UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999.

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________.

Commission file numbers 33-84656 and 333-17773.

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Gray Communications Systems, Inc.
Capital Accumulation Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Gray Communications Systems, Inc.
126 N. Washington Street
Albany, Georgia 31701

GRAY COMMUNICATIONS SYSTEMS, INC.

FORM 11-K

REQUIRED INFORMATION

(a) Financial Statements. Filed as part of this Report on Form 11-K are the financial statements and the schedules thereto of the Gray Communications Systems, Inc. Capital Accumulation Plan as required by Form 11-K, together with the report thereon of Ernst & Young LLP, independent auditors, dated May 18, 2000.

(b) Exhibits. A consent of Ernst & Young LLP dated June 26, 2000 is being filed as an exhibit to this report.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

GRAY COMMUNICATIONS SYSTEMS, INC.
CAPITAL ACCUMULATION PLAN

Date: June 28, 2000 By: /S/ James C. Ryan

James C. Ryan
Chief Financial Officer
Plan Administrator

Audited Financial Statements and Supplemental Schedules

Gray Communications Systems, Inc.
Capital Accumulation Plan

December 31, 1999 and 1998 and year ended December 31, 1999
with Report of Independent Auditors

Gray Communications Systems, Inc.
Capital Accumulation Plan

Audited Financial Statements and Supplemental Schedules

December 31, 1999 and 1998 and year ended December 31, 1999

Contents

Report of Independent Auditors

Benefit Committee
Gray Communications Systems, Inc.

We have audited the accompanying statements of net assets available for benefits of the Gray Communications Systems, Inc. Capital Accumulation Plan as of December 31, 1999 and 1998, and the related statement of changes in net assets available for benefits for the year ended December 31, 1999. These financial statements are the responsibility of the Plan'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 audits 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 net assets available for benefits of the Plan at December 31, 1999 and 1998 and the changes in its net assets available for benefits for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of Assets Held for Investment Purposes at End of Year as of December 31, 1999 and Reportable Transactions for the year ended December 31, 1999, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

May 18, 2000

Gray Communications Systems, Inc.
Capital Accumulation Plan

Statements of Net Assets Available for Benefits

	December 31 1999	1998
Asset		
Investments, at fair value	$ 9,990,015	$8,004,725
Receivables:		
Sponsor contributions	59,256	45,128
Participant contributions	140,984	107,971
Total receivables	200,240	153,099
Net assets available for benefits	$10,190,255	$8,157,824

See accompanying notes.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 1999

Additions	
Participant contributions	$ 1,381,455
Sponsor contributions	613,885
Rollover contributions	5,175
Investment income:	
Interest and dividend income	20,240
Net realized and unrealized appreciation of investments	1,047,363
	1,067,603
Total additions	3,068,118
Deductions	
Withdrawals by participants	(962,311)
Transfers related to sale of a subsidiary	(12,561)
Administrative and other expenses	(60,815)
Total deductions	(1,035,687)
Net increase in assets available for benefits	2,032,431
Net assets available for benefits:	
Beginning of year	8,157,824
End of year	$10,190,255

See accompanying notes.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements

December 31, 1999

1. Description of the Plan

The following brief description of the Gray Communications Systems, Inc. Capital Accumulation Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Document for more complete information.

The Plan was established effective October 1, 1994 for the benefit of eligible employees of Gray Communications Systems, Inc., and of its subsidiaries and affiliates that subsequently adopt the Plan.

General

The Plan is a voluntary defined contribution plan for salaried and non-salaried employees of Gray Communications Systems, Inc. and its subsidiaries (the "Sponsor") who have completed one eligibility year of service as defined in the Plan document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

While the Sponsor has not expressed any intent to do so, the Benefit Committee retains the right to terminate the Plan at any time, subject to the provisions of ERISA. In the event a decision is made by the Benefit Committee to terminate the Plan, all participants shall receive full distribution of the balances in their accounts.

Trust Agreement

Assets of the Plan are held for safekeeping and investment by INVESCO Trust Company (the "Trustee") as part of a trust agreement between the Sponsor and the Trustee.

