office and studio	Owned	19,600 sq. ft. building	--
Greenville, NC	Office and studio	Leased	1,707 sq. ft.	Sept. 2002
Grifton, NC	Transmitter building	Owned	4,190 sq. ft. building	--
Grifton, NC	Transmission tower site	Leased	9 acres	Jan. 2029
WCTV				
Tallahassee, FL	Office and studio	Owned Leased	20,000 sq. ft. building on 37 acres	-- Dec. 2014
Metcalf, GA	Transmission tower site	Owned	182 acres	--
WRDW				
North Augusta, SC	Office and studio	Owned	17,000 sq. ft. building	--
Beech Island, SC	Transmission tower site	Owned	143 acres	--

Station/ Property Location	Use	Owned or Leased	Approximate Size	Expiration of Lease
WEAU				
Eau Claire, WI	Office and studio	Owned	16,116 sq. ft. of buildings on 2 acres	--
Township of Fairchild, WI	Transmitter building & Transmission tower site	Owned with easement	2,304 sq. ft. building on 6 acres	--
WJHG				
Panama City, FL	Office and studio	Owned	14,000 sq. ft. building on 4 acres	--
Youngstown, FL	Transmission tower site	Owned	17 acres	--
KXII				
Sherman, TX	Office and studio	Owned	12,813 sq. ft. building on 3 acres	--
Madill, OK	Transmission tower site	Owned	1,200 sq. ft. building on 97 acres	--
Ardmore,OK	Studio and offices	Owned	3,000 sq. ft. building on 1.5 acres	--
Paris, TX	Translator tower site	Owned	65 sq. ft. building on 4.1 acres	--
Lynqx Communications				
Baton Rouge, LA	Office and repair site	Leased	3,400 sq. ft.	Dec. 2003
Tallahassee, FL	Office	Owned	1,000 sq. ft.	--

PUBLISHING

Newspaper/ Property Location	Use	Owned or Leased	Approximate Size	Expiration of Lease
The Albany Herald Publishing Company, Inc., Albany, GA	Offices and production facility for The Albany Herald	Owned	83,000 sq. ft. building	--
Post Citizen Media, Inc. Conyers, GA	Offices for Rockdale Citizen/ Newton Citizen	Owned	20,000 sq. ft. building	--

Newspaper/ Property Location	Use	Owned or Leased	Approximate Size	Expiration of Lease
Post Citizen Media, Inc.				
Conyers, GA (Cont.)				
Conyers, GA	Offices and production facility for Rockdale Citizen/ Newton Citizen and the Gwinnett Daily Post	Leased	20,000 sq. ft. building	May 2002
Lawrenceville, GA	Offices for the Gwinnett Daily Post	Leased	11,000 sq. ft. building	Month to Month
Goshen. IN	Offices and production facility for The Goshen News	Owned	21,000 sq. ft. building on 0.6 acres	--

PAGING

Property Location	Use	Owned or Leased	Approximate Size	Expiration of Lease
Albany, GA	Sales Office	Leased	3,200 sq. ft.	May 2004
Columbus, GA	Sales Office	Leased	2,200 sq. ft.	Dec. 2002
Lumpkin Road	Sales Office	Leased	2,800 sq. ft.	May 2002
Dothan, AL	Sales Office	Leased	800 sq. ft.	Feb. 2005
Macon, GA	Sales Office	Leased	1,260 sq. ft.	Month to Month
Tallahassee, FL	Sales Office	Leased	1,800 sq. ft.	Aug. 2002
Tallahassee, FL	Corporate Office	Leased	2,400 sq. ft.	Mar. 2002
Thomasville, GA	Sales Office	Leased	1,200 sq. ft.	June 2002
Valdosta, GA	Sales Office	Leased	1,250 sq. ft.	Feb. 2005
Panama City, FL	Sales Office	Leased	1,050 sq. ft.	Month to Month
Gainesville, FL	Sales Office	Leased	1,100 sq. ft.	Month to Month

The paging operations also lease space on various towers in Florida, Georgia and Alabama. These tower lease terms range from month-to-month to expiration dates through 2006.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings in which an adverse outcome would have a material adverse effect, either individually or in the aggregate, upon the Company except for the income tax matter described below.

The Internal Revenue Service (the "IRS") is auditing the Company's federal tax return for the year ended December 31, 1996. In conjunction with this examination, the Company extended the time period that the IRS has to audit the Company's federal tax returns for the 1996 and 1997 tax years until December 31, 2001.

In October 2001, the Company received a notice of deficiency from the IRS associated with its audit of the Company's 1996 federal income tax return. The IRS alleges in the notice that the Company owes approximately $12.1 million of tax plus interest and penalties stemming from certain acquisition related transactions, which occurred in 1996. Additionally, if the IRS were successful in its claims, the Company would be required to account for these acquisition transactions as stock purchases instead of asset purchases, which would significantly lower the tax basis in the assets acquired. The Company believes the IRS claims are without merit and on January 18, 2002 filed a petition to contest the matter in United States Tax Court. The Company cannot predict when the tax court will conclude its ruling on this matter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders of the Company during the fourth quarter of the fiscal year covered.

ITEM 4.1. EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information with respect to the executive officers of the Company as of March 15, 2002:

J. MACK ROBINSON, age 78, has been the Company's President and Chief Executive Officer since 1996. Mr. Robinson has served as Chairman of the Board of Bull Run Corporation, a principal stockholder of the Company, since 1994, Chairman of the Board and President of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1958, President of Atlantic American Corporation, an insurance holding company, from 1988 until 1995 and Chairman of the Board of Atlantic American Corporation since 1974. Mr. Robinson serves as a director of the following companies: Bankers Fidelity Life Insurance Company, American Independent Life Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company and American Safety Insurance Company. He is a director emeritus of Wachovia Corporation. He is the Chairman of the Executive Committee and a member of the Management Personnel Committee of the Company's Board of Directors. Mr. Robinson is the husband of Mrs. Harriett J. Robinson and the father-in-law of Mr. Hilton H. Howell, Jr., both members of the Company's Board of Directors.

ROBERT S. PRATHER, JR., age 57, has been Executive Vice President-Acquisitions of the Company since 1996. He has served as President and Chief Executive Officer and a director of Bull Run Corporation, a principal stockholder of the Company, since 1992. He serves as a director of Swiss Army Brands, Inc. and The Morgan Group, Inc. and serves on the Board of Trustees of the Georgia World Congress Center Authority. He is a member of the Executive Committee and Management Personnel Committee of the Company's Board of Directors.

HILTON H. HOWELL, JR., age 40, has been the Company's Executive Vice President since September 2000. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995 and Executive Vice President from 1992 to 1995. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1991, and Vice Chairman of Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company since 1992. He has been a director, Vice President and Secretary of Bull Run Corporation, a principal stockholder of the Company, since 1994. Mr. Howell also serves as a director of the following companies: Atlantic American Corporation, Bankers Fidelity

Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company, American Safety Insurance Company, Association Casualty Insurance Company and Association Risk Management General Agency. He is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of the Company's Board of Directors.

ROBERT A. BEIZER, age 62, has served as Vice President for Law and Development and Secretary of the Company since 1996. From June 1994 to February 1996 he was of counsel to Venable, Baetjer, Howard & Civiletti, a law firm, in its regulatory and legislative practice group. From 1990 to 1994, Mr. Beizer was a partner in the law firm of Sidley & Austin and was head of their communications practice group in Washington, D.C. He is a past president of the Federal Communications Bar Association and has served as a member of the ABA House of Delegates.

JAMES C. RYAN, age 41, has served as the Company's Vice President and Chief Financial Officer since October 1998. He was the Chief Financial Officer of Busse Broadcasting Corporation from 1987 until its acquisition by the Company in 1998.

THOMAS J. STULTZ, age 50, has served as Vice President of the Company and President of the Company's Publishing Division since 1996. Prior to joining the Company, he served as Vice President of Multimedia Newspaper Company, a division of Multimedia, Inc. from 1988 to 1995. Mr. Stultz has approximately 32 years of experience in the newspaper industry.

RICH D. ADAMS, age 54, assumed the positions of the Company's Regional Vice President-Texas and General Manager of KWTX-TV, Waco, Texas, in January 2002. He replaced Mr. Ray Deaver who retired from these positions on December 31, 2001. Prior to his appointment in January 2002 to these positions, Mr. Adams, served as General Manager of KXII-TV, the Company's Sherman, Texas station, since 1980. The Company acquired KXII and KWTX in October 1999. Mr. Adams has approximately 31 years of experience in the broadcast industry.

FRANK J. JONAS, age 55, has served as the Company's Regional Vice President-Midwest since June 2000. He has served as the President and General Manager of KOLN/KGIN-TV, Lincoln and Grand Island, Nebraska, since 1985. The Company acquired KOLN/KGIN-TV in 1998. Mr. Jonas has approximately 29 years of experience in the broadcast industry.

WAYNE M. MARTIN, age 55, has served as the Company's Regional Vice President-Television since 1998. In 1998, he was also appointed President of WVLT-TV, the Company's subsidiary in Knoxville, Tennessee. Since 1993, Mr. Martin has served as President of the Company's subsidiary, Gray Kentucky Television, Inc., which operates WKYT-TV, in Lexington, Kentucky and WYMT-TV, in Hazard, Kentucky. Mr. Martin has approximately 16 years of experience in the broadcast industry.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since June 30, 1995, the Company's Class A Common Stock, no par value, (the "Class A Common Stock') has been listed and traded on The New York Stock Exchange (the "NYSE") under the symbol "GCS." Since September 24, 1996, the date of its initial issuance, the Company's Class B Common Stock, no par value, (the "Class B Common Stock") has also been listed and traded on the NYSE under the symbol "GCS.B." The following table sets forth the high and low sale prices of the Class A Common Stock and Class B Common Stock as well as the cash dividend declared for the periods indicated. The high and low sales prices of the Class A Common Stock and the Class B Common Stock are as reported by the NYSE.

	CLASS A COMMON STOCK			CLASS B COMMON STOCK		
	HIGH	LOW	CASH DIVIDENDS DECLARED PER SHARE	HIGH	LOW	CASH DIVIDENDS DECLARED PER SHARE
2001						
First Quarter	$19.04	$15.63	$0.02	$17.65	$14.50	$0.02
Second Quarter	19.05	15.27	0.02	16.40	14.20	0.02
Third Quarter	18.79	15.20	0.02	15.45	13.10	0.02
Fourth Quarter	15.20	12.20	0.02	13.23	9.60	0.02
2000						
First Quarter	$18.13	$11.75	$0.02	$13.69	$10.75	$0.02
Second Quarter	12.38	9.75	0.02	11.75	9.50	0.02
Third Quarter	11.50	9.94	0.02	11.13	9.50	0.02
Fourth Quarter	16.25	11.00	0.02	15.50	10.38	0.02

As of March 15, 2002, the Company had 6,848,467 outstanding shares of Class A Common Stock held by approximately 674 stockholders and 8,803,810 outstanding shares of Class B Common Stock held by approximately 744 stockholders. The number of stockholders includes stockholders of record and individual participants in security position listings as furnished to the Company pursuant to Rule 17Ad-8 under the Exchange Act.

The Company has paid a dividend on its Class A Common Stock since 1967 and its Class B Common Stock since its initial offering in 1996. The Company's Articles of Incorporation provide that each share of Class A Common Stock is entitled to 10 votes and each share of Class B Common Stock is entitled to one vote. The Articles of Incorporation require that the Class A Common Stock and the Class B Common Stock receive dividends on a pari passu basis. There can be no assurance of the Company's ability to continue to pay any dividends on either class of Common Stock.

The Senior Credit Facility and the Company's 9 1/4% Notes due 2011 each contain covenants that restrict the ability of the Company to pay dividends on its capital stock. However, the Company does not believe that such covenants currently limit its ability to pay dividends at the recent quarterly rate of $0.02 per share. In addition to the foregoing, the declaration and payment of dividends on the Class A Common Stock and the Class B Common Stock are subject to the discretion of the Board of Directors. Any future payments of dividends will depend on the earnings and financial position of the Company and such other factors as the Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

Set forth below is certain selected historical consolidated financial data of the Company. This information should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto appearing elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	2001	2000	1999(1)	1998(2)	1997(3)
	(IN THOUSANDS EXCEPT PER SHARE DATA)				
STATEMENTS OF OPERATIONS DATA					
Revenues	$ 156,343	$ 171,213	$ 143,953	$128,890	$ 103,548
Operating income(4)	17,880	31,098	22,060	24,927	20,730
Net income (loss)	(13,318)	(6,212)	(6,315)	41,659	(1,402)
Net income (loss) available to common stockholders	(13,934)	(9,384)	(7,325)	36,981	(2,812)
Net income (loss) available to common stockholders per common share(5):					
Basic	(0.89)	(0.61)	(0.57)	3.10	(0.24)
Diluted	(0.89)	(0.61)	(0.57)	2.98	(0.24)
Cash dividends per common share(5)	$ 0.08	$ 0.08	$ 0.08	$ 0.06	$ 0.05
BALANCE SHEET DATA (AT END OF PERIOD):					
Total assets	$ 794,337	$ 636,772	$ 658,157	$468,974	$ 345,051
Long-term debt(including current portion)	551,444	374,887	381,702	270,655	227,076
Total stockholders' equity	142,196	$ 155,961	$ 168,188	$126,703	$ 92,295

(1) Reflects the operating results of the Texas Acquisitions, completed October 1, 1999 and the Goshen Acquisition, completed on March 1, 1999, as of their respective acquisition dates. See Note B to the Company's audited consolidated financial statements included elsewhere herein.

(2) Reflects the operating results of the Busse-WALB Transactions as of July 31, 1998, the closing date of the respective transactions.

(3) Reflects the operating results of the WITN Acquisition and the GulfLink Acquisition, as of their respective acquisition dates, August 1, 1997 and April 24, 1997, respectively.

(4) Operating income excludes gain on disposition of television stations of $72.6 million recognized for the exchange of WALB in 1998. Operating income also excludes charges relating to valuation adjustments of goodwill and other assets of $2.1 million for the year ended December 31, 1998.

(5) On August 20, 1998, the Company's Board of Directors declared a 50% stock dividend, payable on September 30, 1998, to stockholders of record of the Class A Common Stock and Class B Common Stock on September 16, 1998. This stock dividend effected a three for two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS OF THE COMPANY

Introduction

The following analysis of the financial condition and results of operations of Gray Communications Systems, Inc. (the "Company") should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included elsewhere herein.

As discussed below, the Company has acquired several television stations, a newspaper and an equity investment in Sarkes Tarzian, Inc. ("Tarzian") since January 1, 1999. The Company's acquisitions have been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired businesses are included in the accompanying consolidated financial statements as of their respective acquisition dates. The assets and liabilities of acquired businesses are included based on an allocation of the purchase price. The equity investment in Tarzian is accounted for under the cost method of accounting.

On October 1, 1999, the Company completed its acquisition of all the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd. The Company acquired the capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company in merger transactions with the shareholders of KWTX Broadcasting Company and Brazos Broadcasting Company receiving a combination of cash and the Company's Class B Common Stock for their shares. The Company acquired the assets of KXII Broadcasters Ltd. in an all cash transaction. These transactions are referred to herein as the "Texas Acquisitions."

On March 1, 1999, the Company acquired substantially all of the assets of The Goshen News from News Printing Company, Inc. and affiliates thereof, (the "Goshen Acquisition").

See Note B of the Notes to the Company's audited consolidated financial statements included elsewhere herein for more information concerning its Texas Acquisitions, its Goshen Acquisition and its equity investment in Tarzian.

General

The Company derives its revenues from its television broadcasting, publishing and paging operations. The operating revenues of the Company's television stations are derived from broadcast advertising revenues and, to a much lesser extent, from compensation paid by the networks to the stations for broadcasting network programming. The operating revenues of the Company's publishing operations are derived from advertising, circulation and classified revenue. Paging revenue is derived primarily from the leasing and sale of pagers. Certain information concerning the relative contributions of the Company's television broadcasting, publishing and paging operations is provided in Note I of the Notes to the Company's audited consolidated financial statements included elsewhere herein.

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

hours. The ratings of a local station affiliated with a major network can be affected by ratings of network programming.

Most broadcast advertising contracts are short-term, and generally run only for a few weeks. Approximately 59% of the gross revenues of the Company's television stations for the year ended December 31, 2001, were generated from local advertising, which is sold primarily by a station's sales staff directly to local accounts, and the remainder represented primarily by national advertising, which is sold by a station's national advertising sales representative. The stations generally pay commissions to advertising agencies on local, regional and national advertising and the stations also pay commissions to the national sales representative on national advertising.

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

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

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

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

Broadcasting, Publishing and Paging Revenues

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

	YEAR ENDED DECEMBER 31,					
	2001		2000		1999	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
BROADCASTING						
Net Revenues:						
Local	$ 63,012	40.3%	$ 65,152	38.1%	$ 57,078	39.7%
National	31,164	19.9%	31,043	18.1%	26,742	18.6%
Network compensation	6,902	4.4%	8,311	4.9%	6,480	4.5%
Political	287	0.2%	9,021	5.3%	622	0.4%
Production and other	5,065	3.3%	7,113	4.1%	6,093	4.2%
	$106,430	68.1%	$120,640	70.5%	$ 97,015	67.4%
PUBLISHING						
Revenues:						
Retail	$ 20,132	12.9%	$ 19,569	11.4%	$ 17,760	12.3%
Classifieds	12,396	7.9%	13,031	7.6%	12,039	8.4%
Circulation	7,730	4.9%	7,659	4.5%	6,791	4.7%
Other	931	0.6%	1,240	0.7%	1,218	0.9%
	$ 41,189	26.3%	$ 41,499	24.2%	$ 37,808	26.3%
PAGING						
Revenues:						
Paging lease, sales and service	$ 8,724	5.6%	$ 9,074	5.3%	$ 9,130	6.3%
TOTAL	$156,343	100.0%	$171,213	100.0%	$143,953	100.0%

YEAR ENDED DECEMBER 31, 2001 TO YEAR ENDED DECEMBER 31, 2000

Revenues. Total revenues for the year ended December 31, 2001 decreased $14.9 million, or 8.7%, over the prior year, to $156.3 million from $171.2 million. The operating results for the year ended December 31, 2001 when compared to the year ended December 31, 2000 reflect a general economic slowdown, the cyclical decline in broadcast political revenue and the economic effects of the September 11, 2001 terrorist acts on the Company's broadcast revenues, as discussed below. The majority of the revenue decline occurred in the Company's broadcast operations.

Broadcasting revenues decreased $14.2 million, or 11.8%, over the prior year, to $106.4 million from $120.6 million. The decline in broadcast revenues reflects, in part, the cyclical decline in political revenue. For the year 2001, the Company had revenues from political advertising of only $287,000 compared to $9.0 million for the year ended 2000. The decline in broadcast revenues also reflected a generally soft advertising market at each of the Company's television stations during 2001. For the year ended 2001 compared to 2000, local sales revenues declined 3.3%, or $2.1 million, to $63.0 million from $65.1 million. National revenues increased 0.4%, or $121,000 to $31.2 million from $31.0 million for the year ended 2001 compared to the year ended 2000. The Company believes that its share of the television advertising expenditures earned in each of its markets remained relatively consistent between the years ended 2001 and 2000. In addition, the Company estimates its Broadcast revenue loss attributable to the multi-day continuous commercial free coverage of the September 11, 2001 terrorist acts and the cancellation of certain broadcasting advertising contracts resulting from the attacks totaled $1.0 million. The revenue losses resulting from the terrorist attacks were isolated to the third quarter of 2001. Furthermore, network compensation declined approximately $1.4 million for the year ended December 31, 2001 compared to the year ended December 31, 2000, primarily reflecting the terms of the renewed CBS affiliation agreements for the Company's three stations in Texas.

Publishing revenues decreased $310,000, or 0.7%, over the same period of the prior year, to $41.2 million from $41.5 million. Revenue declines were recorded at all of the Company's newspapers except The Gwinnett Daily Post, located in eastern suburban Atlanta. Revenues for that paper increased approximately 5.4%. The overall Publishing segment's decline in revenues reflected a relatively soft advertising market in each paper's local service area. Aggregate classified advertising revenues decreased 4.9% while aggregate retail advertising increased 2.9% and aggregate circulation revenues increased 0.9%. The increase in retail advertising reflects the continuing growth of both The Gwinnett Daily Post, which recorded a 11.1% increase and the Rockdale Citizen which recorded a 9.9% increase for the year ended 2001 as compared to the same period of 2000.

Paging revenue decreased $350,000, or 3.8%, over the same period of the prior year, to $8.7 million from $9.1 million. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular phone providers. The Company had approximately 75,000 pagers and 90,000 pagers in service at December 31, 2001 and 2000, respectively.

Operating expenses. Operating expenses for the year ended December 31, 2001 decreased $1.7 million, or 1.2%, over the prior year, to $138.5 million from $140.1 million. The decrease resulted primarily from the Company's focus on cost control in the current year.

Broadcasting expenses decreased $1.5 million or 2.3%, over the year ended December 31, 2001, to $66.2 million from $67.8 million. This focus on cost control generated decreases in broadcast payroll expense of $833,000 and decreased other broadcast expense of $941,000.

Publishing expenses for the year ended December 31, 2001 increased $507,000, or 1.6%, from the same period of the prior year, to $31.9 million from $31.4 million. The increase was primarily attributable to increased newsprint costs approximating $500,000 for the year ended 2001 as compared to the year ended 2000.

Paging expenses decreased $259,000, or 4.2%, over the same period of the prior year, to $5.9 million from $6.1 million. The decrease in paging expenses reflected an expense reduction plan instituted by the Company in the prior year.

Corporate and administrative expenses remained consistant with that of the prior year at $3.6 million.

Depreciation of property and equipment and amortization of intangible assets was $30.8 million for the year ended December 31, 2001, as compared to $31.2 million for the prior year, a decrease of $383,000, or 1.2%.

Depreciation in value of derivatives, net. On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended ("SFAS 133"). Under SFAS 133, the Company is required to record its interest rate swap agreement at market value. It also requires the Company to record any changes in market value of the interest rate swap agreement after January 1, 2001 as income or expense in its statement of operations. As a result of the general decrease in market interest rates during the year ended December 31, 2001, the Company recognized a non-cash derivative valuation expense of $1.6 million.

Miscellaneous income (expense), net. Miscellaneous income decreased $587,000, or 75.2%, to $194,000 for the year ended December 31, 2001 from $781,000 for the year ended December 31, 2000. The change in miscellaneous income (expense) was due primarily to the gain of $522,000 recognized upon the sale of a real estate investment in December 2000.

Interest expense. Interest expense decreased $4.2 million, or 10.4%, to $35.8 million for the year ended December 31, 2001 from $40.0 million for the year ended December 31, 2000. The decrease was due primarily to lower interest rates.

Income tax expense (benefit). Income tax benefit for the year ended December 31, 2001 and 2000 was $6.0 million and $1.9 million, respectively. The increase in the current year income tax benefit was due to an increased loss before income tax as well as a higher effective income tax rate in 2001 as compared to 2000. The higher effective income tax rate was due primarily to the differences in the amount of losses and the state income tax rates in the states in which those losses were generated.

Preferred Dividends. Preferred Dividends decreased $396,000, or 39.1%, to $616,000 for the year ended December 31, 2001 from $1.0 million for the year ended December 31, 2000. The decrease was due to fewer weighted average shares outstanding in 2000 as compared to 2001. The Company redeemed a portion of its preferred stock in 2000.

Non-cash preferred dividends associated with the redemption of preferred stock. Non-cash preferred dividends associated with the redemption of preferred stock was $2.2 million for the year ended December 31, 2000. The dividend was recorded in association with a partial redemption of preferred stock in 2000. No such redemption occurred in 2001.

Net loss available to common stockholders. Net loss available to common stockholders of the Company for the year ended December 31, 2001 and 2000 was $13.9 million and $9.4 million, respectively.

YEAR ENDED DECEMBER 31, 2000 TO YEAR ENDED DECEMBER 31, 1999

Revenues. Total revenues for the year ended December 31, 2000 increased $27.2 million, or 18.9%, over the prior year, to $171.2 million from $144.0 million. This increase was primarily attributable to the effect of (i) increased revenues resulting from the acquisition of three television stations in Texas (the "Texas Stations") and The Goshen News, (ii) increased political broadcast revenue and (iii) increased publishing revenues from existing publishing operations. The current year results include 12 months of operations for the Texas Stations and The Goshen News as compared to three months and ten months, respectively, in the prior year.

Broadcasting revenues increased $23.6 million, or 24.4%, over the prior year, to $120.6 million from $97.0 million. Revenue from the Texas Stations, which were acquired on October 1, 1999, increased broadcasting revenues by $17.9 million over that of the prior year. Revenues from the Company's existing broadcasting operations continuously owned since January 1, 1999, increased $5.7 million, or 6.3%, over the prior year, to $96.5 million from $90.8 million. This $5.7 million increase was due primarily to increased political advertising revenue of $7.9 million and increased production and other revenues of $783,000 offset, in part, by decreased local revenues of $2.5 million, decreased national revenues of $156,000 and decreased network compensation of $267,000. For all locations, political advertising revenue was $9.0 million for the year ended December 31, 2000, compared to $622,000 for the prior year.

Publishing revenues increased $3.7 million, or 9.8%, over the same period of the prior year, to $41.5 million from $37.8 million. The increase in publishing revenues was due primarily to increased revenues from the Company's existing publishing operations and from the revenues generated by The Goshen News, which was acquired on March 1, 1999. Revenues from the Company's existing publishing operations continuously owned since January 1, 1999 increased $3.0 million, or 9.0%, over the same period of the prior year, to $35.8 million from $32.8 million. The primary components of the $3.0 million increase in revenues from existing operations were increases in retail advertising, classified advertising

and circulation revenue of $1.4 million, $920,000 and $651,000, respectively. Revenue from The Goshen News increased publishing revenues by $724,000 over that of the prior year.

Paging revenue remained at $9.1 million for 2000 and 1999. The Company had approximately 90,000 pagers and 88,000 pagers in service at December 31, 2000 and 1999, respectively.

Operating expenses. Operating expenses for the year ended December 31, 2000 increased $18.2 million, or 14.9%, over the prior year, to $140.1 million from $121.9 million. The increase resulted primarily from the Company's acquisitions in 1999.

Broadcasting expenses increased $9.1 million or 15.5%, over the year ended December 31, 2000, to $67.8 million from $58.7 million. The expenses of the Texas Stations accounted for an increase in broadcasting expenses of $9.0 million. Operating expenses of the stations continuously owned since January 1, 1999, had increases in payroll and general operating expenses that were largely offset by decreases in syndicated film expense. The increase in payroll expenses of the stations continuously owned since January 1, 1999 was limited to 0.7% as a result of a cost reduction plan instituted by the Company in 2000.

Publishing expenses for the year ended December 31, 2000 increased $2.6 million, or 9.1%, from the same period of the prior year, to $31.4 million from $28.8 million. The increase in publishing expenses was due primarily to increased expenses from the Company's existing publishing operations and from the expenses of The Goshen News, which was acquired on March 1, 1999. Expenses of the Company's publishing operations owned since January 1, 1999 increased $2.3 million, or 9.0%, over the same period of the prior year, to $27.6 million from $25.3 million. The increase in expenses at the Company's existing publishing operations was due primarily to increased payroll of $715,000, increased newsprint expense of $637,000 and increased other operating expenses of $933,000.

Paging expenses decreased $415,000, or 6.3%, over the same period of the prior year, to $6.1 million from $6.6 million. The decrease in paging expenses reflected an expense reduction plan instituted by the Company in the current year.

Corporate and administrative expenses increased $146,000 or 4.2%, over the prior year, to $3.6 million from $3.4 million. This increase was primarily attributable to increased payroll expense.

Depreciation of property and equipment and amortization of intangible assets was $31.2 million for the year ended December 31, 2000, as compared to $24.5 million for the prior year, an increase of $6.7 million, or 27.6%. This increase was primarily the result of higher depreciation and amortization costs resulting from the Texas Acquisitions and the Goshen Acquisition in 1999.

Miscellaneous income (expense), net. Miscellaneous income increased $445,000, or 132.4%, to $781,000 for the year ended December 31, 2000 from $336,000 for the year ended December 31, 1999. The change in miscellaneous income (expense) of $445,000 was due primarily to the gain of $522,000 recognized upon the sale of a real estate investment in December 2000.

Interest expense. Interest expense increased $9.0 million, or 28.8%, to $40.0 million for the year ended December 31, 2000 from $31.0 million for the year ended December 31, 1999. This increase was attributable primarily to increased levels of debt resulting from the financing of the Texas Acquisitions and the Goshen Acquisition in 1999 and higher interest rates.

Income tax expense (benefit). Income tax benefit for the year ended December 31, 2000 and 1999 was $1.9 million and $2.3 million, respectively.

Net loss available to common stockholders. Net loss available to common stockholders of the Company for the year ended December 31, 2000 and 1999 was $9.4 million and $7.3 million, respectively.

GUIDANCE ON THE FULL YEAR OF 2002

The Company currently believes that the general economic conditions including the general decrease in advertising expenditures experienced during 2001 will gradually improve during 2002. Accordingly, the Company currently anticipates that broadcast local and national revenue, excluding political revenue, and publishing revenues will demonstrate modest low to mid single digit percentage increases over 2001 results throughout 2002. In addition, 2002 is a political election year and the Company expects its broadcast operations to benefit from the cyclical return of political advertising. The Company notes that in both 1998 and 2000 its television stations recorded approximately $9 million of political revenue in each year.

Revenue generation, especially in light of current general economic conditions, is subject to many factors beyond the control of the Company. Accordingly, the Company's ability to forecast future revenue, within the current economic environment, is limited and actual results may vary substantially from current expectations.

At present, the Company anticipates that total operating expenses, excluding depreciation and amortization, for each of the Company's operating segments for the full year 2002, will be approximately equal to 2001 results. These generally favorable operating expense expectations reflect the Company's on-going expense reduction efforts at all of its operating locations.

Assuming variable interest rates remain at relatively low levels through out 2002, the Company currently expects that its interest expense for the full year of 2002 will be at least $2.0 million less than the comparable amounts for the full year of 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net working capital was $18.3 million and $13.2 million at December 31, 2001, and 2000, respectively. The Company's cash provided from operations was $20.5 million, $22.8 million and $20.8 million in 2001, 2000 and 1999, respectively. Management believes that current cash balances, cash flows from operations and available funds under its Senior Credit Facility will be adequate to provide for the Company's capital expenditures, debt service, cash dividends and working capital requirements.

The Company amended and restated its Senior Credit Facility on September 25, 2001. The revised facility provides the Company with a $200 million term facility and a $50 million reducing revolving credit facility. In addition, the agreement provides the Company with the ability to access up to $100 million of incremental senior secured term loans upon the consent of the lenders. The Company may request this incremental senior secured term loan on any business day on or before December 31, 2003. Prior to the amendment on September 25, 2001, the Senior Credit Facility consisted of a $100.0 million revolving commitment and two $100.0 million term loan commitments.

Proceeds from the amended and restated facility were used to refinance existing senior secured indebtedness, transaction fees and for other general corporate purposes. The Company incurred $2.6 million in lender fees and other costs to amend and restate the facility.

Under the amended revolving and term facilities, the Company, at its option, can borrow funds at an interest rate equal to the London Interbank Offered Rate ("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 amended 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 amended term facility are base plus a margin

ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. The applicable margin payable by the Company will be determined by the Company's operating leverage ratio that is calculated quarterly.

At December 31, 2001, the Company had approximately $217.5 million outstanding under the Senior Credit Facility with approximately $32.5 million available under the agreement. Also as of December 31, 2001, interest rates were at a rate of base plus 1.75% and/or LIBOR plus 3.0% for funds borrowed under the revolving facility. For funds borrowed under the term facility, interest was at base plus 2.0% and/or LIBOR plus 3.25%. The effective interest rate on the Senior Credit Facility at December 31, 2001 and 2000 was 5.8% and 9.7%, respectively. The Company is charged a commitment fee on the excess of the aggregate average daily available credit limit less the amount outstanding. At December 31, 2001, the commitment fee was 0.50% per annum.

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.

On December 21, 2001, the Company completed its sale of $180 million aggregate principal amount of Senior Subordinated Notes due 2011 (the "9 1/4% Notes"). The net proceeds from the sale of the 9 1/4% Notes were approximately $173.6 million. The 9 1/4% Notes have a coupon of 9 1/4% and was priced at a discount to yield 9.375%. Interest on the 9 1/4% Notes is payable semi-annually on December 15 and June 15, commencing June 15, 2002. The 9 1/4% Notes mature on December 15, 2011 and are redeemable, in whole or in part, at the Company's option after December 15, 2006.

The amended and restated senior credit facilities are collateralized by substantially all of the assets, excluding real estate, of the Company and its subsidiaries. In addition, the Company's subsidiaries are joint and several guarantors of the obligations and the Company's ownership interests in its subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include but are not limited to, requiring the Company to maintain certain financial ratios and limits upon the Company's ability to incur additional indebtedness, make certain acquisitions or investments, sell assets or make other restricted payments, including dividends, (all as are defined in the loan agreement). The 9 1/4% Notes also contain similar restrictive provisions limiting the Company's ability to, among other things incur additional indebtedness make certain acquisitions or investments, sell assets or make certain restricted payments that include but are not limited to purchases or redemptions of the Company's capital stock. Failure to comply with any of these restrictions may cause an event of default under the respective agreements and if not waived by the lenders could cause the acceleration of the Company's indebtedness.

In October of 2001, the Company purchased $4.8 million of its existing 10 5/8% Senior Subordinated Notes due 2006 (the "10 5/8% Notes"). On December 21, 2001, Gray instructed the trustee for the 10 5/8% Notes to commence the redemption, in full, of the remaining 10 5/8% Notes outstanding. Gray deposited cash of approximately $168.6 million with the 10 5/8% Notes' trustee, to redeem the aggregate principal amount of the 10 5/8% Notes outstanding of $155.2 million and to fund associated premium costs of $8.2 million, accrued interest of $3.7 million and certain other related expenses of $1.5 million. This cash was funded from the net proceeds of the 9 1/4% Notes and is included in consolidated balance sheet at December 31, 2001 as "restricted cash for redemption of long-term debt". The redemption was completed on January 22, 2002 and all obligations associated with the 10 5/8% Notes as well as the rights associated with the restricted cash were extinguished on that date. The Company recorded an extraordinary charge of approximately 11.3 million ($6.8 million after income tax) in January 2002 in connection with this early extinguishment of debt.

The 9 1/4% Notes are jointly and severally guaranteed (the "Subsidiary Guarantees") by all of the Company's subsidiaries (the "Subsidiary Guarantors"). The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees is subordinated, to the same extent as the obligations of the Company in respect of the 9 1/4% Notes, to the prior payment in full of all existing and future senior debt of the Subsidiary Guarantors (which will include any guarantee issued by such Subsidiary Guarantors of any senior debt).

The Company's net cash used in investing activities was $189.8 million, $8.3 million and $126.8 million in 2001, 2000 and 1999, respectively. Cash used in investing activities in 2001 included the prefunding of the $168.6 of restricted cash for redemption of long-term debt, the purchase of the investment in Sarkes Tarzian, Inc. and the purchase of equipment. Cash used in investing activities in 2000 resulted primarily from equipment purchases. Cash used in investing activities in 1999 resulted primarily from the acquisition of television and newspaper businesses.

The Company provided $167.7 million in financing activities in 2001, used $14.1 million in cash financing activities in 2000 and provided $105.8 million in cash by financing activities in 1999, respectively. In 2001, cash was provided primarily from the issuance of the 9 1/4% Notes. In 2000, cash used in financing activities resulted primarily from a net long-term debt payment of $6.8 million, dividend payments of $2.1 million and a preferred stock redemption of $5.0 million. In 1999, the net cash provided by financing activities resulted primarily from borrowing under the Senior Credit Facility to finance the Texas Acquisitions and the Goshen Acquisition.

Subject to certain limitations, holders of the Series A Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors, out of funds of the Company legally available for payment, cumulative cash dividends at an annual rate of $800 per share. Subject to certain limitations, holders of the Series B Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors, out of the funds of the Company legally available for payment, cumulative dividends at an annual rate of $600 per share, except that the Company at its option may pay such dividends in cash or in additional shares of Series B Preferred Stock valued, for the purpose of determining the number of shares (or fraction thereof) of such Series B Preferred Stock to be issued, at $10,000 per share.

The Company regularly enters into program contracts for the right to broadcast television programs produced by others and program commitments for the right to broadcast programs in the future. Such programming commitments are generally made to replace expiring or canceled program rights. Payments under such contracts are made in cash or the concession of advertising spots for the program provider to resell, or a combination of both. At December 31, 2001, payments on program license liabilities due in 2002, which will be paid with cash from operations, were approximately $6.2 million. The Company paid $5.4 million for program broadcast rights in 2001.

During 2001, the Company completed the installation of digital television broadcast systems at its Waco, Texas and Eau Claire, Wisconsin television stations. The Company has commenced installation of similar systems at several of its other television stations. The Company currently intends to have all such required installations completed as soon as practicable and currently expects all stations to be operational by the end of 2002 but can give no assurance that such timetable will be achieved. Currently the Federal Communications Commission (the "FCC") requires that all stations be operational by May of 2002. As necessary, the Company has requested the FCC to extend such deadline for certain of its stations. Such extension requests are currently anticipated to be for relatively short time periods of up to six months to allow for the completion of the installation of the digital television broadcast equipment. Given the Company's good faith efforts to comply with the existing deadline and the facts specific to each extension request, the Company believes the FCC will grant any deadline extension requests that become necessary.

The estimated total multi-year (1999 through 2002) capital expenditures required to implement initial digital television broadcast systems will approximate $31.4 million which includes a capital lease with an initial capitalization cost of approximately $2.5 million for tower facilities at WVLT-TV, the Company's station in Knoxville, TN. As of December 31, 2001, the Company has incurred $10.6 million of such costs and of this amount $8.6 million was incurred in 2001. The remaining $20.8 million of expenditures is expected to be incurred at various times throughout 2002 as the Company completes construction of its digital television broadcast systems. The remaining cash payments relating to such expenditures are expected to occur at various dates throughout 2002 and 2003.

In October 2001, the Company received a notice of deficiency from the IRS associated with its audit of the Company's 1996 federal income tax return. The IRS alleges in the notice that the Company owes approximately $12.1 million of tax plus interest and penalties stemming from certain acquisition related transactions, which occurred in 1996. Additionally, if the IRS were successful in its claims, the Company would be required to account for these acquisition transactions as stock purchases instead of asset purchases which would significantly lower the tax basis in the assets acquired. The Company believes the IRS claims are without merit and on January 18, 2002 filed a petition to contest the matter in United States Tax Court. The Company cannot predict when the tax court will conclude its ruling on this matter.

The Company and its subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. As of December 31, 2001, the Company anticipates, for federal and certain state income taxes, that it will generate taxable operating losses for the foreseeable future.

ACQUISITION OF EQUITY INVESTMENT IN SARKES TARZIAN, INC.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock of Tarzian from Bull Run. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the "Estate") in January 1999.

The acquired shares of Tarzian represent 33.5% of the total outstanding common stock of Tarzian (both in terms of the number of shares of common stock outstanding and in terms of voting rights), but such investment represents 73% of the equity of Tarzian for purposes of dividends if paid as well as distributions in the event of any liquidation, dissolution or other sale of Tarzian.

Tarzian is a closely held private company that owns and operates two television stations and four radio stations: WRCB-TV Channel 3 in Chattanooga, Tennessee, an NBC affiliate; KTVN-TV Channel 2 in Reno, Nevada, a CBS affiliate; WGCL-AM and WTTS-FM in Bloomington, Indiana; and WAJI-FM and WLDE-FM in Fort Wayne, Indiana. The Chattanooga and Reno markets are the 86th and the 110th largest television markets ("DMA's") in the United States, respectively, as ranked by the A.C. Nielsen Company.

Gray paid $10 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company has previously capitalized and paid to Bull Run $3.2 million of costs associated with the Company's option to acquire these shares. This acquisition has been accounted for under the cost method of accounting and reflected as a non-current other asset.

On February 12, 1999, Tarzian filed a complaint against Bull Run and the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run's purchase of the shares, and requests judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and the Company cannot predict when the final resolution of the litigation

will occur. The 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 (or its successors or assigns), the purchase agreement will be rescinded and the Estate will be required to pay for the benefit of Gray, as successor in interest, the full $10 million purchase price, plus interest.

COMMITMENTS

The Company has future minimum annual commitments under bank and other debt agreements, noncancelable operating leases, various television film exhibition rights and for digital television ("DTV") equipment. Future minimum payments under bank and other debt agreements, operating leases with initial or remaining noncancelable lease terms in excess of one year, obligations under film exhibition rights for which the license period had not yet commenced and commitments for DTV equipment that had been ordered but not yet been received are as follows (in thousands):

YEAR	BANK AND OTHER DEBT AGREEMENTS	DTV EQUIPMENT	LEASE	FILM	TOTAL
2002	155,262	$ 12,452	$ 1,512	$ 2,504	$ 171,730
2003	68	3,436	911	4,740	9,155
2004	56	-0-	679	3,688	4,423
2005	-0-	-0-	544	1,857	2,401
2006	-0-	-0-	460	227	687
Thereafter	396,058	-0-	6,982	-0-	403,040
	$ 551,444	$ 15,888	$ 11,088	$ 13,016	$ 591,436

Through a partnership agreement with Host Communications, Inc., a wholly owned subsidiary of Bull Run, the Company has also acquired certain collegiate broadcast rights for sporting events through a five-year marketing agreement that commenced April 1, 2000. The Company's annual obligation will be determined, in part, by the number of events broadcast under the agreement; however, the Company's obligation will not exceed $2.2 million annually.

