

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-13796

**Gray Television, Inc.**

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

**Georgia**

**58-0285030**

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

\_\_\_\_\_  
(I.R.S. Employer  
Identification Number)

**4370 Peachtree Road, NE, Atlanta, Georgia**

**30319**

\_\_\_\_\_  
(Address of principal executive offices)

\_\_\_\_\_  
(Zip code)

**(404) 504-9828**

\_\_\_\_\_  
(Registrant's telephone number, including area code)

**Not Applicable**

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report.)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

**Common Stock, (No Par Value)**

**Class A Common Stock, (No Par Value)**

\_\_\_\_\_  
**44,264,199 shares outstanding as of July 22, 2004**

\_\_\_\_\_  
**5,830,645 shares outstanding as of July 22, 2004**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****GRAY TELEVISION, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(in thousands)

	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 31,761	\$ 11,947
Trade accounts receivable, less allowance for doubtful accounts of \$912 and \$1,145 respectively	53,460	55,215
Inventories	1,107	1,521
Current portion of program broadcast rights, net	2,372	7,487
Related party receivable	1,610	-
Other current assets	3,498	1,865
Total current assets	<u>93,808</u>	<u>78,035</u>
Property and equipment:		
Land	17,609	17,606
Buildings and improvements	35,097	34,325
Equipment	194,719	186,225
	<u>247,425</u>	<u>238,156</u>
Allowance for depreciation	<u>(115,456)</u>	<u>(104,197)</u>
	131,969	133,959
Deferred loan costs, net	12,987	13,112
Broadcast licenses	925,711	925,711
Goodwill	153,858	153,858
Other intangible assets, net	3,287	3,807
Investment in broadcasting company	13,599	13,599
Related party receivable	-	1,610
Other	1,398	1,638
	<u>\$ 1,336,617</u>	<u>\$ 1,325,329</u>

See notes to condensed consolidated financial statements.

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

	June 30, 2004	December 31, 2003
<b>Liabilities and stockholders' equity:</b>		
Current liabilities:		
Trade accounts payable	\$ 1,431	\$ 8,134
Employee compensation and benefits	12,899	14,195
Accrued interest	2,052	4,040
Other accrued expenses	4,346	4,332
Federal and state income taxes	1,984	-
Current portion of program broadcast obligations	3,995	8,976
Acquisition related liabilities	1,563	1,678
Deferred revenue	2,852	3,022
Unrealized loss on derivatives	33	210
Current portion of long-term debt	89	124
Total current liabilities	31,244	44,711
Long-term debt, less current portion	655,799	655,778
Program broadcast obligations, less current portion	708	1,014
Deferred income taxes	227,522	217,666
Other	2,973	4,109
	<u>918,246</u>	<u>923,278</u>
Commitments and contingencies (Note E)		
Redeemable Serial Preferred Stock, no par value; cumulative; convertible; designated 5 shares, issued and outstanding 4 shares (\$40,000 aggregate liquidation value)	39,320	39,276
Stockholders' equity:		
Common Stock, no par value; authorized 100,000 shares and 50,000 shares, respectively, issued 44,274 shares and 44,032 shares, respectively	395,439	392,436
Class A Common Stock, no par value; authorized 15,000 shares; issued 7,962 shares, respectively	15,241	15,241
Retained earnings (deficit)	(4,446)	(17,500)
Accumulated other comprehensive loss, net of tax	(20)	(126)
Unearned compensation	(1,244)	(1,357)
	404,970	388,694
Treasury Stock at cost, Common Stock, 12 shares, respectively	(200)	(200)
Treasury Stock at cost, Class A Common Stock, 2,131 shares, respectively	(25,719)	(25,719)
	<u>379,051</u>	<u>362,775</u>
	<u>\$1,336,617</u>	<u>\$1,325,329</u>

See notes to condensed consolidated financial statements.

## GRAY TELEVISION, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Operating revenues:				
Broadcasting (less agency commissions)	\$ 71,235	\$ 63,551	\$ 133,144	\$ 116,152
Publishing	11,320	11,143	22,283	21,540
Paging	1,798	1,953	3,654	3,930
	<u>84,353</u>	<u>76,647</u>	<u>159,081</u>	<u>141,622</u>
Expenses:				
Operating expenses before depreciation and amortization				
Broadcasting	37,053	35,744	74,451	70,642
Publishing	8,040	7,933	16,088	15,688
Paging	1,238	1,381	2,591	2,850
Corporate and administrative	2,163	2,084	4,536	4,199
Depreciation	5,870	5,336	11,672	10,526
Amortization of intangible assets	237	1,781	519	3,643
Amortization of restricted stock awards	94	23	189	44
(Gain) loss on disposal of assets	(626)	25	(622)	37
	<u>54,069</u>	<u>54,307</u>	<u>109,424</u>	<u>107,629</u>
Operating income	30,284	22,340	49,657	33,993
Miscellaneous income, net	262	76	407	153
Interest expense	(10,474)	(10,972)	(20,935)	(22,242)
Income before income taxes	20,072	11,444	29,129	11,904
Federal and state income tax expense	7,875	4,412	11,429	4,701
Net income	12,197	7,032	17,700	7,203
Preferred dividends	821	821	1,643	1,643
Net income available to common stockholders	<u>\$ 11,376</u>	<u>\$ 6,211</u>	<u>\$ 16,057</u>	<u>\$ 5,560</u>
Basic per share information:				
Net income available to common stockholders	<u>\$ 0.23</u>	<u>\$ 0.12</u>	<u>\$ 0.32</u>	<u>\$ 0.11</u>
Weighted average shares outstanding	<u>49,958</u>	<u>50,406</u>	<u>49,907</u>	<u>50,367</u>
Diluted per share information:				
Net income available to common stockholders	<u>\$ 0.22</u>	<u>\$ 0.12</u>	<u>\$ 0.32</u>	<u>\$ 0.11</u>
Weighted average shares outstanding	<u>50,588</u>	<u>50,697</u>	<u>50,546</u>	<u>50,559</u>

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

(in thousands except for number of shares)

	Class A Common Stock		Common Stock		Retained Earnings (Deficit)	Class A Treasury Stock		Common Stock Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount			
Balance at												
December 31, 2003	7,961,574	\$ 15,241	44,032,138	\$ 392,436	\$(17,500)	(2,130,754)	\$(25,719)	(11,750)	\$ (200)	\$ (126)	\$ (1,357)	\$ 362,775
Net income					17,700							17,700
Unrealized gain on derivatives, net of income taxes										106		106
Comprehensive income												17,806
Common Stock cash dividends (\$0.06 per share)					(3,003)							(3,003)
Preferred Stock dividends					(1,643)							(1,643)
Issuance of Common Stock:												
401(k) plan			85,914	1,269								1,269
Non-qualified stock plan			150,705	1,658								1,658
Directors' and officers restricted stock plans			5,000	76							(76)	-0-
Amortization of unearned compensation											189	189
Balance at June 30, 2004	7,961,574	\$ 15,241	44,273,757	\$ 395,439	\$(4,446)	(2,130,754)	\$(25,719)	(11,750)	\$ (200)	\$ (20)	\$ (1,244)	\$ 379,051

See notes to condensed consolidated financial statements.