Contributions

Each active Plan participant may make contributions up to a maximum of 16% of his/her compensation on a before-tax basis and up to a maximum of 16% on an after-tax basis, as long as the sum of the before-tax and after-tax percentages does not exceed 16%. Participant contributions made on a before-tax basis under Section 401(k) of the Internal Revenue Code (the "Code") can not exceed the elective contribution limit of $10,000 during 1999. Contributions by highly compensated employees are subject to additional restrictions.

Upon enrollment, a participant may direct employee contributions in 10% increments to any of the Plan's fund options. Contributions to the Gray Communications Systems, Inc. Common Stock Fund are temporarily invested in a Retirement Trust Liquid Asset Fund until used to purchase Gray Communications Systems, Inc. common stock. Participants may change their investment options quarterly.

The Sponsor shall contribute to the Plan a matching percentage, as determined by a declaration of its Board of Directors before the beginning of any Plan year, of the eligible contributions of plan participants not to exceed 6% of eligible compensation as defined in the Plan document. The matching percentage was 50% for the year ended December 31, 1999. The Sponsor's matching contributions can be made either in shares of Gray Communications Systems, Inc. Class B common stock or in cash. Any forfeitures of Sponsor contributions are used to reduce future Sponsor contributions. Forfeitures of nonvested amounts were approximately $80,700 for the year ended December 31, 1999.

1. Description of the Plan (continued)

Vesting

Participants are fully vested with regard to their contributions. Participants vest in the Sponsor's contributions after completing five years of service, as defined in the Plan document.

Withdrawals

A participant may withdraw all or part of his/her after-tax contributions for any reason, subject to the suspension of such participant's rights to make after tax contributions for six months.

Hardship withdrawals may be available as defined by the Plan document. A participant making a hardship withdrawal is ineligible to contribute to the Plan for the next twelve months from the date of receipt of the withdrawal and is prohibited from making any elective or employee contributions to all other plans of the Sponsor, including, but not limited to, any stock option, stock purchase or similar plan maintained by the Sponsor.

Distributions

A participant, following termination of employment, can elect to have Plan benefits paid in a single lump-sum distribution, in installments or in a combination of the two methods.

At December 31, 1999, none of the net assets available for benefits were allocated to the accounts of persons who had withdrawn from participation in the Plan, but had not been paid. Such amounts would be, if any, recorded as benefits payable for purposes of the Plan's Form 5500.

Loans

The Plan provides for participant loans at rates of interest established by the Sponsor's Benefit Committee. Such loans are limited as defined by the Plan document.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared based on the accrual method of accounting with investments carried at fair values as described below.

Use of Estimates

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

Investment Valuation

The collective trust funds are valued at their redemption prices (fair values) as established by the Trustee. Generally, the fair values are based on the fair values of the underlying assets which are based on national stock exchange closing prices or other published sources. Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. Securities traded in the over-the-counter market are valued at the last reported sales price on the last business day of the Plan year. The participant loans are valued at their outstanding balances, which approximate fair value.

2. Summary of Significant Accounting Policies (continued)

Investment Valuation (continued)

Purchases and sales of securities are reflected on the trade dates. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned.

Administrative Expenses

All administrative and investment expenses, except for fund management fees, are paid by the Sponsor. There were no administrative and investment expenses paid by the Sponsor for the year ended December 31, 1999.

Parties-in-Interest Transactions

Plan assets included in the Collective Trust Funds are managed by INVESCO Trust Company ("INVESCO"). As INVESCO is the trustee, as defined by the Plan, transactions involving these investments are party-in-interest transactions. In addition, transactions involving the Common Stock Fund, which invests in the common stock of the Sponsor, also qualify as party-in-interest transactions.

Reclassifications

Certain amounts in the December 31, 1998 financial statements have been reclassified to conform to the December 31, 1999 presentation.

3. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated October 25, 1995, stating that the Plan qualifies under Section 401(a) and 401(k) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Sponsor believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

4. Investments

During 1999, the Plan's investments including investments purchased, sold as well as held during the year appreciated (depreciated) in fair value as determined by quoted market prices as follows:

	Net Realized and Unrealized Appreciation (Depreciation) in Fair Value of Investments
Principal Protection Fund	$ 19,277
Intermediate Return Fund	55,620
Growth and Income Fund	314,946

Maximum Appreciation Fund	728,407
Common Stock Fund*	(70,887)
	$1,047,363

4. Investments (continued)

Individual investments that represent 5% or more of the fair value of net assets available for benefits are as follows:

	December 31 1999	December 31 1998
Collective Trust Funds		
INVESCO Trust Company:		
Principal Protection Fund	$ 406,800	$ 560,333
Intermediate Return Fund	742,010	628,448
Growth and Income Fund	2,313,801	1,854,977
Maximum Appreciation Fund	3,798,886	2,813,850
Common Stock Fund		
Gray Communications Systems, Inc. Common Stock - Class A*	906,184	1,012,936
Gray Communications Systems, Inc. Common Stock - Class B*	1,682,195	1,043,215

* Non-participant-directed

5. Non-participant-Directed Investments

Information about the net assets and the significant components of changes in net assets related to the non-participant-directed investments is as follows:

	December 31 1999	December 31 1998
Investments, at fair value:		
Gray Communications Systems common stock - Class A	$ 906,184	$1,012,936
Gray Communications Systems common stock - Class B	1,682,195	1,043,215
	$2,588,379	$2,056,151

	Year Ended December 31, 1999
Change in net assets:	
Contributions	$ 768,873
Rollovers	4,970
Interest and dividend income	14,926
Net realized and unrealized depreciation of investments	(70,887)
Withdraws by participants	(143,561)

Interfund transfers (net)	(29,532)
Transfers related to sale of a subsidiary	(12,561)
	$ 532,228

SUPPLEMENTAL SCHEDULES

Gray Communications Systems, Inc.
Capital Accumulation Plan

EIN: 58-0285030 Plan Number: 003
Schedule H, Line 4i
Schedule of Assets Held for Investment Purposes at End of Year
December 31, 1999

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment	(d) Cost	(e) Current Value
*	INVESCO Trust Company			
	Collective Trust Funds:			
	Liquid Assets Fund	26,723.88 units	#	$ 26,723
	Principal Protection Fund	24,272.079 units	#	406,800
	Intermediate Return Fund	37,100.509 units	#	742,010
	Growth and Income Fund	97,096.137 units	#	2,313,801
	Maximum Appreciation Fund	133,577.676 units	#	3,798,886
	Total			7,288,220
	Sponsor Common Stock Fund- Gray Communications Systems, Inc			
*	Common Stock - Class A	51,233 shares	$ 633,037	906,184
*	Common Stock - Class B	124,607 shares	1,823,335	1,682,195
	Participant loans	Interest at rates from 8.75% to 9.5%	#	113,416
				$9,990,015

* Indicates a party-in-interest to the Plan.
\# Not applicable for participant directed investments.

Gray Communications Systems, Inc.
Capital Accumulation Plan

EIN: 58-0285030 Plan Number: 003
Schedule H, Line 4j
Schedule of Reportable Transactions
Year Ended December 31, 1999

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Loss
Category (iii) Series of Securities Transactions in Excess of 5% of Plan Assets						
Gray Communications Systems, Inc.	Gray Communications Systems, Inc. Common Stock - Class B					
	Purchases of 63,927 shares	$827,144	-	$ 827,144	$ 827,144	-
	Sales of 15,537 shares	-	$208,850	230,407	208,850	($21,557)

There were no category (i), (ii) or (iv) transactions during the year ended December 31, 1999.

Note: The information required by columns (e) and (f) is not applicable.

GRAY COMMUNICATIONS SYSTEMS, INC.

FORM 11-K

EXHIBIT INDEX

Exhibit Number	Exhibit	Page Number
23	Consent of Ernst & Young LLP to incorporation of its report by reference in Gray Communications Systems, Inc. Registration Statement on Form S-8, No. 33-84656 and No. 333-17773.	14

Exhibit 23

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 of our report dated May 18, 2000, with respect to the financial statements and supplemental schedules of Gray Communications Systems, Inc. Capital Accumulation Plan included in this Annual Report (Form 11-K) for the year ended December 31, 1999.

/s/Ernst & Young LLP

Atlanta, Georgia
June 26, 2000