CERTAIN RELATIONSHIPS

J. Mack Robinson, President, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, our principal stockholder, and a beneficial owner 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 a beneficial owner 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.

J. Mack Robinson, President, Chief Executive Officer and a director of Gray and certain of his affiliates are the holders of all of Gray's currently outstanding Series A and Series B preferred stock.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make judgments and estimations that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Company considers the following accounting policies to be critical policies that require judgments or estimations in their application where variances in those judgments or estimations could make a significant difference to future reported results.

Intangible Assets

Intangible assets are stated at cost and are amortized using the straight-line method. Goodwill, licenses and network affiliation agreements are amortized over 40 years. Non-compete agreements are amortized over the life of the specific agreement. Intangible assets, net of accumulated amortization, resulting from business acquisitions were $497.3 million and $511.6 million as of December 31, 2001 and 2000, respectively.

If facts and circumstances indicate that these assets may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write down to fair market value or discounted cash flow value is required.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142,"Goodwill and Other Intangible Assets", effective for fiscal years beginning after December 15, 2001 and therefore will be implemented by the Company in 2002. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company is required to adopt the new rules effective January 1, 2002. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets. The initial valuation date is January 1, 2002. The Company has not completed these initial valuation tests and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

Income Taxes

The Company has deferred tax assets related to (a) approximately $68 million in federal operating loss carryforwards which expire during the years 2012 through 2021 and (b) a portion of approximately $125 million of various state operating loss carryforwards. Recoverability of these deferred tax assets requires at least in part, generation of sufficient taxable income prior to expiration of the loss carryforwards. The calculation of the Company's deferred tax assets and deferred tax liabilities are based, in part, upon certain assumptions and estimations by the Company's management.

Accounting for Derivatives

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended ("SFAS 133"). SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes "special accounting" for those that qualify as hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

The Company recognized depreciation in the value of its derivative during the year ended December 31, 2001 and a liability as of December 31, 2001 in the amount of $1.6 million, respectively. This amount is based upon an estimate made by the Company's management after consulting with the bank who is providing the derivative. In future periods, changes to this estimate will not only affect the recorded liability but also the amount of depreciation or appreciation in the value of the derivative recognized.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this annual report, the words "believes," "expects," "anticipates," "estimates" and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the Company's future strategic plans, goals, or objectives are also forward-looking statements. Readers of this annual report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of the Company or management, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) competitive pressures in the markets in which the Company operates, (iii) the effect of future legislation or regulatory changes on the Company's operations, (iv) high debt levels and (v) other factors described from time to time in the Company's filings with the Securities and Exchange Commission. The forward-looking statements included in this annual report are made only as of the date hereof. The Company undertakes no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Based on the Company's floating rate debt outstanding at December 31, 2001, a 100 basis point increase in market interest rates would increase the Company's interest expense and the Company's loss before income taxes for the year by approximately $1.8 million.

The fair market value of long-term fixed interest rate debt is also subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's total long-term fixed rate debt at December 31, 2001 was approximately $333.9 million, which was approximately $92,000 more than its carrying value. A hypothetical 100 basis point decrease in the prevailing interest rates at December 31, 2001 would result in an increase in fair value of total long-term debt by approximately $7.5 million. Fair market values are determined from quoted market prices where available or based on estimates made by investment bankers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Stockholders of
Gray Communications Systems, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Gray Communications Systems, Inc. and its subsidiaries at December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Atlanta, Georgia
February 4, 2002

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Gray Communications Systems, Inc.

We have audited the accompanying consolidated balance sheet of Gray Communications Systems, Inc., as of December 31, 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gray Communications Systems, Inc., at December 31, 2000, and the consolidated results of its operations and its cash flows for the years in the period ended December 31, 2000 and December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
January 29, 2001

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 557,521	$ 2,214,838
Restricted cash for redemption of long-term debt	168,557,417	-0-
Trade accounts receivable, less allowance for doubtful accounts of $743,000 and $845,000, respectively	29,722,141	30,321,372
Recoverable income taxes	552,177	1,196,408
Inventories	763,430	1,472,377
Current portion of program broadcast rights, net	3,809,238	3,723,988
Other current assets	742,150	670,718
Total current assets	204,704,074	39,599,701
Property and equipment:		
Land	4,905,121	4,905,121
Buildings and improvements	16,904,976	16,639,424
Equipment	113,018,560	106,783,692
	134,828,657	128,328,237
Allowance for depreciation	(71,412,314)	(55,730,599)
	63,416,343	72,597,638
Deferred loan costs, net	14,305,495	8,203,055
Licenses and network affiliation agreements	424,384,811	436,255,773
Goodwill	72,025,145	73,978,230
Consulting and noncompete agreements	901,216	1,381,545
Other	14,599,894	4,755,793
	$ 794,336,978	$ 636,771,735

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	DECEMBER 31, 2001	DECEMBER 31, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities:		
Trade accounts payable (includes $0 and $200,000 payable to Bull Run Corporation, respectively)	$ 7,632,778	$ 4,452,911
Employee compensation and benefits	6,002,892	6,630,078
Accrued expenses	1,588,302	1,631,490
Accrued interest	7,872,585	6,875,294
Current portion of program broadcast obligations	3,655,881	3,605,960
Deferred revenue	2,783,069	3,015,044
Unrealized loss on derivatives	1,581,000	-0-
Current portion of long-term debt	155,262,277	200,000
Total current liabilities	186,378,784	26,410,777
Long-term debt, less current portion	396,182,025	374,687,052
Program broadcast obligations, less current portion	619,320	303,308
Supplemental employee benefits	397,720	525,151
Deferred income taxes	66,790,563	72,935,799
Other	1,772,989	5,948,849
	652,141,401	480,810,936
Commitments and contingencies		
Stockholders' equity		
Serial Preferred Stock, no par value; authorized 20,000,000 shares; issued and outstanding 861 shares, respectively ($8,605,788 aggregate liquidation value, respectively)	4,636,663	4,636,663
Class A Common Stock, no par value; authorized 15,000,000 shares; issued 7,961,574 shares, respectively	20,172,959	20,172,959
Class B Common Stock, no par value; authorized 15,000,000 shares; issued 8,792,227 and 8,708,820 shares, respectively	117,634,928	116,486,600
Retained earnings	8,089,745	23,273,239
	150,534,295	164,569,461
Treasury Stock at cost, Class A Common, 1,113,107 shares, respectively	(8,338,718)	(8,338,718)
Treasury Stock at cost, Class B Common, -0- and 24,257 shares, respectively	-0-	(269,944)
	142,195,577	155,960,799
	$ 794,336,978	$ 636,771,735

See accompanying notes.

GRAY COMMUNCIATIONS SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Operating revenues:			
Broadcasting (less agency commissions)	$ 106,429,524	$ 120,639,853	$ 97,014,737
Publishing	41,189,183	41,499,521	37,808,328
Paging	8,724,743	9,073,629	9,129,702
	156,343,450	171,213,003	143,952,767
Expenses:			
Broadcasting	66,232,307	67,770,063	58,660,663
Publishing	31,915,101	31,408,235	28,781,501
Paging	5,877,010	6,136,157	6,550,529
Corporate and administrative	3,615,117	3,594,113	3,448,203
Depreciation	16,512,198	16,889,172	12,855,449
Amortization of intangible assets	14,312,069	14,317,733	11,595,919
	138,463,802	140,115,473	121,892,264
Operating income	17,879,648	31,097,530	22,060,503
Depreciation in value of derivatives, net	(1,581,000)	-0-	-0-
Miscellaneous income, net	194,131	781,251	335,871
	16,492,779	31,878,781	22,396,374
Interest expense	35,782,547	39,957,362	31,021,039
LOSS BEFORE INCOME TAXES	(19,289,768)	(8,078,581)	(8,624,665)
Federal and state income tax benefit	(5,971,919)	(1,866,767)	(2,309,966)
NET LOSS	(13,317,849)	(6,211,814)	(6,314,699)
Preferred dividends	616,346	1,012,374	1,010,000
Non-cash preferred dividends associated with the redemption of preferred stock	-0-	2,159,625	-0-
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (13,934,195)	$ (9,383,813)	$ (7,324,699)
Weighted average outstanding common shares:			
Basic	15,605,133	15,496,847	12,837,912
Diluted	15,605,133	15,496,847	12,837,912
Basic and diluted net loss per share available to common stockholders	$ (0.89)	$ (0.61)	$ (0.57)

See accompanying notes.

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	PREFERRED STOCK		CLASS A COMMON STOCK		CLASS B COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
Balance at December 31, 1998	1,350	7,371,250	7,961,574	20,172,959	5,273,046	66,792,385
Net loss	-0-	-0-	-0-	-0-	-0-	-0-
Common Stock cash dividends ($0.08) per share	-0-	-0-	-0-	-0-	-0-	-0-
Preferred Stock dividends	-0-	-0-	-0-	-0-	-0-	-0-
Issuance of Common Stock:						
401(k) plan	-0-	-0-	-0-	-0-	-0-	126,944
Non-qualified stock plan	-0-	-0-	-0-	-0-	-0-	-0-
Issuance of Class B Common Stock	-0-	-0-	-0-	-0-	3,435,774	49,452,053
Purchase of Class B Common Stock	-0-	-0-	-0-	-0-	-0-	-0-
Income tax benefits relating to stock plans	-0-	-0-	-0-	-0-	-0-	8,100
Balance at December 31, 1999	1,350	7,371,250	7,961,574	20,172,959	8,708,820	116,379,482
Net loss	-0-	-0-	-0-	-0-	-0-	-0-
Common Stock cash dividends ($0.08) per share	-0-	-0-	-0-	-0-	-0-	-0-
Preferred Stock dividends	-0-	-0-	-0-	-0-	-0-	-0-
Non-cash preferred dividends associated with the redemption of preferred stock	-0-	-0-	-0-	-0-	-0-	-0-
Issuance of Common Stock:						
401(k) plan	-0-	-0-	-0-	-0-	-0-	53,071
Non-qualified stock plan	-0-	-0-	-0-	-0-	-0-	54,047
Purchase of Class B Common Stock	-0-	-0-	-0-	-0-	-0-	-0-
Issuance of Series B Preferred Stock	11	105,788	-0-	-0-	-0-	-0-
Purchase of Series A Preferred Stock	(500)	(2,840,375)	-0-	-0-	-0-	-0-
Balance at December 31, 2000	861	4,636,663	7,961,574	20,172,959	8,708,820	116,486,600
Net loss	-0-	-0-	-0-	-0-	-0-	-0-
Common Stock cash dividends ($0.08) per share	-0-	-0-	-0-	-0-	-0-	-0-
Preferred Stock dividends	-0-	-0-	-0-	-0-	-0-	-0-
Issuance of Common Stock:						
401(k) plan	-0-	-0-	-0-	-0-	41,207	585,316
Non-qualified stock plan	-0-	-0-	-0-	-0-	42,200	556,891
Income tax benefits relating to stock plans	-0-	-0-	-0-	-0-	-0-	6,121
Balance at December 31, 2001	861	$4,636,663	7,961,574	$20,172,959	8,792,227	$117,634,928

	RETAINED EARNINGS	CLASS A TREASURY STOCK SHARES	CLASS A TREASURY STOCK AMOUNT	CLASS B TREASURY STOCK SHARES	CLASS B TREASURY STOCK AMOUNT	TOTAL
Balance at December 31, 1998	42,377,101	(1,129,532)	(8,578,682)	(135,080)	(1,432,143)	126,702,870
Net loss	(6,314,699)	-0-	-0-	-0-	-0-	(6,314,699)
Common Stock cash dividends ($0.08) per share	(1,027,322)	-0-	-0-	-0-	-0-	(1,027,322)
Preferred Stock dividends	(1,010,000)	-0-	-0-	-0-	-0-	(1,010,000)
Issuance of Common Stock:						
401(k) plan	-0-	-0-	-0-	44,715	487,039	613,983
Non-qualified stock plan	(12,397)	2,250	32,397	-0-	-0-	20,000
Issuance of Class B Common Stock	-0-	-0-	-0-	-0-	-0-	49,452,053
Purchase of Class B Common Stock	-0-	-0-	-0-	(20,000)	(257,004)	(257,004)
Income tax benefits relating to stock plans	-0-	-0-	-0-	-0-	-0-	8,100
Balance at December 31, 1999	34,012,683	(1,127,282)	(8,546,285)	(110,365)	(1,202,108)	168,187,981
Net loss	(6,211,814)	-0-	-0-	-0-	-0-	(6,211,814)
Common Stock cash dividends ($0.08) per share	(1,239,921)	-0-	-0-	-0-	-0-	(1,239,921)
Preferred Stock dividends	(1,012,374)	-0-	-0-	-0-	-0-	(1,012,374)
Non-cash preferred dividends associated with the redemption of preferred stock	(2,159,625)	-0-	-0-	-0-	-0-	(2,159,625)
Issuance of Common Stock:						
401(k) plan	(34,143)	-0-	-0-	59,969	666,295	685,223
Non-qualified stock plan	(81,567)	14,175	207,567	37,500	408,453	588,500
Purchase of Class B Common Stock	-0-	-0-	-0-	(11,361)	(142,584)	(142,584)
Issuance of Series B Preferred Stock	-0-	-0-	-0-	-0-	-0-	105,788
Purchase of Series A Preferred Stock	-0-	-0-	-0-	-0-	-0-	(2,840,375)
Balance at December 31, 2000	23,273,239	(1,113,107)	(8,338,718)	(24,257)	(269,944)	155,960,799
Net loss	(13,317,849)	-0-	-0-	-0-	-0-	(13,317,849)
Common Stock cash dividends ($0.08) per share	(1,249,299)	-0-	-0-	-0-	-0-	(1,249,299)
Preferred Stock dividends	(616,346)	-0-	-0-	-0-	-0-	(616,346)
Issuance of Common Stock:						
401(k) plan	-0-	-0-	-0-	9,257	103,027	688,343
Non-qualified stock plan	-0-	-0-	-0-	15,000	166,917	723,808
Income tax benefits relating to stock plans	-0-	-0-	-0-	-0-	-0-	6,121
Balance at December 31, 2001	$8,089,745	(1,113,107)	$(8,338,718)	-0-	$ -0-	$142,195,577

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See accompanying notes.

GRAY COMMUNCIATIONS SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
OPERATING ACTIVITIES			
Net loss	$ (13,317,849)	$ (6,211,814)	$ (6,314,699)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	16,512,198	16,889,172	12,855,449
Amortization of intangible assets	14,312,069	14,317,733	11,595,919
Amortization of deferred loan costs	1,535,747	1,537,047	1,253,277
Amortization of program broadcast rights	5,518,852	5,306,672	5,340,187
Payments for program broadcast rights	(5,422,959)	(5,614,129)	(4,953,672)
Supplemental employee benefits	(184,427)	(242,662)	(206,372)
Common Stock contributed to 401(K) Plan	688,343	685,223	613,983
Deferred income taxes	(6,145,236)	(2,454,030)	(2,738,500)
Depreciation in value of derivatives, net	1,581,000	-0-	-0-
(Gain) loss on asset sales	157,159	(391,549)	(114,063)
Other	98,653	-0-	-0-
Changes in operating assets and liabilities:			
Trade accounts receivable	599,231	17,053	(2,865,849)
Recoverable income taxes	562,250	856,617	(327,490)
Inventories	708,947	(139,437)	255,897
Other current assets	(71,432)	139,392	106,829
Trade accounts payable	3,188,426	185,677	1,734,641
Employee compensation and benefits	(627,186)	1,361,105	(260,827)
Accrued expenses	13,808	(921,133)	1,147,105
Accrued interest	997,291	(2,358,615)	3,625,775
Deferred revenue	(231,975)	(197,770)	94,328
Net cash provided by operating activities	20,472,910	22,764,552	20,841,918
INVESTING ACTIVITIES			
Restricted cash for redemption of long-term debt	(168,557,417)	-0-	-0-
Acquisition of television businesses	-0-	-0-	(97,079,854)
Acquisition of investment in television business	(9,751,840)	-0-	-0-
Acquisition of newspaper business	-0-	-0-	(16,869,140)
Purchases of property and equipment	(11,242,758)	(5,702,494)	(11,711,893)
Proceeds from asset sales	104,582	634,832	1,722,932
Payments on purchase liabilities	(443,769)	(592,570)	(900,688)
Other	76,281	(2,615,431)	(1,941,081)
Net cash used in investing activities	(189,814,921)	(8,275,663)	(126,779,724)
FINANCING ACTIVITIES			
Proceeds from borrowings on long-term debt	239,008,200	49,700,000	164,200,000
Repayments of borrowings on long-term debt	(62,450,950)	(56,514,890)	(53,153,313)
Deferred loan costs	(7,736,840)	(83,516)	(2,674,431)
Dividends paid	(1,865,645)	(2,146,507)	(2,304,823)
Income tax benefit relating to stock plans	6,121	-0-	8,100
Proceeds from issuance of Common Stock	723,808	126,000	20,000
Purchase of Common Stock	-0-	(142,584)	(257,004)
Redemption of Preferred Stock	-0-	(5,000,000)	-0-
Net cash provided by (used in) financing activities	167,684,694	(14,061,497)	105,838,529
Increase (decrease) in cash and cash equivalents	(1,657,317)	427,392	(99,277)
Cash and cash equivalents at beginning of year	2,214,838	1,787,446	1,886,723
Cash and cash equivalents at end of year	$ 557,521	$ 2,214,838	$ 1,787,446

See accompanying notes.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Company's operations, which are located in thirteen southern, southwestern and midwestern states, include thirteen television stations, four daily newspapers, a wireless messaging and paging business and a transportable satellite uplink business.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

The Company recognizes revenue from three industries: broadcasting, publishing and paging. Broadcasting revenue is generated primarily from the sale of television advertising time. Publishing revenue is generated primarily from circulation and advertising revenue. Paging revenue results primarily from the sale of pagers and paging services. Advertising revenue is billed to the customer and recognized when the advertisement is aired or published. Gray bills its customers in advance for newspaper subscriptions and paging services and the related revenues are recognized over the period the service is provided on the straight-line basis. Revenue from the sale of cellular telephones and pagers is recognized at the time of sale.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with banks. Deposits with banks are generally insured in limited amounts.

Inventories

Inventories, principally newsprint and supplies, are stated at the lower of cost or market. The Company uses the first-in, first-out method of determining costs for substantially all of its inventories.

Program Broadcast Rights

Rights to programs available for broadcast under program license agreements are initially recorded at the beginning of the license period for the amounts of total license fees payable under the license agreements and are charged to operating expense as each episode is broadcast. The cost of each episode is determined by dividing the total cost of the program license agreement by the number of episodes per the agreement. The portion of the unamortized balance expected to be charged to operating expense in the succeeding year is classified as a current asset, with the remainder classified as a non-current asset. The liability for the license fees payable under the program license agreements is classified as current or long-term, in accordance with the payment terms of the various license agreements. The capitalized costs of the rights are recorded at the lower of unamortized costs or estimated net realizable value.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Buildings, improvements and equipment are generally depreciated over estimated useful lives of approximately 35 years, 10 years and 5 years, respectively.

Deferred Loan Costs

Loan acquisition costs are amortized over the life of the applicable indebtedness. As of December 31, 2001, the life of the senior bank loan agreement (the "Senior Credit Facility") is 8 years and the life of the 9 1/4 % Senior Subordinated Notes Due 2011 (the "9 1/4% Notes") is 10 years. The final maturity dates of the Senior Credit Facility and the 9 1/4% Notes are September 2009 and December 2011, respectively.

Intangible Assets

Intangible assets are stated at cost and are amortized using the straight-line method. Goodwill, licenses and network affiliation agreements are amortized over 40 years. Non-compete agreements are amortized over the life of the specific agreement. Accumulated amortization of intangible assets resulting from business acquisitions was $58.9 million and $44.6 million as of December 31, 2001 and 2000, respectively.

If facts and circumstances indicate that the goodwill, property and equipment or other assets may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write down to fair market value or discounted cash flow value is required.

Income Taxes

Deferred income taxes are provided on the differences between the financial statement and income tax basis of assets and liabilities. The Company and its subsidiaries file a consolidated federal income tax return. Consolidated state income tax returns are filed when appropriate and separate state tax returns are filed when consolidation is not available. Local tax returns are filed separately.

Stock Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock options. Under APB 25, if the exercise price of the stock options granted by the Company equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Accounting for Derivatives

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended ("SFAS 133"). The effect as of January 1, 2001, of adopting SFAS 133 was not material and, accordingly, it is not presented as a cumulative effect adjustment. SFAS 133 provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities. SFAS 133 requires all derivatives to be recorded on

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Derivatives (Continued)

the balance sheet at fair value and establishes "special accounting" for those that qualify as hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

In 1999, the Company entered into an interest rate swap agreement to hedge against fluctuations in interest expense resulting from a portion of its variable rate debt. Due to the terms of the interest rate swap agreement, it does not qualify for hedge accounting under SFAS 133. As a result of the adoption of SFAS 133 and the general decrease in market interest rates during the current year, the Company recognized depreciation in the value of its derivative during the year ended December 31, 2001 of $1,581,000.

Concentration of Credit Risk

The Company provides print advertising and advertising air-time to national, regional and local advertisers within the geographic areas in which the Company operates. Credit is extended based on an evaluation of the customer's financial condition, and generally advance payment is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

Fair Value of Financial Instruments

The estimated fair value of the Company's long-term debt at December 31, 2001 and 2000 was $551.5 million and $370.5 million, respectively. Currently, the Company does not anticipate settlement of long-term debt, except for its 10 5/8% Senior Subordinated Notes due 2006, at other than book value. The fair value of other financial instruments classified as current assets or liabilities approximates their carrying value.

Earnings Per Share

The Company computes earnings per share in accordance with SFAS No. 128, "Earnings Per Share" ("EPS"). The weighted average number of shares used in computing basic and diluted earnings or loss per share was 15,605,133, 15,496,847 and 12,837,912 in the years ended December 31, 2001, 2000 and 1999, respectively. Dilutive securities of 511,882, 140,063 and 356,971 are not included in the calculation of diluted EPS in the years ending December 31, 2001, 2000 and 1999, respectively, because they are antidilutive.

Implementation of New Accounting Principle

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142,"Goodwill and Other Intangible Assets", effective for fiscal years beginning after December 15, 2001 and therefore will be implemented by the Company in 2002. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company is required to adopt the new rules effective January 1, 2002. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets. The initial valuation date is January 1, 2002. The Company has

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Principle (Continued)

not completed these initial valuation tests and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

B. BUSINESS ACQUISITIONS

Acquisition of Equity Investment in Sarkes Tarzian, Inc.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock of Sarkes Tarzian, Inc. ("Tarzian") from Bull Run Corporation ("Bull Run"), a principal shareholder of the Company. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the "Estate") in January 1999.

The acquired shares of Tarzian represent 33.5% of the total outstanding common stock of Tarzian (both in terms of the number of shares of common stock outstanding and in terms of voting rights), but such investment represents 73% of the equity of Tarzian for purposes of dividends if paid as well as distributions in the event of any liquidation, dissolution or other sale of Tarzian.

Tarzian is a closely held private company that owns and operates two television stations and four radio stations: WRCB-TV Channel 3 in Chattanooga, Tennessee, an NBC affiliate; KTVN-TV Channel 2 in Reno, Nevada, a CBS affiliate; WGCL-AM and WTTS-FM in Bloomington, Indiana; and WAJI-FM and WLDE-FM in Fort Wayne, Indiana. The Chattanooga and Reno markets are the 86th and the 110th largest television markets ("DMA's") in the United States, respectively, as ranked by the A.C. Nielsen Company.

Gray paid $10 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company has previously capitalized and paid to Bull Run $3.2 million of costs associated with the Company's option to acquire these shares. This acquisition has been accounted for under the cost method of accounting and reflected as a non-current other asset.

On February 12, 1999, Tarzian filed a complaint against Bull Run and the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run's purchase of the shares, and requests judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and the Company cannot predict when the final resolution of the litigation will occur. The 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 (or its successors or assigns), the purchase agreement will be rescinded and the Estate will be required to pay for the benefit of Gray, as successor in interest, the full $10 million purchase price, plus interest.

1999 Acquisitions

On October 1, 1999, the Company completed its acquisition of all the outstanding capital stock of KWTX Broadcasting Company ("KWTX") and Brazos Broadcasting Company ("Brazos"), as well as the assets of KXII Broadcasters Ltd. ("KXII"). The Company acquired the capital stock of KWTX and Brazos in merger transactions with the shareholders of KWTX and Brazos receiving a combination of

B. BUSINESS ACQUISITIONS (CONTINUED)

1999 Acquisitions (Continued)

cash and the Company's Class B Common Stock for their shares. The Company acquired the assets of KXII in an all cash transaction. These transactions are referred to herein as the "Texas Acquisitions."

KWTX operates CBS affiliate KWTX-TV located in Waco, Texas and Brazos operates KBTX-TV, a satellite station of KWTX-TV located in Bryan, Texas, each serving the Waco-Temple-Bryan, Texas television market. KXII operates KXII-TV, which is the CBS affiliate serving Sherman, Texas and Ada, Oklahoma. The Texas Acquisitions have been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired businesses are included in the accompanying consolidated financial statements as of their respective acquisition dates. The assets and liabilities of acquired businesses are included based on an allocation of the purchase price.

Aggregate consideration (net of cash acquired) paid in the Company's Class B Common Stock and cash was approximately $146.4 million, which included a base purchase price of $139.0 million, transaction expenses of $2.8 million and certain net working capital adjustments (excluding cash) of $4.6 million. In addition to the amount paid, the Company assumed approximately $600,000 in liabilities in connection with the asset purchase of KXII. The Company funded the acquisitions by issuing 3,435,774 shares of the Company's Class B Common Stock (valued at $49.5 million) to the sellers, borrowing an additional $94.4 million under its Senior Credit Facility and using cash on hand of approximately $2.5 million. Based on the allocation of the purchase price, the excess of the purchase price over the fair value of the net tangible assets was approximately $148.9 million. The Company paid Bull Run a fee of $1.39 million for advisory services performed for the Company in connection with the Texas Acquisitions (excluding a $300,000 advisory fee in connection with the Company's Senior Credit Facility agreement). This fee was paid in full as of the acquisition date and included in the fee portion of the aggregate consideration for the Texas Acquisitions described above.

On March 1, 1999, the Company acquired substantially all of the assets of The Goshen News from News Printing Company, Inc. and affiliates thereof, for aggregate cash consideration of approximately $16.7 million including a non-compete agreement (the "Goshen Acquisition"). Based on the allocation of the purchase price, the excess of the purchase price over the fair value of the net tangible assets was approximately $14.1 million. The Goshen News is currently an 16,000 circulation newspaper published Monday through Sunday and serves Goshen, Indiana and surrounding areas. The Company paid Bull Run a fee of $167,000 for services rendered in connection with the Goshen Acquisition. The Company financed the acquisition through borrowings under its Senior Credit Facility.

The Texas Acquisitions and the Goshen Acquisition have been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired businesses are included in the accompanying consolidated financial statements as of their respective acquisition dates. The assets and liabilities of acquired businesses are included based on an allocation of the purchase price.

C. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	DECEMBER 31,	
	2001	2000
Senior Credit Facility	$ 217,500	$ 214,500
9 1/4% Senior Subordinated Notes due 2011	180,000	-0-
10 5/8 % Senior Subordinated Notes due 2006 (retired on January 22, 2002)	155,200	160,000
Other	186	387
	552,886	374,887
Less unamortized discount	(1,442)	-0-
	551,444	374,887
Less current portion	(155,262)	(200)
	$ 396,182	$ 374,687

The Company amended and restated its Senior Credit Facility on September 25, 2001. The revised facility provides the Company with a $200 million term facility and a $50 million reducing revolving credit facility. In addition, the agreement provides the Company with the ability to access up to $100 million of incremental senior secured term loans upon the consent of the lenders. The Company may request this incremental senior secured term loan on any business day on or before December 31, 2003. Prior to the amendment on September 25, 2001, the Senior Credit Facility consisted of a $100.0 million revolving commitment and two $100.0 million term loan commitments.

Proceeds from the amended and restated facility were used to refinance existing senior secured indebtedness, transaction fees and for other general corporate purposes. The Company incurred $2.6 million in lender fees and other costs to amend and restate the facility.

Under the amended revolving and term facilities, the Company, at its option, can borrow funds at an interest rate equal to the London Interbank Offered Rate ("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 amended 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 amended term facility are base plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. The applicable margin payable by the Company will be determined by the Company's operating leverage ratio that is calculated quarterly.

At December 31, 2001, the Company had approximately $217.5 million outstanding under the Senior Credit Facility with approximately $32.5 million available under the agreement. Also as of December 31, 2001, interest rates were at a rate of base plus 1.75% and/or LIBOR plus 3.0% for funds borrowed under the revolving facility. For funds borrowed under the term facility, interest was at base plus 2.0% and/or LIBOR plus 3.25%. The effective interest rate on the Senior Credit Facility at December 31, 2001 and 2000 was 5.8% and 9.7%, respectively. The Company is charged a commitment fee on the excess of the aggregate average daily available credit limit less the amount outstanding. At December 31, 2001, the commitment fee was 0.50% per annum.

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 amended and restated senior credit facilities are collateralized by substantially all of the assets, excluding real estate, of the Company and its subsidiaries. In addition, the Company's subsidiaries are joint and several guarantors of the obligations and the Company's ownership interests in its subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include but are not limited to, requiring the Company to maintain certain financial ratios and limits upon the Company's ability to incur additional indebtedness, make certain acquisitions or investments, sell assets or make other restricted payments, including dividends, (all as are defined in the loan agreement). The 9 1/4 % Notes also contain similar restrictive provisions limiting the Company's ability to, among other things incur additional indebtedness make certain acquisitions or investments, sell assets or make certain restricted payments that include but are not limited to purchases or redemptions of the Company's capital stock.

On December 21, 2001, the Company completed its sale of $180 million aggregate principal amount of Senior Subordinated Notes due 2011 (the "9 1/4% Notes"). The net proceeds from the sale of the 9 1/4% Notes were approximately $173.6 million. The 9 1/4% Notes have a coupon of 9 1/4% and was priced at a discount to yield 9.375 %. Interest on the 9 1/4 % Notes is payable semi-annually on December 15 and June 15, commencing June 15, 2002. The 9 1/4% Notes mature on December 15, 2011 and are redeemable, in whole or in part, at the Company's option after December 15, 2006. If the 9 1/4% Notes are redeemed during the twelve-month period beginning on December 15 of the years indicated below, they will be redeemed at the redemption prices set forth below, plus accrued and unpaid interest to the date fixed for redemption.

YEAR	PERCENTAGE OF THE PRINCIPAL AMOUNT OUTSTANDING
2006	104.625%
2007	103.083%
2008	101.542%
2009 and thereafter	100.000%

Under certain circumstances, the Company at its option can redeem all or a portion of the 9 1/4% Notes prior to December 15, 2006. If the 9 1/4% Notes were to be redeemed prior to December 15, 2006, the Company would have to pay the principal amount, accrued but unpaid interest and certain premiums.

In October of 2001, the Company purchased $4.8 million of its existing 10 5/8% Senior Subordinated Notes due 2006 (the "10 5/8% Notes"). On December 21, 2001, Gray instructed the trustee for the 10 5/8% Notes to commence the redemption, in full, of the remaining 10 5/8% Notes outstanding. Gray deposited cash of approximately $168.6 million with the 10 5/8% Notes' trustee, to redeem the aggregate principal amount of the 10 5/8% Notes outstanding of $155.2 million and to fund associated premium costs of $8.2 million, accrued interest of $3.7 million and certain other related expenses of $1.5 million. This cash was funded from the net proceeds of the 9 1/4% Notes and is included in consolidated balance sheet at December 31, 2001 as "restricted cash for redemption of long-term debt". The redemption was completed on January 22, 2002 and all obligations associated with the 10 5/8% Notes as well as the rights associated with the restricted cash were extinguished on that date. The Company recorded an

extraordinary charge of approximately 11.3 million ($6.8 million after income tax) in January 2002 in connection with this early extinguishment of debt.

The 9 1/4% Notes are jointly and severally guaranteed (the "Subsidiary Guarantees") by all of the Company's subsidiaries (the "Subsidiary Guarantors"). The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees is subordinated, to the same extent as the obligations of the Company in respect of the 9 1/4% Notes, to the prior payment in full of all existing and future senior debt of the Subsidiary Guarantors (which will include any guarantee issued by such Subsidiary Guarantors of any senior debt).

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

The Company entered into an interest rate swap agreement to modify the interest characteristics of a portion of its outstanding debt. The agreement involves the exchange of an amount based on a variable interest rate for an amount based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based.

The interest rate swap agreement converts $40.0 million of the Company's floating rate debt under the Senior Credit Facility to a fixed rate basis at a rate of 6.155%. The initial term of the interest rate swap agreement was effective on October 6, 1999 and terminated on October 6, 2001. However, the bank providing the interest rate swap agreement had an option to extend the termination date. The bank chose to exercise its option and extended the term of the swap agreement to October 6, 2002. As a result of the agreement's unilateral option component, the agreement does not qualify for hedge accounting under SFAS 133.

The Company recognizes interest differentials as adjustments to interest expense in the period they occur. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the debt. The related amount payable to, or receivable from, counter-parties is included in other liabilities or assets. The fair value of the swap agreements is recognized in the financial statements.

C. LONG-TERM DEBT (CONTINUED)

Aggregate minimum principal maturities on long-term debt as of December 31, 2001, were as follows (in thousands):

YEAR	MINIMUM PRINCIPAL MATURITIES
2002	155,262
2003	68
2004	56
2005	-0-
2006	-0-
Thereafter	396,058
	$ 551,444

The Company made interest payments of approximately $36.8 million, $40.8 million and $26.1 million during 2001, 2000 and 1999, respectively.

D. STOCKHOLDERS' EQUITY

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 Class B Common Stock receive cash dividends on an equal per share basis.

The Series A Preferred Stock includes detachable warrants issued to 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.

D. STOCKHOLDERS' EQUITY (CONTINUED)

In addition to the $13.2 million paid for the Tarzian shares, 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 the Capital Accumulation Plan and the 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 the Company's operating cash flow.

E. LONG-TERM INCENTIVE PLAN AND STOCK PURCHASE PLAN

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

The Company has a long-term incentive plan (the "Incentive Plan") that was amended by the Company's shareholders during 2001. The amendment increased the aggregate number of shares of the Company's common stock subject to awards under the Incentive Plan to 2.9 million from 1.9 million. As a result of this amendment, the Incentive Plan has 300,000 shares of the Company's Class A Common Stock and 2.6 million shares of the Company's Class B Common Stock reserved for grants to key personnel for (i) incentive stock options, (ii) non-qualified stock options, (iii) stock appreciation rights, (iv) restricted stock awards and (v) performance awards, as defined by the Incentive Plan. Shares of Common Stock underlying outstanding options or performance awards are counted against the Incentive Plan's maximum shares while such options or awards are outstanding. Under the Incentive Plan, the options granted typically vest after a two year period and expire three years after full vesting. However, options will vest immediately upon a "change in control" of the Company as such term is defined in the Incentive Plan. Options granted through December 31, 2001, have been granted at a price, which approximates fair market value on the date of the grant.

The Company also has a Stock Purchase Plan, which grants non-employee directors up to 11,250 shares of the Company's Class B Common Stock. Under this Stock Purchase Plan, the options granted vest at the beginning of the upcoming calendar year and expire at the end of January following that calendar year.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") which also requires that the information be determined as if the Company had accounted for its employee stock options granted under the fair value method of SFAS No. 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 3.52%, 6.55% and 6.04%; dividend yields of 0.78%, 0.78% and 0.63%; volatility factors of the expected market price of the Company's Class B Common Stock of 0.32, 0.27 and 0.27; and a weighted-average expected life of the options of 3.4, 4.9 and 4.0 years.

E. LONG-TERM INCENTIVE PLAN AND STOCK PURCHASE PLAN (CONTINUED)

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

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Pro forma loss available to common stockholders	$(15,077)	$(10,404)	$(8,329)
Pro forma loss per common share:			
Basic	$ (0.97)	$ (0.67)	$ (0.65)
Diluted	$ (0.97)	$ (0.67)	$ (0.65)

A summary of the Company's stock option activity for Class A Common Stock, and related information for the years ended December 31, 2001, 2000 and 1999 is as follows (in thousands, except weighted average data):

	YEAR ENDED DECEMBER 31,					
	2001		2000		1999	
	OPTION	WEIGHTED AVERAGE EXERCISE PRICE	OPTION	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Stock options outstanding - beginning of year	19	$17.81	34	$14.04	36	$13.71
Options granted	0		0		0	
Options exercised	0		(15)	8.89	(2)	8.89
Options forfeited	0		0		0	
Stock options outstanding - end of year	19	$17.81	19	$17.81	34	$14.04
Exercisable at end of year	19	$17.81	19	$17.81	14	$ 8.89

The exercise price for Class A Common Stock options outstanding as of December 31, 2001 is $17.81. The weighted-average remaining contractual life of the Class A Common Stock options outstanding is 1.9 years.

E. LONG-TERM INCENTIVE PLAN AND STOCK PURCHASE PLAN (CONTINUED)

A summary of the Company's stock option activity for Class B Common Stock, and related information for the years ended December 31, 2001, 2000, and 1999 is as follows (in thousands, except weighted average data):

	YEAR ENDED DECEMBER 31,					
	2001		2000		1999	
	OPTION	WEIGHTED AVERAGE EXERCISE PRICE	OPTION	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Stock options outstanding - beginning of year	1,697	$11.86	820	$13.78	659	$14.36
Options granted	60	10.23	965	10.37	241	12.85
Options exercised	(57)	12.65	0		0	
Options forfeited	(47)	11.21	(36)	12.52	(18)	14.41
Options expired	(19)	10.58	(52)	14.00	(62)	16.13
Stock options outstanding - end of year	1,634	$11.81	1,697	$11.86	820	$13.78
Exercisable at end of year	699	$13.89	569	$14.05	449	$14.20
Weighted-average fair value of options granted during the year		$ 2.58		$3.40		$ 3.67

Exercise prices for Class B Common Stock options outstanding as of December 31, 2001, ranged from $9.95 to $14.50. The weighted-average remaining contractual life of the Class B Common Stock options outstanding is 2.6.

F. INCOME TAXES

The Company uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Federal and state income tax expense (benefit) included in the consolidated financial statements is summarized as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Current			
Federal	$ -0-	$ -0-	$ 6
State and local	173	587	423
Deferred	(6,145)	(2,454)	(2,739)
	$ (5,972)	$ (1,867)	$ (2,310)

F. INCOME TAXES (CONTINUED)

Significant components of the Company's deferred tax liabilities and assets are as follows (in thousands):

	DECEMBER 31,	
	2001	2000
Deferred tax liabilities:		
Net book value of property and equipment	$ 9,059	$ 11,272
Goodwill and other intangibles	82,330	78,456
Other	122	122
Total deferred tax liabilities	91,511	89,850
Deferred tax assets:		
Liability under supplemental retirement plan	188	(257)
Allowance for doubtful accounts	286	322
Federal operating loss carryforwards	20,048	13,163
State and local operating loss carryforwards	3,734	3,319
Other	804	707
Total deferred tax assets	25,060	17,254
Valuation allowance for deferred tax assets	(340)	(340)
Net deferred tax assets	24,720	16,914
Deferred tax liabilities, net	$ 66,791	$ 72,936

The Company has approximately $68 million in federal operating loss carryforwards which expire during the years 2012 through 2021. Additionally, the Company has an aggregate of approximately $125 million of various state operating loss carryforwards.

A reconciliation of income tax expense at the statutory federal income tax rate and income taxes as reflected in the consolidated financial statements is as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Statutory rate applied to loss	$(6,559)	$(2,746)	$(2,932)
State and local taxes, net of federal tax benefits	(37)	368	296
Other items, net	624	511	326
	$(5,972)	$(1,867)	$(2,310)

The Company received income tax refunds (net of payments) of $307,000 and $269,000 in 2001 and 2000, respectively and the Company made income tax payments (net of refunds) of approximately $643,000 and $800,000 during 2000 and 1999, respectively. At December 31, 2001 and 2000, the Company had current recoverable income taxes of approximately $552,000 and $1.2 million, respectively.

The Internal Revenue Service (the "IRS") is auditing the Company's federal tax return for the year ended December 31, 1996. In conjunction with this examination, the Company extended the time period that the IRS has to audit the Company's federal tax returns for the 1996 and 1997 tax years until December 31, 2001.