## GRAY TELEVISION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
(in thousands)

	Six Months Ended June 30,	
	2004	2003
Operating activities		
Net income (loss)	\$ 17,700	\$ 7,203
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	11,672	10,526
Amortization of intangible assets	519	3,643
Amortization of deferred loan costs	936	864
Amortization of bond discount	72	72
Amortization of directors' restricted stock award	189	44
Amortization of program broadcast rights	5,515	5,437
Payments for program broadcast rights	(5,399)	(5,440)
Supplemental employee benefits	(22)	(14)
Common Stock contributed to 401(k) Plan	952	1,200
Deferred income taxes	9,785	4,249
(Gain) loss on disposal of assets	(622)	37
Changes in operating assets and liabilities:		
Receivables, inventories and other current assets	536	2,637
Accounts payable and other current liabilities	(2,145)	(3,329)
Accrued Interest	(1,987)	-0-
Income taxes payable	1,984	-0-
Net cash provided by operating activities	<u>39,685</u>	<u>27,129</u>
Investing activities		
Acquisition of television businesses	-0-	(692)
Payments on acquisition related liabilities	(1,160)	(6,489)
Purchases of property and equipment	(15,807)	(7,571)
Other	938	(270)
Net cash used in investing activities	<u>(16,029)</u>	<u>(15,022)</u>
Financing activities		
Proceeds from borrowings on long-term debt	938	-0-
Repayments of borrowings on long-term debt	(1,024)	(1,894)
Deferred loan costs	(811)	(1,097)
Proceeds from issuance of common stock	1,658	1,287
Dividends paid	(4,603)	(3,617)
Purchase of common stock warrants	-0-	(4,932)
Net cash used in financing activities	<u>(3,842)</u>	<u>(10,253)</u>
Increase in cash and cash equivalents	19,814	1,854
Cash and cash equivalents at beginning of period	11,947	12,915
Cash and cash equivalents at end of period	<u>\$ 31,761</u>	<u>\$ 14,769</u>

See notes to condensed consolidated financial statements.

## GRAY TELEVISION, INC.

## NOTES TO CONDENSED CONSOLIDATED STATEMENTS FINANCIAL STATEMENTS (Unaudited)

## NOTE A—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Gray Television, Inc. (“Gray” or “the Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2003.

*Stock-Based Compensation*

The Company follows the provisions of FASB Statement No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”). The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, (“APB25”), but disclose the pro forma effects on net income had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its stock option incentive plans.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income available to common stockholders, as reported	\$ 11,376	\$ 6,211	\$ 16,057	\$ 5,560
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	-0-	-0-	-0-	-0-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(262)	(533)	(538)	(927)
Net income available to common stockholders, pro forma	\$ 11,114	\$ 5,678	\$ 15,519	\$ 4,633
Net income per common share:				
Basic, as reported	\$ 0.23	\$ 0.12	\$ 0.32	\$ 0.11
Basic, pro forma	\$ 0.22	\$ 0.11	\$ 0.31	\$ 0.09
Diluted, as reported	\$ 0.22	\$ 0.12	\$ 0.32	\$ 0.11
Diluted, pro forma	\$ 0.22	\$ 0.11	\$ 0.31	\$ 0.09



**NOTE A—BASIS OF PRESENTATION (Continued)**

*Earnings Per Share*

The Company computes earnings per share in accordance with FASB Statement No. 128, “Earnings Per Share” (“EPS”). The following table reconciles weighted average shares outstanding – basic to weighted average shares outstanding – diluted for the three months and six months ended June 30, 2004 and 2003 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Weighted average shares outstanding – basic	49,958	50,406	49,907	50,367
Stock options, warrants, convertible preferred stock and restricted stock	630	291	639	192
Weighted average shares outstanding – diluted	<u>50,588</u>	<u>50,697</u>	<u>50,546</u>	<u>50,559</u>

*Reclassifications*

Certain prior year amounts in the accompanying condensed consolidated financial statements have been reclassified to conform with the 2004 presentation.

**NOTE B—LONG-TERM DEBT**

As of May 28, 2004, the Company amended its existing senior credit facility to reduce the interest rate by 0.5% on its currently outstanding \$375 million term loan. The amendment also extends the final term loan maturity date six months to June 30, 2011. Under the amended agreement, the Company will pay interest only until March 31, 2005. Repayments of principal by the Company will be as follows (dollars in thousands):

Repayment Dates	Quarterly Principal Payments
March 31, 2005 through June 30, 2010	\$ 938
September 30, 2010 through December 31, 2010	88,125
March 31, 2011 through June 30, 2011	89,062

Certain loan covenants and other terms of the senior credit facility were also modified by the amendment to provide Gray with more favorable terms.

The amended interest pricing on the term loan is presented below with certain terms as defined in the loan agreement. Gray’s interest rate is based on the lender’s base rate (generally reflecting the lender’s prime rate) plus the specified margin or the London Interbank Offered Rate (“LIBOR”) plus the specified margin.

Applicable Margin for Base Rate Advances	Applicable Margin for LIBOR Advances
1.0%	1.75%

As of June 30, 2004, the balance outstanding under the Company’s senior credit facility was \$375.0 million and the interest rate on the balance outstanding was 2.88%. As of June 30, 2004, the Company’s Senior Subordinated Notes due 2011 (the “9 ¼% Notes”) had a balance outstanding of \$278.9 million excluding unamortized discount of \$1.1 million.

The 9 ¼% 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 ¼% 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).

**NOTE B—LONG-TERM DEBT (Continued)**

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 9 ¼% 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.

**NOTE C—RETIREMENT PLANS**

The following table provides the components of net periodic benefit cost for the Company's pension plan for the three months and six months ended June 30, 2004 and 2003 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Service cost	\$ 592	\$ 314	\$ 1,092	\$ 629
Interest cost	267	212	517	422
Expected return on plan assets	(203)	(168)	(403)	(336)
Loss Amortization	28	-0-	28	-0-
Net periodic benefit cost	<u>\$ 684</u>	<u>\$ 358</u>	<u>\$ 1,234</u>	<u>\$ 715</u>

The Company previously disclosed in its financial statements for the year ended December 31, 2003 that it expected to contribute \$1.6 million to its pension plan in 2004. As of June 30, 2004, no contributions have yet been made to the plan by the Company.

**NOTE D—INFORMATION ON BUSINESS SEGMENTS**

The Company operates in three business segments: broadcasting, publishing and paging. As of June 30, 2004, the broadcasting segment operates 29 television stations located in the United States. The publishing segment operates five daily newspapers located in Georgia and Indiana. The paging operations are located in Florida, Georgia and Alabama. The following tables present certain financial information concerning the Company's three operating segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Operating income:				
Broadcasting	\$27,209	\$19,551	\$ 44,111	\$29,116
Publishing	2,761	2,522	4,996	4,430
Paging	314	267	550	447
Total operating income	<u>30,284</u>	<u>22,340</u>	<u>49,657</u>	<u>33,993</u>
Miscellaneous income net	262	76	407	153
Interest expense	(10,474)	(10,972)	(20,935)	(22,242)
Income before income taxes	<u>\$ 20,072</u>	<u>\$ 11,444</u>	<u>\$ 29,129</u>	<u>\$ 11,904</u>

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

**NOTE E—CONTINGENCIES**

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.

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

On February 12, 1999, Tarzian filed suit in the United States District Court for the Southern District of Indiana against U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate, claiming that Tarzian had a binding and enforceable contract to purchase the Tarzian shares from the Estate. On February 3, 2003, the Court entered judgment on a jury verdict in favor of Tarzian for breach of contract and awarding Tarzian \$4.0 million in damages. On June 23, 2003, the Court denied the Estate's renewed motion for judgment as a matter of law, and alternatively, for a new trial on the issue of liability; denied Tarzian's motion to amend the judgment to award Tarzian specific performance of the contract and title to the Tarzian shares; and granted Tarzian's motion to amend the judgment to include pre-judgment interest on the \$4.0 million damage award. The Estate has appealed the judgment and the Court's rulings on the post-trial motions, and Tarzian has cross-appealed. The Company cannot predict when the final resolution of this litigation will occur.

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

**NOTE F—RELATED PARTY RECEIVABLE**

Through a rights-sharing agreement with Host Communications, Inc. ("Host"), a wholly owned subsidiary of Bull Run Corporation, Gray participates jointly with Host in the marketing, selling and broadcasting of certain collegiate sporting events and in related programming, production and other associated activities. The agreement commenced April 1, 2000 and terminates after five years. Gray shares with Host the profit or loss from these activities. As a result of the rights-sharing agreement, in certain circumstances, Gray can be called upon to advance payment directly to the respective collegiate institution for a portion of certain upfront rights fees. Gray is given credit for any such advance payments when determining its share of income or loss from these activities. During 2003, Gray paid \$1.5 million under this provision. As of June 30, 2004 and December 31, 2003, Gray had \$1.6 million recorded as a related party receivable for payments made in 2003 and earlier years. As of December 31, 2003, the related party receivable was classified as other than current; however, it is classified as current as of June 30, 2004.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**Results of Operations**

*Introduction*

The following analysis of the financial condition and results of operations of Gray Television, Inc. (“the Company” or “Gray”) should be read in conjunction with the Company’s financial statements contained in this report and in the Company’s Form 10-K for the year ended December 31, 2003.

*Cyclicality*

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

*Broadcasting, Publishing and Paging Revenues*

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2004		2003		2004		2003	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
<b>Broadcasting net revenues:</b>								
Local	\$ 42,021	49.8%	\$ 38,543	50.3%	\$ 79,379	49.9%	\$ 71,577	50.6%
National	18,803	22.3	19,397	25.3	35,046	22.0	34,318	24.2
Network compensation	2,501	3.0	2,131	2.8	4,911	3.1	4,128	2.9
Political	5,422	6.4	1,552	2.0	8,956	5.6	2,293	1.6
Production and other	2,488	2.9	1,928	2.5	4,852	3.1	3,836	2.7
	<u>\$ 71,235</u>	<u>84.4%</u>	<u>\$ 63,551</u>	<u>82.9%</u>	<u>\$ 133,144</u>	<u>83.7%</u>	<u>\$ 116,152</u>	<u>82.0%</u>
<b>Publishing net revenues:</b>								
Retail	\$ 5,991	7.1%	\$ 5,742	7.5%	\$ 11,512	7.2%	\$ 10,923	7.7%
Classified	3,323	3.9	3,212	4.2	6,495	4.1	6,210	4.4
Circulation	1,766	2.1	1,962	2.6	3,816	2.4	3,958	2.8
Other	240	0.3	227	0.3	460	0.3	449	0.3
	<u>\$ 11,320</u>	<u>13.4%</u>	<u>\$ 11,143</u>	<u>14.6%</u>	<u>\$ 22,283</u>	<u>14.0%</u>	<u>\$ 21,540</u>	<u>15.2%</u>
<b>Paging net revenues:</b>								
Paging lease, sales and service	\$ 1,798	2.2%	\$ 1,953	2.5%	\$ 3,654	2.3%	\$ 3,930	2.8%
<b>Total</b>	<u>\$ 84,353</u>	<u>100.0%</u>	<u>\$ 76,647</u>	<u>100.0%</u>	<u>\$ 159,081</u>	<u>100.0%</u>	<u>\$ 141,622</u>	<u>100.0%</u>

**Three Months Ended June 30, 2004 Compared To Three Months Ended June 30, 2003**

*Revenues.* Total revenues for the three months ended June 30, 2004 increased 10% to \$84.4 million as compared to the same period of the prior year.

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- Broadcasting revenues increased 12% to \$71.2 million. Local advertising revenue and political advertising revenue were the two largest contributors to the increase in broadcasting revenues. Local advertising revenue increased 9% and political advertising revenue increased 249%. The primary reason for the increase in local advertising revenue is due, in part, to improving general economic conditions and broad based demand by local advertisers for commercial air-time. The increase in political advertising revenue is due to this being a presidential election year. Production and other revenue also increased slightly and offset a small decrease in national advertising revenue. The decrease in national advertising revenue was due to a decrease in demand for air-time from national advertisers.
- Publishing revenues increased 2% to \$11.3 million. Retail advertising revenue was the primary contributor to the increase in publishing revenues. Retail advertising increased 4%. The increase in retail advertising revenue was due largely to systematic account development, market growth and rate increases.
- Paging revenues decreased 8% to \$1.8 million. The decrease was due primarily to price competition and a reduction of units in service. The Company had approximately 48,000 and 61,000 units in service at June 30, 2004 and 2003, respectively. The number of units in service decreased due to increased competition from other communication services and products such as cellular telephones. Competition from these products is expected to continue in the future.

*Operating expenses.* Operating expenses decreased less than 1% to \$54.1 million as compared to the same period of the prior year.

- Broadcasting expenses, before depreciation, amortization and gain on disposal of assets increased 4% to \$37.1 million. The primary reason for the increase in broadcast expenses was due to increases in payroll expense. Payroll expense has increased due to higher commissions related to increased revenues and annual payroll increases. Programming costs and professional services were also slightly higher.
- Publishing expenses, before depreciation, amortization and gain on disposal of assets, increased 1% to \$8.0 million. An increase in newsprint expense was offset by a decrease in professional services expense. The increase in newsprint expense was due to an increase in the cost per ton of newsprint.
- Paging expenses, before depreciation, amortization and loss on disposal of assets decreased 10% to \$1.2 million primarily due to a decrease in payroll expenses.
- Corporate and administrative expenses, before depreciation, amortization and loss on disposal of assets increased 4% to \$2.2 million due to increased payroll, legal, accounting and other professional service expenses.
- Depreciation of property and equipment was \$5.9 million for the three months ended June 30, 2004, as compared to \$5.3 million for the same period of the prior year, an increase of \$535,000, or 10%. The increase in depreciation was due to newly acquired equipment.
- Amortization of intangible assets was \$237,000 for the three months ended June 30, 2004, as compared to \$1.8 million for the same period of the prior year, a decrease of \$1.5 million, or 87%. The decrease in amortization expense was due to certain definite lived intangible assets, that were acquired in 2002, becoming fully amortized.
- Amortization of restricted stock is related to restricted stock that was issued to directors and an officer of the Company in the prior year.
- Gain/loss on disposal of assets, net was a gain in the current period of \$626,000 as compared to a loss of \$25,000 in the prior year. The gain in the current year is due to a net gain on insurance settlements related to certain broadcast towers damaged in 2003 and to the sale of a building not used in operations.

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*Miscellaneous income, net.* Increase in miscellaneous income is due primarily to the receipt of approximately \$170,000 in interest related to an income tax refund.

*Interest expense.* Interest expense decreased \$0.5 million to \$10.5 million. This decrease was due to lower interest rates and a lower average principal balance on the Company's senior credit facility.

*Income tax expense.* An income tax expense of \$7.9 million was recorded for the three months ended June 30, 2004 as compared to an income tax expense of \$4.4 million for the three months ended June 30, 2003. The increased expense in the current year as compared to that of the prior year was attributable to having increased income in the current period as compared to the prior period. The effective income tax rate was approximately 39% for the current year and prior year periods.