F. INCOME TAXES (CONTINUED)

In October 2001, the Company received a notice of deficiency from the IRS associated with its audit of the Company's 1996 federal income tax return. The IRS alleges in the notice that the Company owes approximately $12.1 million of tax plus interest and penalties stemming from certain acquisition related transactions, which occurred in 1996. Additionally, if the IRS were successful in its claims, the Company would be required to account for these acquisition transactions as stock purchases instead of asset purchases which would significantly lower the tax basis in the assets acquired. The Company believes the IRS claims are without merit and on January 18, 2002 filed a petition to contest the matter in United States Tax Court. The Company cannot predict when the tax court will conclude its ruling on this matter.

G. RETIREMENT PLANS

Pension Plan

The Company has a retirement plan covering substantially all full-time employees. Retirement benefits are based on years of service and the employees' highest average compensation for five consecutive years during the last ten years of employment. The Company's funding policy is to contribute annually the minimum amount deductible for federal income tax purposes.

The following summarizes the plan's funded status and related assumptions (dollars in thousands):

	DECEMBER 31,	
	2001	2000
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	$ 10,208	$ 8,951
Service cost	1,161	931
Interest cost	685	598
Actuarial (gains) losses	160	141
Benefits paid	(412)	(413)
Benefit obligation at end of year	$ 11,802	$ 10,208
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	$ 8,203	$ 8,059
Actual return on plan assets	96	334
Company contributions	883	223
Benefits paid	(412)	(413)
Fair value of plan assets at end of year	$ 8,770	$ 8,203
COMPONENTS OF ACCRUED BENEFIT COSTS:		
Underfunded status of the plan	$ (3,032)	$ (2,005)
Unrecognized net actuarial loss	1,097	456
Unrecognized net transition amount	(27)	(81)
Unrecognized prior service cost	0	(1)
Accrued benefit cost	$ (1,962)	$ (1,631)
WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31:		
Discount rate	6.8%	6.8%
Expected long-term rate of return on plan assets	7.0%	7.0%
Estimated rate of increase in compensation levels	5.0%	5.0%

G. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

The net periodic pension cost includes the following components (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
COMPONENTS OF NET PERIODIC PENSION COST:			
Service cost	$ 1,161	$ 931	$ 750
Interest cost	685	598	529
Expected return on plan assets	(577)	(553)	(516)
Amortization of prior service cost	(1)	(1)	(1)
Amortization of transition (asset) or obligation	(54)	(54)	(54)
Pension cost	$ 1,214	$ 921	$ 708

Capital Accumulation Plan

The Gray Communications Systems, Inc. Capital Accumulation Plan (the "Capital Accumulation Plan") provides additional retirement benefits for substantially all employees. The Capital Accumulation Plan is intended to meet the requirements of section 401(k) of the Internal Revenue Code of 1986.

The Capital Accumulation Plan allows an investment option in the Company's Class B Common Stock and allows for the Company's percentage match to be made by a contribution of the Company's Class B Common Stock. The Company reserved 300,000 shares of the Company's Class B Common Stock for issuance under the Capital Accumulation Plan.

Employee contributions to the Capital Accumulation Plan, not to exceed 6% of the employees' gross pay, are matched by Company contributions. The Company's percentage match amount is declared by the Company's Board of Directors before the beginning of each plan year and is made by a contribution of the Company's Class B Common Stock. The Company's percentage match was 50% for the three years ended December 31, 2001. The Company contributions vest, based upon each employee's number of years of service, over a period not to exceed five years.

Company matching contributions aggregating $688,343, $685,223 and $613,983 were charged to expense for 2001, 2000 and 1999, respectively, for the issuance of 50,464, 59,969 and 44,715 shares of Class B Common Stock, respectively.

H. COMMITMENTS AND CONTINGENCIES

The Company has various operating lease commitments for equipment, land and office space. The Company also has commitments for various television film exhibition rights and for digital television ("DTV") equipment. The license periods for the film exhibition rights had not yet commenced nor had a portion of the DTV equipment been delivered as of December 31, 2001. Rent expense resulting from operating leases for the years ended December 31, 2001, 2000 and 1999 were $1.6 million, $1.5 million and $1.8 million, respectively. Future minimum payments under operating leases with initial or remaining noncancelable lease terms in excess of one year, obligations under film exhibition rights for which the license period had not yet commenced and commitments for DTV equipment that had ordered but not yet been received are as follows (in thousands):

H. COMMITMENTS AND CONTINGENCIES (CONTINUED)

YEAR	DTV EQUIPMENT	LEASE	FILM	TOTAL
2002	$ 12,452	$ 1,512	$ 2,504	$ 16,468
2003	3,436	911	4,740	9,087
2004	-0-	679	3,688	4,367
2005	-0-	544	1,857	2,401
2006	-0-	460	227	687
Thereafter	-0-	6,982	-0-	6,982
	$ 15,888	$ 11,088	$ 13,016	$ 39,992

Through a partnership agreement with Host Communications, Inc., a wholly owned subsidiary of Bull Run, the Company has also acquired certain collegiate broadcast rights for sporting events through a five-year marketing agreement that commenced April 1, 2000. The Company's annual obligation will be determined, in part, by the number of events broadcast under the agreement; however, the Company's obligation will not exceed $2.2 million annually.

The Company is subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not materially affect the Company's financial position.

I. INFORMATION ON BUSINESS SEGMENTS

The Company operates in three business segments: broadcasting, publishing and paging. The broadcasting segment operates thirteen television stations located in the southern, southwestern and midwestern United States. The publishing segment operates four daily newspapers in four different markets located in Georgia and Indiana, and an area weekly advertising only publication in Georgia. The paging operations are located in Florida, Georgia, and Alabama. The following tables present certain financial information concerning the Company's three operating segments (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Operating revenues:			
Broadcasting	$ 106,430	$ 120,640	$ 97,015
Publishing	41,189	41,499	37,808
Paging	8,724	9,074	9,130
	$ 156,343	$ 171,213	$ 143,953
Operating income:			
Broadcasting	$ 11,365	$ 23,719	$ 15,763
Publishing	5,929	6,726	5,792
Paging	586	653	505
Total operating income	17,880	31,098	22,060
Depreciation in value of derivatives, net	(1,581)	-0-	-0-
Miscellaneous income, net	194	781	336
Interest expense	(35,783)	(39,957)	(31,021)
Loss before income taxes	$ (19,290)	$ (8,078)	$ (8,625)

I. INFORMATION ON BUSINESS SEGMENTS (CONTINUED)

Operating income is total operating revenue less operating expenses, excluding SFAS 133 derivative valuation expense, net, miscellaneous income and expense (net) and interest. Corporate and administrative expenses are allocated to operating income based on net segment revenues.

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Depreciation and amortization expense:			
Broadcasting	$ 26,226	$ 26,490	$ 20,199
Publishing	2,336	2,451	2,302
Paging	2,048	2,083	1,848
	30,610	31,024	24,349
Corporate	214	183	102
Total depreciation and amortization expense	$ 30,824	$ 31,207	$ 24,451
Media cash flow:			
Broadcasting	$ 40,768	$ 53,053	$ 39,207
Publishing	9,423	10,227	9,130
Paging	2,883	2,967	2,607
Total media cash flow	$ 53,074	$ 66,247	$ 50,944
Media cash flow reconciliation:			
Operating income	$ 17,880	$ 31,098	$ 22,060
Add:			
Amortization of program license rights	5,519	5,307	5,340
Depreciation and amortization	30,824	31,207	24,451
Corporate overhead	3,615	3,594	3,448
Non-cash compensation and contribution to 401(k) Plan, paid in Common Stock	659	655	599
Less:			
Payments for program license liabilities	(5,423)	(5,614)	(4,954)
Total media cash flow	$ 53,074	$ 66,247	$ 50,944
Capital expenditures:			
Broadcasting	$ 6,280	$ 7,632	$ 9,152
Publishing	461	625	967
Paging	877	902	1,029
	7,618	9,159	11,148
Corporate	114	194	564
Total capital expenditures	$ 7,732	$ 9,353	$ 11,712

I. INFORMATION ON BUSINESS SEGMENTS (CONTINUED)

	DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Identifiable assets:			
Broadcasting	$544,947	$564,323	$584,694
Publishing	29,448	33,260	34,584
Paging	20,632	22,404	23,822
	595,027	619,987	643,100
Corporate(1)	199,310	16,785	15,057
Total identifiable assets	$794,337	$636,772	$658,157

(1) At December 31, 2001, the corporate balance includes $168.6 million of restricted cash used to redeem the 10 5/8% Notes on January 22, 2002. See Note C. Long-term Debt

J. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	FISCAL QUARTERS			
	FIRST	SECOND	THIRD	FOURTH
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)			
YEAR ENDED DECEMBER 31, 2001:				
Operating revenues	$ 36,929	$ 39,978	$ 36,766	$ 42,671
Operating income	2,488	6,048	2,208	7,136
Net loss	(5,028)	(2,234)	(4,637)	(1,419)
Net loss available to common stockholders	(5,182)	(2,388)	(4,791)	(1,573)
Basic and diluted loss available to common stockholders per share	$ (0.33)	$ (0.15)	$ (0.31)	$ (0.10)
YEAR ENDED DECEMBER 31, 2000:				
Operating revenues	$ 38,888	$ 43,408	$ 41,610	$ 47,307
Operating income	4,101	8,481	8,562	9,954
Net income (loss)	(3,849)	(1,370)	(1,134)	141
Net loss available to common stockholders	(4,101)	(1,623)	(1,387)	(2,273)
Basic and diluted loss available to common stockholders per share	$ (0.27)	$ (0.10)	$ (0.09)	$ (0.15)

Because of the method used in calculating per share data, the quarterly per share data will not necessarily add to the per share data as computed for the year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANTS

(a) The following sets forth the information required by Item 304of Regulation S-K:

(i) On January 2, 2002 Ernst & Young LLP was dismissed as the Company's principal accountant.

(ii) The reports of Ernst & Young LLP on the Company's financial statements for the years ended December 31, 2000 and 1999 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

(iii) The decision to change accountants was recommended by the Company's Audit Committee and approved by the Company's Board of Directors.

(iv) During the years ended December 31, 2000 and 1999 and through January 2, 2002, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosures or audit scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young LLP would have caused them to make reference thereto in their reports on the financial statements for such periods.

(v) During the years ended December 31, 2000 and 1999 and through January 2, 2002, there have occurred none of the "reportable events" listed in Item 304(a)(1)(v) of Regulation S-K.

(b) The Company has requested that Ernst & Young LLP furnish a letter addressed to the SEC stating whether or not it agrees with the above statements. A copy of such letter, dated January 8, 2002, is filed as Exhibit 16 to this Form 10-K.

(c) The Company has retained PricewaterhouseCoopers LLP as its principal independent accountants, effective January 7, 2002.

There have been no disagreements with accountants on accounting and financial disclosures.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information concerning each of the directors of the Company as of March 15, 2002. See Part I, Executive Officers of the Registrant for information concerning each of the executive officers of the Company.

NAME	DIRECTOR SINCE	EXECUTIVE OFFICER SINCE	AGE	POSITION
Richard L. Boger	1991	NA	55	Director
Ray M. Deaver	2002	NA	61	Director
Hilton H. Howell, Jr.	1993	2000	40	Director and Executive Vice President
William E. Mayher, III	1990	NA	63	Chairman of the Board of Directors
Howell W. Newton	1991	NA	55	Director
Hugh Norton	1987	NA	69	Director
Robert S. Prather, Jr.	1993	1996	57	Director and Executive Vice President-Acquisitions
J. Mack Robinson	1993	1996	78	Director, President and Chief Executive Officer
Harriett J. Robinson	1997	NA	71	Director

RICHARD L. BOGER has served as a director of the Company since 1991. Mr. Boger is a member of the Executive Committee and the Audit Committee of the Company's Board of Directors and he is Chairman of the Management Personnel Committee and the 1992 Long Term Incentive Plan Committee of the Company's Board of Directors. Mr. Boger has been President and Chief Executive Officer of Export Insurance Services, Inc., an insurance brokerage and agency until February 15, 2002, President and Chief Executive Officer of Lex-Tek International, Inc., an insurance software company, and a director of CornerCap Group of Funds, a "Series" investment company since prior to 1992.

RAY M. DEAVER has served as a director of the Company since January 2002. Prior to his appointment to the Company's Board of Directors, Mr. Deaver served as the Company's Regional Vice President-Texas since October 1999. He was the President and General Manager of KWTX Broadcasting Company and President of Brazos Broadcasting Company from November 1997 until their acquisition by the Company in October 1999. Prior to 1995, he was Vice President of KWTX Broadcasting Company and Brazos Broadcasting Company. He has approximately 40 years of experience in the broadcast industry. Mr. Deaver is currently the Chairman of the CBS Television Network Affiliates Advisory Board.

HILTON H. HOWELL, JR. has been the Company's Executive Vice President since September 2000 and a director of the Company since 1993. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995 and Executive Vice President from 1992 to 1995. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1991, and Vice Chairman of Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company since 1992. He has been a director, Vice President and Secretary of Bull Run Corporation, a principal stockholder of the Company, since 1994. Mr. Howell also serves as a director of the following companies: Atlantic American Corporation, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance

Company, American Safety Insurance Company, Association Casualty Insurance Company and Association Risk Management General Agency. He is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of the Company's Board of Directors.

WILLIAM E. MAYHER, III is a member of the 1992 Long Term Incentive Plan Committee, the Executive Committee and the Management Personnel Committee of the Company's Board of Directors and has served as Chairman of the Company's Board of Directors since August 1993. Dr. Mayher was a neurosurgeon in Albany, Georgia from 1970 to 1998. Dr. Mayher is Chairman of the Medical College of Georgia Foundation and a past member of the American Association of Neurological Surgeons. He also serves as a director of Gaston Loughlin, Inc. and Palmyra Medical Centers.

HOWELL W. NEWTON has served as a director of the Company since 1991. Mr. Newton is Chairman of the Audit Committee of the Company's Board of Directors. Mr. Newton has been President and Treasurer of Trio Manufacturing Co., a textile manufacturing company, since 1978.

HUGH E. NORTON has served as a director of the Company since 1987. He is a member of the 1992 Long Term Incentive Plan Committee, the Management Personnel Committee and the Audit Committee of the Company's Board of Directors. Mr. Norton has been President of Norco, Inc., an insurance agency since 1973. Mr. Norton is also a real estate developer in Destin, Florida.

ROBERT S. PRATHER, JR. has served as Executive Vice President-Acquisitions of the Company since 1996. He has served as a director of the Company since 1993. He is a member of the Executive Committee and the Management Personnel Committee of the Company's Board of Directors. He has served as President and Chief Executive Officer and a director of Bull Run Corporation, a principal stockholder of the Company, since 1992. He serves as a director of Swiss Army Brands, Inc. and The Morgan Group, Inc. and serves on the Board of Trustees of the Georgia World Congress Center Authority.

J. MACK ROBINSON has been the Company's President and Chief Executive Officer since 1996. He has served as a director of the Company since 1993. He is the Chairman of the Executive Committee and a member of the Management Personnel Committee of the Company's Board of Directors. Mr. Robinson has served as Chairman of the Board of Bull Run Corporation, a principal stockholder of the Company, since 1994, Chairman of the Board and President of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1958, President of Atlantic American Corporation, an insurance holding company, from 1988 until 1995 and Chairman of the Board of Atlantic American Corporation since 1974. Mr. Robinson also serves as a director of the following companies: Bankers Fidelity Life Insurance Company, American Independent Life Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company and American Safety Insurance Company. He is a director emeritus of Wachovia Corporation. Mr. Robinson is the husband of Mrs. Harriett J. Robinson and the father-in-law of Mr. Hilton H. Howell, Jr., both members of the Company's Board of Directors.

HARRIETT J. ROBINSON has served as a director of the Company since 1997. Mrs. Robinson has been a director of Atlantic American Corporation since 1989. Mrs. Robinson has also been a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1967. Mrs. Robinson is the wife of Mr. J. Mack Robinson and the mother-in-law of Mr. Hilton H. Howell, Jr.

SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 (a) of the Securities Exchange Act of 1934 requires the directors, executive officers and persons who own more than 10 percent of a registered class of a company's equity securities to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership (Form 3) and reports of

changes in ownership (Forms 4 and 5) of such class of equity securities. Such officers, directors and greater than 10 percent shareholders of a company are required by SEC regulations to furnish the company with copies of all such Section 16(a) reports that they file.

To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company during the year ended December 31, 2001, all Section 16(a) filing requirements applicable to its officers, directors and 10 percent beneficial owners were met, except directors, Harriett J. Robinson, William E. Mayher, Hugh E. Norton, Richard L. Boger and Howell W. Newton, did not disclose in a timely manner that on December 6, 2001, the Company granted them each an option to acquire 5,000 shares of the Company's Class B Common stock at $9.95 per share. Richard L. Boger, a director, was late in filing his Form 4 disclosing that during the period of August 15, 2001 through October 17, 2001 he disposed of 8,276 shares of the Company's Class B Common stock at prices ranging from $11.47 to $14.50 per share. Ray M. Deaver, an executive officer, was late in filing his Form 5 disclosing that during the period of August 10, 2001 through August 15, 2001 he disposed of 10,000 shares of the Company's Class B Common stock at prices ranging from $14.62 to $14.78 per share and that he donated 1,625 shares of the Company's Class B Common stock to charity. Robert Beizer, Vice President - Law and Development, was late in disclosing in his Form 5 dated February 12, 2002, that during the period of August 17, 2001 through August 21, 2001 he disposed of 3,500 shares of the Company's Class B Common stock at prices ranging from $14.30 to $14.58 per share.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth a summary of the compensation of the Company's President and Chief Executive Officer and the four other most highly compensated officers for the year ended December 31, 2001 (the "named executives").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG TERM COMPENSATION AWARDS		ALL OTHER COMPENSATION ($)
		SALARY ($)	BONUS ($)	RESTRICTED STOCK AWARDS	SECURITIES UNDERLYING OPTIONS SARS (#)	
J. Mack Robinson,	2001	200,000	-0-	-0-	-0-	28,455(1)
President, Chief Executive Officer and a Director	2000	200,000	-0-	-0-	100,000	26,860(1)
	1999	200,000	-0-	-0-	50,000	21,520(1)
Robert A. Beizer,	2001	245,000	-0-	-0-	29,500	7,878(2)
Vice President-Law & Development	2000	231,000	-0-	-0-	21,000	11,455(2)
	1999	222,000	-0-	-0-	10,500	17,270(2)
Ray M. Deaver,	2001	252,000	-0-	-0-	-0-	11,449(4)
Director and	2000	240,000	50,000	-0-	15,000	5,788(4)
formerly Regional Vice President-Texas	1999	53,077(3)	35,000	-0-	15,000	1,349(4)
Wayne M. Martin,	2001	260,000	10,000	-0-	-0-	11,306(5)
Regional Vice	2000	248,000	130,513	-0-	25,000	9,746(5)
President-Television	1999	236,000	67,556	-0-	-0-	11,512(5)
Thomas J. Stultz,	2001	250,000	10,000	-0-	-0-	7,866(6)
Vice President,	2000	240,000	50,000	-0-	25,000	7,179(6)
President-Publishing Division	1999	205,000	150,000	-0-	-0-	7,655(6)

(1) For 2001, includes term life insurance premiums of $6,205, matching contributions by the Company's 401(k) plan of $4,250 and director's fees of $18,000. For 2000, includes term life insurance premiums of $6,180 and director's fees of $20,680. For 1999, represents director's fees only.

(2) Includes matching contributions by the Company to its 401(k) plan of $3,741 and $4,000, for 2000 and 1999, respectively. Also includes term life insurance premiums of $5,148, $5,148 and $8,775 paid or accrued 2001, 2000 and 1999, respectively. Long-term disability insurance premium payments or accruals of $2,730, $2,566, and $4,495 for 2001, 2000 and 1999, respectively.

(3) Mr. Deaver joined the Company on October 1, 1999 and in 1999 was compensated at an annual salary of $230,000.

(4) Includes matching contributions by the Company to its 401(k) plan of $4,250, $4,250 and $1,349 for 2001, 2000 and 1999, respectively. The amount for 2001 and 2000 includes $2,051and $1,538 of long-term disability insurance premium payments or accruals. Also includes term life insurance premiums of $5,148 for 2001.

(5) Includes matching contributions by the Company to its 401(k) plan of $4,250, $4,250 and $4,000, for 2001, 2000 and 1999, respectively. Also includes term life insurance premiums of $3,354, $1,794 and $3,600 paid or accrued for 2001, 2000 and 1999, respectively, and long-term disability insurance premium payments or accruals of $3,702, $3,702 and $3,912 for 2001, 2000 and 1999, respectively.

(6) Includes matching contributions by the Company to its 401(k) plan of $4,250, $4,250 and $4,000, for 2001, 2000 and 1999, respectively. Also includes term life insurance premiums of $1,794, $1,107 and $2,053 paid or accrued for 2001, 2000 and 1999, respectively, and long-term disability insurance premium payments or accruals of $1,822, $1,822 and $1,602 for 2001, 2000 and 1999, respectively.

STOCK OPTIONS GRANTED IN 2001

Under the Company's 1992 Long Term Incentive Plan (the "Incentive Plan"), all officers and key employees are eligible for grants of stock options and other stock-based awards. Options granted are exercisable over a three-year period beginning on the second anniversary of the grant date and also expire one month after termination of employment. Currently, the total number of shares issuable under the Incentive Plan is not to exceed 2,900,000 shares of which 300,000 are the Company's Class A Common Stock and 2,600,000 are the Company's Class B Common Stock, subject to adjustment in the event of any change in the outstanding shares of such stock by reason of a stock dividend, stock split, recapitalization, merger, consolidation or other similar changes generally affecting shareholders of the Company.

The Incentive Plan is administered by the Incentive Plan Committee, which consists of members of the Management Personnel Committee of the Board of Directors who are not eligible for selection as participants under the Incentive Plan. The Incentive Plan is intended to provide additional incentives and motivation for the Company's employees. The Incentive Plan Committee is authorized in its sole discretion to determine the individuals to whom options will be granted, the type and amount of such options and awards and the terms thereof; and to prescribe, amend and rescind rules and regulations relating to the Incentive Plan, among other things. The following table contains information on stock options granted during the year ended December 31, 2001. All options granted during 2001 were options to purchase the Company's Class B Common Stock. No stock appreciation rights were granted in 2001.

OPTION GRANTS IN 2001

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (1)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2001	EXERCISE OR BASE PRICE ($/SHARE)	EXPIRATION DATE	5% ($)	10% ($)
Robert A. Beizer	29,500	83.1	9.95	12/6/06	81,096	179,200

(1) Amounts reported in these columns represent amounts that may be realized upon exercise of options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation (5% and 10%) on the Company's Class B Common Stock over the term of the options. These numbers are calculated based on rules promulgated by the SEC and do not reflect the Company's estimate of future stock price growth. Actual gains, if any, on stock option exercises and the Company's Class B Common Stock holdings will be dependent on the timing of such exercise and the future performance of the Company's Class B Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected would be received by the option holder.

STOCK OPTIONS EXERCISED

The following table sets forth information about stock options that were exercised during 2001 and the number of shares and the value of grants outstanding as of December 31, 2001 for each named executive.

AGGREGATED OPTION EXERCISES IN 2001
AND DECEMBER 31, 2001 OPTION VALUES

				NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/01		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/01 ($) (1)	
NAME	CLASS OF COMMON STOCK	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED ($)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
J. Mack Robinson	Class A	-0-	-0-	10,000	-0-	-0-	-0-
	Class B	-0-	-0-	165,000	100,000	-0-	26,500
Robert A. Beizer	Class B	3,500	13,148	31,500	50,500	-0-	12,980
Thomas J. Stultz	Class B	-0-	-0-	22,500	25,000	-0-	6,625
Ray M. Deaver	Class B	-0-	-0-	15,000	15,000	-0-	3,975
Wayne M. Martin	Class B	-0-	-0-	11,250	25,000	-0-	6,625

(1) Value is based on the closing price of the Company's Class A Common Stock and Class B Common Stock of $13.88 and $10.39, respectively at December 31, 2001, less the exercise price.

RETIREMENT PLAN

The Company sponsors a defined benefit pension plan, intended to be tax qualified, for certain of its employees and the employees of any of its subsidiaries, which have been designated as participating companies under the plan. A participating employee who retires on or after attaining age 65 and who has completed five years of service upon retirement may be eligible to receive during his lifetime, in the form of monthly payments, an annual pension equal to (i) 22% of the employee's average earnings for the highest five consecutive years during the employee's final 10 years of employment multiplied by a factor, the numerator of which is the employee's years of service credited under the plan before 1994 and the denominator of which is the greater of 25 or the years of service credited under the plan, plus (ii) 0.9% of the employee's monthly average earnings for the

highest five consecutive years in the employee's final 10 years of employment added to 0.6% of monthly average earnings in excess of Social Security covered compensation, multiplied by the employee's years of service credited under the plan after 1993, with a maximum of 25 years minus years of service credited under (i) above. For participants as of December 31, 1993, there is a minimum benefit equal to the projected benefit under (i) at that time. For purposes of illustration, annual estimated pension payments upon retirement of participating employees in specified salary classifications are shown in the following table:

PENSION PLAN TABLE

	YEARS OF SERVICE					
REMUNERATION(1)	10	15	20	25	30	35
$ 15,000	$ 1,344	$ 2,004	$ 2,664	$ 3,324	$ 3,300	$ 3,300
25,000	2,240	3,340	4,440	5,540	5,500	5,500
50,000	5,094	7,294	9,494	11,694	11,000	11,000
75,000	8,534	11,834	15,134	18,434	16,500	16,500
100,000	11,974	16,374	20,774	25,174	22,000	22,000
150,000	18,854	25,454	32,054	38,654	33,000	33,000
200,000	21,414	30,214	39,014	47,814	38,977	36,080
250,000 and above	21,752	31,398	41,044	50,690	42,078	37,205

(1) Five-year average annual compensation.

Employees may become participants in the plan, provided that they have attained age 21 and have completed one year of service. Average earnings are based upon the pension compensation paid to a participating employee by a participating company. Pension compensation for a particular year as used for the calculation of retirement benefits includes salaries, overtime pay, commissions and incentive payments received during the year and the employee's contribution to the Capital Accumulation Plan (as defined herein). Pension compensation for 2001 differs from compensation reported in the Summary Compensation Table in that pension compensation includes any annual incentive awards received in 2001 for services in 2000 rather than the incentive awards paid in 2002 for services in 2001. The maximum annual compensation considered for pension benefits under the plan in 2001 was $170,000.

Benefits are computed on a straight life annuity basis and are not subject to any deduction for Social Security or other offset amounts.

As of December 31, 2001, the named executive officers of the Company have the following years of credited service:

NAME	YEARS OF CREDITED SERVICE
J. Mack Robinson	3
Robert A. Beizer	6
Thomas J. Stultz	6
Ray M. Deaver	2
Wayne M. Martin	7

CAPITAL ACCUMULATION PLAN

Effective October 1, 1994, the Company adopted the Gray Communications Systems, Inc. Capital Accumulation Plan (the "Capital Accumulation Plan") for the purpose of providing additional retirement benefits for substantially all employees. The Capital Accumulation Plan is intended to meet the requirements of Section 401(k) of the Internal Revenue Code of 1986, as amended.

Contributions to the Capital Accumulation Plan are made by the employees of the Company. The Company matches a percentage of each employee's contribution which does not exceed 6% of the employee's gross pay. The percentage to be matched by the Company is determined by the Board of Directors before the beginning of each calendar year and is made with a contribution of the Company's Class B Common Stock. The percentage of the employee's contribution (up to 6% of the employees gross pay) matched by the Company for the year ended December 31, 2001 was 50%. The Company's matching contributions vest based upon an employee's number of years of service, over a period not to exceed five years.

COMPENSATION OF DIRECTORS

The standard arrangement for directors' fees is set forth in the table below.

DESCRIPTION	AMOUNT
Chairman of the Board's annual retainer fee	$18,000
Director's annual retainer fee	12,000
Director's fee per Board meeting	1,000
Chairman of the Board fee per Board meeting	1,200
Committee chairman fee per committee meeting	1,200
Committee member fee per committee meeting	1,000

Directors are paid 40% of the above fee arrangement for participation by telephone in any meeting of the Board of Directors or any committee thereof.

In addition, the Company has a Non-Qualified Stock Option Plan for non-employee directors that currently provides for the annual grant of options to purchase up to 11,250 shares of the Company's Class B Common Stock at a price per share equal to the market price at the time of grant. Such options are exercisable until the end of the first month following the end of the year of the grant.

EMPLOYMENT AGREEMENTS

Ray M. Deaver and the Company were parties to an employment agreement dated October 1, 1999 and having a three-year term ending on December 31, 2002; however, Mr. Deaver retired on December 31, 2001. The agreement provided that Mr. Deaver be employed as Regional Vice President - Texas with an initial annual base salary of $230,000 and a grant of options to purchase 15,000 shares of the Company's Class B Common Stock with an exercise price of $12.75 per share. The option is exercisable over a three-year period beginning upon the second anniversary of the grant date. The agreement provided that Mr. Deaver was entitled to receive a bonus of not less than $125,000 for each year of his employment that television stations KWTX, KBTX and KXII attained budget goals as set annually by the Company. The budget goals would be calculated in the aggregate. In addition, Mr. Deaver was entitled to receive 10% of any amount by which those three stations in the aggregate exceeded the budget goals. Mr. Deaver has agreed that during the term of his agreement and for two years thereafter, he will be subject to certain confidentiality and non-disclosure obligations. He had also agreed that during the term

of his agreement and for a one-year period thereafter, he would be subject to certain non-competition obligations.

Wayne M. Martin has a written commitment with the Company that if control of the Company changes while he is an officer and manager at the Company, he will be entitled to one year's salary as severance pay if the new control group does not retain him in a similar position with similar compensation.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Richard L. Boger, William E. Mayher, III, Robert S. Prather, Jr., Hugh Norton and J. Mack Robinson are the members of the Management Personnel Committee, which serves as the Compensation Committee of the Company. Mr. Robinson, President, Chief Executive Officer and a director of the Company, serves on the Compensation Committee of Bull Run Corporation, a principal shareholder of the Company. Mr. Prather, Executive Vice President-Acquisitions and a director of the Company, also serves as President, Chief Executive Officer and director of Bull Run Corporation. Hilton H. Howell, Jr., Executive Vice-President and a director of the Company, also serves as Vice President, Secretary and a director of Bull Run Corporation.

REPORT OF MANAGEMENT PERSONNEL COMMITTEE

The Management Personnel Committee of the Board of Directors administers the Company's executive compensation program.

The goals of the Company's executive compensation program for 2001 were to attract, retain, motivate and reward qualified persons serving as executive officers. To achieve such goals the Company relies primarily on salaries, bonuses, options and other compensation for each of the Company's executive officers, except that the salary of Mr. Deaver was specified in his employment agreement with the Company. Under current policy, the chief executive officer of the Company determines the recommended annual compensation level, including bonuses, for all other officers of the Company and its subsidiaries, and then submits these recommendations to the Management Personnel Committee for its review and approval. Such determinations of the Management Personnel Committee are reported to the full board, which then has the opportunity to consider and amend such determinations concerning the compensation payable to executive officers. In 2001, the full board approved the determinations of the Management Personnel Committee with respect to compensation without making any changes thereto. The Management Personnel Committee's policy for determining an executive's salary, bonus and stock option grants is based on the responsibility of such executive, his or her impact on the operations and profitability of the Company or the business unit for which such executive has operating responsibility and the knowledge and experience of such executive.

In 2001, the Management Personnel Committee utilized the foregoing criteria to determine executive salaries, bonuses and option grants and such salaries, bonuses and option grants are consistent with the foregoing policy. An executive's annual bonus is based on a percentage of his or her annual base salary. These considerations are subjective in nature and the Management Personnel Committee does not assign relative weights thereto. For 2001, bonuses ranged from 0% to 31% of an executive's base salary. Whether or not a bonus is in fact earned by an executive is linked to the attainment, by the Company or the business unit for which such executive has operating responsibility, of predetermined operating profit targets based on budgeted operating revenues (which is an objective analysis) and the individual's contribution to the Company or the business unit (which is a subjective analysis). The Management Personnel Committee approves the operating profit targets annually. When measuring an executive's individual contribution and performance, the Management Personnel Committee examines the factors, as

well as qualitative factors that necessarily involve a subjective judgment by the Management Personnel Committee. In making such subjective determination, the Management Personnel Committee does not base its determination on any single performance factor nor does it assign relative weights to factors, but considers a mix of factors, including evaluations of superiors, and evaluates an individual's performance against such mix in absolute terms in relation to other executives at the Company. In deciding whether or not to grant an option to an individual and in determining the number of shares subject to an option so granted, the Management Personnel Committee takes into account subjective considerations, including the level of such executive's position and the individual's contribution to the Company. Although the Management Personnel Committee believes that its compensation structure is similar to that of other comparable communications companies, it did not specifically compare such structure with that of other companies in 2001.

The annual compensation of Mr. Robinson, the Company's President and Chief Executive Officer, was set by the Management Personnel Committee at $200,000 in 2001. His compensation was set after reviewing the Company's overall performance, success in meeting strategic objectives and the Chief Executive Officer's personal leadership and accomplishments.

Submitted by the Management Personnel Committee of the Board of Directors

Richard L. Boger, Chairman
William E. Mayher, III
Robert S. Prather, Jr.
Hugh Norton
J. Mack Robinson

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's Class A Common Stock and Class B Common stock as of March 15, 2002 by (i) any person who is known to the Company to be the beneficial owner of more than five percent of the Company's Class A Common Stock or the Class B Common stock, (ii) all directors, (iii) all executive officers named in the Summary Compensation Table herein and (iv) all directors and executive officers as a group. Warrants and options to acquire the Company's Class A Common Stock or Class B Common Stock included in the amounts listed below are currently exercisable or will be exercisable within 60 days after March 15, 2002.

	CLASS A COMMON STOCK BENEFICIALLY OWNED		CLASS B COMMON STOCK BENEFICIALLY OWNED		COMBINED VOTING PERCENT OF COMMON STOCK
NAME	SHARES	PERCENT	SHARES	PERCENT	
Robert A. Beizer(1)	-0-	*	42,691	*	*
Richard L. Boger(1)	3,736	*	13,763	*	*
Ray M. Deaver(2)	-0-	*	421,168	4.8%	*
Hilton H. Howell, Jr.(3)(4)(5)	3,778,577	47.3%	296,247	3.3%	42.9%
Wayne M. Martin(1)	7,005	*	12,314	*	*
William E. Mayher, III(1)	13,500	*	23,750	*	*
Howell W. Newton(1)	2,625	*	7,500	*	*
Hugh Norton(1)	13,500	*	23,750	*	*
Robert S. Prather, Jr.(3)(6)	3,352,910	42.1%	296,650	3.2%	38.2%
Harriett J. Robinson(1)(3)(5)(7)	4,998,752	59.9%	463,600	5.1%	54.6%
J. Mack Robinson(3)(5)(8)	4,998,752	59.9%	463,600	5.1%	54.6%
Thomas J. Stultz(1)	2,250	*	26,011	*	*
Bull Run Corporation(9)	3,123,897	39.3%	111,750	1.3%	35.4%
Mario J. Gabelli(10)	340,145	5.0%	2,357,741	26.8%	7.5%
George H. Nader(11)	359,998	5.3%	-0-	*	4.7%
Shapiro Capital Management Company, Inc.(12)	-0-	*	1,513,021	17.2%	2.0%
All directors and executive officers as a group	5,363,956	64.2%	1,403,562	15.0%	59.3%

* Less than 1%.

(1) Includes options to purchase the Company's Class B Common Stock, as follows: each of Messrs. Boger, Mayher, Newton and Norton and Mrs. Robinson - 5,000 shares of the Company's Class B Common Stock; Mr. Martin - 11,250 shares of the Company's Class B Common Stock; Mr. Beizer - 42,000 shares of the Company's Class B Common Stock and Mr. Stultz - 22,500 shares of the Company's Class B Common Stock.

(2) Includes 213,228 shares of the Company's Class B Common Stock owned by Mr. Deaver's wife, as to which shares he disclaims beneficial ownership. Includes options to purchase 15,000 shares of the Company's Class B Common Stock.

(3) Includes 2,017,647 shares of the Company's Class A Common Stock and 11,750 shares of the Company's Class B Common Stock owned by Bull Run Corporation and warrants to purchase 1,106,250 shares of the Company's Class A Common Stock and 100,000 shares of the Company's Class B Common Stock owned by Bull Run Corporation, as described in footnote (9) below, because Messrs. Howell, Prather and Robinson are directors and officers of Bull Run

Corporation and Messrs. Prather and Robinson are principal shareholders of Bull Run Corporation. In addition, Mrs. Robinson is the spouse of Mr. Robinson. Each of Messrs. Howell, Prather and Robinson and Mrs. Robinson disclaims beneficial ownership of the shares owned by Bull Run Corporation.

(4) Includes 59,075 shares of the Company's Class A Common Stock owned by Mr. Howell's wife directly and as trustee for her children, as to which shares he disclaims beneficial ownership.

(5) Includes as to Messrs. Robinson and Howell and Mrs. Robinson, an aggregate of 523,605 shares of the Company's Class A Common Stock and 16,000 shares of the Company's Class B Common Stock owned by certain companies of which Mr. Howell is an officer and a director, Mr. Robinson is an officer, director and a principal or sole shareholder and Mrs. Robinson is a director. Also includes warrants to purchase 37,500 shares of the Company's Class A Common Stock owned by one of these companies.

(6) Includes 225 shares of the Company's Class A Common Stock and 100 shares of the Company's Class B Common Stock owned by Mr. Prather's wife, as to which shares he disclaims beneficial ownership. Includes options to purchase 9,337 shares of the Company's Class A Common Stock and options to purchase 166,000 shares of the Company's Class B Common Stock.

(7) Includes: (1) an aggregate of 401,975 shares of the Company's Class A Common Stock and 92,950 shares of the Company's Class B Common Stock, options to purchase 10,000 shares of the Company's Class A Common Stock, options to purchase 165,000 shares of the Company's Class B Common Stock and warrants to purchase 75,000 shares of the Company's Class A Common Stock owned by Mrs. Robinson's husband, as to which shares Mrs. Robinson disclaims beneficial ownership; (2) warrants to purchase 112,500 shares of the Company's Class A Common Stock; and (3) 336,950 shares of the Company's Class A Common Stock, 40,000 shares of the Company's Class B Common Stock and warrants to purchase 150,000 shares of the Company's Class A Common Stock owned by Mrs. Robinson, as trustee for her daughters. Mrs. Robinson disclaims beneficial ownership of all such securities. Mrs. Robinson's address is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

(8) Includes: (1) options to purchase 10,000 shares of the Company's Class A Common Stock and options to purchase 165,000 shares of the Company's Class B Common Stock; (2) warrants to purchase 75,000 shares of the Company's Class A Common Stock held by Mr. Robinson; and (3) 564,275 shares of the Company's Class A Common Stock and 72,900 shares of the Company's Class B Common Stock owned by Mr. Robinson's wife directly and as trustee for their daughters, options to purchase 5,000 shares of the Company's Class B Common Stock and warrants to purchase 262,500 shares of the Company's Class A Common Stock held by Mr. Robinson's wife directly and as trustee for their daughters. Mr. Robinson disclaims beneficial ownership of all such securities. Mr. Robinson's address is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

(9) Includes warrants to purchase 1,106,250 shares of the Company's Class A Common Stock and 100,000 shares of the Company's Class B Common Stock. The address of Bull Run Corporation is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

(10) This information was furnished to the Company on a Schedule 13D filed by Gabelli Funds, Inc. and also by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer. The Schedule 13D reports the beneficial ownership of the Company's Class A Common Stock as follows: Gabelli Funds, LLC -115,125 shares; GAMCO Investors, Inc.-180,200 shares; Gabelli Securities, Inc. - 4,070 shares and Gabelli

Performance Partnership, L.P.-40,750 shares. The Schedule 13D reports the beneficial ownership of the Company's Class B Common Stock as follows: Gabelli Funds, LLC -810,000 shares; GAMCO Investors, Inc.-1,449,201 shares; Gabelli Securities, Inc. - 13,440; Gabelli International Limited-44,100 shares; Gabelli Advisers, Inc. -30,000 shares and Gabelli Performance Partnership, L.P. -11,000 shares. GAMCO Investors, Inc. only has the authority to vote 1,391,451 of the shares beneficially held by it. The address of Mr. Gabelli and Gabelli Funds, Inc. is One Corporate Center, Rye, New York 10580.

(11) Mr. Nader's address is P.O. Box 271, 1011 Fifth Avenue, West Point, Georgia 31833.

(12) This information was furnished to the Company on a Schedule 13G filed by Shapiro Capital Management Company, Inc., the address of which is 3060 Peachtree Road NW, Atlanta, Georgia 30306.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

J. Mack Robinson, President, Chief Executive Officer and a director of the Company, is Chairman of the Board of Bull Run Corporation, a principal shareholder of the Company ("Bull Run") and the beneficial owner of approximately 23.4% of the outstanding shares of Bull Run common stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Robinson). Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of the Company, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of approximately 8.4% of the outstanding shares of Bull Run common stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Prather). Bull Run is the owner of 13.0% of the total outstanding common stock of the Company. Hilton H. Howell, Jr., Executive Vice President and a director of the Company, is Vice President, Secretary and a director of Bull Run. 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 the currently outstanding common stock of the Company. Furthermore, if all options and warrants that are currently outstanding were exercised, their voting power would increase to approximately 57.7%.