*Preferred dividends.* Preferred dividends remained consistent with that of the prior year because there were no changes to the preferred stock upon which the dividends are paid.

*Net income available to common stockholders.* Net income available to common stockholders of the Company for the three months ended June 30, 2004 and 2003 was \$11.4 million and \$6.2 million, respectively.

### **Six Months Ended June 30, 2004 Compared To Six Months Ended June 30, 2003**

*Revenues.* Total revenues for the six months ended June 30, 2004 increased 12% to \$159.1 million as compared to the same period of the prior year.

- Broadcasting revenues increased 15% to \$133.1 million. Local advertising revenue and political advertising revenue were the two largest contributors to the increase in broadcasting revenues. Local advertising revenue increased 11% and political advertising revenue increased 291%. The primary reason for the increase in local advertising revenue is due, in part, to improving general economic conditions and broad based demand for commercial air-time from local advertisers. The increase in political advertising revenue is due to this being a presidential election year. National broadcast advertising revenue and production and other revenue also increased.
- Publishing revenues increased 3% to \$22.3 million. Retail advertising revenue was the primary contributor to the increase in publishing revenues. Retail advertising increased 5%. The increase in retail advertising revenue was due largely to systematic account development, market growth and rate increases.
- Paging revenues decreased 7% to \$3.7 million. The decrease was due primarily to price competition and a reduction of units in service. The Company had approximately 48,000 and 61,000 units in service at June 30, 2004 and 2003, respectively. The number of units in service decreased due to increased competition from other communication services and products such as cellular telephones. Competition from these products is expected to continue in the future.

*Operating expenses.* Operating expenses increased 2% to \$109.4 million as compared to the same period of the prior year.

- Broadcasting expenses, before depreciation, amortization and gain on disposal of assets increased 5% to \$74.5 million. The primary reason for the increase in broadcast expenses was due to increases in payroll expense. This expense has increased due to higher commissions related to increased revenues and annual payroll increases. Programming costs and professional services were also higher.
- Publishing expenses, before depreciation, amortization and gain on disposal of assets, increased 3% to \$16.1 million. An increase in newsprint expense accounted for 76% of the overall increase in publishing expenses. The increase in newsprint expense was due to an increase in the cost per ton of newsprint.

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- Paging expenses, before depreciation, amortization and gain on disposal of assets decreased 9% to \$2.6 million primarily due to a decrease in payroll expenses.
- Corporate and administrative expenses, before depreciation, amortization and gain on disposal of assets increased 8% to \$4.5 million due to increased payroll, legal, accounting and other professional service expenses.
- Depreciation of property and equipment was \$11.7 million for the six months ended June 30, 2004, as compared to \$10.5 million for the same period of the prior year, an increase of \$1.1 million, or 11%. The increase in depreciation was due to newly acquired digital broadcast equipment.
- Amortization of intangible assets was \$519,000 for the six months ended June 30, 2004, as compared to \$3.6 million for the same period of the prior year, a decrease of \$3.1 million, or 86%. The decrease in amortization expense was due to certain definite lived intangible assets, that were acquired in 2002, becoming fully amortized.
- Amortization of restricted stock is related to restricted stock that was issued to directors and an officer of the Company in the prior year.
- Gain/loss on disposal of assets, net was a gain in the current period of \$622,000 as compared to a loss of \$37,000 in the prior year. The gain in the current year is due to a net gain on insurance settlements related to certain broadcast towers damaged in 2003 and to the sale of a building not utilized in operations.

*Miscellaneous income, net.* Increase in miscellaneous income is due primarily to the receipt of approximately \$170,000 in interest related to an income tax refund.

*Interest expense.* Interest expense decreased \$1.3 million to \$20.9 million. This decrease was due to lower interest rates and a lower average principal balance on the Company's senior credit facility.

*Income tax expense.* An income tax expense of \$11.4 million was recorded for the six months ended June 30, 2004 as compared to an income tax expense of \$4.7 million for the six months ended June 30, 2003. The increased expense in the current year as compared to that of the prior year was attributable to having increased income in the current period as compared to the prior period. The effective income tax rate was approximately 39% for the current year and prior year periods.

*Preferred dividends.* Preferred dividends remained consistent with that of the prior year because there were no changes to the preferred stock upon which the dividends are paid.

*Net income available to common stockholders.* Net income available to common stockholders of the Company for the six months ended June 30, 2004 and 2003 was \$16.1 million and \$5.6 million, respectively.

## Liquidity and Capital Resources

### General

The following tables present certain data that the Company believes is helpful in evaluating the Company's liquidity and capital resources (in thousands).

	Six Months Ended June 30,	
	2004	2003
Net cash provided by operating activities	\$ 39,685	\$ 27,129
Net cash used in investing activities	(16,029)	(15,022)
Net cash used in financing activities	(3,842)	(10,253)
Net increase in cash and cash equivalents	\$ 19,814	\$ 1,854

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	June 30, 2004	December 31, 2003
Cash and cash equivalents	\$ 31,761	\$ 11,947
Long-term debt including current portion	655,888	655,902
Preferred stock	39,320	39,276
Available credit under senior credit agreement	73,100	75,000

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

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

Management does not believe that inflation in past years has had a significant impact on the Company's results of operations nor is inflation expected to have a significant effect upon the Company's business in the near future.

Net cash provided by operating activities increased \$12.6 million. The increase was due primarily to an increase in net income partially offset by changes in operating assets and liabilities.

Net cash used in investing activities increased \$1.0 million. The increase was due primarily to increase in purchase of property and equipment, partially offset by lower payments on acquisition related liabilities.

Net cash used in financing activities decreased \$6.4 million. The decrease was due primarily to the purchase of Common Stock Warrants in prior year with no similar transaction occurring in the current year.

#### Debt

As of May 28, 2004, the Company amended its existing senior credit facility to reduce the interest rate by 0.5% on its currently outstanding \$375 million term loan. The amendment also extends the final term loan maturity date six months to June 30, 2011. Under the amended agreement, the Company will pay interest only until March 31, 2005. Repayments of principal by the Company will be as follows (dollars in thousands):

Repayment Dates	Quarterly Principal Payments
March 31, 2005 through June 30, 2010	\$ 938
September 30, 2010 through December 31, 2010	88,125
March 31, 2011 through June 30, 2011	89,062

Certain loan covenants and other terms of the senior credit facility were also modified by the amendment to provide Gray with more favorable terms.

The amended interest pricing on the term loan is presented below with certain terms as defined in the loan agreement. Gray's interest rate is based on the lender's base rate (generally reflecting the lenders prime rate) plus the specified margin or the London Interbank Offered Rate ("LIBOR") plus the specified margin.

Applicable Margin for Base Rate Advances	Applicable Margin for LIBOR Advances
1.0%	1.75%

As of June 30, 2004, the balance outstanding and the balance available under the Company's senior credit facility were \$375.0 million and \$73.1 million, respectively, and the interest rate on the balance outstanding was 2.88%. As of June 30, 2004, the Company's Senior Subordinated Notes due 2011 (the "91/4% Notes") had a balance



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outstanding of \$278.9 million excluding unamortized discount of \$1.1 million. The Company makes semiannual interest payments on the 9 ¼% Notes of \$12.95 million on June 15<sup>th</sup> and December 15<sup>th</sup>. Interest payments on the senior credit facility are made on varying dates throughout the year.

### *Digital Television Conversion*

As of July 16, 2004, the Company was broadcasting a digital signal at 28 of its 29 stations. The Company currently intends to have the remaining installation completed as soon as practicable. The Federal Communications Commission (the "FCC") required that all commercial stations begin broadcasting a digital signal by May of 2002. As necessary, the Company has requested and received approval from the FCC to extend the May 2002 deadline for the Company's remaining station that is not currently broadcasting in digital. Given the Company's good faith efforts to comply with the existing deadline and the facts specific to the extension request, the Company believes the FCC will grant any further deadline extension requests that become necessary.

The Company paid approximately \$2.3 million and \$8.0 million for digital transmission equipment capital expenditures for the three months and six months ending June 30, 2004, respectively. The Company anticipates an additional \$2.0 million of cash payments for equipment and services related to the conversions to be paid during the remainder of 2004. In addition, the Company anticipates payments of up to \$7.0 million for capital expenditures unrelated to the digital conversion project during the remainder of 2004.

### *Other*

The Company plans to make a \$1.6 million contribution to its post retirement benefit plan prior to December 31, 2004.

### **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 its accounting policies relating to intangible assets and income taxes to be critical policies that require judgments or estimations in their application where variances in those judgments or estimations could make a significant difference to future reported results. These critical accounting policies and estimates are more fully disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

### **Cautionary Note Regarding Forward-Looking Statements**

This quarterly report on Form 10-Q contains "forward-looking statements." When used in this report, the words "believes," "expects," "anticipates," "should", "estimates" and similar words and expressions are generally intended to identify forward-looking statements, but some of those statements may use other phrasing. Statements that describe the Company's future strategic plans, goals or objectives are also forward-looking statements. Readers of this report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of 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 and (iv) certain other risks relating to our business, including, our dependence on advertising revenues, our need to acquire non-network television programming, the impact of a loss of any of our FCC broadcast licenses, increased competition and capital costs relating to digital advanced television, pending litigation and our significant level of intangible assets, (v) our high debt levels, and (vi) other factors described from time to time in our SEC filings. The forward-looking statements included in this report are made only as of the date hereof. The Company disclaims any obligation to update such forward-looking statements to reflect subsequent events or circumstances, except as required by law.

### Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company believes that the market risk of the Company's financial instruments as of June 30, 2004 has not materially changed since December 31, 2003. The market risk profile on December 31, 2003 is disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

### Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There were no changes in the Company's internal control over financial reporting identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The information contained in Note E — Contingencies of the Notes to Condensed Consolidated Financial Statements filed as part of this Quarterly Report on Form 10-Q is incorporated herein by reference.

### Item 4. Submission of Matters to a Vote of Security Holders

The following matters were voted upon at the 2004 Annual Meeting of Shareholders of the Company, on May 26, 2004, and votes were cast as indicated.

(a) The following directors were elected:

Nominee	Common Stock Votes		Class A Votes	
	For	Withhold	For	Withhold
J. Mack Robinson	27,792,750	14,141,390	51,792,460	3,630,070
Robert S. Prather, Jr.	27,000,885	14,933,255	51,801,680	3,620,850
Hilton H. Howell, Jr.	27,001,543	14,932,597	51,801,460	3,621,070
William E. Mayher, III	37,892,086	4,042,054	53,622,720	1,799,810
Richard L. Boger	39,060,051	2,874,089	53,622,720	1,799,810
Ray M. Deaver	22,679,753	19,254,387	51,586,850	3,835,680
T. L. Elder	39,402,841	2,531,299	53,623,720	1,798,810
Howell W. Newton	38,910,601	3,023,539	53,622,720	1,799,810
Hugh Norton	37,123,365	4,810,775	53,510,890	1,911,640
Harriett J. Robinson	26,912,838	15,021,302	51,790,460	3,632,070

(b) Proposal to approve the amendment to the Gray Television, Inc. 2002 Long Term Incentive Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 2,000,000 shares received the following votes:

Common Stock Votes			Class A Votes		
For	Against	Abstain	For	Against	Abstain
30,753,852	8,745,712	36,563	44,447,850	1,483,020	6,490

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- (c) Proposal to approve the amendment to the Gray's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 authorized shares to 100,000,000 authorized shares received the following votes:

Common Stock Votes			Class A Votes		
For	Against	Abstain	For	Against	Abstain
36,936,564	4,991,291	7,285	53,070,490	2,349,120	2,920

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

Exhibit 10.1 Third Amendment to Loan Agreement  
Exhibit 10.2 Notice of Incremental Facility Commitment  
Exhibit 31.1 Rule 13 (a) – 14(a) Certificate of Chief Executive Officer  
Exhibit 31.2 Rule 13 (a) – 14(a) Certificate of Chief Financial Officer  
Exhibit 32.1 Section 1350 Certificate of Chief Executive Officer  
Exhibit 32.2 Section 1350 Certificate of Chief Financial Officer

(b) Reports on Form 8-K

On April 14, 2004, the Company furnished a report on Form 8-K under Item 12 that contained updated guidance on its earnings for the quarter ended March 31, 2004.

On May 6, 2004, the Company furnished a report on Form 8-K under Item 12 that contained its earnings release for the quarter ended March 31, 2004.

On May 19, 2004, the Company filed a report on Form 8-K under Item 11 that contained the following information: As reported on February 20, 2004, MetLife Retirement Plans is replacing Smith Barney/Leggett as the administrator and investment provider for the Company's Capital Accumulation Plan (the "Plan"). In connection with this change, a "blackout period" was established for the period beginning March 22, 2004 and ending May 14, 2004 (the "Blackout Period") and directors and executive officers were given notice of relevant trading restrictions. On May 17, 2004, the registrant received notice from the new administrator that, due to unexpected delays in the transition to the new administrator, the blackout period ending date has been extended to June 4, 2004. A copy of the related notice provided by the Company to its executive officers was attached as Exhibit 99 to the Form 8-K.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAY TELEVISION, INC.  
(Registrant)

Date: August 6, 2004

By:

/s/ James C. Ryan

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James C. Ryan,  
Senior Vice President and Chief Financial Officer

## THIRD AMENDMENT TO LOAN AGREEMENT

THIS THIRD AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into as of this 28th day of May, 2004, with an Effective Date as set forth in Section 4 hereof, by and among GRAY TELEVISION, INC., a Georgia corporation (the "Borrower"), the banks and lending institutions party to the Loan Agreement referred to below (the "Lenders"), WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, in its capacity as administrative agent for the lenders (the "Administrative Agent"), BANK OF AMERICA, N.A., in its capacity as syndication agent (the "Syndication Agent") and DEUTSCHE BANK TRUST COMPANY AMERICAS, in its capacity as documentation agent (the "Documentation Agent"). Wachovia Capital Markets, LLC served as sole lead arranger and sole book runner in connection with this Amendment.

The Lenders have extended certain credit facilities to the Borrower pursuant to the Fourth Amended and Restated Loan Agreement dated as of October 25, 2002, by and among the Borrower, the Lenders, the Administrative Agent, the Syndication Agent and the Documentation Agent (as previously amended by the First Amendment to Loan Agreement dated as of June 9, 2003, the Second Amendment to Loan Agreement dated as of April 8, 2004, as amended hereby and as may be further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

The parties now desire to amend the Loan Agreement in certain respects subject to the terms and conditions set forth below.