Harriett J. Robinson serves as a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company that are both holders of a portion of the Company's preferred stock.

Mr. J. Mack Robinson is the father-in-law and Mrs. Harriett J. Robinson is the mother-in-law of Mr. Hilton H. Howell, Jr. Mr. and Mrs. Robinson are husband and wife.

Gray Kentucky Television, Inc., a subsidiary of the Company ("Gray Kentucky"), is a party to a rights sharing agreement with Host Communications, Inc., a wholly owned subsidiary of Bull Run ("Host"). Pursuant to this agreement, the parties agreed to exploit Host's rights to broadcast and market certain University of Kentucky football and basketball games and related activities. Pursuant to such agreement, Gray Kentucky is licensed to broadcast certain University of Kentucky football and basketball games and related activities. Under this agreement, Gray Kentucky also provides Host with production and certain marketing services and Host provides accounting and various marketing services. During the year ended December 31, 2001, the Company paid approximately $125,000 under this rights sharing agreement.

During 2001, the Company paid preferred stock dividends of $616,347 to the holders of the Company's Series A and Series B preferred stock which consisted of Bull Run, J. Mack Robinson and certain of his affiliates.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock of Sarkes Tarzian, Inc. ("Tarzian") from Bull Run. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the "Estate") in January 1999.

Gray paid $10 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company has previously capitalized and paid to Bull Run $3.2 million of costs associated with the Company's option to acquire these shares. In connection with the option agreement, 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. The warrants vested immediately upon the Company's exercise of its option to purchase the Tarzian Shares. The warrants expire on December 3, 2011 (10 years following the date on which the Company exercised its option).

On February 12, 1999, Tarzian filed a complaint against Bull Run and the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run's purchase of the shares, and requests judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and the Company cannot predict when the final resolution of the litigation will occur. The 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 (or its successors or assigns), the purchase agreement will be rescinded and the Estate will be required to pay for the benefit of Gray, as successor in interest, the full $10 million purchase price, plus interest.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) (1) AND (2) LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES.

(1) FINANCIAL STATEMENTS.

The following consolidated financial statements of Gray Communications Systems, Inc. are included in Item 8:

Report of Independent Auditors

Consolidated Balance Sheets at December 31, 2001 and 2000

Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

(2) FINANCIAL STATEMENT SCHEDULES.

The following financial statement schedule of Gray Communications Systems, Inc. and subsidiaries is included in Item 14(d):

Schedule II - Valuation and qualifying accounts.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(B) REPORTS ON FORM 8-K.

8-K filed on December 21, 2001 relating to the closing of a $180 million private placement of notes.

(C) EXHIBITS.

EXHIBIT NO.	DESCRIPTION
3.1	Restated Articles of Incorporation of Gray Communications Systems, Inc., (incorporated by reference to Exhibit 3.1 to the Company's Form 10-K for the fiscal year ended December 31, 1996)
3.2	By-Laws of Gray Communications Systems, Inc. as amended (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K for the year ended December 31, 1996)

EXHIBIT NO.	DESCRIPTION
3.3	Amendment of the Bylaws of Gray Communications Systems, Inc., January 6, 1999 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-K for the year ended December 31, 1998)
4.1	Indenture for the Company's 105/8% Senior Subordinated Notes due 2006 (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-1 (Registration No. 333-4338) (the "Form S-1"))
4.2	Amended and Restated Loan Agreement by and among Gray Communications Systems, Inc. as Borrower, NationsBank, NA as Syndication Agent and Administrative Agent, Key Corporate Capital Inc., as Documentation Agent and The Financial Institutions Listed Herein as of July 31, 1998 with NationsBanc Montgomery Securities LLC, as Lead Arranger. (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 1998)
4.3	Amended and Restated Borrower Security Agreement dated July 31, 1998 by and between Gray Communications Systems, Inc. and NationsBank N.A. as Administrative Agent (incorporated by reference to Exhibit 4.3 to the Company's Form 10-K for the year ended December 31, 1998)
4.4	Subsidiary Security Agreement dated September 30, 1996 between Gray Communications Systems, Inc., its subsidiaries and KeyBank National Association (incorporated by reference to Exhibit 4(iii) to the Company's Form 8-K, filed October 15, 1996)
4.5	Amended and Restated Borrower Pledge Agreement dated July 31, 1998 between Gray Communications Systems, Inc. and NationsBank N.A. as Administrative Agent (incorporated by reference to Exhibit 4.5 to the Company's Form 10-K for the year ended December 31, 1998)
4.6	Subsidiary Pledge Agreement dated September 30, 1996 by and among WRDW-TV, Inc., WJHG-TV, Inc., Gray Kentucky Television, Inc. and KeyBank National Association (incorporated by reference to Exhibit 4(v) to the Company's Form 8-K, filed October 15, 1996)
4.7	Subsidiary Guarantee dated September 30, 1996 between Gray Communications Systems, Inc., its subsidiaries and KeyBank National Association (incorporated by reference to Exhibit 4(vi) to the Company's Form 8-K, filed October 15, 1996)
4.8	First Amendment to Amended and Restated Loan Agreement dated as of the 13th day of November, 1998, by and among Gray Communications Systems, Inc., as Borrower, the Banks (as defined in the loan agreement) and NationsBank, N.A., as administrative agent (the "Administrative Agent') on behalf of the Banks (incorporated by reference to Exhibit 4.8 to the Company's Form 10-K for the year ended December 31, 1998)

EXHIBIT NO.	DESCRIPTION
4.9	Second Amendment to Amended and Restated Loan Agreement dated as of the 3rd day of March, 1999, by and among Gray Communications Systems, Inc., as Borrower, the Banks (as defined in the loan agreement) and NationsBank, N.A., as administrative agent on behalf of the Banks (incorporated by reference to Exhibit 4.9 to the Company's Form 10-K for the year ended December 31, 1998)
4.10	Consent Agreement entered into as of the 26th day of February, 1999 by and among Gray Communications Systems, Inc., as Borrower, the Banks (as defined in the Loan Agreement) and NationsBank N.A. as administrative agent on behalf of the Banks (incorporated by reference to Exhibit 4.10 to the Company's Form 10-K for the year ended December 31, 1998)
4.11	Second Amended and Restated Loan Agreement dated as of October 1, 1999 by and among Gray Communications Systems, Inc., as Borrower; The Financial Institutions Signatory Hereto, as Lenders; and Bank of America, N.A., as Administrative Agent for the Lenders with Banc of America Securities LLC as Lead Arranger and Book Manager; Key Corporate Capital, Inc., as documentation agent and First Union National Bank, as Syndication Agent (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K dated October 15, 1999)
4.12	Third Amended and Restated Loan Agreement Dated as of September 25, 2001 by and among Gray Communications Systems, Inc., as Borrower; The Financial Institutions Signatory Hereto, as Lenders; and Bank of America, N.A., as Administrative Agent for the Lenders with Banc of America Securities LLC and First Union Securities, Inc. as Co-Lead Arrangers and Joint Book Managers; and First Union National Bank, as Syndication Agent (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q dated September 30, 2001)
4.13	Indenture for the Company's 9 1/4% Senior Subordinated Notes due 2011, dated as of December 15, 2001.
10.1	Supplemental pension plan (incorporated by reference to Exhibit 10(a) to the Company's Form 10 filed October 7, 1991, as amended January 29, 1992 and March 2, 1992)
10.2	Long-Term Incentive Plan (incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the fiscal year ended June 30, 1993)
10.3	Warrant, dated January 4, 1996, to purchase 487,500 shares of Class A Common Stock (incorporated by reference to the Form S-1)
10.4	Employment Agreement, dated February 12, 1996 between the Company and Robert A. Beizer (incorporated by reference to the Form S-1)
10.5	Form of Preferred Stock Exchange and Purchase Agreement between the Company and Bull Run Corporation (incorporated by reference to the Form S-1)
10.6	Form of Warrant to purchase 500,000 shares of Class A Common Stock (incorporated by reference to the Form S-1)

EXHIBIT NO.	DESCRIPTION
10.7	Form of amendment to employment agreement between the Company and Robert A. Beizer, dated December 12, 1996 (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 1996)
10.8	Amendment to the Company's Long-Term Incentive Plan (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 1996)
10.9	Asset Purchase Agreement by and among Gray Communications Systems, Inc., Gray Communications of Indiana, Inc., News Printing Company, Inc., Jane Gemmer and John Gemmer dated as of February 28, 1999 (incorporated by reference to Exhibit 10.16 to the Company's Form 10-K for the year ended December 31, 1998)
10.10	Agreement and Plan of Merger by and among Gray Communications Systems, Inc., Gray Communications of Texas, Inc. and KWTX Broadcasting Company dated as of April 13, 1999 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1999)
10.11	Agreement and Plan of Merger by and among Gray Communications Systems, Inc., Gray Communications of Texas, Inc. and Brazos Broadcasting Company dated as of April 13, 1999 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 1999)
10.12	Asset Purchase Agreement by and among Gray Communications Systems, Inc., Gray Communications of Texas-Sherman, Inc., KXII Licensee Corp., KXII Television, Ltd., K-Twelve, Ltd., KBI 1, Inc., KBI 2 Inc., KXII Properties, Inc. and the Shareholders of KXII Properties, Inc. dated as of April 26, 1999 (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 1999)
16	Letter re: Change in Certifying Accountant
21	List of Subsidiaries
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Ernst & Young LLP

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(d) FINANCIAL STATEMENT SCHEDULES - The response to this section is submitted as a part of (a)(1) and (2).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAY COMMUNICATIONS SYSTEMS, INC.

Date: March 27, 2002 By: /s/ J. MACK ROBINSON

J. Mack Robinson,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 27, 2002 By: /s/ WILLIAM E. MAYHER, III

William E. Mayher, III,
Chairman of the Board

Date: March 27, 2002 By: /s/ J. MACK ROBINSON

J. Mack Robinson, Director

Date: March 27, 2002 By: /s/ RICHARD L. BOGER

Richard L. Boger, Director

Date: March 27, 2002 By: /s/ RAY M. DEAVER.

Ray M. Deaver, Director

Date: March 27, 2002 By: /s/ HILTON H. HOWELL, JR.

Hilton H. Howell, Jr., Director

Date: March 27, 2002 By: /s/ HOWELL W. NEWTON

Howell W. Newton, Director

Date: March 27, 2002 By: /s/ HUGH NORTON

Hugh Norton, Director

Date: March 27, 2002 By: /s/ ROBERT S. PRATHER, JR.

Robert S. Prather, Jr., Director

Date: March 27, 2002 By: /s/ HARRIETT J. ROBINSON

Harriett J. Robinson, Director

Date: March 27, 2002 By: /s/ JAMES C. RYAN

James C. Ryan,
Vice President & Chief Financial Officer

Date: March 27, 2002 By: /s/ JACKSON S. COWART, IV

Jackson S. Cowart, IV,
Chief Accounting Officer

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the consolidated financial statements of Gray Communications Systems, Inc. as of December 31, 2001 and for the year then ended, and have issued our report thereon dated February 4, 2002, included elsewhere in this Form 10-K. Our audit also included the financial statements schedule of Gray Communications Systems, Inc. listed in Item 14(a) as to information provided as of and for the year ended December 31, 2001. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit.

In our opinion, based on our audit, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

PricewaterhouseCoopers LLP

Atlanta, Georgia
February 4, 2002

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements of Gray Communications Systems, Inc. as of December 31, 2000, and for the years in the period ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated January 29, 2001. Our audits also included the financial statement schedule listed in Item 14(a) for the years ended December 31, 2000 and 1999. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Atlanta, Georgia
January 29, 2001

GRAY COMMUNICATIONS SYSTEMS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS(2)	DEDUCTIONS (1)	BALANCE AT END OF PERIOD
YEAR ENDED DECEMBER 31, 2001					
Allowance for doubtful accounts	$ 845,000	$726,000	-0-	$ 828,000	$ 743,000
YEAR ENDED DECEMBER 31, 2000					
Allowance for doubtful accounts	$1,008,000	$577,000	-0-	$ 740,000	$ 845,000
YEAR ENDED DECEMBER 31, 1999					
Allowance for doubtful accounts	$1,212,000	$629,000	$220,000	$1,053,000	$1,008,000

(1) Deductions are write-offs of amounts not considered collectible.
(2) Represents amounts recorded in connection with acquisitions. (1)

EXHIBIT 4.13

GRAY COMMUNICATIONS SYSTEMS, INC.,
As Issuer,

THE SUBSIDIARY GUARANTORS

named herein

AND

BANKERS TRUST COMPANY,
As Trustee

INDENTURE

Dated as of December 15, 2001

$180,000,000

9.25% SENIOR SUBORDINATED NOTES DUE 2011

CROSS-REFERENCE TABLE*

TRUST INDENTURE ACT SECTION	INDENTURE SECTION
310 (a) (1)	7.10
(a) (2)	7.10
(a) (3)	N.A.**
(a) (4)	N.A.
(a) (5)	7.10
(b)	7.10
(c)	N.A.
311 (a)	7.11
(b)	7.11
(c)	N.A.
312 (a)	2.05
(b)	12.03
(c)	12.03
313 (a)	7.06
(b) (1)	7.06
(b) (2)	7.06
(c)	7.06; 12.02
(d)	7.06
314 (a)	4.02; 4.03; 12.02
(b)	4.20
(c) (1)	12.04
(c) (2)	12.04
(c) (3)	N.A.
(d)	4.20
(e)	12.05
(f)	N.A.
315 (a)	7.01
(b)	7.05
(c)	7.01
(d)	7.01
(e)	6.11
316 (a) (last sentence)	2.09
(a) (1) (A)	6.05
(a) (1) (B)	6.04
(a) (2)	N.A.
(b)	6.04; 6.07
317 (a) (1)	6.08
(a) (2)	6.09
(b)	2.04
318 (a)	12.04

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* This Cross-Reference Table is not part of the Indenture.

** Not applicable.

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MISCELLANEOUS

THIS INDENTURE, dated as of December 15, 2001, is by and among (i) Gray Communications Systems, Inc. (the "Company"), as issuer of the 9.25% Senior Subordinated Notes due 2011, (ii) the subsidiaries of the Company listed on Schedule 1 hereto, as guarantors of the Company's obligations under this Indenture and the Notes (each, a "Subsidiary Guarantor"), and (iii) Bankers Trust Company, as trustee (the "Trustee"). The Company, each Subsidiary Guarantor and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the holders of the Notes:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

"Acquired Debt" means, with respect to any specified Person, Indebtedness of any other Person (the "Acquired Person") existing at the time the Acquired Person merges with or into, or becomes a Subsidiary of, such specified Person, including Indebtedness incurred in connection with, or in contemplation of, the Acquired Person merging with or into, or becoming a Subsidiary of, such specified Person.

"Additional Note Board Resolutions" means resolutions duly adopted by the Board of Directors of the Company and delivered to the Trustee in an Officers' Certificate providing for the issuance of Additional Notes.

"Additional Note Supplemental Indenture" means a supplement to this Indenture duly executed and delivered by the Company, each Subsidiary Guarantor and the Trustee pursuant to Article IX providing for the issuance of Additional Notes.

"Additional Notes" means up to $100,000,000 aggregate principal amount of the Notes issued in one or more transactions after the Issue Date pursuant to Section 2.16, including any replacement Notes, Exchange Notes and Private Exchange Notes issued with respect to the Additional Notes as specified in the relevant Additional Note Board Resolutions or Additional Note Supplemental Indenture issued thereafter in accordance with this Indenture.

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with") of any Person means 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, by agreement or otherwise.

"Agent" means any Registrar, Paying Agent, or co-registrar.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Regulation S Global Note or beneficial interest therein, the rules and procedures of

the Depositary for such Global Note, Euroclear and Clearstream, in each case to the extent applicable to such transaction and as in effect from time to time.

"Asset Sale" means (i) any sale, lease, conveyance or other disposition by the Company or any Subsidiary of the Company of any assets (including by way of a sale-and-leaseback) other than in the ordinary course of business (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company shall not be an "Asset Sale" but instead shall be governed by the provisions of Section 5.01), or (ii) the issuance or sale of Capital Stock of any Subsidiary of the Company, in each case, whether in a single transaction or a series of related transactions, to any Person (other than to the Company or a Subsidiary Guarantor), provided that the term "Asset Sale" shall not include any disposition or dispositions during any twelve-month period of assets or property having a fair market value of less than $300,000 in the aggregate.

"Bankruptcy Law" means Title 11, United States Bankruptcy Code of 1978, as amended, or any similar United States federal or state law relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors, or any amendment to, succession to or change in any such law.

"Board of Directors" means the Company's board of directors or any authorized committee of such board of directors.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligations" of any Person means the obligations to pay rent or other amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such Person which are required to be classified and accounted for as a capital lease or liability on the face of a balance sheet of such Person in accordance with GAAP. The amount of such obligations shall be the capitalized amount thereof in accordance with GAAP and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person, including any Preferred Stock.

"Cash Equivalents" means (i) marketable direct obligations issued or guaranteed by the United States of America, or any governmental entity or agency or political subdivision thereof (provided, that the full faith and credit of the United States of America is pledged in support thereof) maturing within one year of the date of purchase; (ii) commercial paper issued by corporations, each of which shall have a consolidated net worth of at least $500,000,000, maturing within 180 days from the date of the original issue thereof, and rated "P-1" or better by Moody's Investors Service or "A-1" or better by Standard & Poor's Corporation or an equivalent rating or better by any other nationally recognized securities rating agency; (iii) certificates of deposit issued or acceptances accepted by or guaranteed by any bank or trust company organized

under the laws of the United States of America or any state thereof or the District of Columbia, in each case having capital, surplus and undivided profits totaling more than $500,000,000, maturing within one year of the date of purchase and (iv) any money market fund, sponsored by a registered broker dealer or mutual fund distributor (including the Trustee), that invests solely in the securities specified in the foregoing clauses (i), (ii), or (iii).

"Change of Control" means the occurrence of any of the following events:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), disregarding the Permitted Holders, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of Capital Stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of more than 35% of the total voting power represented by the outstanding Voting Stock of the Company; provided that the Permitted Holders "beneficially own" (as so defined) a lesser percentage of such Voting Stock than such other Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company;

(b) the Company merges with or into another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person merges with or into the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities or other property, other than any such transaction where (x) the outstanding Voting Stock of the Company is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee corporation and (y) immediately after such transaction no "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), disregarding the Permitted Holders, is the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of Capital Stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of more than 35% of the total voting power represented by the outstanding Voting Stock of the surviving or transferee corporation;

(c) during any consecutive two-year period, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by the Board of Directors of the Company or whose nomination for election by the stockholders of the Company was approved by (x) a vote of at least a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved (as described in this clause (x) or in the following clause (y)) or (y) Permitted Holders that are "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of a majority of the total voting power represented by the outstanding Voting Stock of the Company) cease for any reason to constitute a majority of the Board then in office; or

(d) the Company is liquidated or dissolved or adopts a plan of liquidation.

"Clearstream" means Clearstream Banking, Societe Anonyme.

"Commission" means the Securities and Exchange Commission.

"Company" means Gray Communications Systems, Inc., a Georgia corporation, unless and until a successor replaces it in accordance with Article V and thereafter means such successor.

"Consolidated Interest Expense" means, with respect to any period, the sum of (i) the interest expense of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP consistently applied, including, without limitation, (a) amortization of debt discount, (b) the net payments, if any, under interest rate contracts (including amortization of discounts), and (c) accrued interest, plus (ii) the interest component of the Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by the Company during such period, and all capitalized interest of the Company and its Subsidiaries, in each case as determined on a consolidated basis in accordance with GAAP consistently applied.

"Consolidated Net Income" means, with respect to any period, the net income (or loss) of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP consistently applied, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication, (i) all extraordinary gains but not losses, (ii) the portion of net income (or loss) of the Company and its Subsidiaries allocable to interests in unconsolidated Persons, except to the extent of the amount of dividends or distributions actually paid to the Company or its Subsidiaries by such other Person during such period, (iii) net income (or loss) of any Person combined with the Company or any of its Subsidiaries on a "pooling of interests" basis attributable to any period prior to the date of combination, (iv) net gain but not losses in respect of Asset Sales, (v) the net income of any Subsidiary to the extent that the declaration of dividends or similar distributions by that Subsidiary of that income to the Company is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders, (vi) the net income of any Qualified Joint Venture in excess of the dividends and distributions paid by such Qualified Joint Venture to the Company or a Subsidiary Guarantor, or (vii) the net loss of any Qualified Joint Venture.

"Consolidated Net Worth" means, with respect to any Person on any date, the equity of the common and preferred stockholders of such Person and its Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP consistently applied.

"Corporate Trust Office" shall be at the address of the Trustee specified in Section 12.02 or such other address as the Trustee may give notice to the Company.

"Cumulative Consolidated Interest Expense" means, as of any date of determination, Consolidated Interest Expense less non-cash amortization of deferred financing costs from the last day of the month immediately preceding the Issue Date to the last day of the most recently ended month prior to such date, taken as a single accounting period.

"Cumulative Operating Cash Flow" means, as of any date of determination, Operating Cash Flow from the last day of the month immediately preceding the Issue Date to the last day of the most recently ended month prior to such date, taken as a single accounting period.

"Custodian" means any custodian, receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Debt to Operating Cash Flow Ratio" means, with respect to any date of determination, the ratio of (i) the aggregate principal amount of all outstanding Indebtedness of the Company and its Subsidiaries as of such date on a consolidated basis, to (ii) Operating Cash Flow of the Company and its Subsidiaries on a consolidated basis for the four most recent full fiscal quarters ending on or immediately prior to such date, determined on a pro forma basis after giving pro forma effect to (a) the incurrence of all Indebtedness to be incurred on such date and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, at the beginning of such four-quarter period; (b) the incurrence, repayment or retirement of any other Indebtedness by the Company and its Subsidiaries since the first day of such four-quarter period as if such Indebtedness was incurred, repaid or retired at the beginning of such four-quarter period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such four-quarter period); (c) in the case of Acquired Debt, the related acquisition as if such acquisition had occurred at the beginning of such four-quarter period; and (d) any acquisition or disposition by the Company and its Subsidiaries of any company or any business or any assets out of the ordinary course of business, or any related repayment of Indebtedness, in each case since the first day of such four-quarter period, assuming such acquisition or disposition had been consummated on the first day of such four-quarter period. In addition, the consolidated net income of a Person with outstanding Indebtedness or Capital Stock providing for a Payment Restriction which is permitted to exist by reason of clause (c) of Section 4.11 shall not be taken into account in determining whether any Indebtedness is permitted to be incurred under this Indenture.

"Default" means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

"Definitive Note" means any of (i) a certificated Initial Note, (ii) a certificated Additional Note not originally issued and sold pursuant to an effective registration statement under the Securities Act or (iii) a certificated Exchange Note (bearing the Restricted Notes Legend if the transfer of such Note is restricted by applicable law) that does not include the Global Notes Legend.

"Depositary" means, with respect to Notes issued in the form of one or more Global Notes, DTC or another Person designated as Depository by the Company, which Person must be a clearing agency registered under Section 17A of the Exchange Act.

"Designated Senior Debt" means (i) any Senior Debt outstanding under the Senior Credit Facility and (ii) if no Senior Debt is outstanding under the Senior Credit Facility, any other Senior Debt of the Company permitted to be incurred under this Indenture the principal

amount of which is $50,000,000 or more at the time of the designation of such Senior Debt as "Designated Senior Debt" by the Company in a written instrument delivered to the Trustee.

"Disposition" means, with respect to any Person, any merger, consolidation or other business combination involving such Person (whether or not such Person is the Surviving Person) or the sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of such Person's assets.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part on or prior to the stated maturity of the Notes.

"Dollars" and "$" means lawful money of the United States of America.

"DTC" means The Depository Trust Company.

"Euroclear" means the Euroclear Bank N.V./S.A. or any successor securities clearing agency.

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

"Exchange Notes" means Notes issued in a Registered Exchange Offer in exchange for a like principal amount of Initial Notes or Additional Notes, as the case may be, originally issued pursuant to an exemption from registration under the Securities Act, and replacement Notes issued therefor in accordance with this Indenture.

"Exchange Offer Registration Statement" means a registration statement filed by the Company with respect to a Registered Exchange Offer and all amendments (including post-effective amendments) and supplements thereto, in each case including the prospectus contained therein.

"Film Contracts" means contracts with suppliers that convey the right to broadcast specified films, videotape motion pictures, syndicated television programs or sports or other programming.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"Global Notes Legend" means the legend set forth under that caption in Exhibit A to this Indenture.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any

manner, whether directly or indirectly, and including, without limitation, any obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purpose of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness (and "guaranteed," "guaranteeing" and "guarantor" shall have the meanings correlative to the foregoing); provided, however, that the guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

"Guarantor Senior Debt" means, with respect to any Subsidiary Guarantor, the principal of, premium (if any) and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of such Subsidiary Guarantor, regardless of whether or not a claim for post-filing interest is allowed in such proceedings) on, and fees and other amounts owing in respect of the Senior Credit Facility and all other Indebtedness of such Subsidiary Guarantor, whether outstanding on the date of the Indenture or thereafter incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the Notes; provided, however, that Guarantor Senior Debt shall not include: (1) any obligation of such Subsidiary Guarantor to any other Subsidiary of the Company; (2) any liability for federal, state, local or other taxes owed or owing by such Subsidiary Guarantor; (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities); (4) any indebtedness or obligation of such Subsidiary Guarantor, and any accrued and unpaid interest in respect thereof, that by its terms is subordinate or junior in any respect to any other Indebtedness or obligation of such Subsidiary Guarantor, including such Subsidiary Guarantor's obligations under any Senior Subordinated Indebtedness of the Company and any Subordinated Indebtedness of the Company; (5) any obligations with respect to any Capital Stock; or (6) any Indebtedness incurred in violation of the Indenture.

"Holder" means any person in whose name a Note is registered.

"IAI" means an institutional "accredited investor," as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, other than a QIB.

"IAI Note" means all Initial Notes and Additional Notes, as the case may be, offered and sold to IAIs in reliance on Rule 501.

"Indebtedness" means, with respect to any Person, without duplication, and whether or not contingent, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services or which is evidenced by a note, bond, debenture or similar instrument, (ii) all Capital Lease Obligations of such Person, (iii) all obligations of such Person in respect of letters of credit or bankers' acceptances issued or created for the account of such Person, (iv) all Interest Rate Agreement Obligations of such Person, (v) all liabilities secured by any Lien on any property owned by such Person even if such Person has not assumed or otherwise become liable for the payment thereof to the extent of the lesser of

(x) the amount of the Obligations so secured and (y) the fair market value of the property subject to such Lien, (vi) all obligations to purchase, redeem, retire, or otherwise acquire for value any Capital Stock of such Person, or any warrants, rights or options to acquire such Capital Stock, now or hereafter outstanding, (vii) to the extent not included in (vi), all Disqualified Stock issued by such Person, valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends thereon, and (viii) to the extent not otherwise included, any guarantee by such Person of any other Person's indebtedness or other obligations described in clauses (i) through (vii) above. "Indebtedness" of the Company and its Subsidiaries shall not include current trade payables incurred in the ordinary course of business and payable in accordance with customary practices, and non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business which are not more than 90 days past due. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by the fair market value of, such Disqualified Stock, such fair market value is to be determined in good faith by the board of directors of the issuer of such Disqualified Stock.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Independent Director" means a director of the Company other than a director (i) who (apart from being a director of the Company or any Subsidiary) is an employee, associate or Affiliate of the Company or a Subsidiary or has held any such position during the previous five years, or (ii) who is a director, employee, associate or Affiliate of another party to the transaction in question.

"Initial Purchasers" means First Union Securities, Inc., Banc of America Securities LLC and Allen & Company Incorporated, as initial purchasers under the Issue Date Registration Rights Agreement.

"Initial Notes" means the $180,000,000 aggregate principal amount of Notes originally issued on the Issue Date, and any replacement Notes, Private Exchange Notes and Exchange Notes issued therefor in accordance with this Indenture.

"Insolvency Or Liquidation Proceeding" means, with respect to any Person, any liquidation, dissolution or winding up of such Person, or any bankruptcy, reorganization, insolvency, receivership or similar proceeding with respect to such Person, whether voluntary or involuntary.

"Interest Differential" means, with respect to any Insolvency or Liquidation Proceeding involving the Company, the difference between the rate of interest on the Notes and the rate of interest on the Senior Debt immediately prior to the commencement of such Insolvency or Liquidation Proceeding, excluding in each case any increase in the rate of interest resulting from any default or event of default.

"Interest Rate Agreement Obligations" means, with respect to any Person, the Obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates of such Person) in the form of loans, guarantees, advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Capital Stock or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. "Investments" shall exclude extensions of trade credit (including extensions of credit in respect of equipment leases) by the Company and its Subsidiaries in the ordinary course of business in accordance with normal trade practices of the Company or such Subsidiary, as the case may be.

"Issue" means create, issue, assume, guarantee, incur or otherwise become, directly or indirectly, liable for any Indebtedness or Capital Stock, as applicable; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by designation, merger, consolidation, acquisition or otherwise) shall be deemed to be issued by such Subsidiary at the time it becomes a Subsidiary. For this definition, the terms "issuing," "issuer," "issuance" and "issued" have meanings correlative to the foregoing.

"Issue Date" means December 21, 2001.

"Issue Date Registration Rights Agreement" means the Registration Rights Agreement, dated as of December 21, 2001, by and among the Company, the Subsidiary Guarantor and the Initial Purchasers.

"Legal Holiday" means a Saturday, Sunday or other day on which banking institutions in the State of New York are authorized or required by law to close.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in any asset and any filing of, or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Net Proceeds" means, with respect to any Asset Sale by any Person, the aggregate cash proceeds received by such Person and/or its Affiliates in respect of such Asset Sale, which amount is equal to the excess, if any, of (i) the cash received by such Person and/or its Affiliates (including any cash payments received by way of deferred payment pursuant to, or monetization of, a note, an equity security or installment receivable or otherwise, but only as and when received) in connection with such Asset Sale, over (ii) the sum of (a) the amount of any Indebtedness that is secured by such asset and which is required to be repaid by such Person in connection with such Asset Sale, plus (b) all fees, commissions and other expenses incurred by

such Person in connection with such Asset Sale, plus (c) provision for taxes, including income taxes, attributable to the Asset Sale or attributable to required prepayments or repayments of Indebtedness with the proceeds of such Asset Sale, plus (d) a reasonable reserve for the after-tax cost of any indemnification payments (fixed or contingent) attributable to seller's indemnities to purchaser in respect of such Asset Sale undertaken by the Company or any of its Subsidiaries in connection with such Asset Sale plus (e) if such Person is a Subsidiary, any dividends or distributions payable to holders of minority interests in such Subsidiary from the proceeds of such Asset Sale.

"Note" means a Note (including the Subsidiary Guarantees, as amended or supplemented from time to time in accordance with the terms hereof), including any Initial Note or Additional Note, or any Exchange Note in connection with a Registered Exchange Offer or Private Exchange Note in connection with a Private Exchange issued in exchange therefor, undertaken pursuant to a Registration Rights Agreement, issued pursuant to this Indenture

"Notes Custodian" means Bankers Trust Company, as custodian with respect to the Notes in global form, or any successor entity thereto.

"Notes Custodian" means the custodian with respect to a Global Note (as appointed by the Depositary) or any successor person thereto, who will initially be the Trustee.

"Obligations" means any principal, interest (including, without limitation, in the case of Senior Debt or Guarantor Senior Debt under the Senior Credit Facility, interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company or a Subsidiary Guarantor, as the case may be, regardless of whether or not a claim for post-filing interest is allowed in such proceedings), penalties, fees, indemnifications, reimbursement obligations, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offer" means a Change of Control Offer made pursuant to Section 4.13 or an Asset Sale Offer made pursuant to Section 4.14.

"Officer" means, with respect to any Person, the Chairman, the President, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice-President of such Person.

"Officers' Certificate" means a certificate signed by two Officers of the Company which shall include at least one of the Chairman, the President or any Vice President.

"Old Notes" means those certain 10 5/8% Senior Subordinated Notes due 2006 issued in the aggregate principal amount of $160.0 million by the Company pursuant to the Old Notes Indenture.

"Old Notes Indenture" means that certain Indenture, dated as of September 25, 1996 (as amended by the First Supplemental Indenture, dated as of October 19, 1999 and the Second Supplemental Indenture, dated as of July 31, 2001), by and among the Company, the Guarantors named therein and Bankers Trust Company, as trustee, pursuant to which the Old Notes were issued.

"Old Notes Redemption" means the redemption by the Company of all of the outstanding Old Notes pursuant to the terms and provisions of Section 3.01(b), the remaining provisions of Article III, and all other applicable provisions of the Old Notes Indenture.

"Old Notes Trustee" means Bankers Trust Company, trustee under the Old Notes Indenture.

"Operating Cash Flow" means, with respect to any period, the Consolidated Net Income of the Company and its Subsidiaries for such period, plus (i) extraordinary net losses and net losses realized on any sale of assets during such period, to the extent such losses were deducted in computing Consolidated Net Income, plus (ii) provision for taxes based on income or profits, to the extent such provision for taxes was included in computing such Consolidated Net Income, and any provision for taxes utilized in computing the net losses under clause (i) hereof, plus (iii) Consolidated Interest Expense of the Company and its Subsidiaries for such period to the extent deducted in computing such Consolidated Net Income, plus (iv) depreciation, amortization and all other non-cash charges, to the extent such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income (including amortization of goodwill and other intangibles, including Film Contracts and write-downs of Film Contracts), but excluding any such charges which represent any accrual of, or a reserve for, cash charges for a future period, minus (v) any cash payments contractually required to be made with respect to Film Contracts (to the extent not previously included in computing such Consolidated Net Income), minus (vi) non-cash items increasing Consolidated Net Income (to the extent included in computing such Consolidated Net Income).

"Opinion Of Counsel" means a written opinion in form and substance satisfactory to, and from legal counsel acceptable to, the Trustee (such counsel may be an employee of or counsel to the Company or the Trustee).

"Paging Subsidiary" means a Subsidiary of the Company all or substantially all of whose assets consist of those used in the Company's paging business and no other assets.

"Pari Passu Indebtedness" means any Indebtedness of the Company or a Subsidiary Guarantor which ranks pari passu in right of payment with the Notes or the Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be (whether or not such Indebtedness is secured by any Lien).

"Permitted Holders" means (i) each of J. Mack Robinson and Robert S. Prather, Jr.; (ii) their spouses and lineal descendants; (iii) in the event of the incompetence or death of any of the Persons described in clauses (i) and (ii), such Person's estate, executor, administrator, committee or other personal representative; (iv) any trusts created for the benefit of the Persons described in clause (i) or (ii); or (v) any Person controlled by any of the Persons described in clause (i), (ii), or (iv). For purposes of this definition, "control," 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 and policies of such Person, whether through ownership of voting securities or by contract or otherwise.

"Permitted Investments" means (i) any Investment in the Company, any Subsidiary Guarantor or any Qualified Joint Venture; (ii) any Investments in Cash Equivalents; (iii) any Investment in a Person (an "Acquired Person") if, as a result of such Investment, (a) the Acquired Person becomes a Subsidiary Guarantor, or (b) the Acquired Person either (1) is merged, consolidated or amalgamated with or into the Company or a Subsidiary Guarantor and the Company or such Subsidiary Guarantor is the Surviving Person, or (2) transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Subsidiary Guarantor; (iv) Investments in accounts and notes receivable acquired in the ordinary course of business; (v) Interest Rate Agreement Obligations permitted pursuant to Section 4.07(b)(vi); and (vi) any other Investments in an aggregate amount up to $5.0 million plus, in the case of the disposition or repayment of any such Investment made pursuant to this clause (vi) for cash, an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case, reduced (but not below zero) by the excess, if any, of the cost of the disposition of such Investment over the gain, if any, realized by the Company or Subsidiary, as the case may be, in respect of such disposition.

"Permitted Liens" means (i) Liens on assets or property of the Company that secure Senior Debt of the Company, either existing on the Issue Date or which is permitted to be incurred under this Indenture, and Liens on assets or property of a Subsidiary Guarantor that secure Guarantor Senior Debt of such Subsidiary Guarantor, either existing on the Issue Date or which is permitted to be incurred under this Indenture; (ii) Liens securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Company or a Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of such Person; (iii) Liens on property acquired by the Company or a Subsidiary; provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any other property; (iv) Liens in favor of the Company or any Subsidiary of the Company; (v) Liens incurred, or pledges and deposits in connection with, workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature incurred by the Company or any Subsidiary of the Company in the ordinary course of business; (vi) Liens imposed by law, including, without limitation, mechanics', carriers', warehousemen's, materialmen's, suppliers' and vendors' Liens, incurred by the Company or any Subsidiary of the Company in the ordinary course of business; (vii) Liens for ad valorem, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Company has set aside on its books reserves to the extent required by GAAP; and (viii) Liens created under this Indenture.

"Permitted Purchase Money Indebtedness" means any Indebtedness incurred for the acquisition of intellectual property rights, property, plant or equipment used or useful in the business of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

"Private Exchange" means an offer by the Company, pursuant to a Registration Rights Agreement, to issue and deliver to certain purchasers, in exchange for the Initial Notes or Additional Notes, as the case may be, held by such purchasers as part of their initial distribution, a like aggregate principal amount of Private Exchange Notes.

"Private Exchange Notes" means, collectively, debt securities of the Company that are identical in all material respects to the Exchange Notes, except for transfer restrictions relating to such Private Exchange Notes, issued by the Company in a Private Exchange (under this Indenture) simultaneously with the delivery of the Exchange Notes in the Registered Exchange Offer to any Holder that holds any Notes acquired by it that have, or that are reasonably likely to be determined to have, the status of an unsold allotment in an initial distribution, or to any Holder that is not entitled to participate in the Registered Exchange Offer, upon the request of any such Holder, in exchange for a like aggregate principal amount of Notes held by such Holder.

"Public Equity Offering" means an underwritten public offering of Capital Stock (other than Disqualified Stock) of the Company subsequent to the Issue Date pursuant to an effective registration statement filed under the Securities Act, the net proceeds of which to the Company (after deducting any underwriting discounts and commissions) exceed $25,000,000.

"Purchase Date" means (i) in the case of a Change of Control Offer pursuant to Section 4.13, the Change of Control Purchase Date and (ii) in the case of an Asset Sale Offer pursuant to Section 4.14, the Asset Sale Offer Purchase Date.

"QIB" means any "qualified institutional buyer" (as defined in Rule 144A).

"Qualified Joint Venture" means a newly-formed, majority-owned Subsidiary where Capital Stock of the Subsidiary is issued to a Qualified Joint Venture Partner in consideration of the contribution of assets used or useful in the television broadcasting, radio broadcasting, newspaper publishing, paging or satellite uplink business.

"Qualified Joint Venture Partner" means a person who is not affiliated with the Company.

"Registered Exchange Offer" means the offer by the Company, pursuant to a Registration Rights Agreement, to certain Holders of Initial Notes or Additional Notes, as the case may be, to issue and deliver to such Holders, in exchange for their Initial Notes or Additional Notes, as the case may be, a like aggregate principal amount of Exchange Notes registered under the Securities Act.

"Registration Rights Agreement" means any registration rights agreement among the Company, the Subsidiary Guarantors and one or more investment banks acting as initial

purchasers in connection with any issuance of Notes under this Indenture, including the Issue Date Registration Rights Agreement.

"Registration Statement" means the Shelf Registration Statement or Exchange Offer Registration Statement, as applicable.

"Regulation S" means Regulation S under the Securities Act or any successor regulation.

"Regulation S Note" means all Initial Notes or all Additional Notes, as the case may be, offered and sold outside the United States in reliance on Regulation S.

"Reorganization Securities" means, with respect to any Insolvency or Liquidation Proceeding involving the Company, Capital Stock or other securities of the Company as reorganized or readjusted (or Capital Stock or any other securities of any other Person provided for by a plan of reorganization or readjustment) that are subordinated, at least to the same extent as the Notes, to the payment of all outstanding Senior Debt after giving effect to such plan of reorganization or readjustment; provided, however, that if debt securities (i) such securities shall not provide for amortization (including sinking fund and mandatory prepayment provisions) commencing prior to six months following the final scheduled maturity of all Senior Debt of the Company (as modified by such plan of reorganization or readjustment), (ii) if the rate of interest on such securities is fixed, such rate of interest shall not exceed the greater of (x) the rate of interest on the Notes and (y) the sum of the rate of interest on the Senior Debt on the effective date of such plan of reorganization or readjustment and the Interest Differential, (iii) if the rate of interest on such securities floats, such interest rate shall not exceed at any time the sum of the interest rate on the Senior Debt at such time and the Interest Differential, and (iv) such securities shall not have covenants or default provisions materially more beneficial to Holders than those in effect with respect to the Notes on the Issue Date.

"Representative" means, with respect to any Designated Senior Debt, the indenture trustee or other trustee, agent or other representative(s), if any, of holders of such Designated Senior Debt.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Notes Legend" means the legend set forth in Section 2.3(e)(i) of Appendix A.