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

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

2. Amendments to the Loan Agreement.

(a) Amendments to Section 1.1. Section 1.1 ("Definitions") of the Loan Agreement is hereby amended by:

(i) deleting the reference to "\$10,000,000" in the definition of "Adjusted Total Debt" and replacing it with "\$20,000,000";

(ii) amending and restating clause (g) of the definition of "Permitted Liens" as follows:

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(g) Liens reflected by Uniform Commercial Code financing statements filed in respect of true leases (excluding any Capital Leases) of the Borrower or any of its Subsidiaries;

(iii) amending and restating clause (l) of the definition of "Permitted Liens" in its entirety as follows:

(l) Liens securing the Harris Agreement Obligations;

(iv) amending the definition of "Permitted Liens" to add the following new clauses (m) and (n):

(m) Liens securing obligations approved by the Administrative Agent and incurred in connection with an Acquisition permitted under Section 7.6; and

(n) other Liens securing Indebtedness in an amount not to exceed \$30,000,000.00 in the aggregate at any time outstanding.

(v) deleting the reference to "Section 7.1(m)" in clause (a) of the definition of "Total Debt" and replacing it with "the Harris Agreement Obligations"; and

(vi) inserting the following new defined terms in the appropriate alphabetical order:

"First Amendment Effective Date" shall mean June 9, 2003.

"Harris Agreement Obligations" shall mean the Indebtedness incurred pursuant to the Harris Agreement, in a principal amount not to exceed \$20,000,000.00 in the aggregate at any time outstanding; provided such Indebtedness is purchase money Indebtedness of the Borrower or any of its Subsidiaries that within ninety (90) days of such purchase is incurred to finance part or all of (but not more than) the purchase price of Equipment (as defined in the Harris Agreement) in which neither the Borrower nor such Subsidiary had at any time prior to such purchase any interest other than a security interest or an interest as a lessee under an operating lease on terms and conditions no more restrictive than those contained hereunder.

"Notice of Revolving Increase" shall mean the written notice by the Borrower, in substantially the form of Exhibit P attached hereto to the Administrative Agent, of the Borrower's desire to increase the Revolving Loan Commitment pursuant to Section 2.16.

"Revolving Loan Commitment Ratio" shall mean, with respect to any Lender, the percentage equivalent of the ratio which such Lender's portion of the

Revolving Loan Commitment bears to the aggregate Revolving Loan Commitment (as each may be adjusted from time to time as provided herein).

"Third Amendment Effective Date" shall mean May 28, 2004.

(b) Amendment to Section 2.5. Section 2.5 ("Mandatory Commitment Reductions") of the Loan Agreement is hereby amended by amending and restating clause (a) of such section in its entirety as follows:

(a) Scheduled Reductions under the Revolving Loan Commitment. Commencing on March 31, 2004 and at the end of each fiscal quarter thereafter, the Revolving Loan Commitment shall be automatically and permanently reduced by the amount set forth below for and on the dates indicated (which reductions are in addition to those set forth elsewhere in this Agreement):

Reduction Dates -----	Amount of Reduction -----
March 31, 2004, June 30, 2004, September 30, 2004 and December 31, 2004	\$ 937,500
March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005	\$1,875,000
March 31, 2006, June 30, 2006, September 30, 2006 and December 31, 2006	\$2,812,500
March 31, 2007, June 30, 2007, September 30, 2007	

and December 31, 2007	\$3,750,000
March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008	\$4,687,500
March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009	\$4,687,500

The reductions in the Revolving Loan Commitment set forth above shall be applied to the Revolving Loan Commitment in existence on the date of such reductions on a pro rata basis among the Lenders holding a Revolving Loan Commitment.

(c) Amendment to Section 2.7. Section 2.7(b)(v) ("Sale of Indebtedness") of the Loan Agreement is hereby amended by deleting each reference to "subsection (j) of Section 7.1" and replacing it with "subsection (b) of Section 7.1".

(d) Amendment to Section 2.15. Section 2.15 ("Incremental Facility Loans") of the Loan Agreement is hereby amended by deleting subsection (a) in its entirety and replacing it with the following:

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(a) Subject to the terms and conditions of this Agreement, the Borrower may request the Incremental Facility Commitment; provided, that (i) the Borrower may not request the Incremental Facility Commitment or an Incremental Facility Advance after the occurrence and during the continuance of a Default, including, without limitation, any Default that would result after giving effect to any Incremental Facility Advance; (ii) the Borrower may request only seven (7) Incremental Facility Commitments (although such commitments may be from more than one Lender) and must request a minimum Incremental Facility Commitment of \$25,000,000.00, or if less, the remaining amount permitted pursuant to this Section 2.15 after giving effect to any prior Incremental Facility Commitments or Incremental Facility Loans and any increases to the Revolving Loan Commitment pursuant to Section 2.16 that are made after the Third Amendment Effective Date; and (iii) the sum of (A) all outstanding Incremental Facility Commitments, plus (B) all outstanding Incremental Facility Loans, plus (C) the aggregate amount of all incremental increases in the Revolving Loan Commitment made after the Third Amendment Effective Date, shall not exceed \$675,000,000.00. The maturity date for the Incremental Facility Loans shall be no earlier than six (6) calendar months after the Term Loan Maturity Date (or, if no Term Loans are outstanding, the Incremental Facility Maturity Date of the most recently funded Incremental Facility Loan outstanding at such time) and the average life of each Incremental Facility Loan shall be longer than the average life of the Term Loan (or, if no Term Loans are outstanding, the most recently funded Incremental Facility Loan outstanding at such time). The decision of any Lender to make an Incremental Facility Commitment to the Borrower shall be at such Lender's sole discretion and shall be made in writing. The Incremental Facility Commitment (x) must be in the form of a term loan facility, (y) must not require principal repayment earlier, or in amount larger (or percentage greater), than those set forth in the repayment schedule for the Term Loans as set forth in Section 2.7(b) hereof (or, if no Term Loans are outstanding, the repayment schedule set forth in the Notice of Incremental Facility Commitment for the most recently funded Incremental Facility Loan outstanding at such time) and (z) must be governed by this Agreement and the other Loan Documents and be on terms and conditions no more restrictive than those set forth herein and therein. Each Lender shall have the right, but not the obligation, to participate in any Incremental Facility Commitment on a pro rata basis.

(e) Amendment to Article 2. Article 2 ("Loans and Letters of Credit") of the Loan Agreement is hereby amended by inserting the following new section at the end of the article:

Section 2.16 Increases to the Revolving Loan Commitment.

(a) Subject to the terms and conditions of this Agreement, the Borrower may request increases to the Revolving Loan Commitment; provided that (i) the Borrower may not request any increase to the Revolving Loan Commitment after the occurrence and during the continuance of a Default,

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including, without limitation, any Default that would result after giving effect to any increase to the Revolving Loan Commitment; (ii) the Borrower may request only four (4) increases to the Revolving Loan Commitment (although such increases to the Revolving Loan Commitment may be from more than one Lender) and must request a minimum increase to the Revolving Loan Commitment of \$25,000,000.00, or if less, the remaining amount permitted pursuant to this Section 2.16 after giving effect to any prior increases to the Revolving Loan Commitment or any Incremental Facility Commitments and Incremental Facility Loans made after the Third Amendment Effective Date pursuant to Section 2.15; and (iii) the aggregate amount of increases to the Revolving Loan Commitment shall not exceed the lesser of (A) \$100,000,000.00 and (B) the difference of (1) \$675,000,000 less (2) the sum of (x) all outstanding Incremental Facility Commitments plus (y) all outstanding Incremental Facility Loans plus (z) the aggregate amount of all incremental increases in the Revolving Loan Commitment made after the Third Amendment Effective Date. The decision of any Lender to commit to an increase in the Revolving Loan Commitment shall be at such Lender's sole discretion and shall be made in writing. Each Lender shall have the right, but not the obligation, to participate in any increase in the Revolving Loan Commitment on a pro rata basis.

(b) Prior to the effectiveness of any increase to the Revolving Loan Commitment, the Borrower shall deliver to the Administrative Agent and the Lenders a Notice of Revolving Increase.

(c) Each increase in the Revolving Loan Commitment and all Revolving Loans made in connection with such increase in the Revolving Loan Commitment (i) shall be subject to the terms applicable to the Revolving Loan Commitment and Revolving Loans in this Agreement (including, without limitation, the terms applicable to pricing, maturity and mandatory reductions pursuant to Sections 2.5 or 2.7(b) hereof); (ii) shall for all purposes be Loans and Obligations hereunder and under the Loan Documents; (iii) shall be represented by a replacement Revolving Loan Note which shall be exchanged for the Revolving Loan Note of any Lender committing to an increase in the Revolving Loan Commitment; and (iv) shall rank pari passu with the other Loans for purposes of Sections 2.9 and 8.2 hereof.

(d) The outstanding Revolving Loans, Revolving Loan Commitment Ratios and each Lender's share of the Letter of Credit Obligations will be reallocated by the Administrative Agent on the effective date of any increase in the Revolving Loan Commitment among the Lenders in accordance with their revised Revolving Loan Commitment Ratios.

(f) Amendment to Section 5.10. Section 5.10 ("Use of Proceeds") of the Loan Agreement is hereby amended and restated in its entirety as follows:

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Section 5.10 Use of Proceeds. The Borrower will use the aggregate proceeds of all Advances under the Loans directly or indirectly: (a) to refinance Indebtedness under the Prior Loan Agreement; (b) to finance a portion of the consideration payable by the Borrower to consummate the Merger; (c) to finance a portion of the consideration payable by the Borrower in respect of the Reno Acquisition; (d) to the extent permitted hereunder, for working capital needs, Capital Expenditures, Acquisitions, Investments, Restricted Payments, Restricted Purchases and other general



corporate purposes of the Borrower and its Subsidiaries which do not otherwise conflict with this Section 5.10 (including, without limitation, the payment of the fees and expenses incurred in connection with the execution and delivery of this Agreement, the Reno Acquisition and the Merger); and (e) to refinance the Loans made hereunder. No proceeds of Advances hereunder shall be used for the purchase or carrying or the extension of credit for the purpose of purchasing or carrying, any margin stock within the meaning of the Fed Regulations.

(g) Amendment to Section 7.1. Section 7.1 ("Indebtedness of the Borrower and its Subsidiaries") of the Loan Agreement is hereby amended and restated in its entirety as follows:

Section 7.1 Indebtedness of the Borrower and its Subsidiaries. The Borrower shall not, and shall not permit any of its Subsidiaries to, create, assume, incur or otherwise become or remain obligated in respect of, or permit to be outstanding, any Indebtedness, except:

(a) the Obligations;

(b) (i) Subordinated Debt incurred pursuant to the terms of the Subordinated Note Indenture as in effect on the Agreement Date; and (ii) other Subordinated Debt incurred on terms and conditions satisfactory to the Administrative Agent (provided that any Subordinated Debt incurred on terms and conditions substantially similar to the Subordinated Note Indenture shall be deemed satisfactory to the Administrative Agent); provided, in each case, the Net Proceeds (Indebtedness) of such Subordinated Debt are applied pursuant to Section 2.7(b)(v), other than the Net Proceeds (Indebtedness) of any Subordinated Debt incurred to pay all or a portion of the purchase price in connection with an Acquisition or to consummate an Investment, in each case as permitted pursuant to Section 7.6; provided that (i) the Administrative Agent has received prior written notice of the incurrence of such Subordinated Debt at the time of any notice required pursuant to Section 7.6, (ii) such Subordinated Debt is incurred not more than 30 days prior to the consummation of such Acquisition or Investment and (iii) no Default or Event of Default has occurred and is continuing at the time of such incurrence or would exist after giving effect thereto; and

(c) other Indebtedness; provided that (i) the Borrower and its Subsidiaries shall be in pro forma compliance with the financial covenants set

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forth in Sections 7.8, 7.9, 7.10 and 7.11 both before and after giving effect to the incurrence of such Indebtedness, (ii) no Default or Event of Default has occurred and is continuing both before and after giving effect to the incurrence of such Indebtedness, and (iii) the Administrative Agent shall have approved the terms and conditions for each incurrence of Indebtedness in excess of \$25,000,000.00.

(h) Amendment to Section 7.5. Section 7.5 ("Limitation on Guaranties") of the Loan Agreement is hereby amended by deleting the reference to "Section 7.1(f)" located in clause (c) of such section and replacing it with "Section 7.1".

(i) Amendment to Section 7.6. Section 7.6 ("Investments and Acquisitions") of the Loan Agreement is hereby amended by amending and restating clause (c)(i) in its entirety as follows:

(i) the Borrower shall have given to the Administrative Agent written notice of such Acquisition at least fifteen (15) days prior to executing any binding commitment with respect thereto, which notice shall state the additional amounts, if any, of Liens to be incurred in connection therewith, and the structure of the transaction shall be in form and substance acceptable to the

Administrative Agent;

(j) Amendment to Section 7.7. Section 7.7 ("Restricted Payments; Restricted Purchases") of the Loan Agreement is hereby amended by (i) deleting clause (e) thereof in its entirety and (ii) amending and restating clause (d) in its entirety as follows:

(d) the Borrower and its Subsidiaries may make Restricted Payments and Restricted Purchases, provided that (i) the Borrower and its Subsidiaries shall be in pro forma compliance with the financial covenants set forth in Sections 7.8, 7.9, 7.10 and 7.11 after giving effect to such Restricted Payment or Restricted Purchase, (ii) no Default or Event of Default exists at the time of making such Restricted Payment or Restricted Purchase or would exist after giving effect thereto, and (iii) if requested by the Administrative Agent, the Borrower shall deliver financial projections to the Administrative Agent, in form and substance satisfactory thereto, demonstrating pro forma compliance with the financial covenants for such period as reasonably requested by the Administrative Agent.

(k) Amendment to Section 7.8. Section 7.8 ("Senior Leverage Ratio") of the Loan Agreement is hereby amended by replacing the table set forth therein with the following:

Period -----	Senior Leverage Ratio -----
December 31, 2002 through September 29, 2004	4.25:1.00
September 30, 2004 through December 30, 2004	3.75:1.00
December 31, 2004 and thereafter	3.50:1.00

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(l) Amendment to Section 7.11. Section 7.11 ("Leverage Ratio") of the Loan Agreement is hereby amended by replacing the table set forth therein with the following:

PERIOD -----	Leverage Ratio -----
March 31, 2004 through September 29, 2004	6.75:1.00
September 30, 2004 through December 30, 2004	6.25:1.00
December 31, 2004 and thereafter	5.75:1.00

(m) Addition of Exhibit P. Exhibit P attached to this Amendment is hereby added to the Credit Agreement.

3. Agreement Regarding Incremental Term Loans Made on the Effective Date. The Borrower agrees that the proceeds of the Incremental Facility Loans funded on the Effective Date (the "2004 Incremental Facility Loan") shall be used first to prepay in full on the Effective Date the outstanding principal amount of the Incremental Facility Loan made pursuant to the Notice of

Incremental Facility Commitment dated June 9, 2003 (the "2003 Incremental Facility Loan") and then, to the extent of any remaining proceeds, for general corporate purposes. For purposes of the dollar limitation in Section 2.15(a) of the Loan Agreement, the Incremental Facility Commitments for the 2004 Incremental Facility Loan and the 2003 Incremental Facility Loan shall not be deemed to be outstanding at the same time.