"Restricted Payment" means (i) any dividend or other distribution declared or paid on any Capital Stock of the Company or any of its Subsidiaries (other than dividends or distributions payable solely in Capital Stock (other than Disqualified Stock) of the Company or such Subsidiary or dividends or distributions payable to the Company or any Subsidiary Guarantor); (ii) any payment to purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any Subsidiary of the Company or other Affiliate of the Company (other than any Capital Stock owned by the Company or any Subsidiary Guarantor); (iii) any payment to purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Indebtedness prior to the maturity thereof; or (iv) any Restricted Investment.

"Restricted Period" means, in respect of any Note, the 40 consecutive days beginning on and including the later of (a) the day on which any Notes represented thereby are offered to persons other than distributors (as defined in Regulation S under the Securities Act) pursuant to Regulation S and (b) the issue date for such Notes.

"Rule 144" means Rule 144 under the Securities Act (or any successor rule).

"Rule 144A" means Rule 144A under the Securities Act (or any successor rule).

"Rule 144A Notes" means all Initial Notes or all Additional Notes, as the case may be, offered and sold to QIBs in reliance on Rule 144A.

"Rule 501" means Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Satellite Uplink Subsidiary" means a Subsidiary of the Company all or substantially all of whose assets consist of those used in the Company's satellite uplink business and no other assets.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Credit Facility" means that certain Third Amended and Restated Loan Agreement, dated as of September 25, 2001, by and among the Company, the lenders named therein, Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC and First Union Securities, Inc., as Co-Lead Arrangers and Joint Book Managers, and First Union National Bank as Syndication Agent, as the same may be amended, modified, renewed, refunded, replaced or refinanced from time to time, including (i) any related notes, letters of credit, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time, and (ii) any notes, guarantees, collateral documents, instruments and agreements executed in connection with any such amendment, modification, renewal, refunding, replacement or refinancing.

"Senior Debt" means, with respect to the Company, the principal of, premium (if any) and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company, regardless of whether or not a claim for post-filing interest is allowed in such proceedings) on, and fees and other amounts owing in respect of the Senior Credit Facility and all other Indebtedness of the Company, whether outstanding on the date of the Indenture or thereafter incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the Notes; provided, however, that Senior Debt shall not include: (1) any obligation of the Company to any Subsidiary of the Company; (2) any liability for federal, state, local or other taxes owed or owing by the Company; (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities); (4) any indebtedness or obligation of the Company, and any accrued and unpaid interest in respect thereof, that by its terms is subordinate or junior in any respect to any other Indebtedness or obligation of the Company, including any Senior Subordinated Indebtedness of the Company and any

Subordinated Indebtedness of the Company; (5) any obligations with respect to any Capital Stock; or (6) any Indebtedness incurred in violation of the Indenture.

"Shelf Registration Statement" means a registration statement filed by the Company in connection with the offer and sale of Notes pursuant to Section 3 of the Issue Date Registration Rights Agreement or corresponding provisions in such other Registration Rights Agreement.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Indebtedness" means any Indebtedness of the Company or a Subsidiary Guarantor if the instrument creating or evidencing such Indebtedness or pursuant to which such Indebtedness is outstanding expressly provides that such Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

"Subsidiary" of any Person means (i) any corporation more than 50% of the outstanding Voting Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, or (ii) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, or (iii) any other Person (other than a corporation or limited partnership) in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries thereof, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof.

"Subsidiary Guarantees" means the guarantees of the Notes issued by the Subsidiary Guarantors.

"Subsidiary Guarantor" means (i) each Subsidiary of the Company existing on the Issue Date, as listed on Schedule 1 hereto, (ii) each of the Company's Subsidiaries which becomes a guarantor of the Notes in compliance with the provisions set forth under Section 4.17, and (iii) each of the Company's Subsidiaries executing a supplemental indenture in which such Subsidiary agrees to be bound by the terms of this Indenture.

"Surviving Person" means, with respect to any Person involved in or that makes any Disposition, the Person formed by or surviving such Disposition or the Person to which such Disposition is made.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb), as amended by the Trust Indenture Reform Act of 1990, and as in effect on the Issue Date.

"Transfer Restricted Notes" means Definitive Notes and any other Notes that bear or are required to bear the Restricted Notes Legend.

"Trustee" means Bankers Trust Company until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means such successor.

"Trust Officer" means any officer within the Corporate Trust and Agency Services of the Trustee, including, without limitation, any vice president, associate, assistant vice president, treasurer, assistant treasurer, assistant secretary or special assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"U.S. Government Obligations" means direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, provided that no U.S. Government Obligation shall be callable at the Issuer's option prior to the stated maturity date of the Notes.

"Voting Stock" means, with respect to any Person, Capital Stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Weighted Average Life to Maturity" means, with respect to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required scheduled payment of principal, including payment at final maturity, in respect thereof, with (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding aggregate principal amount of such Indebtedness.

Section 1.02 Other Definitions.

TERM	DEFINED IN SECTION*
"Agent Members"	2.1(b) (App. A)
"Asset Sale Offer"	4.14
"Asset Sale Offer Purchase Date"	4.14
"Asset Sale Offer Trigger Date"	4.14
"Change of Control Offer"	4.13
"Change of Control Purchase Date"	4.13
"Covenant Defeasance Option"	8.01
"Event of Default"	6.01
"Excess Proceeds"	4.14
"Global Note"	2.1(a) (App. A)
"Guarantor Payment Blockage Period"	11.08

TERM	DEFINED IN SECTION*
"IAI Global Note"	2.1(a) (App. A)
"Legal Defeasance Option"	8.01
"Net Offering Proceeds"	4.20
"Non-Payment Default"	10.03
"Notice of Default"	6.01
"Paying Agent"	2.03
"Payment Blockage Notice"	10.03
"Payment Blockage Period"	10.03
"Payment Default"	10.03
"Payment Restriction"	4.11
"Permitted Indebtedness"	4.07
"Permitted Payments"	4.05
"Purchase Date"	3.08
"Refinancing Indebtedness"	4.07
"Registrar"	2.03
"Regulation S Global Note"	2.1(a) (App. A)
"Required Filing Dates"	4.02
"Rule 144A Global Note"	2.1(a) (App. A)
"Trustee Expenses"	6.08

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* Section reference is to this Indenture, unless marked with "(App. A)" indicating such reference is to Appendix A hereof.

Section 1.03 Incorporation by Reference of TIA. Whenever this Indenture refers to a provision of the Trust Indenture Act of 1939, as amended, the provision is incorporated by reference in, and made a part of, this Indenture. Any terms incorporated by reference in this Indenture that are defined by the TIA, defined by the TIA's reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them therein.

Section 1.04 Rules of Construction. Unless the context otherwise requires: (1) a term has the meaning assigned to it in this Indenture; (2) an accounting term not otherwise defined herein has the meaning assigned to it under GAAP; (3) "OR" is not exclusive; (4) words in the singular include the plural, and in the plural include the singular; (5) provisions apply to successive events and transactions; and (6) unless otherwise specified, any reference to a Section or Article refers to such Section or Article of this Indenture.

ARTICLE II

THE NOTES

Section 2.01 Form and Dating. The (i) Initial Notes and the Trustee's certificate of authentication therefor, (ii) Additional Notes and the Trustee's certificate of authentication therefor and (iii) Private Exchange Notes and the Trustee's certificate of authentication therefor shall each be substantially in the form of Exhibit A. The Exchange Notes and the Trustee's

certificate of authentication therefor shall be substantially in the form of Exhibit B. The notation on each of such Notes relating to the Subsidiary Guarantees shall each be substantially in the form of Exhibit C. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. The Company and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its issuance and shall show the date of its authentication. Each note shall bear the corporate seal of the Company which shall be attested by the Company's secretary or an assistant secretary.

The terms and provisions contained in the Notes and the Subsidiary Guarantees shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company, the Subsidiary Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Section 2.02 Execution and Authentication. Two Officers of the Company shall sign each Note for the Company by manual or facsimile signature. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid. Each Subsidiary Guarantor shall execute the Subsidiary Guarantee in the manner set forth in Section 11.04. A Note shall not be valid until authenticated by the manual signature of the Trustee, and the Trustee's signature shall be conclusive evidence that the Note has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Notes shall be substantially as set forth in Exhibit A or B, as applicable. The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes 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 any of its Affiliates.

The Trustee (i) shall authenticate Initial Notes for original issue in the aggregate principal amount of $180,000,000 and (ii) shall authenticate Additional Notes, in each case, as otherwise set forth in Appendix A upon receipt of a written order of the Company in the form of an Officers' Certificate and an Opinion of Counsel, each complying with Section 314(c) of the TIA. The Officers' Certificate shall also specify the amount of Notes to be authenticated and the date on which the Notes are to be authenticated. The aggregate principal amount of Notes outstanding at any time may not exceed $280,000,000, except as provided in Section 2.07. Upon receipt of a written order of the Company in the form of an Officers' Certificate, the Trustee shall authenticate Notes in substitution of Notes originally issued to reflect any name change of the Company.

Section 2.03 Registrar; Paying Agent; Depositary. The Company shall maintain an office or agency (the "Registrar") where Notes may be presented for registration of transfer or for exchange and an office or agency (the "Paying Agent") where Notes may be presented for payment. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The Company may change the Paying Agent, Registrar or co-registrar without prior notice to any Holder. The Company shall notify the Trustee and the Trustee shall notify the Holders of the name and address of any Agent not a party to this Indenture. The Company shall enter into an appropriate agency agreement

with any Agent not a party to this Indenture, and such agreement shall incorporate the provisions of the TIA and implement the provisions of this Indenture that relate to such Agent.

The Company initially appoints the Trustee as Registrar, Paying Agent and agent for service of notices and demands in connection with the Notes. If the Company fails to appoint or maintain a Registrar and/or Paying Agent, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 7.07.

The Company initially appoints DTC to act as Depositary with respect to any Global Notes and initially appoints the Trustee to act as Notes Custodian with respect to any Global Notes.

Section 2.04 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 the Holders or the Trustee all money the Paying Agent holds for the redemption or purchase of the Notes or for the payment of principal of, or premium, if any, or interest on, the Notes, and will notify the Trustee of any default by the Company in providing the Paying Agent with sufficient funds to redeem or purchase Notes or make any payment on the Notes as and to the extent required to be redeemed, purchased or paid under the terms of this Indenture. While any such default continues, the Trustee may require the Paying Agent to pay all money it holds to the Trustee. The Company at any time may require the Paying Agent to pay all money it holds to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or any of its Affiliates) shall have no further liability for the money it delivered to the Trustee. If the Company or any of its Subsidiaries acts as Paying Agent, it shall segregate and hold in a separate trust fund for the Holders' benefit all money it holds as Paying Agent.

Section 2.05 Holder 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 Holders and shall otherwise comply with Section 312(a) of the TIA. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, semiannually at least fifteen Business Days before each interest payment date and at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list in such form and as of such date as the Trustee may reasonably require that sets forth the names and addresses of, and the aggregate principal amount of Notes held by, each Holder, and the Company shall otherwise comply with Section 312(a) of the TIA.

Section 2.06 Transfer and Exchange. Subject to the provisions of Section 2 of Appendix A, when Notes are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal principal amount of Notes of other denominations, the Registrar shall register the transfer or make the exchange if its requirements, including, without limitation, compliance with Appendix A, for such transaction are met; provided, however, that any Note presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar and the Trustee duly executed by the Holder of such Note or by its attorney duly authorized in writing. To permit registrations of transfers and exchanges, the Company shall Issue (and the Subsidiary Guarantors shall execute the Subsidiary Guarantee endorsed thereon),

and the Trustee shall authenticate, Notes at the Registrar's request. The Trustee shall notify the Company of all such registered transfers and exchanges contemporaneously with the occurrence of such transfer or exchange.

Neither the Company nor the Registrar shall be required to issue, register the transfer of or exchange any Note (i) during a period beginning at the opening of business 15 days before the day of the mailing of notice of any redemption from the Company and ending at the close of business on the day the notice of redemption is sent to Holders, (ii) selected for redemption, in whole or in part, except the unredeemed portion of any Note being redeemed in part may be transferred or exchanged, and (iii) during a Change of Control Offer or an Asset Sale Offer if such Note is tendered pursuant to such Change of Control Offer or Asset Sale Offer and not withdrawn.

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 exchange pursuant to Section 2.10, 3.07 or 9.05, which the Company shall pay).

Prior to due presentment for registration of transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing on such Note made by anyone other than the Company, the Registrar or any co-registrar) for the purpose of receiving payment of principal of, and premium, if any, and interest on, such Note and for all other purposes, and notice to the contrary shall not affect the Trustee, any Agent or the Company.

Any Holder of the Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interests in such Global Note may be effected only through a book-entry system (as described in Section 2.1(b) of Appendix A) maintained by the Depository (or its agent), and that ownership of a beneficial interest in the Global Note shall be required to be reflected in a book entry.

Section 2.07 Replacement Notes. If any mutilated Note is surrendered to the Trustee, or if the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee shall, upon receipt of a written order signed by two Officers of the Company, authenticate a replacement Note if the Trustee's requirements are met, and each such replacement Note shall be an additional obligation of the Company. If the Trustee or the Company requires, the Holder must supply an indemnity bond that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent or any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company and the Trustee may charge for its reasonable expenses in replacing a Note.

Section 2.08 Outstanding Notes. The Notes outstanding at any time are all the Notes the Trustee has authenticated except those it has cancelled, those delivered to it for cancellation, and those described in this Section 2.08 as not outstanding. If a Note is replaced

pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that a bona fide purchaser holds the replaced Note. If the entire principal of, and premium, if any, and accrued interest on, any Note is considered paid under Section 4.01, it ceases to be outstanding and interest on it ceases to accrue. Subject to Section 2.09, a Note does not cease to be outstanding because the Company or any Affiliate of the Company holds such Note.

Section 2.09 Treasury Notes. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any Affiliate of the Company shall be considered as though they are not outstanding; provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned shall be so disregarded. Notwithstanding the foregoing, Notes that the Company or any Affiliate of the Company offers to purchase or acquires pursuant to an exchange offer, tender offer or otherwise shall not be deemed to be owned by the Company or any Affiliate of the Company until legal title to such Notes passes to the Company or such Affiliate, as the case may be.

Section 2.10 Temporary Notes. Until Definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee, upon receipt of a written order signed by two Officers of the Company, shall authenticate Definitive Notes in exchange for temporary Notes. Until such exchange, temporary Notes shall be entitled to the same rights, benefits and privileges as Definitive Notes.

Section 2.11 Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar, any co-registrar, the Paying Agent, the Company and its Subsidiaries shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange, replacement, payment (including all Notes called for redemption and all Notes accepted for payment pursuant to an Offer) or cancellation, and the Trustee shall cancel all such Notes and shall destroy all cancelled Notes (subject to the record retention requirements of the Exchange Act) and deliver a certificate of their destruction to the Company unless, by written order signed by two Officers of the Company, the Company shall direct that cancelled Notes be returned to it. The Company may not issue new Notes to replace any Notes that have been cancelled by the Trustee or that have been delivered to the Trustee for cancellation. If the Company or any Affiliate of the Company acquires any Notes (other than by redemption pursuant to Section 3.01 or an Offer pursuant to Section 4.13 or 4.14), such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Notes unless and until such Notes are delivered to the Trustee for cancellation.

Section 2.12 Defaulted Interest. If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to Holders on a subsequent special record date, in each case at the rate provided in the Notes and Section 4.01. The Company shall, with the Trustee's consent, fix or cause to be fixed each such special record date and payment date. At least 15 days before the special record date, the Company (or, at the request of the Company, the

Trustee in the name of, and at the expense of, the Company) shall mail a notice that states the special record date, the related payment date and the amount of interest to be paid.

Section 2.13 Record Date. The record date for purposes of determining the identity of holders of Notes entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture shall be determined as provided for in Section 316(c) of the TIA.

Section 2.14 CUSIP Number. A "CUSIP" number will be printed on the Notes, and the Trustee shall use the CUSIP number in notices of redemption, purchase or exchange as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Notes and that reliance may be placed only on the other identification numbers printed on the Notes. The Company will promptly notify the Trustee of any change in the CUSIP number.

Section 2.15 Liquidated Damages Under Registration Rights Agreement. Under certain circumstances, the Company and the Subsidiary Guarantors may be obligated to pay liquidated damages to Holders, all as and to the extent set forth in the Issue Date Registration Rights Agreement or any Registration Rights Agreement applicable to Additional Notes. The terms thereof are hereby incorporated herein by reference and liquidated damages is deemed to be interest for purposes of this Indenture.

Section 2.16 Additional Notes. The Company may, from time to time, subject to compliance with any other applicable provisions of this Indenture (including, without limitation, the covenant under Section 4.07), without the consent of the Holders, create and issue pursuant to this Indenture Additional Notes having terms and conditions set forth in Exhibit A identical to those of other Notes, except that Additional Notes:

(i) may have a different issue date from other Notes;

(ii) may have a different amount of interest payable on the first interest payment date after issuance than is payable on other Notes;

(iii) may have terms specified in the Additional Note Board Resolution or Additional Note Supplemental Indenture for such Additional Notes making appropriate adjustments to this Article II and Exhibit A (and related definitions) applicable to such Additional Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws) and any registration rights or similar agreement applicable to such Additional Notes, which are not adverse in any material respect to the Holder of any outstanding Notes (other than such Additional Notes); and

(iv) may be entitled to liquidated damages as provided in Section 2.15 not applicable to other outstanding Notes and may not be entitled to such liquidated damages applicable to other outstanding Notes.

ARTICLE III

REDEMPTIONS AND OFFERS TO PURCHASE

Section 3.01 Redemption Provisions. (a) Except as set forth below and in Section 3.01(b) and as described below, the Notes are not redeemable at the Company's option prior to December 15, 2006. On and after such date, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of the principal amount of the Notes) set forth below, plus accrued and unpaid interest to the date fixed for redemption, if redeemed during the twelve-month period beginning on December 15, of the years indicated below.

YEAR	PERCENTAGE
2006.....	104.625%
2007.....	103.083%
2008.....	101.542%
2009 and thereafter.....	100.000%

Notwithstanding the foregoing, at any time prior to December 15, 2004, the Company may, at its option, use the net proceeds of one or more Public Equity Offerings to redeem up to 35% of the aggregate principal amount of the Notes originally issued at a redemption price equal to 109.250% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption; provided, however, that at least $117.0 million in aggregate principal amount of the Notes remains outstanding immediately after any such redemption.

(b) At any time prior to December 15, 2006, the Notes may be redeemed as a whole but not in part at the option of the Company, upon not less than 30 or more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount thereof plus the Make Whole Premium as of, and accrued but unpaid interest, if any, to, the redemption date, subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date.

"Make Whole Premium" means with respect to a Note at any redemption date, the greater of (i) 1.0% of the principal amount of such Note or (ii) the excess of (A) the present value of (1) the redemption price of such Note at December 15, 2006 (such redemption price being set forth in the table in Section 3.01(a)) plus (2) all required interest payments due on such Note through December 15, 2006, computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the then-outstanding principal amount of such Note.

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) which has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source or similar market data) most nearly equal to the period from the redemption date to December 15, 2006; provided, however, that if the period from the redemption date to December 15, 2006 is not equal to the constant maturity of a United States

Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to December 15, 2006 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Section 3.02 Notice to Trustee. If the Company elects to redeem Notes pursuant to Section 3.01(a) or Section 3.01(b), it shall furnish to the Trustee, (i) at least 30 days (or such shorter period as the Trustee consents to in its sole judgment) but not more than 60 days before notice of a redemption is to be mailed to Holders, an Officers' Certificate stating that the Company is redeeming Notes pursuant to Section 3.01(a) or Section 3.01(b), as the case may be, the date notice of redemption is to be mailed to Holders, the redemption date, the aggregate principal amount of Notes to be redeemed, the redemption price for such Notes, any calculations pursuant to Section 3.01(a) or (b), the amount of accrued and unpaid interest on such Notes as of the redemption date and, if applicable, the manner in which Notes are to be selected for redemption, in accordance with Section 3.03, if less than all outstanding Notes are to be redeemed. If the Trustee is not the Registrar, the Company shall, concurrently with delivery of its notice to the Trustee of a redemption, cause the Registrar to deliver to the Trustee a certificate (upon which the Trustee may rely) setting forth the name of, and the aggregate principal amount of Notes held by each Holder.

If the Company is required to offer to purchase Notes pursuant to Section 4.13 or 4.14, it shall furnish to the Trustee, at least seven Business Days before notice of the corresponding Offer is to be mailed to Holders, an Officers' Certificate setting forth that the Offer is being made pursuant to Section 4.13 or 4.14, as the case may be, the Purchase Date, the maximum principal amount of Notes the Company is offering to purchase pursuant to such Offer, the purchase price for such Notes, the amount of accrued and unpaid interest on such Notes as of the Purchase Date and, if applicable, the manner in which Notes are to be selected for purchase, in accordance with Section 3.03, if less than all outstanding Notes are to be purchased.

The Company will also provide the Trustee with any additional information that the Trustee reasonably requests in connection with any redemption or Offer.

Section 3.03 Selection of Notes to Be Redeemed or Purchased. If less than all outstanding Notes are to be redeemed or if less than all Notes tendered pursuant to an Offer are to be purchased by the Company, the Trustee, on behalf of the Company, shall select the outstanding Notes to be redeemed or purchased by the Company, in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on such an exchange the Trustee, on behalf of the Company, shall select the outstanding Notes to be redeemed or purchased, on a pro rata basis, by lot or by any other method that the Trustee deems fair and appropriate; provided that a redemption pursuant to the provisions relating to Public Equity Offerings will be on a pro rata basis. Notes redeemed or purchased in part shall only be redeemed or purchased in integral multiples of $1,000. If the Company elects to mail notice of a redemption to Holders, the Trustee shall at least five days prior to the date notice of redemption is to be mailed, (i) select, on behalf of the Company, the Notes to be redeemed from Notes outstanding not previously called for redemption, and

(ii) notify the Company of the names of each Holder of Notes selected for redemption, the principal amount of Notes held by each such Holder and the principal amount of such Holder's Notes that are to be redeemed. If fewer than all Notes tendered pursuant to an Offer are to be purchased, the Trustee shall, on behalf of the Company, select on or prior to the Purchase Date for such Offer the Notes to be purchased. The Trustee shall select for redemption or purchase Notes or portions of Notes in principal amounts of $1,000 or integral multiples of $1,000. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or tendered pursuant to an Offer also apply to portions of Notes called for redemption or tendered pursuant to an Offer. The Trustee shall notify the Company promptly of the Notes or portions of Notes to be called for redemption or selected for purchase. The Company shall notify the Trustee of its acceptance for payment of the Notes selected for redemption or purchase.

Section 3.04 Notice of Redemption. (a) At least 30 days but not more than 60 days before the redemption date, the Company shall mail by first class mail a notice of redemption to each Holder of Notes that are to be redeemed. With respect to any redemption of Notes, the notice shall identify the Notes or portions thereof, if applicable, to be redeemed and shall state: (1) the redemption date; (2) the redemption price for the Notes and the amount of unpaid and accrued interest on such Notes as of the date of redemption; (3) the paragraph of the Notes pursuant to which the Notes called for redemption are being redeemed; (4) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued; (5) the name and address of the Paying Agent; (6) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price for, and any accrued and unpaid interest on, such Notes; (7) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date; and (8) that no representation is made as to the correctness or accuracy of the CUSIP number listed in such notice and printed on the Notes.

(b) At the Company's request, the Trustee shall (at the Company's expense) give the notice of any redemption to Holders; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the date of any optional redemption and at least 10 days prior to the date that notice of such redemption is to be mailed to Holders (or, in either case, such shorter period as the Trustee consents to in its sole judgment) an Officers' Certificate that (i) requests the Trustee to give notice of the redemption to Holders, (ii) sets forth the information to be provided to Holders in the notice of redemption, as set forth in the preceding paragraph, and (iii) sets forth the aggregate principal amount of Notes to be redeemed and the amount of accrued and unpaid interest thereon as of the redemption date. If the Trustee is not a Registrar, the Company shall, concurrently with any such request, cause the Registrar to deliver to the Trustee a certificate (upon which the Trustee may rely) setting forth the name of, the address of, and the aggregate principal amount of Notes held by, each Holder; provided further that any such Officers' Certificate may be delivered to the Trustee on a date later than permitted under this Section 3.03(b) if such later date is acceptable to the Trustee.

Section 3.05 Effect of Notice of Redemption. Subject to the provisions of Article X, and except if such redemption would violate the terms of the Senior Credit Facility,

once notice of redemption is mailed, Notes called for redemption become due and payable on the redemption date at the price set forth in the Note.

Section 3.06 Deposit of Redemption Price. (a) On or prior to any redemption date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of, and accrued interest on, all Notes to be redeemed on that date. The Trustee or the Paying Agent shall return to the Company, no later than five days after any redemption date, any money (including accrued interest) that exceeds the amount necessary to pay the redemption price of, and accrued interest on, all Notes redeemed.

(b) If the Company complies with Section 3.06(a), interest on the Notes to be redeemed will cease to accrue on such Notes on the applicable redemption date, whether or not such Notes are presented for payment. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business of such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, to the extent lawful, the Company shall pay interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company, regardless of whether or not a claim for post-filing interest is allowed in such proceedings) on the overdue principal, premium, if any, and interest from the redemption date until such principal, premium and interest are paid, at a rate equal to 2% per annum in excess of the then applicable interest rate on the Notes compounded semi-annually as provided in the Notes and Section 4.01.

Section 3.07 Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder at the Company's expense a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE IV

COVENANTS

Section 4.01 Payment of Principal, Premium, and Interest. Subject to the provisions of Article X, the Company shall pay the principal of, and premium, if any, and interest on, the Notes on the dates and in the manner provided in the Notes. Holders must surrender their Notes to the Paying Agent to collect principal payments. Principal, premium, or interest shall be considered paid on the date due if, by 11 a.m. Eastern Standard Time on such date, the Company has deposited with the Paying Agent money in immediately available funds designated for and sufficient to pay such principal, premium or interest; provided, however, that principal, premium or interest shall not be considered paid within the meaning of this Section 4.01 if money intended to pay such principal, premium or interest is held by the Paying Agent for the benefit of holders of Senior Debt of the Company pursuant to the provisions of Article X. The Paying Agent shall return to the Company, no later than five days following the date of payment, any money (including accrued interest) that exceeds the amount then due and payable on the Notes.

The Company shall pay interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company, regardless of whether or not a claim for post-filing interest is allowed in such proceedings) on overdue principal, premium and interest (without regard to any applicable grace period) at a rate equal to 2% per annum in excess of the then applicable interest rate on the Notes, compounded semiannually.

Payments of the principal of, premium (if any) and interest on any Global Notes will be made to the Depositary or its nominee, as the case may be, as the registered owner thereof. None of the Company, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

Section 4.02 Reports. Whether or not the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, the Company will file with the Commission, so long as any Notes are outstanding, the annual reports, quarterly reports and other periodic reports which the Company would have been required to file with the Commission pursuant to such Section 13(a) or 15(d) if the Company were so subject, and such documents shall be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Company would have been required so to file such documents if the Company were so subject. The Company will also, in any event, (i) within 15 days of each Required Filing Date, (a) transmit by mail to all holders of Notes, as their names and addresses appear in the Note register, without cost to such holders and (b) file with the Trustee copies of the annual reports, quarterly reports and other periodic reports which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act if the Company were subject to such Sections and (ii) if filing such documents by the Company with the Commission is prohibited under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder at the Company's cost. In addition, the Company will file with the Commission and with the Trustee, in accordance with rules and regulations prescribed by the Commission, such additional information, documents and reports with respect to compliance with the conditions and covenants provided for herein as may be required by such rules and regulations.

Section 4.03 Compliance Certificate. The Company shall deliver to the Trustee, within 135 days after the end of each fiscal year of the Company, an officers' certificate, which shall be executed, on behalf of the Company, by two Officers at least one of which shall be the principal executive officer, principal financial officer or principal accounting officer of the Company, stating that (i) a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made to determine whether the Company has kept, observed, performed and fulfilled all of its obligations under this Indenture and the Notes, (ii) such review was supervised by the Officers of the Company signing such certificate, and (iii) that to the best knowledge of each Officer signing such certificate, (a) the Company has kept, observed, performed and fulfilled each and every condition and covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default occurred, describing all such Defaults or Events of Default of which each such Officer may have knowledge and what action the

Company has taken or proposes to take with respect thereto), and (b) no event has occurred and remains in existence by reason of which payments on account of the principal of, or premium, if any, or interest on, the Notes are prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto. For purposes of this paragraph, such compliance shall be determined without regard to any period of grace or requirement of notice provided hereunder.

The Company will, so long as any of the Notes are outstanding, deliver to the Trustee, promptly after any Officer of the Company becomes 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.

The Company shall deliver to the Trustee such other information or documents reasonably requested by the Trustee in connection with the compliance by the Trustee or the Company with the TIA.

Section 4.04 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, that might affect the covenants or the performance of its obligations under this Indenture and the Notes; 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 granted to the Trustee pursuant to this Indenture, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.05 Limitation on Restricted Payments. (a) The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment, unless at the time of and immediately after giving effect to the proposed Restricted Payment (with the value of any such Restricted Payment, if other than cash, to be determined by the Board of Directors, whose determination shall be conclusive and evidenced by a board resolution), (i) no Default or Event of Default (and no event that, after notice or lapse of time, or both, would become an "event of default" under the terms of any Indebtedness of the Company or its Subsidiaries) shall have occurred and be continuing or would occur as a consequence thereof, (ii) the Company could incur at least $1.00 of additional Indebtedness pursuant to the provisions of Section 4.07(a) and (iii) the aggregate amount of all Restricted Payments made after the Issue Date shall not exceed the sum of (x) an amount equal to the Company's Cumulative Operating Cash Flow less 1.4 times the Company's Cumulative Consolidated Interest Expense, plus (y) the aggregate amount of all net cash proceeds received after the Issue Date by the Company from the issuance and sale (other than to a Subsidiary of the Company) of Capital Stock of the Company (other than Disqualified Stock) to the extent that such proceeds are not used to redeem, repurchase, retire or otherwise acquire Capital Stock or any Indebtedness of the Company or any Subsidiary pursuant to clause (ii) of Section 4.05(b), plus (z) in the case of the disposition or repayment of any Investment for cash, which Investment constituted a Restricted Payment made after the Issue Date, an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case, reduced

(but not below zero) by the excess, if any, of the cost of the disposition of such Investment over the gain, if any, realized by the Company or such Subsidiary in respect of such disposition.

(b) The provisions of Section 4.05(a) will not prohibit, so long as there is no Default or Event of Default continuing, the following actions (collectively, "Permitted Payments"):

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such declaration date such payment would have been permitted under this Indenture;

(ii) the redemption, repurchase, retirement, defeasance or other acquisition of any Capital Stock or any Indebtedness of the Company in exchange for, or out of the proceeds of the sale (other than to a Subsidiary of the Company), within six months prior to the consummation of such redemption, repurchase, retirement, defeasance or other such acquisition of any Capital Stock or Indebtedness of the Company, of Capital Stock of the Company (other than any Disqualified Stock);

(iii) the repurchase, redemption or other repayment of any Subordinated Debt of the Company or a Subsidiary Guarantor in exchange for, by conversion into or solely out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of Subordinated Debt of the Company or such Subsidiary Guarantor with a Weighted Average Life to Maturity equal to or greater than the then remaining Weighted Average Life to Maturity of the Subordinated Debt repurchased, redeemed or repaid;

(iv) the payment of ordinary dividends by the Company in respect of its Capital Stock in the ordinary course of business on a basis consistent with past practice in an aggregate amount not exceeding $2,500,000 annually; and

(v) Restricted Investments received as consideration in connection with an Asset Sale made in compliance with the Indenture.

(vi) the making of a Restricted Investment out of the proceeds of the sale (other than to a Subsidiary of the Company) within one year prior to the making of such Restricted Investment of Capital Stock of the Company (other than any Disqualified Stock);

(vii) the payment of any dividend or distribution by a Subsidiary that is a Qualified Joint Venture to the holders of its Capital Stock on a pro rata basis;

(viii) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company to effect the repurchase, redemption, acquisition or retirement of Capital Stock that are held by any member or former member of the Company's (or any Subsidiary's) management, or by any of their respective directors, employees or consultants; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed the sum of $750,000 in any calendar year (with unused amounts in any calendar year being available to be so utilized in succeeding calendar years);

(ix) repurchases of Capital Stock of the Company deemed to occur upon the exercise of stock options;

(x) payments or distributions to dissenting stockholders pursuant to applicable law in connection with a consolidation, merger, or transfer of assets that complies with the provision of the Indenture applicable to mergers, consolidations and transfers of all or substantially all of the property and assets of the Company; and

(xi) other Restricted Payments not to exceed $10,000,000 in the aggregate.

(c) In computing the amount of Restricted Payments for purposes of Section 4.05(a)(iii), Restricted Payments made under clauses (i), (iv), (vi), (viii) and (x) of Section 4.05(b) shall be included and Restricted Payments made under clauses (ii), (iii), (v), (vii), (ix) and (xi) of Section 4.05(b) shall be excluded.

Section 4.06 Corporate Existence. Subject to Section 4.14 and 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 of its Subsidiaries in accordance with the respective organizational documents of each of its Subsidiaries and the rights (charter and statutory), licenses and franchises of the Company and each of its 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 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 4.07 Limitation on Incurrence of Indebtedness. (a) The Company will not, and will not permit any of its Subsidiaries to, create, incur, assume or directly or indirectly guarantee or in any other manner become directly or indirectly liable for ("incur") any Indebtedness (including Acquired Debt) if, at the time of and immediately after giving pro forma effect to such incurrence, the Debt to Operating Cash Flow Ratio of the Company and its Subsidiaries is more than 7.0 to 1.0.

(b) Section 4.07(a) will not apply to the incurrence of any of the following (collectively, "Permitted Indebtedness"):

(i) Indebtedness of the Company incurred under the Senior Credit Facility in an aggregate principal amount at any time outstanding not to exceed $275,000,000 less (A) the aggregate amount of all principal payments made in respect of any term loans thereunder and (B) the aggregate amount of any other principal payments thereunder constituting permanent reductions of such Indebtedness pursuant to and in accordance with the covenant described under Section 4.14;

(ii) Indebtedness of any Subsidiary Guarantor consisting of a guarantee of Indebtedness of the Company under the Senior Credit Facility;

(iii) Indebtedness of the Company represented by the (a) Initial Notes and Exchange Notes issued therefor and (b) Indebtedness of any Subsidiary Guarantor

represented by a Subsidiary Guarantee in respect therefor or in respect of Additional Notes incurred in accordance with this Indenture;

(iv) Indebtedness owed by any Subsidiary Guarantor to the Company or to another Subsidiary Guarantor, or owed by the Company to any Subsidiary Guarantor; provided that any such Indebtedness shall be at all times held by a Person which is either the Company or a Subsidiary Guarantor; and provided, further that an incurrence of additional Indebtedness which is not permitted under this Section 4.07(b)(iv) shall be deemed to have occurred upon either (a) the transfer or other disposition of any such Indebtedness to a Person other than the Company or another Subsidiary Guarantor or (b) the sale, lease, transfer or other disposition of shares of Capital Stock (including by consolidation or merger) of any such Subsidiary Guarantor to a Person other than the Company or another Subsidiary Guarantor, such that such Subsidiary Guarantor ceases to be a Subsidiary Guarantor;

(v) Indebtedness of any Subsidiary Guarantor consisting of guarantees of any Indebtedness of the Company which Indebtedness of the Company has been incurred in accordance with the provisions of the Indenture;

(vi) Indebtedness arising with respect to Interest Rate Agreement Obligations incurred for the purpose of fixing or hedging interest rate risk with respect to Indebtedness (and not for speculative purposes) that is permitted by the terms of this Indenture to be outstanding; provided, however, that the notional principal amount of such Interest Rate Agreement Obligation does not exceed the principal amount of the Indebtedness to which such Interest Rate Agreement Obligation relates;

(vii) Permitted Purchase Money Indebtedness so long as the aggregate amount of all such Permitted Purchase Money Indebtedness does not exceed $20,000,000 at any one time outstanding;

(viii) any Indebtedness of the Company or a Subsidiary of the Company incurred in connection with or given in exchange for the renewal, extension, substitution, refunding, defeasance, refinancing or replacement of any Indebtedness of the Company or such Subsidiary outstanding on the date hereof (other than the Company's 10 5/8% Senior Subordinated Notes due 2006) or permitted to be incurred or outstanding under this Indenture in accordance with Section 4.07(a) or Indebtedness incurred under this clause (viii) with respect to any of the foregoing ("Refinancing Indebtedness"); provided that (a) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of the Indebtedness so renewed, extended, substituted, refunded, defeased, refinanced or replaced (plus the premiums paid in connection therewith (which shall not exceed the stated amount of any premium or other payment required to be paid in connection with such a refinancing pursuant to the terms of the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced) and the expenses incurred in connection therewith); (b) with respect to Refinancing Indebtedness of any Indebtedness other than Senior Debt, the Refinancing Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, extended, substituted, refunded, defeased,

refinanced or replaced; and (c) with respect to Refinancing Indebtedness of Indebtedness other than Senior Debt incurred by (1) the Company, such Refinancing Indebtedness shall rank no more senior, and shall be at least as subordinated, in right of payment to the Notes as the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced, and (2) a Subsidiary Guarantor, such Refinancing Indebtedness shall rank no more senior, and shall be at least as subordinated, in right of payment to the Subsidiary Guarantee as the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced; and

(ix) Indebtedness of the Company and its Subsidiaries in addition to that described in clauses (i) through (viii) above, and any renewals, extensions, substitutions, refinancings or replacements of such Indebtedness, so long as the aggregate principal amount of all such Indebtedness incurred pursuant to this clause (ix) does not exceed $20,000,000 at any one time outstanding.

(c) For purposes of determining compliance with this covenant:

(i) In the event that an item of Indebtedness meets the criteria of more than one of the categories of Indebtedness permitted pursuant to clauses (i) through (ix) above, the Company shall, in its sole discretion, be permitted to classify such item of Indebtedness in any manner that complies with this covenant and may from time to time reclassify such items of Indebtedness in any manner that would comply with this covenant at the time of such reclassification;

(ii) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(iii) In the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this covenant, the Company, in its sole discretion, shall classify such Indebtedness and only be required to include the amount of such Indebtedness in one of such clauses; and

(iv) Accrual of interest (including interest paid-in-kind) and the accretion of accreted value will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

(d) Notwithstanding any other provision of this covenant: (i) the maximum amount of Indebtedness that the Company or any Subsidiary of the Company may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies; and (ii) Indebtedness incurred pursuant to the Senior Credit Facility prior to or on the date of the Indenture shall be treated as incurred pursuant to Section 4.07(a)(i).

Section 4.08 Limitation on Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Company or any

beneficial owner of ten percent or more of any class of Capital Stock of the Company or any Subsidiary Guarantor unless (i) such transaction or series of transactions is on terms that are no less favorable to the Company or such Subsidiary, as the case may be, than would be available in a comparable transaction in arm's-length dealings with an unrelated third party, and (ii) (a) with respect to any transaction or series of transactions involving aggregate payments in excess of $1,000,000, the Company delivers an Officers Certificate to the Trustee certifying that such transaction or series of related transactions complies with clause (i) above and such transaction or series of related transactions has been approved by a majority of the members of the Board of Directors (and approved by a majority of the Independent Directors or, in the event there is only one Independent Director, by such Independent Director), and (b) with respect to any transaction or series of transactions involving aggregate payments in excess of $5,000,000, the Company delivers to the Trustee an Opinion of Counsel to the effect that such transaction or series of transactions is fair to the Company or such Subsidiary from a financial point of view issued by an investment banking firm of national standing. Notwithstanding the foregoing, this provision will not apply to (i) employment agreements or compensation or employee benefit arrangements with any officer, director or employee of the Company entered into in the ordinary course of business (including customary benefits thereunder), (ii) any transaction entered into by or among the Company or any Subsidiary Guarantor and one or more Subsidiary Guarantors, and (iii) transactions pursuant to agreements existing on the Issue Date.

Section 4.09 Limitation on Liens. The Company will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom to secure any Indebtedness; provided that in addition to creating Permitted Liens on its properties or assets, (i) the Company may create any Lien upon any of its properties or assets (including, but not limited to, any Capital Stock of its Subsidiaries) if the Notes are equally and ratably secured therewith, and (ii) a Subsidiary Guarantor may create any Lien upon any of its properties or assets (including, but not limited to, any Capital Stock of its Subsidiaries) if its Subsidiary Guarantee is equally and ratably secured therewith; provided, however, that if (a) the Company creates any Lien on its assets to secure any Subordinated Indebtedness of the Company, the Company shall also create a Lien to secure the Notes and the Lien securing such Subordinated Indebtedness shall be subordinated and junior to the Lien securing the Notes with the same or lesser priorities as the Subordinated Indebtedness shall have with respect to the Notes, and (b) a Subsidiary Guarantor creates any Lien on its assets to secure any Subordinated Indebtedness of such Subsidiary Guarantor, the Subsidiary Guarantor shall also create a Lien to secure the Subsidiary Guarantee and the Lien securing such Subordinated Indebtedness shall be subordinated and junior to the Lien securing the Subsidiary Guarantee of such Subsidiary Guarantor with the same or lesser priorities as the Subordinated Indebtedness shall have with respect to the Subsidiary Guarantee of such Subsidiary Guarantor.

Section 4.10 Taxes. The Company shall, and shall cause each of its Subsidiaries to, pay prior to delinquency all taxes, assessments and governmental levies the failure of which to pay could reasonably be expected to result in a material adverse effect on the condition (financial or otherwise), business or results of operations of the Company and its Subsidiaries taken as a whole, except for those taxes contested in good faith by appropriate proceedings.

Section 4.11 Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make any other distributions to the Company or any other Subsidiary of the Company on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any other Subsidiary of the Company, (ii) make loans or advances to the Company or any other Subsidiary of the Company, or (iii) transfer any of its properties or assets to the Company or any other Subsidiary of the Company (collectively, "Payment Restrictions"), except for such encumbrances or restrictions existing under or by reason of (a) the Senior Credit Facility as in effect on the Issue Date and any amendments, restatements, renewals, replacements or refinancings thereof; provided that such amendments, restatements, renewals, replacement or refinancings are no more restrictive in the aggregate with respect to such dividend and other payment restrictions than those contained in the Senior Credit Facility immediately prior to any such amendment, restatement, renewal, replacement or refinancing, (b) applicable law, (c) any instrument governing Indebtedness or Capital Stock of an Acquired Person acquired by the Company or any of its Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with such acquisition); provided that such restriction is not applicable to any Person, or the properties or assets of any Person, other than the Acquired Person, (d) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (e) purchase money Indebtedness for property acquired in the ordinary course of business that only impose restrictions on the property so acquired, (f) an agreement for the sale or disposition of the Capital Stock or assets of such Subsidiary; provided that such restriction is only applicable to such Subsidiary or assets, as applicable, and such sale or disposition otherwise is permitted under the covenant described under Section 4.14; and provided, further, that such restriction or encumbrance shall be effective only for a period from the execution and delivery of such agreement through a termination date not later than 270 days after such execution and delivery, and (g) Refinancing Indebtedness permitted under this Indenture; provided that the restrictions contained in the agreements governing such Refinancing Indebtedness are no more restrictive in the aggregate than those contained in the agreements governing the Indebtedness being refinanced immediately prior to such refinancing.

Section 4.12 Maintenance of Office or Agency. The Company will maintain in the Borough of Manhattan, the City of New York, an office or an agency (which may be an office of any Agent) where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of any change in the location of such office or agency. If at any time the Company shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any matter relieve the Company of its obligations to maintain an office or agency in the Borough of Manhattan, the City of New York, 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 location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03.

Section 4.13 Change of Control. (a) In the event of a Change of Control, Company will make an offer to purchase all of the then outstanding Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of purchase, in accordance with the terms set forth below (a "Change of Control Offer").

(b) Within 30 days after any Change of Control, the Company shall mail to each Holder of Notes at such Holder's registered address a notice stating: (i) that a Change of Control has occurred and that such Holder has the right to require the Company to repurchase all or a portion (equal to $1,000 or an integral multiple thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of purchase (the "Change Of Control Purchase Date"), which shall be a Business Day, specified in such notice, that is not earlier than 30 days or later than 60 days from the date such notice is mailed, (ii) the amount of accrued and unpaid interest as of the Change of Control Purchase Date, (iii) that any Note not tendered will continue to accrue interest, (iv) that, unless the Company defaults in the payment of the purchase price for the Notes payable pursuant to the Change of Control Offer, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date, (v) that Holders electing to tender any Note or portion thereof will be required to surrender their Note, with a form entitled "Option of Holder to Elect Purchase" completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day preceding the Change of Control Purchase Date; provided that Holders electing to tender only a portion of any Note must tender a principal amount of $1,000 or integral multiples thereof; (vi) that Holders will be entitled to withdraw their election to tender Notes if the Paying Agent receives, not later than the close of business on the third Business Day preceding the Change of Control Purchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased; and (vii) that Holders whose Notes are accepted for payment in part will be issued new Notes equal in principal amount to the unpurchased portion of Notes surrendered; provided that only Notes in a principal amount of $1,000 or integral multiples thereof will be accepted for payment in part.

(c) On the Change of Control Purchase Date, the Company will (i) accept for payment all Notes or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent the aggregate purchase price of all Notes or portions thereof accepted for payment and any accrued and unpaid interest on such Notes as of the Change of Control Purchase Date, and (iii) deliver or cause to be delivered to the Trustee all Notes tendered pursuant to the Change of Control Offer. The Paying Agent shall promptly mail to each Holder of Notes or portions thereof accepted for payment an amount equal to the purchase price for such Notes plus any accrued and unpaid interest thereon, and the Trustee shall promptly authenticate and mail to such Holder of Notes accepted for payment in part a new Note equal in principal

amount to any unpurchased portion of the Notes, and any Note not accepted for payment in whole or in part for any reason consistent with this Indenture shall be promptly returned to the Holder of such Note. On and after a Change of Control Purchase Date, interest will cease to accrue on the Notes or portions thereof accepted for payment, unless the Company defaults in the payment of the purchase price therefor. The Company will announce the results of the Change of Control Offer to Holders of the Notes on or as soon as practicable after the Change of Control Purchase Date.

(d) The Company will comply with the applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act, and all other applicable securities laws and regulations in connection with any Change of Control Offer.

Section 4.14 Limitation on Asset Sales. (a) The Company will not, and will not permit any of its Subsidiaries to, make any Asset Sale unless (i) the Company or such Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (determined by the Board of Directors in good faith, which determination shall be evidenced by a board resolution) of the assets or other property sold or disposed of in the Asset Sale, and (ii) at least 75% of such consideration is in the form of cash or Cash Equivalents; provided that for purposes of this covenant "cash" shall include the amount of any liabilities (other than liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) of the Company or such Subsidiary (as shown on the Company's or such Subsidiary's most recent balance sheet or in the notes thereto) that are assumed by the transferee of any such assets or other property in such Asset Sale (and excluding any liabilities that are incurred in connection with or in anticipation of such Asset Sale), but only to the extent that such assumption is effected on a basis under which there is no further recourse to the Company or any of its Subsidiaries with respect to such liabilities.

Notwithstanding clause (ii) above, (a) all or a portion of the consideration for any such Asset Sale may consist of all or substantially all of the assets or a majority of the Voting Stock of an existing television business, franchise or station (whether existing as a separate entity, subsidiary, division, unit or otherwise) or any business directly related thereto, (b) Asset Sales involving assets which are not television or publishing businesses, franchises or stations and having an aggregate value (as measured by the value of the consideration being paid for such assets) not in excess of $40,000,000 may be made without regard to clause (ii) above, and (c) the Company may, and may permit its Subsidiaries to, issue shares of Capital Stock in a Qualified Joint Venture to a Qualified Joint Venture Partner without regard to clause (ii) above; provided, that, in the case of any of (a), (b) or (c) of this sentence, after giving effect to any such Asset Sale and related acquisition of assets or Voting Stock, (x) no Default or Event of Default shall have occurred or be continuing; and (y) the Net Proceeds of any such Asset Sale, if any, are applied in accordance with this covenant.

(b) Within 360 days after any Asset Sale, the Company may elect to apply or cause to be applied the Net Proceeds from such Asset Sale to (i) permanently reduce any Senior Debt of the Company or any Guarantor Senior Debt, and/or (ii) make an investment in, or acquire assets directly related to the business of the Company and its Subsidiaries existing on the Issue Date. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Senior Debt of the Company or any Guarantor Senior Debt or temporarily

invest such Net Proceeds in any manner permitted by this Indenture. Any Net Proceeds from an Asset Sale not applied or invested as provided in the first sentence of this paragraph within 360 days of such Asset Sale will be deemed to constitute "Excess Proceeds" on the 361st day after such Asset Sale.

(c) As soon as practical, but in no event later than 10 Business Days after any date (an "Asset Sale Offer Trigger Date") that the aggregate amount of Excess Proceeds exceeds $5,000,000, the Company shall commence an offer to purchase the maximum principal amount of Notes that may be purchased out of all such Excess Proceeds (an "Asset Sale Offer") at a price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (the "Asset Sale Offer Purchase Date"). To the extent that any Excess Proceeds remain after completion of an Asset Sale Offer, the Company may use the remaining amount for general corporate purposes and such amount shall no longer constitute "Excess Proceeds."

(d) Within 30 days following any Asset Sale Offer Trigger Date, the Company shall mail to each holder of Notes at such holder's registered address a notice stating: (i) that an Asset Sale Offer Trigger Date has occurred and that the Company is offering to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the Asset Sale Offer Purchase Date, which shall be a Business Day, specified in such notice, that is not earlier than 30 days or later than 60 days from the date such notice is mailed, (ii) the amount of accrued and unpaid interest as of the Asset Sale Offer Purchase Date, (iii) that any Note not tendered will continue to accrue interest, (iv) that, unless the Company defaults in the payment of the purchase price for the Notes payable pursuant to the Asset Sale Offer, any Notes accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Asset Sale Offer Purchase Date, (v) that Holders electing to tender any Note or portion thereof will be required to surrender their Note, with a form entitled "Option of Holder to Elect Purchase" completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day preceding the Asset Sale Offer Purchase Date; provided that Holders electing to tender only a portion of any Note must tender a principal amount of $1,000 or integral multiples thereof; (vi) that Holders will be entitled to withdraw their election to tender Notes if the Paying Agent receives, not later than the close of business on the third Business Day preceding the Asset Sale Offer Purchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased; and (vii) that Holders whose Notes are accepted for payment in part will be issued new Notes equal in principal amount to the unpurchased portion of Notes surrendered; provided that only Notes in a principal amount of $1,000 or integral multiples thereof will be accepted for payment in part.

(e) On the Asset Sale Offer Purchase Date, the Company will (i) accept for payment the maximum principal amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer that can be purchased out of Excess Proceeds from such Asset Sale, (ii) deposit with the Paying Agent the aggregate purchase price of all Notes or portions thereof accepted for payment and any accrued and unpaid interest on such Notes as of the Asset Sale Offer Purchase Date, and (iii) deliver or cause to be delivered to the Trustee all Notes tendered pursuant to the Asset Sale Offer. If less than all Notes tendered pursuant to the Asset Sale Offer are to be

purchased by the Company, the Trustee, on behalf of the Company, shall select the outstanding Notes to be purchased by the Company in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on such an exchange, the Trustee on behalf of the Company, shall select the outstanding Notes to be purchased, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate; provided that Notes purchased in part shall only be purchased in integral multiples of $1,000. The Company shall notify the Trustee of its acceptance for payment of Notes selected for purchase. The Paying Agent shall promptly mail to each holder of Notes or portions thereof accepted for payment an amount equal to the purchase price for such Notes plus any accrued and unpaid interest thereon, and the Trustee shall promptly authenticate and mail to such Holder of Notes accepted for payment in part a new Note equal in principal amount to any unpurchased portion of the Notes, and any Note not accepted for payment in whole or in part shall be promptly returned to the Holder of such Note. On and after an Asset Sale Offer Purchase Date, interest will cease to accrue on the Notes or portions thereof accepted for payment, unless the Company defaults in the payment of the purchase price therefor. The Company will announce the results of the Asset Sale Offer to Holders on or as soon as practicable after the Asset Sale Offer Purchase Date.

(f) The Company will comply with the applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act, and all other applicable securities laws and regulations in connection with any Asset Sale Offer.

Section 4.15 Limitation on Incurrence of Senior Subordinated Indebtedness. The Company will not, directly or indirectly (a) incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to any Indebtedness of the Company and senior in any respect in right of payment to the Notes, and (b) permit any Subsidiary Guarantor to incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to any Indebtedness of such Subsidiary Guarantor and senior in any respect in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor.

Section 4.16 Limitation on Issuance and Sale of Capital Stock of Subsidiaries. The Company (a) will not, and will not permit any Subsidiary of the Company to, transfer, convey, sell or otherwise dispose of any shares of Capital Stock of such Subsidiary or any other Subsidiary (other than to the Company or a Subsidiary Guarantor) except that the Company and any Subsidiary may, in any single transaction, sell all, but not less than all, of the issued and outstanding Capital Stock of any subsidiary to any Person, subject to complying with the provisions of this Indenture applicable to such sale and (b) will not permit any Subsidiary of the Company to issue shares of its Capital Stock (other than directors' qualifying shares), or securities convertible into, or warrants, rights or options to subscribe for or purchase shares of, its Capital Stock to any person other than to the Company or a Subsidiary Guarantor; provided that the Company may, and may permit a Subsidiary of the Company to, (x) issue shares of Capital Stock in a Qualified Joint Venture to a Qualified Joint Venture Partner and (y) issue a majority of the shares of Capital Stock of a Paging Subsidiary and a Satellite Uplink Subsidiary in accordance with the covenant described under Section 4.14 (provided, however, that any shares of Capital Stock issued pursuant to the foregoing clauses (x) or (y) to any Person other

than the Company or a Subsidiary Guarantor shall be of the most junior class of Capital Stock of such issuing Person and shall, in no event, constitute Preferred Stock of such issuing Person).

Section 4.17 Future Subsidiary Guarantors. The Company shall cause each Subsidiary of the Company formed or acquired after the date of this Indenture to execute and deliver an indenture supplemental to this Indenture substantially in the form of Exhibit D and thereby become a Subsidiary Guarantor which shall be bound by the guarantee of the Notes in the form set forth in this Indenture (without such Subsidiary Guarantor being required to execute and deliver the guarantee endorsed on the Notes).

Section 4.18 Maintenance of Properties. The Company will cause all properties used in the conduct of its business or the business of any Subsidiary of the Company to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company or any Subsidiary of the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, as determined by the Board of Directors in good faith, desirable in the conduct of the business of the Company or of any of its Subsidiaries.

Section 4.19 Maintenance of Insurance. The Company shall, and shall cause each of its Subsidiaries to, keep at all times all of their properties which are of an insurable nature insured against loss or damage with insurers believed by the Company to be responsible to the extent that property of similar character usually is so insured by corporations similarly situated and owning like properties in accordance with good business practice.

Section 4.20 Deposit with Old Notes Trustee; Consummation of Old Notes Redemption. The Company shall (a) deposit cash with the Old Notes Trustee in an amount equal to $173,769,666.67 (or such lesser amount as may be required) in order to consummate the Old Notes Redemption and (b) simultaneously with the issuance of Initial Notes take all other actions necessary to redeem the Old Notes.

ARTICLE V

SUCCESSORS

Section 5.01 Merger, Consolidation and Sale of Assets. The Company shall not consolidate or merge with or into (whether or not the Company is the Surviving Person), or, directly or indirectly through one or more Subsidiaries, sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person or Persons unless (i) the Surviving Person is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Surviving Person (if other than the Company) assumes all the obligations of the Company under this Indenture and the Notes pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) at the time of and immediately after such Disposition, no Default or Event of Default shall have occurred and be continuing; and (iv) the Surviving Person will (A) have Consolidated Net Worth (immediately after giving effect to the Disposition

on a pro forma basis) equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction, and (B) at the time of such Disposition and after giving pro forma effect thereto, the Surviving Person would be permitted to issue at least $1.00 of additional Indebtedness pursuant to Section 4.07(a).

Section 5.02 Surviving Person Substituted. In the event of any transaction (other than a lease) described in and complying with the conditions listed in Section 5.01or Section 11.01(e) in which the Company or the Subsidiary Guarantor, as the case may be, is not the Surviving Person and the Surviving Person is to assume all the obligations of the Company or the Subsidiary Guarantor under the Notes, the Subsidiary Guarantee, as applicable, and this Indenture pursuant to a supplemental indenture, such Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company or the Subsidiary Guarantor, and the Company or the Subsidiary Guarantor would be discharged from its obligations under this Indenture, the Notes or its Subsidiary Guarantee, as the case may be, provided that solely for the purpose of calculating amounts described in clause (iii) of Section 4.05(a), any such Surviving Person shall only be deemed to have succeeded to and be substituted for the Company with respect to the period subsequent to the effective time of such transaction (and the Company (before giving effect to such transaction) shall be deemed to be the "Company" for such purposes for all prior periods).

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01 Events of Default. (a) Each of the following constitutes an "Event of Default":

(i) a default for 30 days in the payment when due of interest on any Note (whether or not prohibited by the subordination provisions of this Indenture);

(ii) a default in the payment when due of principal on any Note (whether or not prohibited by the subordination provisions of this Indenture), whether upon maturity, acceleration, optional or mandatory redemption, required repurchase or otherwise;

(iii) a default in the covenant described under Section 4.20;

(iv) failure to perform or comply with any covenant, agreement or warranty in this Indenture (other than the defaults specified in clauses (i), (ii) and (iii) above) which failure continues for 30 days after written notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the then outstanding Notes;

(v) the occurrence of one or more defaults under any agreements, indentures or instruments under which the Company or any Subsidiary of the Company then has outstanding Indebtedness in excess of $5,000,000 in the aggregate and, if not already matured at its final maturity in accordance with its terms, such Indebtedness shall have been accelerated;

(vi) except as permitted by this Indenture, any Subsidiary Guarantee shall for any reason cease to be, or be asserted in writing by any Subsidiary Guarantor or the Company not to be, in full force and effect, and enforceable in accordance with its terms;

(vii) one or more judgments, orders or decrees for the payment of money in excess of $5,000,000, either individually or in the aggregate shall be entered against the Company or any Subsidiary of the Company or any of their respective properties and which judgments, orders or decrees are not paid, discharged, bonded or stayed for a period of 60 days after their entry;

(viii) any holder or holders of at least $5,000,000 in aggregate principal amount of Indebtedness of the Company or any Subsidiary of the Company, after a default under such Indebtedness, (a) shall notify the Company or the Trustee of the intended sale or disposition of any assets of the Company or any Subsidiary of the Company with an aggregate fair market value (as determined in good faith by the Board of Directors, which determination shall be evidenced by a board resolution), individually or in the aggregate, of at least $5,000,000 that have been pledged to or for the benefit of such holder or holders to secure such Indebtedness or (b) shall commence proceedings, or take any action (including by way of set off), to retain in satisfaction of such Indebtedness or to collect on, seize, dispose of or apply in satisfaction of such Indebtedness, such assets of the Company or any Subsidiary of the Company (including funds on deposit or held pursuant to lock-box and other similar arrangements);

(ix) there shall have been the entry by a court of competent jurisdiction of (a) a decree or order for relief in respect of the Company or any Subsidiary of the Company in an involuntary case or proceeding under any applicable Bankruptcy Law or (b) a decree or order adjudging the Company or any Subsidiary of the Company bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any Subsidiary of the Company or of any substantial part of their respective properties, or ordering the winding up or liquidation of their affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 days; or

(x) (a) the Company or any Subsidiary of the Company commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (b) the Company or any Subsidiary of the Company consents to the entry of a decree or order for relief in respect of the Company or such Subsidiary of the Company in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (c) the Company or any Subsidiary of the Company files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, (d) the Company or any Subsidiary of the Company (x) consents to the filing of such petition or the appointment of or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or such Subsidiary of the Company or of any substantial part of their

respective property, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due or (e) the Company or any Subsidiary of the Company takes any corporate action in furtherance of any such actions in this paragraph (x).

(b) Any notice of default delivered to the Company by the Trustee or by Holders of Notes with a copy to the Trustee must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

Section 6.02 Acceleration. (a) If any Event of Default (other than an Event of Default specified under Section 6.01(a)(ix) or (x) with respect to the Company or any Subsidiary Guarantor) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may, and the Trustee at the request of such Holders shall, declare all the Notes to be due and payable immediately. In the case of an Event of Default arising from the events specified in Sections 6.01(a)(ix) or (x) with respect to the Company or any Subsidiary Guarantor, the principal of, premium, if any, and any accrued and unpaid interest on all outstanding Notes shall ipso facto become immediately due and payable without further action or notice.

(b) The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may rescind any declaration of acceleration of such Notes and its consequences if the rescission would not conflict with any judgment or decree and if all existing Defaults and Events of Default (other than the nonpayment of principal or premium, if any, or interest on, the Notes which shall have become due by such declaration) shall have been cured or waived.

Section 6.03 Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, or premium, if any, or interest on, the Notes or to enforce the performance of any provision of the Notes or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 Waiver of Past Defaults. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under this Indenture except (i) a continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on, the Notes (which may only be waived with the consent of each Holder of Notes affected), or (ii) in respect of a covenant or provision which under this Indenture cannot be modified or amended without the consent of each Holder of Notes affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefore shall deemed to have been cured for every purpose of this Indenture; provided that no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 Control by Majority of Holders. Subject to Section 7.01(e), the Holders of a majority in aggregate principal amount of the then outstanding Notes may 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 it by this Indenture. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or would involve the Trustee in personal liability.

Section 6.06 Limitation of Suits by Holders. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, a Holder may pursue a remedy with respect to this Indenture or the Notes only if: (1) the Holder gives to the Trustee notice of a continuing Event of Default; (2) the Holders of at least 25% in principal amount of the then outstanding Notes make a request to the Trustee to pursue the remedy; (3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense; (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and (5) during such 60-day period the Holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request. A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder. Holders of the Notes may not enforce this Indenture, except as provided herein.

Section 6.07 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of, and premium, if any, and interest on, a Note, on or after a respective due date expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of the Holder.

Section 6.08 Collection Suit by Trustee. If an Event of Default specified in Section 6.01(a)(i) or (a)(ii) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for (i) the principal, premium, if any, and interest remaining unpaid on the Notes, (ii) interest on overdue principal and premium, if any, and, to the extent lawful, interest, and (iii) 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 ("Trustee Expenses").

Section 6.09 Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable to have the claims of the Trustee (including any claim for Trustee Expenses and for amounts due under Section 7.07) and the Holders allowed in any Insolvency or Liquidation Proceeding relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute to Holders any money or other property payable or deliverable on any such claims and each Holder authorizes any Custodian in any such Insolvency or Liquidation Proceeding to make such payments to the Trustee, and if the Trustee shall consent to the making of such payments directly to the Holders any such Custodian is hereby authorized to make such payments directly to the Holders, and to pay to the Trustee any amount due to it hereunder for Trustee Expenses, and any other amounts due the Trustee under

Section 7.07; provided, however, that the Trustee shall not be authorized to (i) consent to, accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or (ii) vote in respect of the claim of any Holder in any such Insolvency or Liquidation Proceeding. To the extent that the payment of any such Trustee Expenses, and any other amounts due the Trustee under Section 7.07 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders may be entitled to receive in such proceeding, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Section 6.10 Priorities. If the Trustee collects any money pursuant to this Article VI, it shall pay out the money in the following order:

First: to the Trustee for Trustee Expenses for amounts due under Section 7.07;

Second: to the holders of Senior Debt to the extent required by Articles X and XI;

Third: to Holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, respectively; and

Fourth: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders.

Section 6.11 Undertaking for Costs. 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 or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE VII

TRUSTEE

Section 7.01 Duties of Trustee. (a) If an Event of Default occurs (and has not been cured) the Trustee shall (i) exercise the rights and powers vested in it by this Indenture, and (ii) use the same degree of care and skill in exercising such rights and powers 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's duties shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and (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 certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to this Indenture's requirements.

(c) The Trustee shall 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 Section 7.01(c) does not limit the effect of Section 7.01(b); (ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and (iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction it receives pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee shall be subject to paragraphs (a), (b), and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders unless such Holders shall have offered to the Trustee security and 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 it 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.

Section 7.02 Rights of Trustee. (a) The Trustee may rely on any document it believes 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 any such document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, or both. 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; provided that such action or omission does not constitute gross negligence. The Trustee may consult with counsel and 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 under this Indenture in good faith and in reliance on such advice or opinion.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits in good faith that it believes to be authorized or within its rights or powers.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

Section 7.03 Individual Rights of Trustee. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. However, if the Trustee acquires any conflicting interest, it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee, or resign. Each Agent shall have the same rights as the Trustee under this Section 7.03.

Section 7.04 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes; it shall not be accountable for the Company's use of the proceeds from the Notes or for any money paid to the Company or upon the Company's direction under any provisions of this Indenture; it shall not be responsible for the use or application of any money that any Paying Agent other than the Trustee receives; and, it shall not be responsible for any statement or recital in this Indenture or any statement in the Notes or any other document executed in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05 Notice to Holders of Defaults and Events of Default. If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Note (including any failure to redeem Notes called for redemption or any failure to purchase Notes tendered pursuant to an Offer that are required to be purchased by the terms of this Indenture), the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Trust Officers determines in good faith that withholding such notice is in the Holders' interests.

Section 7.06 Reports by Trustee to Holders. On or before June 15 in each year following the date hereof, so long as any Notes are outstanding hereunder, the Trustee shall mail to Holders a brief report dated as of such reporting date that complies with Section 313(a) of the TIA (but if no event described in Section 313(a) of the TIA has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with Section 313(b)(2) of the TIA. The Trustee shall also transmit by mail all reports as required by Section 313(c) of the TIA.

A copy of each report at the time of its mailing to Holders shall be filed with the Commission and each stock exchange, if any, on which the Notes are listed. The Company shall notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 Compensation and Indemnity. The Company shall pay to the Trustee from time to time reasonable compensation for its services hereunder, as mutually agreed upon by the Company and the Trustee. 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 disbursements, advances and expenses it incurs or makes in

addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee and each of its directors, officers, employees, agents, representatives and counsel against any and all losses, liabilities or expenses the Trustee incurs arising out of or in connection with the acceptance or administration of its duties under this Indenture, except as set forth below. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity; provided, however, that failure by the Trustee to provide the Company with any such notice shall not relieve the Company of any of its obligations under this Section 7.07. The Trustee shall cooperate in the defense of any such claim. 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.

The Company's obligations under this Section 7.07 shall survive the satisfaction and discharge of this Indenture. The Company need not reimburse any expense or indemnify against any loss or liability the Trustee incurs as a result of its negligence or willful misconduct.

To secure payment of the Company's obligations under this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property the Trustee holds or collects, except any funds from time to time held in trust or as security to pay principal of, and premium, if any, and interest on, particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(a)(viii) or (ix) occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute administrative expenses under any Bankruptcy Law without any need to demonstrate substantial contribution under Bankruptcy Law.

Section 7.08 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 7.08.

The Trustee may resign and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company. The Company may remove the Trustee if: (1) the Trustee fails to comply with Section 7.10; (ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law; (iii) a Custodian or public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of performing the services of the Trustee hereunder.

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; provided that the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace any successor Trustee appointed by Company.

If a successor Trustee 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 then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder 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. Thereupon, 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 under this Indenture. The successor Trustee shall mail a notice of its appointment to Holders. The retiring Trustee shall promptly transfer all property it holds as Trustee to the successor Trustee; provided that all sums owing to the retiring Trustee hereunder have been paid. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the retiring Trustee's benefit with respect to expenses and liabilities relating to the retiring Trustee's activities prior to being replaced.

Section 7.09 Successor Trustee by Merger, Etc. If the Trustee consolidates, 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. The Trustee shall at all times (i) be a corporation organized and doing business under the laws of the United States of America, of any state thereof, or the District of Columbia authorized under such laws to exercise corporate trust powers, (ii) be subject to supervision or examination by federal or state authority, (iii) have a combined capital and surplus of at least $100 million as set forth in its most recently published annual report of condition, and (iv) satisfy the requirements of Sections 310(a)(1),(2) and (5) of the TIA. The Trustee is subject to Section 310(b) of the TIA.

Section 7.11 Preferential Collection of Claims Against Company. The Trustee is subject to Section 311(a) of the TIA, excluding any creditor relationship listed in Section 311(b) of the TIA. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the TIA to the extent indicated therein.

ARTICLE VIII

DISCHARGE OF INDENTURE

Section 8.01 Discharge of Liability on Notes; Defeasance. (a) Subject to Sections 8.01(c) and 8.06, this Indenture shall cease to be of any further effect as to all outstanding Notes and Subsidiary Guarantees after (i) either (a) all Notes heretofore authenticated and delivered (other than Notes replaced pursuant to Section 2.07) have been delivered to the Trustee for cancellation or (b) all Notes not previously delivered for cancellation

have become due and payable or (y) will become due and payable at their Stated Maturity within one year or (z) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee, for the giving of notice of redemption by the Trustee in the name, and at the expense of, the Company; and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount in United States dollars or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case, maturing prior to the date the Notes will have become due and payable, the Stated Maturity of the Notes or the relevant redemption date of the Notes, as the case may be, sufficient to pay and discharge the entire indebtedness on such Notes not previously delivered to the Trustee for cancellation, including principal of, premium, if any, and accrued interest at maturity, Stated Maturity or redemption, (ii) the Company or any Subsidiary Guarantor has paid or caused to be paid all other sums payable under this Indenture by the Company or any Subsidiary Guarantor and (iii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with and that such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company, any Subsidiary Guarantor or any other Subsidiary of the Company is a party or by which the Company, any Subsidiary Guarantor or any other Subsidiary of the Company is bound.

(b) Subject to Sections 8.01(c), 8.02, and 8.06, the Company at any time may terminate (i) all its obligations under this Indenture and the Notes ("Legal Defeasance Option"), or (ii) its obligations under Sections 4.02, 4.03, 4.05, 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18 and 4.19, Article V, Article X and the subordination provisions of Article XI ("Covenant Defeasance Option"). The Company may exercise its Legal Defeasance Option notwithstanding its prior exercise of its Covenant Defeasance Option.

If the Company exercises its Legal Defeasance Option, payment of the Notes may not be accelerated because of an Event of Default. If the Company exercises its Covenant Defeasance Option, payment of the Notes may not be accelerated because of an Event of Default specified in Section 6.01(a)(iv).

Upon satisfaction of the conditions set forth in Section 8.02 and upon the Company's request (and at the Company's expense), the Trustee shall acknowledge in writing the discharge of those obligations that the Company has terminated.

(c) Notwithstanding Sections 8.01(a) and (b), the Company's obligations under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 4.04, 4.12, 4.20, 7.07, 7.08, 8.04, 8.05, and 8.06, and the obligations of the Trustee and the Paying Agent under Section 8.04 shall survive until the Notes have been paid in full. Thereafter, the Company's obligations under Sections 7.07 and 8.05 and the obligations of the Company, Trustee and Paying Agent under Section 8.04 shall survive.

Section 8.02 Conditions to Defeasance. In order to exercise either its Legal Defeasance Option and give effect thereto ("Legal Defeasance") or its Covenant Defeasance

Option and give effect thereto ("Covenant Defeasance"), (i) the Company shall irrevocably deposit with the Trustee, as trust funds in trust, for the benefit of the Holders, cash in United States dollars, U.S. Government Obligations, or a combination thereof, maturing as to principal and interest in such amounts as will be sufficient, without consideration of any reinvestment of such interest, in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm, to pay and discharge the principal of, premium, if any, and interest on the outstanding Notes on the stated maturity of such principal or installment of principal or interest; (ii) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date 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 will not recognize income, gain or loss for federal income tax purposes as a result of such Legal 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 Legal Defeasance had not occurred; (iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant 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 Covenant Defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Section 6.01(a)(ix) and (x) are concerned, at any time during the period ending on the 91st day after the date of deposit; (v) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound; (vi) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that (A) the trust funds will not be subject to any rights of holders of Senior Debt or Guarantor Senior Debt of any Subsidiary Guarantor, including, without limitation, those arising under this Indenture, after the 91st day following the deposit and (B) after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (vii) 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 Notes over the other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; (viii) no event or condition shall exist that would prevent the Company from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time ending on the 91st day after the date of such deposit; (ix) 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 either the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with; and (x) such deposit shall not violate the provisions described in Article X or Article XI.

Section 8.03 Application of Trust Money. The Trustee or Paying Agent shall hold in trust money and/or U.S. Government Obligations deposited with it pursuant to this Article VIII. The Trustee or Paying Agent shall apply the deposited money and the money from U.S. Government Obligations in accordance with this Indenture to the payment of principal of, and premium, if any, and interest on, the Notes. Money deposited with the Trustee or a Paying

Agent pursuant to this Article VIII shall not be subject to the provisions of Article X and Article XI.

Section 8.04 Repayment to Company. After the Notes have been paid in full, the Trustee and the Paying Agent shall promptly turn over to the Company any excess money or securities held by them upon the written direction of the Company.

Any money deposited with the Trustee or a Paying Agent pursuant to this Article VIII for the payment of the principal of, premium, if any, or interest on, any Note that remains unclaimed for two years after becoming due and payable shall be paid to the Company on its request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money shall cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 8.05 Indemnity for U.S. Government Obligations. The Company shall pay and shall indemnify the Trustee and any Paying Agent against any tax, fee or other charge imposed on or assessed against cash and/or U.S. Government Obligations deposited with it pursuant to this Article VIII or the principal and interest received on such cash and/or U.S. Government Obligations.

Section 8.06 Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article VIII; provided, however, that if the Company has made any payment of principal of, or premium, if any, or interest on, any Notes because of the reinstatement of its obligations under this Indenture and the Notes, the Company shall be subrogated to the Holders' rights to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE IX

AMENDMENTS

Section 9.01 Amendments and Supplements Permitted Without Consent of Holders. (a) Notwithstanding Section 9.02, the Company, the Subsidiary Guarantors and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder to: (i) cure any ambiguity, defect or inconsistency; (ii) provide for uncertificated Notes in addition to or in place of certificated Notes; (iii) provide for the assumption of the Company's

obligations to the Holders in the event of any Disposition involving the Company that is permitted under Article V in which the Company is not the Surviving Person; (iv) make any change that would provide any additional rights or benefits to Holders or does not adversely affect the interests of any Holder; (v) comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA; (vi) add additional Subsidiary Guarantors pursuant to Section 4.17; (vii) provide for the issuance of Exchange Notes or Private Exchange Notes, subject to the provisions of this Indenture; or (viii) provide for the issuance of Additional Notes as permitted by Section 2.16.

(b) Upon the Company's request, after receipt by the Trustee of a resolution of the Board of Directors authorizing the execution of any amended or supplemental indenture, the Trustee shall join with the Company and the Subsidiary Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any future appropriate agreements and stipulations that may be contained in any such amended or supplemental indenture, but the Trustee shall not be obligated to enter into an amended or supplemental indenture that affects its own rights, duties, or immunities under this Indenture or otherwise.

Section 9.02 Amendments and Supplements Requiring Consent of Holders. (a) Except as otherwise provided in Sections 6.04, 9.01(a) and 9.02(c), this Indenture and the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes), and any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes may be waived with the consent of Holders of at least a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes).

(b) Upon the Company's request and after receipt by the Trustee of a resolution of the Board of Directors authorizing the execution of any supplemental indenture, evidence of the Holders' consent, and the documents described in Section 9.06, the Trustee shall join with the Company and the Subsidiary Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but not be obligated to, enter into such amended or supplemental indenture.

(c) No such modification or amendment may, without the consent of the Holder of each outstanding Note affected thereby: (i) change the stated maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency or the manner in which the principal of any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); (ii) extend the time for payment of interest on the Notes; (iii) alter the redemption provisions in the Notes or this Indenture in a manner adverse to any Holder of the Notes; (iv) amend, change or modify the obligation of the Company to (x) make and consummate a Change of Control Offer in the event of a Change of Control or (y) make and consummate an Asset Sale Offer required pursuant to the

covenant described under Section 4.14, or modify any of the provisions or definitions with the obligations of the Company referred to in clauses (x) or (y); (v) reduce the percentage in principal amount of outstanding Notes, the consent of whose holders is required for any amended or supplemental indenture or the consent of whose holders is required for any waiver of compliance with any provision of this Indenture or any Default hereunder and the consequences provided for hereunder; (vi) modify any of the provisions of this Indenture relating to any amended or supplemental indentures requiring the consent of Holders or relating to the waiver of past defaults or relating to the waiver of any covenant, except to increase the percentage of outstanding Notes required for such actions or to provide that any other provision of this Indenture cannot be modified or waived without the consent of the Holder of each Note affected thereby; (vii) except as otherwise permitted under Section 5.01, consent to the assignment or transfer by the Company of any of its rights and obligations under this Indenture; (viii) modify any of the provisions of this Indenture relating to the subordination of the Notes or the Subsidiary Guarantees in a manner adverse to the Holders; (ix) modify the ranking or priority of the Notes or any Subsidiary Guarantee; or (x) release any Subsidiary Guarantor from any of its obligations under its Subsidiary Guarantee other than in accordance with the terms of this Indenture. Furthermore, no such modification or amendment to any of the subordination provisions of this Indenture or the Notes may be made without the consent of a majority in interest of the holders of Senior Debt.

(d) It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof. After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to each Holder affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver.

Section 9.03 Compliance with TIA. Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended supplemental indenture that complies with the TIA as then in effect. Section

9.04 Revocation and Effect of Consents. (a) Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same Indebtedness as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his or her Note or portion of a Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Notes have consented to the amendment or waiver.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders of Notes entitled to consent to any amendment or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders of Notes at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such Persons continue to be

Holders of Notes after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of Notes required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

(c) After an amendment or waiver becomes effective it shall bind every Holder, unless it is of the type described in Section 9.02(c), in which case the amendment or waiver shall only bind each Holder that consented to it and every subsequent Holder of a Note that evidences the same debt as the consenting Holder's Note. Section

9.05 Notation on or Exchange of Notes. The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver. Section

9.06 Trustee Protected. The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article IX if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing such amendment or supplemental indenture, the Trustee shall be entitled to receive and, subject to Section 7.01, shall be fully protected in relying upon, an Officers' Certificate and Opinion of Counsel pursuant to Sections 12.04 and 12.05 as conclusive evidence that such amendment or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE X

SUBORDINATION

Section 10.01 Agreement to Subordinate. The Company agrees, and each Holder by accepting a Note agrees, that all Obligations owed under and in respect of the Notes are subordinated in right of payment, to the extent and in the manner provided in this Article X, to the prior payment in full in cash or in any other form acceptable to holders of Senior Debt of all Senior Debt of the Company, and that the subordination of the Notes pursuant to this Article X is for the benefit of all holders of all Senior Debt of the Company, whether outstanding on the Issue Date or issued thereafter; provided, however, that the subordination provisions of this Article shall not apply to payments to the Trustee pursuant to Section 7.07 hereof.

Section 10.02 Liquidation; Dissolution; Bankruptcy. (a) Upon any payment or distribution of cash, securities or other property of the Company to creditors upon any Insolvency or Liquidation Proceeding with respect to the Company or its property or securities, the holders of any Senior Debt of the Company will be entitled to receive payment in full, in cash or any other form acceptable to the holders of Senior Debt, of all Obligations due in respect of such Senior Debt before the Holders will be entitled to receive any payment or distribution with respect to the Notes (other than Reorganization Securities), and until all Obligations with

respect to such Senior Debt of the Company are paid in full, in cash or any other form acceptable to the holders of Senior Debt, any payment or distribution to which the Holders would be entitled shall be made to the holders of the Company's Senior Debt (pro rata to such holders on the basis of the amounts of Senior Debt held by them). Upon any Insolvency or Liquidation Proceeding with respect to the Company, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders or the Trustee would be entitled except for the provisions of this Indenture shall be paid by the Company, any Custodian or other Person making such payment or distribution, or by the Holders or by the Trustee if received by them, directly to the holders of the Company's Senior Debt (pro rata to such holders on the basis of the amounts of Senior Debt held by them) or their Representatives, as their interests may appear, for application to the payment of all outstanding Senior Debt of the Company until all such Senior Debt has been paid in full in cash or any other form acceptable to the holders of Senior Debt, after giving effect to all other payments or distributions to, or provisions made for, holders of the Company's Senior Debt.

(b) Notwithstanding anything to the contrary in this Indenture, any Disposition by or involving the Company, or the liquidation or dissolution of the Company following any Disposition, shall not be deemed an Insolvency or Liquidation Proceeding for the purposes of this Section 10.02 if such Disposition is permitted under Article V.

Section 10.03 Default on Designated Senior Debt. (a) Upon the occurrence of any default (whether or not any requirement for the giving of notice, the lapse of time or both, or any other condition to such default becoming an event of default, has occurred) in the payment of principal of (or premium if any) or interest on or any other amount payable in connection with any Designated Senior Debt (a "Payment Default") and after the receipt by the Trustee from a Representative of the holders of such Designated Senior Debt of written notice (a "Payment Blockage Notice") thereof, no payment or distribution of any assets or securities of the Company of any kind or character (including, without limitation, cash, property and any payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of the Notes) (other than Reorganization Securities) shall be made by the Company on account of the principal of, premium, if any, or interest on, or any other amount payable in connection with, the Notes or on account of the purchase, redemption, defeasance (other than any payments made by the Trustee pursuant to Article VIII) or other acquisition of or in respect of the Notes unless and until such Payment Default has been cured, waived or has ceased to exist or such Designated Senior Debt shall have been discharged or paid in full in cash or in any other manner acceptable to the holders of Designated Senior Debt.

(b) Upon the occurrence and continuance of any other default with respect to any Designated Senior Debt (whether or not any requirement for the giving of notice, the lapse of time or both, or any other condition to such default becoming an event of default, has occurred) (a "Non-Payment Default") and after the receipt by the Trustee from a Representative of the holders of such Designated Senior Debt of a Payment Blockage Notice with respect to such Non-Payment Default, no payment or distribution of any assets or securities of the Company of any kind or character (including, without limitation, cash, property and any payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of the Notes) (other than

Reorganization Securities) may be made by the Company on account of the principal of, premium, if any, or interest on, or any other amount payable in connection with, the Notes or on account of the purchase, redemption, defeasance (other than any payments made by the Trustee pursuant to Article VIII) or other acquisition of or in respect of the Notes for the period specified below (the "Payment Blockage Period").

(c) The Payment Blockage Period shall commence upon the receipt by the Trustee of a Payment Blockage Notice with respect to the Non-Payment Default from a Representative of the holders of any Designated Senior Debt and shall end on the earliest of (x) the date on which such Non-Payment Default is cured or waived or shall have ceased to exist or the Designated Senior Debt related thereto shall have been discharged or paid in full in cash or any other manner acceptable to holders of such Designated Senior Debt, (y) 179 days after the date on which the Payment Blockage Notice with respect to such default was received by the Trustee, unless the maturity of the Designated Senior Debt under the Senior Credit Facility has been accelerated and (z) the date such Payment Blockage Period is terminated by written notice to the Trustee from a Representative of the holders of the Designated Senior Debt that gave such Payment Blockage Notice, after which, in the case of clause (x), (y) or (z), the Company shall resume making any and all required payments in respect of the Notes, including any missed payments. During any consecutive 365-day period, the aggregate number of days for which a Payment Blockage Period may exist shall not exceed 179 days, only one Payment Blockage Period may be commenced and there shall be a period of at least 186 consecutive days during which no Payment Blockage Period shall be in effect. No event or circumstance that creates a default under any Designated Senior Debt that (i) gives rise to the commencement of a Payment Blockage Period or (ii) exists at the commencement of or during any Payment Blockage Period shall be made the basis for the commencement of any subsequent Payment Blockage Period, whether or not within a period of 365 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days following the commencement of the initial Payment Blockage Period.

Section 10.04 When Distributions Must Be Paid Over. If the Company shall make any payment to the Trustee on account of the principal of, or premium, if any, or interest on, the Notes, or any other Obligation in respect to the Notes, or the Holders shall receive from any source any payment on account of the principal of, or premium, if any, or interest on, the Notes or any Obligation in respect of the Notes, at a time when such payment is prohibited by this Article X, the Trustee or such Holders shall hold such payment in trust for the benefit of, and shall pay over and deliver to, the holders of Senior Debt (pro rata as to each of such holders on the basis of the respective amounts of such Senior Debt held by them) or their Representative or the trustee under the indenture or other agreement (if any) pursuant to which such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all outstanding Senior Debt until all such Senior Debt has been paid in full in cash or any other form acceptable to the holders of Senior Debt, after giving effect to all other payments or distributions to, or provisions made for, the holders of Senior Debt.

With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on its part as are specifically set forth in this Article X, and no implied covenants or obligations with respect to any holders of Senior Debt 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 Debt, and shall not be liable to any holders of such Senior Debt, if the Trustee shall pay over or distribute to, or on behalf of, Holders or the Company or any other Person money or assets to which any holders of such Senior Debt are entitled pursuant to this Article X, except if such payment is made at a time (a) after the Trustee has received a Payment Blockage Notice or (b) when a Trust Officer has knowledge that the terms of this Article X prohibit such payment.

Section 10.05 Notice. Neither the Trustee nor the Paying Agent shall at any time be charged with the knowledge of the existence of any facts that would prohibit the making of any payment to or by the Trustee or Paying Agent under this Article X, unless and until the Trustee or Paying Agent shall have received written notice thereof from the Company or one or more holders of Senior Debt or a Representative of any holders of such Senior Debt; and, prior to the receipt of any such written notice, the Trustee or Paying Agent shall be entitled to assume conclusively that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of written notice by a Person representing itself to be a holder of Senior Debt (or a Representative thereof) to establish that such notice has been given.

The Company shall promptly notify the Trustee and the Paying Agent in writing of any facts it knows that would cause a payment of principal of, or premium, if any, or interest on, the Notes or any other Obligation in respect of the Notes to violate this Article X, but failure to give such notice shall not affect the subordination of the Notes to Senior Debt provided in this Article X or the rights of holders of such Senior Debt under this Article X.

Section 10.06 Subrogation. After all Senior Debt has been paid in full in cash or any other form acceptable to the holders of Senior Debt, and until the Notes are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Notes) to the rights of holders of such Senior Debt to receive distributions applicable to such Senior Debt to the extent that distributions otherwise payable to the Holders have been applied to the payment of such Senior Debt. A distribution made under this Article X to holders of Senior Debt that otherwise would have been made to the Holders is not, as between the Company and the Holders, a payment by the Company on its Senior Debt.

Section 10.07 Relative Rights. This Article X defines the relative rights of Holders and holders of Senior Debt. Nothing in this Article X or elsewhere in this Indenture or in any Note is intended to or shall: (1) impair, as between the Company and the Holders, the Obligations of the Company which are absolute and unconditional, to pay to the Holders the principal of, and premium, if any, and interest on, the Notes as and when the same shall become due and payable in accordance with their terms; (2) affect the relative rights of the Holders and creditors of the Company other than holders of Senior Debt; or (3) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders of Senior Debt to receive distributions and payments otherwise payable to the Holders.

The failure to make a payment on account of principal of, or interest on, the Notes by reason of any provision of this Article X shall not be construed as preventing the occurrence of an Event of Default under Section 6.01.

Section 10.08 The Company and Holders May Not Impair Subordination. (a) No right of any holder of Senior Debt to enforce the subordination as provided in this Article X shall at any time or in any way be prejudiced or impaired by any act or failure to act by the Company or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture or the Notes or any other agreement regardless of any knowledge thereof with which any such holder may have or be otherwise charged.

(b) Without in any way limiting Section 10.08(a), the holders of any Senior Debt may, at any time and from time to time, without the consent of or notice to any Holders, without incurring any liabilities to any Holder and without impairing or releasing the subordination and other benefits provided in this Indenture or the Holders' obligations hereunder to the holders of such Senior Debt, even if any Holder's right of reimbursement or subrogation or other right or remedy is affected, impaired or extinguished thereby, do any one or more of the following: (i) amend, renew, exchange, extend, modify, increase or supplement in any manner such Senior Debt or any instrument evidencing or guaranteeing or securing such Senior Debt or any agreement under which such Senior Debt is outstanding (including, but not limited to, changing the manner, place or terms of payment or changing or extending the time of payment of, or renewing, exchanging, amending, increasing or altering, (1) the terms of such Senior Debt, (2) any security for, or any guarantee of, such Senior Debt, (3) any liability of any obligor on such Senior Debt (including any guarantor) or any liability issued in respect of such Senior Debt); (ii) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any property pledged, mortgaged or otherwise securing such Senior Debt or any liability of any obligor thereon, to such holder, or any liability issued in respect thereof; (iii) settle or compromise any such Senior Debt or any other liability of any obligor of such Senior Debt to such holder or any security therefor or any liability issued in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including, without limitation, payment of any Senior Debt) in any manner or order; and (iv) fail to take or to record or otherwise perfect, for any reason or for no reason, any lien or security interest securing such Senior Debt by whomsoever granted, exercise or delay in or refrain from exercising any right or remedy against any obligor or any guarantor or any other Person, elect any remedy and otherwise deal freely with any obligor and any security for such Senior Debt or any liability of any obligor to the holders of such Senior Debt or any liability issued in respect of such Senior Debt.

Section 10.09 Distribution or Notice to Representative. Whenever a distribution is to be made, or a notice given, to holders of Senior Debt pursuant to this Indenture, the distribution may be made and the notice given to their Representative, if any. If any payment or distribution of the Company's assets is required to be made to holders of Senior Debt pursuant to this Article X, the Trustee and the Holders shall be entitled to rely upon any order or decree of any court of competent jurisdiction, or upon any certificate of a Representative of such Senior Debt or a Custodian, in ascertaining the holders of such Senior Debt entitled to participate in any such payment or distribution, the amount to be paid or distributed to holders of such Senior Debt and all other facts pertinent to such payment or distribution or to this Article X.

Section 10.10 Rights of Trustee and Paying Agent. The Trustee or Paying Agent may continue to make payments on the Notes unless prior to any payment date it has received written notice of facts that would cause a payment of principal of, or premium, if any, or interest

on, the Notes to violate this Article X. Only the Company, a Subsidiary Guarantor, a Representative of Senior Debt, or a holder of Senior Debt that has no Representative may give such notice.

To the extent permitted by the TIA, the Trustee in its individual or any other capacity may hold Indebtedness of the Company (including Senior Debt) with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 10.11 Authorization to Effect Subordination. Each Holder of a Note by its acceptance thereof authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article X, and appoints the Trustee as such Holder's attorney-in-fact for any and all such purposes (including, without limitation, the timely filing of a claim for the unpaid balance of the Note that such Holder holds in the form required in any Insolvency or Liquidation Proceeding and causing such claim to be approved).

If a proper claim or proof of debt in the form required in such proceeding is not filed by or on behalf of all Holders prior to 30 days before the expiration of the time to file such claims or proofs, then the holders or a Representative of any Senior Debt of the Company are hereby authorized, and shall have the right (without any duty), to file an appropriate claim for and on behalf of the Holders.

Section 10.12 Payment. A payment on account of or with respect to any Note shall include, without limitation, any direct or indirect payment of principal, premium or interest with respect to or in connection with any optional redemption or purchase provisions, any direct or indirect payment payable by reason of any other Indebtedness or Obligation being subordinated to the Notes, and any direct or indirect payment or recovery on any claim as a Holder relating to or arising out of this Indenture or any Note, or the issuance of any Note, or the transactions contemplated by this Indenture or referred to herein.

ARTICLE XI

SUBSIDIARY GUARANTEES

Section 11.01 Subsidiary Guarantees. (a) Each Subsidiary Guarantor hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee that: (i) the principal of, premium, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, to the extent lawful, and all other Obligations of the Company to the Holders or the Trustee under this Indenture and the Notes will be promptly paid in full, all in accordance with the terms of this Indenture and the Notes; and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, that the Notes will be promptly paid in full when due in accordance with the terms of such extension or renewal, whether at stated maturity, by acceleration or otherwise. In the event that the Company fails to pay any amount guaranteed by the Subsidiary Guarantors for any reason whatsoever, the Subsidiary Guarantors will be jointly and severally obligated to pay such amount immediately. The Subsidiary Guarantors hereby

further agree that their Obligations under this Indenture and the Notes shall be unconditional, regardless of the validity, regularity or enforceability of this Indenture or the Notes, the absence of any action to enforce this Indenture or the Notes, any waiver or consent by any Holder with respect to any provisions of this Indenture or the Notes, any modification or amendment of, or supplement to, this Indenture or the Notes, the recovery of any judgment against the Company or any action to enforce any such judgment, or any other circumstance that might otherwise constitute a legal or equitable discharge or defense of a Subsidiary Guarantor. Each Subsidiary Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that its Subsidiary Guarantee of the Company's Obligations under this Indenture and the Notes will not be discharged except by complete performance by the Company or another Guarantor of such Obligations. If any Holder or the Trustee is required by any court or otherwise to return to the Company, any Subsidiary Guarantor or a Custodian of the Company or a Subsidiary Guarantor any amount paid by the Company or any Subsidiary Guarantor to the Trustee or such Holder, the Subsidiary Guarantee of the Company's Obligations under this Indenture and the Notes by each Subsidiary Guarantor shall, to the extent previously discharged as a result of any such payment, be immediately reinstated and be in full force and effect. Each Subsidiary Guarantor hereby acknowledges and agrees that, as between the Subsidiary Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the Company's Obligations under this Indenture and the Notes may be accelerated as provided in Article VI for purposes of the Subsidiary Guarantees notwithstanding any stay, injunction or other prohibition preventing such acceleration, and (y) in the event of any declaration of acceleration of the Company's Obligations under this Indenture and the Notes as provided in Article VI, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Subsidiary Guarantors for the purpose of the Subsidiary Guarantees.

(b) Each Subsidiary Guarantor hereby waives all rights of subrogation, contribution, reimbursement and indemnity, and all other rights, that such Subsidiary Guarantor would have against the Company at any time as a result of any payment in respect of its Subsidiary Guarantee (whether contractual, under section 509 of the Bankruptcy Code, or otherwise).

(c) Each Subsidiary Guarantor that makes or is required to make any payment in respect of its Subsidiary Guarantee shall be entitled to seek contribution from the other Subsidiary Guarantors to the extent permitted by applicable law; provided that each Subsidiary Guarantor agrees that any such claim for contribution that such Subsidiary Guarantor may have against any other Subsidiary Guarantor shall be subrogated to the prior payment in full in cash of all Obligations owed to Holders under or in respect of the Notes.

(d) Upon the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Subsidiary Guarantor (or substantially all of its assets) to a Person which is not the Company or a Subsidiary of the Company or the sale of a majority of the capital stock of a Paging Subsidiary or a Satellite Uplink Subsidiary to a Person which is not the Company or a Subsidiary of the Company, in each case, which is otherwise in compliance with this Indenture, such Subsidiary Guarantor shall be deemed released from all its obligations under its Subsidiary Guarantee; provided that any such termination shall occur only to the extent that all obligations

of such Subsidiary Guarantor under all of its guarantees of, and under all of its pledges of assets or other security interests which secure, other Indebtedness of the Company shall also terminate upon such release, sale or transfer.

(e) Each Subsidiary Guarantor may consolidate with or merge into or sell its assets to the Company or another Subsidiary Guarantor without limitation. A Subsidiary Guarantor may consolidate with or merge into or sell its assets to a corporation other than the Company or another Subsidiary Guarantor (whether or not affiliated with such Subsidiary Guarantor, but subject to the provisions described in Section 11.01(d)), provided that (a) if the Surviving Person is not the Subsidiary Guarantor, the Surviving Person agrees to assume such Subsidiary Guarantor's obligations under its Subsidiary Guarantee and all its obligations under this Indenture and (b) such transaction does not (i) violate any covenants set forth in this Indenture or (ii) result in a Default or Event of Default under this Indenture immediately thereafter that is continuing.

Section 11.02 Trustee to Include Paying Agents. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company, the term "Trustee" as used in this Article XI shall (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article XI in place of the Trustee.

Section 11.03 Limits on Subsidiary Guarantees. Each Subsidiary Guarantor, and by its acceptance hereof each Holder, hereby confirms that it is the intention of all such parties that the guarantee by each Subsidiary Guarantor pursuant to its Subsidiary Guarantee not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar Federal or state law. To effectuate the foregoing intention, the Holders and each Subsidiary Guarantor hereby irrevocably agree that the obligations of each Subsidiary Guarantor under the Subsidiary Guarantees shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of each Subsidiary Guarantor, result in the obligations of each Subsidiary Guarantor under the Subsidiary Guarantees not constituting such fraudulent transfer or conveyance.

Section 11.04 Execution of Subsidiary Guarantee. To evidence its Subsidiary Guarantee set forth in this Article XI, each Subsidiary Guarantor hereby agrees to execute the Subsidiary Guarantee substantially in the form of Exhibit C, which shall be endorsed on each Note ordered to be authenticated and delivered by the Trustee. Each Subsidiary Guarantor hereby agrees that its Subsidiary Guarantee set forth in this Article XI shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Subsidiary Guarantee. Each such Subsidiary Guarantee shall be signed on behalf of each Subsidiary Guarantor by an Officer (who shall have been duly authorized by all requisite corporate actions), and the delivery of such Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of such Subsidiary Guarantee on behalf of such Subsidiary Guarantor. Such signatures upon the Subsidiary Guarantee may be by manual or facsimile signature of such Officer and may be imprinted or otherwise reproduced on the Subsidiary Guarantee, and in case any such Officer who shall have signed the Subsidiary Guarantee shall cease to be such Officer before the Note on which such Subsidiary Guarantee is endorsed shall have been authenticated

and delivered by the Trustee or disposed of by the Company, such Note nevertheless may be authenticated and delivered or disposed of as though the person who signed the Subsidiary Guarantee had not ceased to be such Officer of the Subsidiary Guarantor.

Section 11.05 Stay, Extension and Usury Laws. Each Subsidiary Guarantor 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, that would prohibit or forgive each Subsidiary Guarantor from performing its Subsidiary Guarantee as contemplated herein or which might affect the covenants or the performance of this Indenture and Notes; and each such Subsidiary Guarantor (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 granted to the Trustee pursuant to this Indenture, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 11.06 Agreement To Subordinate Subsidiary Guarantees to Guarantor Senior Debt. Each Subsidiary Guarantor agrees, and each Holder by accepting a Subsidiary Guarantee agrees, that all Obligations owed under and in respect of such Subsidiary Guarantees are subordinated in right of payment, to the extent and in the manner provided in this Article XI, to the prior payment in full in cash or in any other form acceptable to holders of Guarantor Senior Debt, of all Guarantor Senior Debt of such Subsidiary Guarantor, and that the subordination of the Subsidiary Guarantees pursuant to this Article XI is for the benefit of all holders of all Guarantor Senior Debt of such Subsidiary Guarantor, whether outstanding on the Issue Date or issued thereafter.

Section 11.07 Liquidation; Dissolution; Bankruptcy. (a) Upon any payment or distribution of cash, securities or other property of any Subsidiary Guarantor to creditors upon any Insolvency or Liquidation Proceeding with respect to such Subsidiary Guarantor or its property or securities, the holders of any Guarantor Senior Debt of such Subsidiary Guarantor will be entitled to receive payment in full, in cash or any other form acceptable to the holders of Guarantor Senior Debt, of all Obligations due in respect of such Guarantor Senior Debt before the Holders will be entitled to receive any payment or distribution with respect to Subsidiary Guarantees (other than Reorganization Securities), and until all Obligations with respect to such Guarantor Senior Debt of such Subsidiary Guarantee are paid in full, in cash or any other form accept-able to the holders of such Guarantor Senior Debt, any payment or distribution to which the Holders would be entitled shall be made to the holders of such Subsidiary Guarantors' Guarantor Senior Debt (pro rata to such holders on the basis of the amounts of Guarantor Senior Debt held by them). Upon any Insolvency or Liquidation Proceeding with respect to any Subsidiary Guarantor, any payment or distribution of assets of such Subsidiary Guarantor of any kind or character, whether in cash, property or securities, to which the Holders or the Trustee would be entitled except for the provisions of this Indenture shall be paid by such Subsidiary Guarantor, any Custodian or other Person making such payment or distribution, or by the Holders or by the Trustee if received by them, directly to the holders of such Subsidiary Guarantors' Guarantor Senior Debt (pro rata to such holders on the basis of the amounts of Guarantor Senior Debt held by them) or their Representatives, as their interests may appear, for application to the payment of all outstanding Guarantor Senior Debt of such Subsidiary Guarantor until all such Guarantor Senior Debt has been paid in full in cash or any other form

acceptable to the holders of Guarantor Senior Debt after giving effect to all other payments or distributions to, or provisions made for, holders of such Subsidiary Guarantors' Guarantor Senior Debt.

(b) Notwithstanding anything to the contrary in this Indenture, any Disposition by or involving any Subsidiary Guarantor, or the liquidation or dissolution of such Subsidiary Guarantor following any Disposition, shall not be deemed an Insolvency or Liquidation Proceeding for the purposes of this Section 11.07 if such Disposition is permitted under Section 11.01(d) or Section 11.01(e).

Section 11.08 Default on Certain Guarantor Senior Debt. (a) Upon the occurrence of any Payment Default by the Company with respect to any Designated Senior Debt guaranteed by a Subsidiary Guarantor (which guarantee constitutes Guarantor Senior Debt of such Subsidiary Guarantor) and after the receipt by the Trustee from a Representative of the holders of such Designated Senior Debt of a Payment Blockage Notice, no payment or distribution of any assets or securities of any Subsidiary Guarantor of any kind or character (including, without limitation, cash, property and any payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Subsidiary Guarantors being subordinated to the payment of the Notes) (other than Reorganization Securities) shall be made by such Subsidiary Guarantor on account of the principal of, premium, if any, or interest on, or any other amount payable in connection with, the Notes or on account of the purchase, redemption, defeasance (other than any payments made by the Trustee pursuant to Article VIII) or other acquisition of or in respect of the Notes or any of the Obligations of such Subsidiary Guarantor under this Subsidiary Guarantee unless and until such Payment Default has been cured, waived or has ceased to exist or such Guarantor Senior Debt shall have been discharged or paid in full in cash or in any other manner acceptable to the holders of such Guarantor Senior Debt.

(b) Upon the occurrence or continuance of any Non-Payment Default by the Company with respect to any Designated Senior Debt guaranteed by a Subsidiary Guarantor (which guarantee constitutes Guarantor Senior Debt of such Subsidiary Guarantor) and after the receipt by the Trustee from a Representative of the holders of such Designated Senior Debt of a Payment Blockage Notice, no payment or distribution of any assets or securities of any Subsidiary Guarantor of any kind or character (including, without limitation, cash, property and any payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Subsidiary Guarantors being subordinated to the payment of the Notes) (other than Reorganization Securities) may be made by such Subsidiary Guarantor on account of the principal of, premium, if any, or interest on, or any other amount payable in connection with, the Notes or on account of the purchase, redemption, defeasance (other than any payments made by the Trustee pursuant to Article VIII) or other acquisition of or in respect of the Notes or any of the Obligations of such Subsidiary Guarantor under this Subsidiary Guarantee for the period specified below (the "Guarantor Payment Blockage Period").

(c) The Guarantor Payment Blockage Period shall commence upon the receipt by the Trustee of a Payment Blockage Notice with respect to the Non-Payment Default from a Representative of the holders of any Designated Senior Debt guaranteed by a Subsidiary Guarantor (which guarantee constitutes Guarantor Senior Debt of such Subsidiary Guarantor),

and shall end on the earliest of (x) the date on which such Non-Payment Default is cured or waived or shall have ceased to exist or the Guarantor Senior Debt related thereto shall have been discharged or paid in full in cash or any other manner acceptable to holders of such Guarantor Senior Debt, (y) 179 days after the date on which the Payment Blockage Notice with respect to such default was received by the Trustee unless the maturity of the Designated Senior Debt guaranteed by the Subsidiary Guarantor (which guarantee constitutes Guarantor Senior Debt of such Subsidiary Guarantor) has been accelerated and (z) the date such Guarantor Payment Blockage Period is terminated by written notice to the Trustee from a Representative of the holders of the Guarantor Senior Debt that gave such Payment Blockage Notice, after which, in the case of clause (x), (y) or (z), the Subsidiary Guarantor shall resume making any and all required payments in respect of its obligations under this Subsidiary Guarantee, including any missed payments. During any consecutive 365-day period, the aggregate number of days for which a Guarantor Payment Blockage Period may exist shall not exceed 179 days, only one Guarantor Payment Blockage Period may be commenced and there shall be a period of at least 186 consecutive days during which no Guarantor Payment Blockage Period shall be in effect. No Non-Payment Default with respect to Guarantor Senior Debt that (i) gives rise to the commencement of a Guarantor Payment Blockage Period or (ii) exists at the commencement of or during any Guarantor Payment Blockage Period shall be made the basis for the commencement of any subsequent Guarantor Payment Blockage Period, whether or not within a period of 365 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days following the commencement of the initial Guarantor Payment Blockage Period.

Section 11.09 When Distributions Must Be Paid Over. If any Subsidiary Guarantor shall make any payment to the Trustee on account of the principal of, or premium, if any, or interest on, the Notes, or any other Obligations under this Subsidiary Guarantee, or the Holders shall receive from any source any payment on account of the principal of, or premium, if any, or interest on, the Notes or any Obligation in respect of the Notes, at a time when such payment is prohibited by this Article XI, the Trustee or such Holders shall hold such payment in trust for the benefit of, and shall pay over and deliver to, the holders of Guarantor Senior Debt (pro rata as to each of such holders on the basis of the respective amounts of such Guarantor Senior Debt held by them) or their Representative or the trustee under the indenture or other agreement (if any) pursuant to which such Guarantor Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all outstanding Guarantor Senior Debt until all such Guarantor Senior Debt has been paid in full in cash or any other form acceptable to the holders of Guarantor Senior Debt after giving effect to all other payments or distributions to, or provisions made for, the holders of Guarantor Senior Debt.

With respect to the holders of Guarantor Senior Debt, the Trustee undertakes to perform only such obligations on its part as are specifically set forth in this Article XI, and no implied covenants or obligations with respect to any holders of Guarantor Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Guarantor Senior Debt, and shall not be liable to any holders of such Guarantor Senior Debt if the Trustee shall pay over or distribute to, or on behalf of, Holders or the Subsidiary Guarantors or any other Person money or assets to which any holders of such Guarantor Senior Debt are entitled pursuant to this Article XI, except if such payment is made at

a time (a) after the Trustee has received a Payment Blockage Notice or (b) when a Trust Officer has knowledge that the terms of this Article XI prohibit such payment.

Section 11.10 Notice. Neither the Trustee nor the Paying Agent shall at any time be charged with the knowledge of the existence of any facts that would prohibit the making of any payment to or by the Trustee or Paying Agent under this Article XI, unless and until the Trustee or Paying Agent shall have received written notice thereof from the Company, any Subsidiary Guarantor or one or more holders of Guarantor Senior Debt or a Representative of any holders of such Guarantor Senior Debt; and, prior to the receipt of any such written notice, the Trustee or Paying Agent shall be entitled to assume conclusively that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of written notice by a Person representing itself to be a holder of Guarantor Senior Debt (or a Representative thereof) to establish that such notice has been given.

The Company or any Subsidiary Guarantor shall promptly notify the Trustee and the Paying Agent in writing of any facts it knows that would cause a payment of principal of, or premium, if any, or interest on, the Notes or any of the Subsidiary Guarantors' obligations under this Subsidiary Guarantee to violate this Article XI, but failure to give such notice shall not affect the subordination of the Subsidiary Guarantees to Guarantor Senior Debt provided in this Article XI or the rights of holders of such Guarantor Senior Debt under this Article XI.

Section 11.11 Subrogation. After all Guarantor Senior Debt has been paid in full in cash or any other form acceptable to holders of Guarantor Senior Debt and until the Notes are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Subsidiary Guarantees) to the rights of holders of such Guarantor Senior Debt to receive distributions applicable to such Guarantor Senior Debt to the extent that distributions otherwise payable to the Holders have been applied to the payment of such Guarantor Senior Debt. A distribution made under this Article XI to holders of Guarantor Senior Debt that otherwise would have been made to Holders is not, as between the Subsidiary Guarantors and Holders, a payment by such Subsidiary Guarantor on its Guarantor Senior Debt.

Section 11.12 Relative Rights. This Article XI defines the relative rights of Holders and holders of Guarantor Senior Debt. Nothing contained in this Article XI or elsewhere in this Indenture or in any Subsidiary Guarantee is intended to or shall: (1) impair, as between the Subsidiary Guarantors and the Holders, the Obligations of the Subsidiary Guarantors, which are absolute and unconditional, to pay all amounts due and payable under the Subsidiary Guarantees as and when the same shall become due and payable in accordance with their terms; (2) affect the relative rights of the Holders and creditors of the Subsidiary Guarantors, other than holders of Guarantor Senior Debt; or (3) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of the holders of such Guarantor Senior Debt to receive distributions and payments otherwise payable to Holders.

The failure to make a payment on account of all amounts due and payable under the Subsidiary Guarantees by reason of any provision of this Article XI shall not be construed as preventing the occurrence of an Event of Default under Section 6.01.

Section 11.13 The Subsidiary Guarantors and Holders May Not Impair Subordination. (a) No right of any holder of Guarantor Senior Debt to enforce the subordination as provided in this Article XI shall at any time or in any way be prejudiced or impaired by any act or failure to act by any of the Subsidiary Guarantors or by any noncompliance by any of the Subsidiary Guarantors with the terms, provisions and covenants of this Indenture or the Subsidiary Guarantees or any other agreement regardless of any knowledge thereof with which any such holder may have or be otherwise charged.

(b) Without in any way limiting Section 11.13(a), the holders of any Guarantor Senior Debt may, at any time and from time to time, without the consent of or notice to any Holders, without incurring any liabilities to any Holder and without impairing or releasing the subordination and other benefits provided in this Indenture or the Holders' obligations hereunder to the holders of such Guarantor Senior Debt, even if any Holder's right of reimbursement or subrogation or other right or remedy is affected, impaired or extinguished thereby, do any one or more of the following: (i) amend, renew, exchange, extend, modify, increase or supplement in any manner such Guarantor Senior Debt or any instrument evidencing or guaranteeing or securing such Guarantor Senior Debt or any agreement under which such Guarantor Senior Debt is outstanding (including, but not limited to, changing the manner, place or terms of payment or changing or extending the time of payment of, or renewing, exchanging, amending, increasing or altering, (1) the terms of such Guarantor Senior Debt, (2) any security for, or any guarantee of, such Guarantor Senior Debt, (3) any liability of any obligor on such Guarantor Senior Debt (including any guarantor) or any liability issued in respect of such Guarantor Senior Debt); (ii) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any property pledged, mortgaged or otherwise securing such Guarantor Senior Debt or any liability of any obligor thereon, to such holder, or any liability issued in respect thereof; (iii) settle or compromise any such Guarantor Senior Debt or any other liability of any obligor of such Guarantor Senior Debt to such holder or any security therefor or any liability issued in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including, without limitation, payment of any Guarantor Senior Debt) in any manner or order; and (iv) fail to take or to record or otherwise perfect, for any reason or for no reason, any lien or security interest securing such Guarantor Senior Debt by whomsoever granted, exercise or delay in or refrain from exercising any right or remedy against any obligor or any guarantor or any other Person, elect any remedy and otherwise deal freely with any obligor and any security for such Guarantor Senior Debt or any liability of any obligor to the holders of such Guarantor Senior Debt or any liability issued in respect of such Guarantor Senior Debt.

Section 11.14 Distribution or Notice to Representative. Whenever a distribution is to be made, or a notice given, to holders of Guarantor Senior Debt pursuant to this Indenture, the distribution may be made and the notice given to their Representative, if any. If any payment or distribution of any Subsidiary Guarantor's assets is required to be made to holders of Guarantor Senior Debt pursuant to this Article XI, the Trustee and the Holders shall be entitled to rely upon any order or decree of any court of competent jurisdiction, or upon any certificate of a Representative of such Guarantor Senior Debt or a Custodian, in ascertaining the holders of such Guarantor Senior Debt entitled to participate in any such payment or distribution, the amount to be paid or distributed to holders of such Guarantor Senior Debt and all other facts pertinent to such payment or distribution or to this Article XI.

Section 11.15 Rights of Trustee and Paying Agent. The Trustee or Paying Agent may continue to make payments on the Notes unless prior to any payment date it has received written notice of facts that would cause a payment of principal of, or premium, if any, or interest on, the Notes to violate this Article XI. Only the Company, a Subsidiary Guarantor, a Representative of Senior Debt or Guarantor Senior Debt, or a holder of Senior Debt or Guarantor Senior Debt that has no Representative may give such notice.

To the extent permitted by the TIA, the Trustee in its individual or any other capacity may hold Guarantor Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 11.16 Authorization To Effect Subordination. Each Holder of a Subsidiary Guarantee by its acceptance thereof authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article XI, and appoints the Trustee as such Holder's attorney-in-fact for any and all such purposes (including, without limitation, the timely filing of a claim for the unpaid balance on a Subsidiary Guarantee that such Holder holds in the form required in any Insolvency or Liquidation Proceeding and causing such claim to be approved).

If a proper claim or proof of debt in the form required in such proceeding is not filed by or on behalf of all Holders prior to 30 days before the expiration of the time to file such claims or proofs, then the holders or a Representative of any Guarantor Senior Debt are hereby authorized, and shall have the right (without any duty), to file an appropriate claim for and on behalf of the Holders.

Section 11.17 Payment. A payment on account of or with respect to any Subsidiary Guarantee shall include, without limitation, any direct or indirect payment of principal, premium or interest with respect to or in connection with any optional redemption or purchase provisions, any direct or indirect payment payable by reason of any other Indebtedness or Obligation being subordinated to the Subsidiary Guarantees, and any direct or indirect payment or recovery on any claim as a Holder relating to or arising out of this Indenture or any Subsidiary Guarantee, or the issuance of any Subsidiary Guarantee, or the transactions contemplated by this Indenture or referred to herein.

ARTICLE XII

MISCELLANEOUS

Section 12.01 Trust Indenture Act Controls. If any provisions of this Indenture limits, qualifies, or conflicts with the duties imposed by operation of Section 318(c) of the TIA, the imposed duties shall control.

Section 12.02 Notices. Any notice or communication by the Company, any Subsidiary Guarantor or the Trustee to the other is duly given if in writing and delivered in person, mailed by registered or certified mail, postage prepaid, return receipt requested or delivered by telecopier or overnight air courier guaranteeing next day delivery to the other's address:

If to the Company or to any Subsidiary Guarantor:

Gray Communications Systems, Inc.
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319
Attention: James Ryan
Telephone: (404) 504-9828
Facsimile: (404) 261-9607

With a copy to:

Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attention: Robert A. Cantone, Esq.
Telephone: (212) 969-3235
Facsimile: (212) 969-2900

If to the Trustee:

Bankers Trust Company
Four Albany Street, 4th Floor
New York, NY 10006
Attention: Corporate Trust and Agency Services
Facsimile: (212) 593-6443

With a copy to:

LeBoeuf, Lamb, Greene & MacRae LLP
125 West 55th Street
New York, New York 10019
Attention: David P. Bicks, Esq.
Telephone: (212) 424-8042
Facsimile: (212) 424-8500

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; the date receipt is acknowledged, if mailed by registered or certified mail; when answered back, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first-class mail to his or her address shown on the register maintained by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other

Holders. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it. If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 12.03 Communication by Holders with Other Holders. Holders may communicate pursuant to Section 312(b) of the TIA with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Subsidiary Guarantors, the Trustee, the Registrar and any other Person shall have the protection of Section 312(c) of the TIA.

Section 12.04 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 (which shall include the statements set forth in Section 12.05) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and (b) an Opinion of Counsel (which shall include the statements set forth in Section 12.05) stating that, in the opinion of such counsel, all such conditions precedent provided for in this Indenture relating to the proposed action have been complied with.

Section 12.05 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 Section 314(a)(4) of the TIA) shall include: (1) a statement that the Person making such certificate or opinion has read such covenant or condition; (2) 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; (3) 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 (4) a statement as to whether, in such Person's opinion, such condition or covenant has been complied with.

Section 12.06 Rules by Trustee and Agents. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 12.07 Legal Holidays. If a payment date is a Legal Holiday, 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 12.08 No Recourse Against Others. No director, officer, employee, incorporator or stockholder of the Company or any Subsidiary Guarantor shall have any liability for any obligation of the Company or any Subsidiary Guarantor under this Indenture, the Notes or the Subsidiary Guarantees. Each Holder by accepting a Note (including Subsidiary Guarantees) waives and releases such Persons from all such liability and such waiver and release is part of the consideration for the issuance of the Notes.

Section 12.09 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 12.10 Initial Appointments, Compliance Certificates. The Company initially appoints the Trustee as Paying Agent, Registrar and authenticating agent. The first compliance certificate to be delivered by the Company to the Trustee pursuant to Section 4.03 shall be for the fiscal year ending on December 31, 2002.

SECTION 12.11 GOVERNING LAW. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE AND THE NOTES, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

Section 12.12 No Adverse Interpretation of Other Agreements. This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its Subsidiaries, and no other indenture, loan or debt agreement may be used to interpret this Indenture.

Section 12.13 Successors. All agreements of the Company in this Indenture and the Notes shall bind any successor of the Company. All agreements of each of the Subsidiary Guarantors in this Indenture shall bind any of their respective successors. All agreements of the Trustee in this Indenture shall bind its successor.

Section 12.14 Severability. If any provision in this Indenture or in the Notes 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 12.15 Third Party Beneficiaries. Holders of Senior Debt of the Company and Guarantor Senior Debt of the Subsidiary Guarantors are third party beneficiaries of, and any of them (or their Representative) shall have the right to enforce the provisions of this Indenture that benefit such holders.

Section 12.16 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 of this Indenture, and shall in no way modify or restrict any of the terms or provisions of this Indenture.

THE COMPANY:

GRAY COMMUNICATIONS SYSTEMS, INC.

By:

Name:
Title:

THE SUBSIDIARY GUARANTORS:

THE ALBANY HERALD PUBLISHING COMPANY, INC.
POST-CITIZEN MEDIA, INC.
GRAY COMMUNICATIONS OF INDIANA, INC.
WEAU-TV, INC.
WVLT-TV, INC.
WRDW-TV, INC.
WITN-TV, INC
GRAY KENTUCKY TELEVISION, INC.
GRAY COMMUNICATIONS OF TEXAS, INC.
GRAY COMMUNICATIONS OF TEXAS - SHERMAN, INC.
GRAY TRANSPORTATION COMPANY, INC.
GRAY REAL ESTATE AND DEVELOPMENT CO.
GRAY FLORIDA HOLDINGS, INC.
KOLN/KGIN, INC.
WEAU LICENSEE CORP.
KOLN/KGIN LICENSE, INC.
WJHG LICENSEE CORP.
WCTV LICENSEE CORP.
WVLT LICENSEE CORP.
WRDW LICENSEE CORP.
WITN LICENSEE CORP.
WKYT LICENSEE CORP.
WYMT LICENSEE CORP.
KWTX-KBTX LICENSEE CORP.
KXII LICENSEE CORP.
GRAY TELEVISION MANAGEMENT, INC.
GRAY MIDAMERICA HOLDINGS, INC.
GRAY PUBLISHING, INC.
GRAY DIGITAL, INC.
KWTX-KBTX LP CORP.
KXII LP CORP.
PORTA-PHONE PAGING LICENSEE CORP.
KXII L.P.
KWTX-KBTX L.P.
LYNQX COMMUNICATIONS, INC.

For each of the above:

By:

    Name:
    Title:

BANKERS TRUST COMPANY, as Trustee

By:

    Name:
    Title:

Schedule 1

SUBSIDIARY GUARANTORS

Company	State of Incorporation
The Albany Herald Publishing Company, Inc.	Georgia
Post-Citizen Media, Inc.	Georgia
Gray Communications of Indiana, Inc.	Georgia
WEAU-TV, Inc.	Georgia
WVLT-TV, Inc.	Georgia
WRDW-TV, Inc.	Georgia
WITN-TV, Inc	Georgia
Gray Kentucky Television, Inc.	Georgia
Gray Communications of Texas, Inc.	Georgia
Gray Communications of Texas - Sherman, Inc.	Georgia
Gray Transportation Company, Inc.	Georgia
Gray Real Estate and Development Co.	Georgia
Gray Florida Holdings, Inc.	Georgia
KOLN/KGIN, Inc.	Delaware
WEAU Licensee Corp.	Delaware
KOLN/KGIN License, Inc.	Delaware
WJHG Licensee Corp.	Delaware
WCTV Licensee Corp.	Delaware
WVLT Licensee Corp.	Delaware
WRDW Licensee Corp.	Delaware
WITN Licensee Corp.	Delaware
WKYT Licensee Corp.	Delaware
WYMT Licensee Corp.	Delaware
KWTX-KBTX Licensee Corp.	Delaware
KXII Licensee Corp.	Delaware
Gray Television Management, Inc.	Delaware
Gray MidAmerica Holdings, Inc.	Delaware
Gray Publishing, Inc.	Delaware
Gray Digital, Inc.	Delaware
KWTX-KBTX LP Corp.	Delaware
KXII LP Corp.	Delaware
Porta-Phone Paging Licensee Corp.	Delaware
KXII L.P.	Delaware
KWTX-KBTX L.P.	Delaware
Lynqx Communications, Inc.	Louisiana

Provisions Relating to Initial Notes, Additional Notes, Private Exchange Notes and Exchange Notes

1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Indenture of which this Appendix A is a part.

2. The Securities.

2.1 Form and Dating.

The Initial Notes issued on the date hereof will be (i) offered and sold by the Company pursuant to the Purchase Agreement and (ii) resold, initially only to (A) QIBs in reliance on Rule 144A, (B) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S and (C) IAIs in reliance on Rule 501. Such Initial Notes may thereafter be transferred to, among others, QIBs, purchasers in reliance on Regulation S and, except as set forth below, IAIs in accordance with Rule 501.

(a) Global Notes. Rule 144A Notes shall be issued initially in the form of one or more permanent global Notes in definitive, fully registered form (collectively, the "Rule 144A Global Note"), Regulation S Notes shall be issued initially in the form of one or more global Notes (collectively, the "Regulation S Global Note") and IAI Notes shall be issued initially in the form of one or more permanent global Notes in definitive, fully registered form (collectively, the "IAI Global Note"), in each case, without interest coupons and bearing the Global Notes Legend and Restricted Notes Legend, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Notes Custodian, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as provided in this Indenture. Beneficial ownership interests in the Regulation S Global Note shall not be exchangeable for interests in the Rule 144A Global Note, the IAI Global Note or any other Note without a Restricted Notes Legend until the expiration of the Restricted Period. The Rule 144A Global Note, the IAI Global Note and the Regulation S Global Note are each referred to herein as a "Global Note" and are collectively referred to herein as "Global Notes." The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to a Global Note deposited with or on behalf of the Depositary. The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b) and pursuant to an order of the Company, authenticate and deliver initially one or more Global Notes that (a) shall be registered in the name of the Depositary for such Global Note or Global Notes or the nominee of such Depositary and (b) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Trustee as Notes Custodian.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary or by the Trustee as Notes Custodian or under such Global Note, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(c) Definitive Notes. Except as provided in Section 2.3 or 2.4, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.

2.2 Authentication. The Trustee shall authenticate and make available for delivery upon a written order of the Company signed by two Officers (1) the (A) Initial Notes for original issue on the Issue Date in an aggregate principal amount of $180,000,000 and (B) Additional Notes for original issue on a date subsequent to the Issue Date in an aggregate principal amount not exceeding $100,000,000 and (2) the (A) Exchange Notes for issue only in a Registered Exchange Offer and (B) Private Exchange Notes for issue only in a Private Exchange, in the case of each of (2)(A) and (B), pursuant to a Registration Rights Agreement and for a like principal amount of Initial Notes or Additional Notes, as the case may be, exchanged pursuant thereto. Such order shall specify the amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated and whether the Notes are to be Initial Notes, Additional Notes, Exchange Notes or Private Exchange Notes. The aggregate principal amount of Notes outstanding at any time may not exceed $280,000,000 except as provided in Section 2.07 of this Indenture.

2.3 Transfer and Exchange. (a) Transfer and Exchange of Definitive Notes. When Definitive Notes are presented to the Registrar with a request:

(x) to register the transfer of such Definitive Notes; or

(y) to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Notes surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(ii) are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Notes are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse side of the Initial Note); or

(B) if such Definitive Notes are being transferred to the Company, a certification to that effect (in the form set forth on the reverse side of the Initial Note); or

(C) if such Definitive Notes are being transferred pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act or in reliance upon another exemption from the registration requirements of the Securities Act, (i) a certification to that effect (in the form set forth on the reverse side of the Initial Note) and (ii) if the Company so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i).

(b) Restrictions on Transfer of a Definitive Note for a Beneficial Interest in a Global Note. A Definitive Note may not be exchanged for a beneficial interest in a Global Note except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Note, duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar, together with:

(i) certification (in the form set forth on the reverse side of the Initial Note) that such Definitive Note is being transferred (A) to a QIB in accordance with Rule 144A, (B) to an IAI that has furnished to the Trustee a signed letter substantially in the form of Exhibit E or (C) outside the United States in an offshore transaction within the meaning of Regulation S and in compliance with Rule 904 under the Securities Act; and

(ii) written instructions directing the Trustee to make, or to direct the Notes Custodian to make, an adjustment on its books and records with respect to such Global Note to reflect an increase in the aggregate principal amount of the Notes represented by the Global Note, such instructions to contain information regarding the Depositary account to be credited with such increase,

then the Trustee shall cancel such Definitive Note and cause, or direct the Notes Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Notes Custodian, the aggregate principal amount of Notes represented by the Global Note to be increased by the aggregate principal amount of the Definitive Note to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Global Note equal to the principal amount of the Definitive Note so canceled. If no Global Notes are then outstanding and the Global Note has not been previously exchanged for certificated securities pursuant to Section 2.4, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Global Note in the appropriate principal amount.

(c) Transfer and Exchange of Global Notes. (i) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depositary, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a beneficial interest in a Global Note shall deliver a written order given in accordance with the Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a beneficial interest in such Global Note or another Global Note and such account shall be credited in accordance with such order with a beneficial interest in the applicable Global Note and the account of the Person making the transfer shall be debited by an amount equal to the beneficial interest in the Global Note being transferred. Transfers by an owner of a beneficial interest in the Rule 144A Global Note or the IAI Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note, whether before or after the expiration of the Restricted Period, shall be made only upon receipt by the Trustee of a certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred shall be held immediately thereafter through Euroclear or Clearstream. In the case of a transfer of a beneficial interest in either the Regulation S Global Note or the Rule 144A Global Note for an interest in the IAI Global Note, the transferee must furnish a signed letter substantially in the form of Exhibit E to the Trustee.

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Note to a beneficial interest in another Global Note, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Note to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of the Global Note from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2.4), a Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(iv) In the event that a Global Note is exchanged for Definitive Notes pursuant to Section 2.4 prior to the consummation of the Registered Exchange Offer or the effectiveness of the Shelf Registration Statement with respect to such Notes, such Notes may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Initial Notes intended to ensure that such transfers comply with Rule 144A, Regulation S or such other applicable exemption from registration under the Securities Act, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(d) Restrictions on Transfer of Regulation S Global Note. (i) Prior to the expiration of the Restricted Period, interests in the Regulation S Global Note may only be held

through Euroclear or Clearstream. During the Restricted Period, beneficial ownership interests in the Regulation S Global Note may only be sold, pledged or transferred through Euroclear or Clearstream in accordance with the Applicable Procedures and only (A) to the Company, (B) so long as such security is eligible for resale pursuant to Rule 144A, to a person whom the selling holder reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, (C) in an offshore transaction in accordance with Regulation S, (D) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if applicable) under the Securities Act, (E) to an IAI purchasing for its own account, or for the account of such an IAI, in a minimum principal amount of Securities of $500,000 or (F) pursuant to an effective registration statement under the Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States. Prior to the expiration of the Restricted Period, transfers by an owner of a beneficial interest in the Regulation S Global Note to a transferee who takes delivery of such interest through the Rule 144A Global Note or the IAI Global Note shall be made only in accordance with Applicable Procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided on the reverse of the Initial Note to the effect that such transfer is being made to (i) a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or (ii) an IAI purchasing for its own account, or for the account of such an IAI, in a minimum principal amount of the Notes of $500,000. Such written certification shall no longer be required after the expiration of the Restricted Period. In the case of a transfer of a beneficial interest in the Regulation S Global Note for an interest in the IAI Global Note, the transferee must furnish a signed letter substantially in the form of Exhibit E to the Trustee.

(ii) Upon the expiration of the Restricted Period, beneficial ownership interests in the Regulation S Global Note shall be transferable in accordance with applicable law and the other terms of this Indenture.

(e) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) or (iv), each Note certificate evidencing the Global Notes and the Definitive Notes (and all Notes issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form (each defined term in the legend being defined as such for purposes of the legend only):

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION."

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE NOTES OF $500,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE."

Each Note evidencing a Global Note offered and sold to QIBs pursuant to Rule 144A shall bear a legend in substantially the following form:

"EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER."

Each Definitive Note shall bear the following additional legend:

"IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS."

(ii) Upon any sale or transfer of a Transfer Restricted Note that is a Definitive Note, the Registrar shall permit the Holder hereto to exchange such Transfer Restricted Note for a Definitive Note that does not bear the legends set forth above and rescind any restriction on the transfer of such Transfer Restricted Note if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Initial Note).

(iii) After a transfer of any Initial Notes, Additional Notes or Private Exchange Notes during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Notes, Additional Notes or Private Exchange Notes, as the case may be, all requirements pertaining to the Restricted Notes Legend on such Initial Notes, Additional Notes or Private Exchange Notes shall cease to apply and the requirements that any such Initial Notes, Additional Notes or Private Exchange Notes be issued in global form shall continue to apply.

(iv) Upon the consummation of a Registered Exchange Offer with respect to the Initial Notes (or Additional Notes) pursuant to which Holders of such Notes are offered Exchange Notes in exchange for their Notes, all requirements pertaining to such Initial Notes (or Additional Notes) that such Notes be issued in global form shall continue to apply, and Exchange Notes in global form without the Restricted Notes Legend shall be available to Holders that exchange such Initial Notes (or such Additional Notes) in such Registered Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Initial Notes (or Additional Notes) pursuant to which Holders of such Notes are offered Private Exchange Notes in exchange for their Notes, all requirements pertaining to such Initial Notes (or such Additional Notes) that such Notes be issued in global form shall continue to apply, and Private Exchange Notes in global form with the Restricted Notes Legend shall be available to Holders that exchange such Initial Notes (or such Additional Notes) in such Private Exchange.

(vi) Upon a sale or transfer after the expiration of the Restricted Period of any Initial Note (or Additional Note) acquired pursuant to Regulation S, all requirements that such Initial Note (or such Additional Note) bear the Restricted Notes Legend shall cease to apply and the requirements requiring any such Initial Note (or such Additional Note) be issued in global form shall continue to apply.

(f) Cancellation or Adjustment of Global Note. At such time as all beneficial interests in a Global Note have either been exchanged for Definitive Notes, transferred, redeemed, repurchased or canceled, such Global Note shall be returned by the Depositary to the Trustee for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for Definitive Notes, transferred in exchange for an interest in another Global Note, redeemed, repurchased or canceled, the principal amount of Notes represented by such Global Note shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Notes Custodian for such Global Note) with respect to such Global Note, by the Trustee or the Notes Custodian, to reflect such reduction.

(g) Obligations with Respect to Transfers and Exchanges of Notes.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate, Definitive Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.06, 4.06, 4.08 and 9.05 of this Indenture).

(iii) Prior to the due presentation for registration of transfer of any Note, the Company, the Trustee, the Paying Agent or the Registrar may deem and treat the person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Company, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

(iv) The Company shall not be required to make and the Registrar need not register transfers or exchanges of Notes selected for redemption (except, in the case of Notes to be redeemed in part, the portion thereof not to be redeemed) or any Notes for a period of 15 days before a selection of Notes to be redeemed.

(v) All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Note surrendered upon such transfer or exchange.

(h) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, a member of, or a participant in the Depositary or any other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption or repurchase) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to the registered Holders (which shall be the Depositary or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.4 Definitive Notes.

(a) A Global Note deposited with the Depositary or with the Trustee as Notes Custodian pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of Definitive Notes in an aggregate principal amount equal to the principal amount of such Global Note, in exchange for such Global Note, only if such transfer complies with Section 2.3 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Note or if at any time the Depositary ceases to be a "clearing agency" registered under the Exchange Act, and a successor depositary is not appointed by the Company within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing or (iii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of certificated Notes under this Indenture.

(b) Any Global Note that is transferable to the beneficial owners thereof pursuant to this Section 2.4 shall be surrendered by the Depositary to the Trustee, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of Definitive Notes of authorized denominations. Any portion of a Global Note transferred pursuant to this Section 2.4 shall be executed, authenticated and delivered only in denominations of $1,000 of principal amount and any integral multiple thereof and registered in such names as the Depositary shall direct. Any certificated Initial Note or Additional Note not originally issued and sold pursuant to an effective registration statement under the Securities Act in the form of a Definitive Note delivered in exchange for an interest in

the Global Note shall, except as otherwise provided by Section 2.3(e), bear the Restricted Notes Legend.

(c) Subject to the provisions of Section 2.4(b), the registered Holder of a Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

(d) In the event of the occurrence of any of the events specified in Section 2.4(a)(i), (ii) or (iii), the Company will promptly make available to the Trustee a reasonable supply of Definitive Notes in fully registered form without interest coupons.

EXHIBIT A

[FORM OF FACE OF INITIAL NOTE]

[Global Notes Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Notes Legend]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN

DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE NOTES OF $500,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

[Legend for Definitive Notes]

"IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS."

No. N- $

9.25% Senior Subordinated Note due 2011

CUSIP No.

Gray Communications Systems, Inc., a Georgia corporation, promises to pay to Cede & Co., or registered assigns, the principal sum listed on the Schedule of Increases or Decreases in Global Note attached hereto on December 15, 2011.

Interest Payment Dates: June 15 and December 15.

Record Dates: June 1 and December 1.

Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

Dated:

GRAY COMMUNICATIONS SYSTEMS, INC.

By

Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 9.25% Senior Subordinated Notes due 2011 referred to in the Indenture.

Dated:

BANKERS TRUST COMPANY, as Trustee

By

Authorized Signatory

[FORM OF REVERSE SIDE OF INITIAL NOTE]
9.25% Senior Subordinated Note due 2011

1. Interest

(a) Gray Communications Systems, Inc., a Georgia corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Company shall pay interest semiannually on June 15 and December 15 of each year (or if any such day is not a Business Day on the next succeeding Business Day) commencing on June 15, 2002. Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid or duly provided for, from December 21, 2001, until the principal hereof is due. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes plus 1% per annum, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

(b) Liquidated Damages. The holder of this Note is entitled to the benefits of a Registration Rights Agreement, dated as of December 21, 2001, among the Company, the Subsidiary Guarantors named therein and the Initial Purchasers named therein (the "Registration Rights Agreement"). Capitalized terms used in this paragraph (b) but not defined herein have the meanings assigned thereto in the Registration Rights Agreement. If (i) the Exchange Offer Registration Statement or Shelf Registration Statement, as applicable under the Registration Rights Agreement, is not filed with the Commission on or prior to the date specified therein for such filing, (ii) the applicable Registration Statement has not been declared effective by the Commission on or prior to the date specified therein for such effectiveness after such obligation arises, (iii) if the Registered Exchange Offer is required to be Consummated thereunder, the Registered Exchange Offer has not been Consummated by the Issuers within the time period set forth in Section 2(a) of the Registration Rights Agreement and (iv) prior to the end of the Exchange Offer Registration Period or the Shelf Registration Period, as the case may be, the Commission shall have issued a stop order suspending the effectiveness of the applicable Registration Statement, proceedings have been initiated with respect to such Registration Statement under Section 8(d) or 8(e) of the Act, or such Registration Statement or related Prospectus for any reason ceases to be usable or available in connection with resales of Notes registered thereunder (each such event referred to in clauses (i) through (iv), a "Registration Default"), then damages ("Liquidated Damages") will accrue on the Notes with respect to the first 90-day period immediately following the occurrence of such Registration Default in an amount equal to $0.05 per week per $1,000 principal amount of Notes and will increase by an additional $0.05 per week per $1,000 principal amount of Notes for each subsequent 90-day period until such Registration Default has been cured, up to an aggregate maximum amount of Liquidated Damages of $0.20 per week per $1,000 principal amount of Notes for all Registration Defaults. Following the cure of a Registration Default, the accrual of Liquidated Damages with respect to such Registration Default will cease and upon the cure of all Registration Defaults the accrual of all Liquidated Damages will cease. Notwithstanding the foregoing, if the Registered Exchange Offer has been Consummated, Liquidated Damages related to a Registration Default for a Shelf Registration Statement shall not be payable in respect of Notes issued in the

Registered Exchange Offer except to the extent entitled to registration under such Shelf Registration Statement under clause (iv) above.

2. Method of Payment

The Company shall pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders at the close of business on the June 1 or December 1 next preceding the interest payment date even if Notes are canceled after the record date and on or before the interest payment date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company shall pay principal, premium, liquidated damages and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Note (including principal, premium, liquidated damages and interest) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Note (including principal, premium and interest), by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Notes may also be made, in the case of a Holder of at least $1,000,000 aggregate principal amount of Notes, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

The Company initially appoints Bankers Trust Company, a national association under the laws of the United States (the "Trustee"), as Registrar, Paying Agent and agent for service of notices and demands in connection with the Notes. If the Company fails to appoint or maintain a Registrar and/or Paying Agent, the Trustee shall act as such.

4. Indenture

The Company issued the Notes under an Indenture, dated as of December 15, 2001, (the "Indenture"), among the Company, the subsidiaries of the Company, as guarantors (the "Subsidiary Guarantors"), and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Capitalized terms used herein and not defined herein have the meanings assigned thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Notes are senior subordinated unsecured obligations of the Company limited to $280,000,000 aggregate principal amount at any one time outstanding (subject to Section 2.07 of the Indenture). This Note is one of the Initial Notes or Additional Notes referred to in the Indenture. The Notes include the Initial Notes, Additional Notes and any Exchange Notes and Private Exchange Notes issued in exchange for Initial Notes or Additional Notes. The Initial Notes, Additional Notes, Exchange Notes and Private Exchange Notes are treated as a single

class of notes under the Indenture. The Indenture imposes certain limitations on the ability of the Company and its Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by Subsidiaries, enter into or permit certain transactions with Affiliates and Asset Sales. The Indenture also imposes limitations on the ability of the Company to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of the property of the Company.

To guarantee the due and punctual payment of the principal and interest on the Notes and all other amounts payable by the Company under the Indenture and the Notes when and as the same shall be due and payable, whether, by acceleration or otherwise, according to the terms of the Notes and the Indenture, the Subsidiary Guarantors jointly and severally, unconditionally guarantee the Obligations of the Company under the Indenture and the Notes on a senior subordinated basis pursuant to the terms of the Indenture.

5. Optional Redemption

Except as described below in this Section 5, the Notes are not redeemable at the Company's option prior to December 15, 2006. On and after such date, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of the principal amount of the Notes) set forth below, plus accrued and unpaid interest to the date fixed for redemption, if redeemed during the twelve-month period beginning on December 15, of the years indicated below.

YEAR	PERCENTAGE
2006	104.625%
2007	103.083%
2008	101.542%
2009 and thereafter	100.000%

Notwithstanding the foregoing, at any time prior to December 15, 2004, the Company may, at its option, use the net proceeds of one or more Public Equity Offerings to redeem up to 35% of the aggregate principal amount of the Notes originally issued at a redemption price equal to 109.250% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption; provided, however, that at least $117.0 million in aggregate principal amount of the Notes remains outstanding immediately after any such redemption.

At any time prior to December 15, 2006, the Notes may be redeemed as a whole but not in part at the option of the Company, upon not less than 30 or more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount thereof plus the Make Whole Premium as of, and accrued but unpaid interest, if any, to, the redemption date, subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date.

"Make Whole Premium" means with respect to a Note at any redemption date, the greater of (i) 1.0% of the principal amount of such Note or (ii) the excess of (A) the present value

of (1) the redemption price of such Note at December 15, 2006 (such redemption price being set forth in the table above) plus (2) all required interest payments due on such Note through December 15, 2006, computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the then-outstanding principal amount of such Note.

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) which has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source or similar market data) most nearly equal to the period from the redemption date to December 15, 2006; provided, however, that if the period from the redemption date to December 15, 2006 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to December 15, 2006 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

6. Sinking Fund

The Notes are not subject to any sinking fund.

7. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Notes that are to be redeemed at his or her registered address. Notes in denominations larger than $1,000 of principal amount may be redeemed in part but only in whole multiples of $1,000 of principal amount. If money sufficient to pay the redemption price of and accrued and unpaid interest and liquidated damages, if any, on all Notes (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Notes (or such portions thereof) called for redemption.

8. Repurchase of Notes at the Option of Holders upon Change of Control

Upon a Change of Control, each Holder will have the right, subject to certain conditions specified in the Indenture, to require the Company to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount on the Change of Control Purchase Date, plus accrued and unpaid interest, if any, to the Change of Control Purchase Date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), as provided in, and subject to the terms of, the Indenture.

9. Subordination

The Notes are subordinated to Senior Debt. To the extent provided in the Indenture, Senior Debt must be paid before the Notes may be paid. The Company and each Subsidiary Guarantor agrees, and each Holder by accepting a Note agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

10. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or to transfer or exchange any Notes for a period of 15 days prior to a selection of Notes to be redeemed.

11. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

13. Discharge and Defeasance

Subject to certain conditions, the Company at any time may terminate some of or all its obligations under the Notes and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

14. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes) and (ii) any existing Default or Event of Default or noncompliance with any provision of the Indenture or the Notes may be waived with the consent of Holders of at least a majority in principal amount of the outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes). Subject to certain exceptions set forth in the Indenture, without the consent of any

Holder, the Company, the Subsidiary Guarantors and the Trustee may amend the Indenture or the Notes (i) cure any ambiguity, defect or inconsistency; (ii) provide for uncertificated Notes in addition to or in place of certificated Notes; (iii) provide for the assumption of the Company's obligations to the Holders in the event of any Disposition involving the Company that is permitted under Article V of the Indenture in which the Company is not the Surviving Person; (iv) make any change that would provide any additional rights or benefits to Holders or does not adversely affect the interests of any Holder; (v) comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA; (vi) add additional Subsidiary Guarantors pursuant to Section 4.17 of the Indenture; (vii) provide for the issuance of Exchange Notes or Private Exchange Notes, subject to the provisions of the Indenture; or (viii) provide for the issuance of Additional Notes as permitted by Section 2.16 of the Indenture.

15. Defaults and Remedies

If any Event of Default (other than an Event of Default specified under Section 6.01(a)(ix) or (x) of the Indenture with respect to the Company or any Subsidiary Guarantor) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, and the Trustee at the request of such Holders shall, declare all the Notes to be due and payable immediately. In the case of any Event of Default arising from the events specified in Section 6.01(a)(ix) or (x) of the Indenture with respect to the Company or any Subsidiary Guarantor occurs, the principal of, premium, if any, and accrued and unpaid interest on all outstanding Notes shall ipso facto become immediately due and payable without further action or Notice. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holders unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless (1) the Holder gives to the Trustee notice of a continuing Event of Default; (2) the Holders of at least 25% in principal amount of the then outstanding Notes make a request to the Trustee to pursue the remedy; (3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense; (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and (5) during such 60-day period the Holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request. Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the then outstanding Notes may 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 it by the Indenture. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or would involve the Trustee in personal liability.

16. Trustee Dealings with the Company

Subject to certain limitations imposed by the TIA, the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. However, if the Trustee acquires any conflicting interest, it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee, or resign.

17. No Recourse Against Others

No director, officer, employee, incorporator or stockholder, of the Company or any Subsidiary Guarantor shall have any liability for any obligation of the Company or any Subsidiary Guarantor under the Indenture, the Notes or the Subsidiary Guarantees. Each Holder, by accepting a Note (including Subsidiary Guarantees), waives and releases such Persons from all such liability and such waiver and release are part of the consideration for the issuance of the Notes.

18. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

19. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. GOVERNING LAW

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

21. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

22. Holders' Compliance with Registration Rights Agreement

Each Holder, by acceptance hereof, acknowledges and agrees to the provisions of the [Issue Date] Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

- ---

(Print or type assignee's name, address and zip code)

- ---

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint _____ agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: ---------- Your Signature: ----------

- ---

Sign exactly as your name appears on the other side of this Note.

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION
OF TRANSFER RESTRICTED SECURITIES

This certificate relates to $_____ principal amount of Notes held in (check applicable space) ____ book-entry or _____ definitive form by the undersigned.

The undersigned (check one box below):

[ ] as requested the Trustee by written order to deliver in exchange for its beneficial interest in the Global Note held by the Depositary a Note or Notes in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);

[ ] has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

(1) [ ] to the Company; or

(2) [ ] pursuant to an effective registration statement under the Securities Act of 1933; or

(3) [ ] inside the United States to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

(4) [ ] outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933; or

(5) [ ] to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933)that has furnished to the Trustee a signed letter containing certain representations and agreements; or

(6) [ ] pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered holder thereof; provided, however, that if box (4), (5) or (6) is checked, the Trustee may require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Company has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

Your Signature

Signature Guarantee:

Date:

Signature must be guaranteed:
Signature of Signature Guarantee by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee

TO BE COMPLETED BY PURCHASER IF (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date:

NOTICE: To be executed by an executive officer

[TO BE ATTACHED TO GLOBAL NOTES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial principal amount of this Global Note is $_____. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Notes Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.13 (Change of Control) or 4.14 (Limitation on Asset Sales) of the Indenture, check the box:

Change of Control [ ] Asset Sales [ ]

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.13 or 4.14 of the Indenture, state the principal amount: $_____

Date: _____ Your Signature: _____
(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee: _____
Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee

EXHIBIT B

[FORM OF FACE OF EXCHANGE NOTE]

No. N- $

9.25% Senior Subordinated Note due 2011

CUSIP No.

Gray Communications Systems, Inc., a Georgia corporation, promises to pay to Cede & Co., or registered assigns, the principal sum listed on the Schedule of Increases or Decreases in Global Note attached hereto on December 15, 2011.

Interest Payment Dates: June 15 and December 15.

Record Dates: June 1 and December 1.

Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

Dated:

GRAY COMMUNICATIONS SYSTEMS, INC.

By

Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 9.25% Senior Subordinated Notes due 2011 referred to in the Indenture.

Dated:

BANKERS TRUST COMPANY, as Trustee

By

Authorized Signatory

[FORM OF REVERSE SIDE OF EXCHANGE NOTE]
9.25% Senior Subordinated Note Due 2011

1. Interest

Gray Communications Systems, Inc., a Georgia corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Company shall pay interest semiannually on June 15 or December 15 of each year (or if such day is not a Business Day on the next succeeding Business Day). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid or duly provided for, from December 21, 2001 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes plus 1% per annum, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

2. Method of Payment

The Company shall pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders at the close of business on the June 1 or December 1 next preceding the interest payment date even if Notes are canceled after the record date and on or before the interest payment date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company shall pay principal, premium and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Note (including principal, premium and interest) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Note (including principal, premium and interest), by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Notes may also be made, in the case of a Holder of at least $1,000,000 aggregate principal amount of Notes, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

The Company initially appoints Bankers Trust Company, a national association under the laws of the United States (the "Trustee"), as Registrar, Paying Agent and agent for service of notices and demands in connection with the Notes. If the Company fails to appoint or maintain a Registrar and/or Paying Agent, the Trustee shall act as such.

4. Indenture

The Company issued the Notes under an Indenture dated as of December 15, 2001 (the "Indenture"), among the Company, the subsidiaries of the Company, as guarantors (the "Subsidiary Guarantors"), and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Capitalized terms used herein and not defined herein have the meanings assigned thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Notes are senior subordinated unsecured obligations of the Company limited to $280,000,000 aggregate principal amount at any one time outstanding (subject to Section 2.07 of the Indenture). This Note is one of the Initial Notes or Additional Notes referred to in the Indenture. The Notes include the Initial Notes, Additional Notes and any Exchange Notes and Private Exchange Notes issued in exchange for Initial Notes or Additional Notes. The Initial Notes, Additional Notes, Exchange Notes and Private Exchange Notes are treated as a single class of notes under the Indenture. The Indenture imposes certain limitations on the ability of the Company and its Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by Subsidiaries, enter into or permit certain transactions with Affiliates and Asset Sales. The Indenture also imposes limitations on the ability of the Company to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of the property of the Company.

To guarantee the due and punctual payment of the principal and interest on the Notes and all other amounts payable by the Company under the Indenture and the Notes when and as the same shall be due and payable, whether, by acceleration or otherwise, according to the terms of the Notes and the Indenture, the Subsidiary Guarantors jointly and severally, unconditionally guarantee the Obligations of the Company under the Indenture and the Notes on a senior subordinated basis pursuant to the terms of the Indenture.

5. Optional Redemption

Except as described below in this Section 5, the Notes are not redeemable at the Company's option prior to December 15, 2006. On and after such date, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of the principal amount of the Notes) set forth below, plus accrued and unpaid interest to the date fixed for redemption, if redeemed during the twelve-month period beginning on December 15, of the years indicated below.

YEAR	PERCENTAGE
2006	104.625%
2007	103.083%
2008	101.542%
2009 and thereafter	100.000%

Notwithstanding the foregoing, at any time prior to December 15, 2004, the Company may, at its option, use the net proceeds of one or more Public Equity Offerings to redeem up to 35% of the aggregate principal amount of the Notes originally issued at a redemption price equal to 109.250% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption; provided, however, that at least $117.0 million in aggregate principal amount of the Notes remains outstanding immediately after any such redemption.

At any time prior to December 15, 2006, the Notes may be redeemed as a whole but not in part at the option of the Company, upon not less than 30 or more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount thereof plus the Make Whole Premium as of, and accrued but unpaid interest, if any, to, the redemption date, subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date.

"Make Whole Premium" means with respect to a Note at any redemption date, the greater of (i) 1.0% of the principal amount of such Note or (ii) the excess of (A) the present value of (1) the redemption price of such Note at December 15, 2006 (such redemption price being set forth in the table above) plus (2) all required interest payments due on such Note through December 15, 2006, computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the then-outstanding principal amount of such Note.

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) which has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source or similar market data) most nearly equal to the period from the redemption date to December 15, 2006; provided, however, that if the period from the redemption date to December 15, 2006 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to December 15, 2006 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

6. Sinking Fund

The Notes are not subject to any sinking fund.

7. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Notes that are to be redeemed at his or her registered address. Notes in denominations larger than $1,000 of principal amount may be redeemed in part but only in whole multiples of $1,000 of principal amount. If money sufficient to pay the redemption price of and accrued and unpaid interest and liquidated damages,

if any, on all Notes (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Notes (or such portions thereof) called for redemption.

8. Repurchase of Notes at the Option of Holders upon Change of Control

Upon a Change of Control, each Holder of Notes will have the right, subject to certain conditions specified in the Indenture, to require the Company to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount on the Change of Control Purchase Date, plus accrued and unpaid interest, if any, to the Change of Control Purchase Date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), as provided in, and subject to the terms of, the Indenture.

9. Subordination

The Notes are subordinated to Senior Debt. To the extent provided in the Indenture, Senior Debt must be paid before the Notes may be paid. The Company and each Subsidiary Guarantor agrees, and each Holder by accepting a Note agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

10. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or to transfer or exchange any Notes for a period of 15 days prior to a selection of Notes to be redeemed.

11. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

13. Discharge and Defeasance

Subject to certain conditions, the Company at any time may terminate some of or all its obligations under the Notes and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

14. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes) and (ii) any existing Default or Event of Default or noncompliance with any provision of the Indenture or the Notes may be waived with the consent of Holders of at least a majority in principal amount of the outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes). Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company, the Subsidiary Guarantors and the Trustee may amend the Indenture or the Notes to: (i) cure any ambiguity, defect or inconsistency; (ii) provide for uncertificated Notes in addition to or in place of certificated Notes; (iii) provide for the assumption of the Company's obligations to the Holders in the event of any Disposition involving the Company that is permitted under Article V of the Indenture in which the Company is not the Surviving Person; (iv) make any change that would provide any additional rights or benefits to Holders or does not adversely affect the interests of any Holder; (v) comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA; (vi) add additional Subsidiary Guarantors pursuant to Section 4.17 of the Indenture; (vii) provide for the issuance of Exchange Notes or Private Exchange Notes, subject to the provisions of the Indenture; or (viii) provide for the issuance of Additional Notes as permitted by Section 2.16 of the Indenture.

15. Defaults and Remedies

If any Event of Default (other than an Event of Default specified under Section 6.01(a)(ix) or (x) of the Indenture with respect to the Company or any Subsidiary Guarantor) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, and the Trustee at the request of such Holders shall, declare all the Notes to be due and payable immediately. In the case of any Event of Default arising from the events specified in Section 6.01(a)(ix) or (x) of the Indenture with respect to the Company or any Subsidiary Guarantor occurs, the principal of, premium, if any, and accrued and unpaid interest on all outstanding Notes shall ipso facto become immediately due and payable without further action or Notice. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holders unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of

principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless (1) the Holder gives to the Trustee notice of a continuing Event of Default; (2) the Holders of at least 25% in principal amount of the then outstanding Notes make a request to the Trustee to pursue the remedy; (3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense; (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and (5) during such 60-day period the Holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request. Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the then outstanding Notes may 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 it by the Indenture. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or would involve the Trustee in personal liability.

16. Trustee Dealings with the Company

Subject to certain limitations imposed by the TIA, the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. However, if the Trustee acquires any conflicting interest, it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee, or resign.

17. No Recourse Against Others

No director, officer, employee, incorporator or stockholder, of the Company or any Subsidiary Guarantor shall have any liability for any obligation of the Company or any Subsidiary Guarantor under the Indenture, the Notes or the Subsidiary Guarantees. Each Holder, by accepting a Note (including Subsidiary Guarantees), waives and releases such Persons from all such liability and such waiver and release are part of the consideration for the issuance of the Notes.

18. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

19. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST

20. GOVERNING LAW

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT

GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

21. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

- ---

(Print or type assignee's name, address and zip code)

- ---

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint _____ agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: ---------- Your Signature: ----------

- ---

Sign exactly as your name appears on the other side of this Note. Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.13 (Change of Control) or 4.14 (Limitation on Asset Sales) of the Indenture, check the box:

Change of Control [ ] Asset Sales [ ]

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.13 or 4.14 of the Indenture, state the principal amount: $_____

Date: _____ Your Signature: _____
(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee: _____
Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee

EXHIBIT C

FORM OF NOTATION ON NOTE
RELATING TO SUBSIDIARY GUARANTEE

Each Subsidiary Guarantor, jointly and severally, unconditionally guarantees, to the extent set forth in the Indenture and subject to the provisions of the Indenture that: (i) the principal of, premium, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, to the extent lawful, and all other Obligations of the Company to the Holders or the Trustee under the Indenture and the Notes will be promptly paid in full, all in accordance with the terms of the Indenture and the Notes; and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, that the Notes will be promptly paid in full when due in accordance with the terms of such extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of each Subsidiary Guarantor to the Holders of Notes and the Trustee pursuant to this guarantee and the Indenture are set forth in Article XI of the Indenture, to which reference is hereby made.

THE SUBSIDIARY GUARANTORS:

THE ALBANY HERALD PUBLISHING COMPANY, INC.
POST-CITIZEN MEDIA, INC.
GRAY COMMUNICATIONS OF INDIANA, INC.
WEAU-TV, INC.
WVLT-TV, INC.
WRDW-TV, INC.
WITN-TV, INC
GRAY KENTUCKY TELEVISION, INC.
GRAY COMMUNICATIONS OF TEXAS, INC.
GRAY COMMUNICATIONS OF TEXAS - SHERMAN, INC.
GRAY TRANSPORTATION COMPANY, INC.
GRAY REAL ESTATE AND DEVELOPMENT CO.
GRAY FLORIDA HOLDINGS, INC.
KOLN/KGIN, INC.
WEAU LICENSEE CORP.
KOLN/KGIN LICENSE, INC.
WJHG LICENSEE CORP.
WCTV LICENSEE CORP.
WVLT LICENSEE CORP.
WRDW LICENSEE CORP.
WITN LICENSEE CORP.
WKYT LICENSEE CORP.
WYMT LICENSEE CORP.
KWTX-KBTX LICENSEE CORP.
KXII LICENSEE CORP.
GRAY TELEVISION MANAGEMENT, INC.
GRAY MIDAMERICA HOLDINGS, INC.
GRAY PUBLISHING, INC.
GRAY DIGITAL, INC.
KWTX-KBTX LP CORP.
KXII LP CORP.
PORTA-PHONE PAGING LICENSEE CORP.
KXII L.P.
KWTX-KBTX L.P.
LYNQX COMMUNICATIONS, INC.

For each of the above:

By:

Name:
Title:

EXHIBIT D

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture") dated as of _____, among [GUARANTOR] (the "New Guarantor"), a subsidiary of Gray Communications Systems, Inc. (or its successor), a Georgia corporation (the "Company"), the Subsidiary Guarantors (as listed on the signature pages hereof) and Bankers Trust Company, a national association under the laws of the United States, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH:

WHEREAS, the Company and the subsidiaries of the Company existing as such on December 15, 2001 (the "Existing Guarantors") have heretofore executed and delivered to the Trustee an Indenture (the "Indenture"), dated as of December 15, 2001, providing for the issuance of an aggregate principal amount of up to $280,000,000 of 9.25% Senior Subordinated Notes due 2011 (the "Notes");

WHEREAS, Section 4.17 of the Indenture provides that under certain circumstances the Company is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Company's obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee, the Company and the Subsidiary Guarantors are authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, the Company, the New Guarantor and each of the Subsidiary Guarantors have duly authorized the execution and delivery of this Supplemental Indenture and all things necessary to make this Supplemental Indenture when executed by each of them a valid and binding agreement of the Company, the Subsidiary Guarantors and the New Guarantor have been done and performed;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company, the Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with the Subsidiary Guarantors, to unconditionally guarantee the Company's obligations under the Notes on the terms and subject to the conditions set forth in Article XI of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes.

2. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder heretofore or hereafter authenticated and delivered shall be bound hereby.

3. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

4. Trustee's Assumption; Trustee Makes No Representation. The Trustee assumes no duties, responsibilities or liabilities under this Supplemental Indenture other than as set forth in the Indenture. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

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

[NEW GUARANTOR]

By

Name:
Title:

GRAY COMMUNICATIONS SYSTEMS, INC.

By

Name:
Title:

[SUBSIDIARY GUARANTORS]

By

Name:
Title:

BANKERS TRUST COMPANY, as Trustee

By

Name:
Title:

EXHIBIT E

Form of
Transferee Letter of Representation

Gray Communications Systems, Inc.

In care of
Bankers Trust Company
Four Albany Street, 4th Floor
New York, NY 10006
Attention: Corporate Trust and Agency Services

Ladies and Gentlemen:

This certificate is delivered to request a transfer of $? principal amount of the 9.25% Senior Subordinated Notes due 2011 (the "Notes") of Gray Communications Systems, Inc. ("Gray").

Upon transfer, the Notes would be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

The undersigned represents and warrants to you that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Notes Act of 1933, as amended (the "Notes Act")), purchasing for our own account or for the account of such an institutional "accredited investor" at least $500,000 principal amount of the Notes, and we are acquiring the Notes not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we invest in or purchase securities similar to the Notes in the normal course of our business. We, and any accounts for which we are acting, are each able to bear the economic risk of our or its investment.

2. We understand that the Notes have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing the Notes to offer, sell or otherwise transfer such Notes prior to the date that is two years after the later of the date of original issue and the last date on which Gray or any affiliate of Gray was the owner of such Notes (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to Gray, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) in a transaction complying with the requirements

of Rule 144A under the Securities Act ("Rule 144A"), to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that is purchasing for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) in an offshore transaction within the meaning of, and in compliance with, Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is purchasing for its own account or for the account of such an institutional "accredited investor", in each case in a minimum principal amount of Notes of $500,000, or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to Gray and the Trustee, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that Gray and the Trustee reserve the right prior to the offer, sale or other transfer prior to the Resale Restriction Termination Date of the Notes pursuant to clause (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications or other information satisfactory to Gray and the Trustee.

TRANSFEREE:

---

by:

EXHIBIT 16

January 8, 2002

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Gentlemen:

We have read Item 4 of Form 8-K dated January 8, 2002, of Gray Communications Systems, Inc. and are in agreement with the statements contained in paragraph (a) (i), (a) (ii), (a) (iv) and (a) (v) on Page 2 therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

There were no "reportable events" as that term is described in Item 304 (a) (l) (v) of Regulation S-K.

/s/ Ernst & Young LLP

EXHIBIT 21

LIST OF SUBSIDIARIES
GRAY COMMUNICATIONS SYSTEMS INC.

Name of Subsidiary	Jurisdiction of Incorporation
The Albany Herald Publishing Co.	Georgia
Post-Citizen Media, Inc.	Georgia
Gray Communications of Indiana, Inc.	Georgia
WEAU-TV, Inc.	Georgia
WVLT-TV, Inc.	Georgia
WRDW-TV, Inc.	Georgia
WITN-TV, Inc	Georgia
Gray Kentucky Television, Inc.	Georgia
Gray Communications of Texas, Inc.	Georgia
Gray Communications of Texas - Sherman, Inc.	Georgia
Gray Transportation Company, Inc.	Georgia
Gray Real Estate and Development Co.	Georgia
Gray Florida Holdings, Inc.	Georgia
KOLN/KGIN, Inc.	Delaware
WEAU Licensee Corp.	Delaware
KOLN/KGIN License, Inc.	Delaware
WJHG Licensee Corp.	Delaware
WCTV Licensee Corp.	Delaware
WVLT Licensee Corp.	Delaware
WRDW Licensee Corp.	Delaware
WITN Licensee Corp.	Delaware
WKYT Licensee Corp.	Delaware
WYMT Licensee Corp.	Delaware
KWTX-KBTX Licensee Corp.	Delaware
KXII Licensee Corp.	Delaware
Gray Television Management, Inc.	Delaware
Gray MidAmerica Holdings, Inc.	Delaware
Gray Publishing, Inc.	Delaware
Gray Digital, Inc.	Delaware
KWTX-KBTX LP Corp.	Delaware
KXII LP Corp.	Delaware
Porta-Phone Paging Licensee Corp.	Delaware
KXII L.P.	Delaware
KWTX - KBTX L.P.	Delaware
KTVE Inc.	Arkansas
Lynqx Communications, Inc.	Louisiana

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-84656 and Form S-8 No. 333-17773) pertaining to the Gray Communications Systems, Inc. Capital Accumulation Plan, the Registration Statements (Form S-8 No. 333-15711 and Form S-8 No. 333-89855) pertaining to the Gray Communications Systems, Inc. 1992 Long-Term Incentive Plan and the Registration Statement (Form S-8 No. 333-42377) pertaining to the Non-Employee Directors Stock Option Plan of our report dated February 4, 2002, with respect to the consolidated financial statements and schedule of Gray Communications Systems, Inc. for the year ended December 31, 2001, filed with the Securities and Exchange Commission.

PricewaterhouseCoopers LLP

Atlanta, Georgia
March 27, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-84656 and Form S-8 No. 333-17773) pertaining to the Gray Communications Systems, Inc. Capital Accumulation Plan, in the Registration Statements (Form S-8 No. 333-15711 and Form S-8 No. 333-89855) pertaining to the Gray Communications Systems, Inc. 1992 Long-Term Incentive Plan and in the Registration Statement (Form S-8 No. 333-42377) pertaining to the Gray Communications Systems, Inc. Non-Employee Directors Stock Option Plan of our reports dated January 29, 2001, with respect to the consolidated financial statements and schedule of Gray Communications Systems, Inc. included in the Annual Report (Form 10-K/A) for the year ended December 31, 2000.

Ernst & Young LLP

Atlanta, Georgia
March 27, 2002