4. Effectiveness. This Amendment shall become effective on the date (the "Effective Date") that each of the following conditions has been satisfied:

(a) Amendment Documents. The Administrative Agent shall have received this Amendment executed by the Borrower and the Administrative Agent on behalf of itself and the other Lenders pursuant to authorizations of even date.

(b) Notice of Incremental Facility Commitment. The Administrative Agent shall have received a completed Notice of Incremental Facility Commitment providing for Incremental Facility Commitments totaling \$375,000,000 and executed by the Borrower in form and substance satisfactory to the Administrative Agent.

(c) Request for Advance. The Administrative Agent shall have received a completed Request for Advance executed by the Borrower in accordance with Section 2.2 of the Loan Agreement with respect to an Incremental Facility Advance in the principal amount of \$375,000,000 to be funded on the Effective Date together with any applicable LIBOR indemnity agreement.

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(d) Notice of Prepayment. The Administrative Agent shall have received written notice from the Borrower in accordance with Section 2.7 of the Loan Agreement with respect to the repayment of the 2003 Incremental Facility Loans on the Effective Date.

(e) Loan Certificate. The Administrative Agent shall have received a loan certificate of the Borrower dated as of the Effective Date generally in the form of Exhibit K-1 to the Loan Agreement including a certificate of incumbency with respect to each Authorized Signatory of the Borrower (or a representation that each Authorized Signatory provided in the loan certificate delivered on the Agreement Date remains unchanged), together with true, complete and correct copies of the articles of incorporation and bylaws of the Borrower (or a representation that the articles of incorporation and bylaws provided in the loan certificate delivered on the Agreement Date remain unchanged), and a true, complete and correct copy of the corporate resolutions of the Borrower authorizing the Borrower to execute and deliver this Amendment, the Notice of Incremental Facility Commitment and the Incremental Facility Notes and to perform its obligations hereunder and thereunder.

(f) Opinion. The Administrative Agent shall have received a legal opinion of Troutman Sanders LLP, corporate counsel to the Borrower and its Subsidiaries, addressed to each Lender and the Administrative Agent and dated as of the Effective Date which shall be in form and substance acceptable to the Administrative Agent, as to the due authorization, execution, delivery and enforceability of this Amendment, the Notice of Incremental Facility Commitment and the Incremental Facility Notes and such other matters as reasonably requested by the Administrative Agent.

(g) Other Fees and Expenses. The Administrative Agent shall have been reimbursed for all fees and out of pocket charges and other expenses incurred in connection with this Amendment and the transactions contemplated thereby (including, without limitation, the costs and expenses referred to in Section 7 hereof and in the Loan Agreement).

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

5. Effect of the Amendment. Except as expressly modified hereby, the

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

6. Representations and Warranties/No Default.

(a) By its execution hereof, the Borrower hereby certifies that (i) each of the representations and warranties set forth in the Loan Agreement and the other Loan Documents is

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true and correct as of the date hereof as if fully set forth herein unless such representations and warranties relate to a specific date, in which case such representations and warranties shall be true and correct as of such specific date and (ii) no Default or Event of Default has occurred and is continuing as of the date hereof.

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

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

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

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

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

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

11. Acknowledgement by Subsidiary Guarantors. By their execution hereof, each of the Subsidiaries of the Borrower listed on the signature pages to this Amendment hereby expressly (a) consents to the modifications and amendments set forth in this Amendment, (b) reaffirms all of its respective covenants,

representations, warranties and other obligations set forth in the Subsidiary Guaranty and the other Loan Documents to which it is a party and (c) acknowledges, represents and

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agrees that its respective covenants, representations, warranties and other obligations set forth in the Subsidiary Guaranty and the other Loan Documents to which it is a party remain in full force and effect.

[Signature Pages Follow]

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

BORROWER:

GRAY TELEVISION, INC.

By: /s/ James C. Ryan

-----  
Name: James C. Ryan  
Title: Senior Vice President and Chief  
Financial Officer

SUBSIDIARY GUARANTORS:

GRAY PUBLISHING, LLC

By: /s/ James C. Ryan

-----  
Name: James C. Ryan  
Title: Vice President and Chief Financial  
Officer

PORTA-PHONE PAGING LICENSEE CORP.

By: /s/ James C. Ryan

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Name: James C. Ryan  
Title: Treasurer

WVLT-TV, INC.

By: /s/ James C. Ryan

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

[Signatures Pages Continue]

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GRAY MIDAMERICA TELEVISION, INC.

By: /s/ James C. Ryan

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Name: James C. Ryan  
Title: Treasurer

GRAY TELEVISION GROUP, INC.

By: /s/ James C. Ryan

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Name: James C. Ryan  
Title: Treasurer

GRAY TELEVISION LICENSEE, INC.

By: /s/ James C. Ryan

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Name: James C. Ryan  
Title: Treasurer

GRAY TEXAS LP

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

By: /s/ James C. Ryan

-----  
Name: James C. Ryan  
Title: Senior Vice President, Assistant  
Secretary and Treasurer

GRAY TEXAS LLC

By: /s/ James C. Ryan

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Name: James C. Ryan  
Title: Treasurer

[Signatures Pages Continue]

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ADMINISTRATIVE AGENT:

WACHOVIA BANK, NATIONAL ASSOCIATION, as  
Administrative Agent and Lender on behalf of  
itself and the Lenders

By: /s/ Joe Mynat

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Name: Joe Mynat  
Title: Director

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NOTICE OF INCREMENTAL FACILITY COMMITMENT  
(MAY 2004)

Dated as of: May 28, 2004

GRAY TELEVISION, INC. (the "Borrower"), in connection with that certain Fourth Amended and Restated Loan Agreement dated as of October 25, 2002 (as the same has been or may be amended, modified, restated, and supplemented from time to time, the "Loan Agreement") by and among the Borrower, the various financial institutions that are parties thereto (the "Lenders"), Wachovia Bank, National Association, as administrative agent (the "Administrative Agent"), Bank of America, N.A., as syndication agent, and Deutsche Bank Trust Company Americas, as documentation agent, hereby certifies that:

1. The Borrower has obtained an agreement from certain financial institutions to provide an Incremental Facility Commitment in the aggregate amount of THREE HUNDRED SEVENTY FIVE MILLION DOLLARS (\$375,000,000.00). The Applicable Margin and terms for repayment of the Incremental Facility Commitment are set forth on Schedule 1 attached hereto and in Article 2 of the Loan Agreement; provided, however, that the terms of the Loan Agreement shall control to the extent such terms conflict with those set forth on Schedule 1 attached hereto. The Incremental Facility Commitment and the Incremental Facility Loan described herein are hereinafter referred to as the "May 2004 Incremental Facility Commitment" and the "May 2004 Incremental Facility Loan," respectively.

2. All of the representations and warranties of the Borrower made under the Loan Agreement (including, without limitation, all representations and warranties with respect to the Borrower's Subsidiaries) and the other Loan Documents are as of the date hereof, and will be as of the effective date of such May 2004 Incremental Facility Commitment, true and correct in all material respects.

3. There does not exist, as of this date, and there will not exist after giving effect to the May 2004 Incremental Facility Commitment, any Default under the Loan Agreement.

4. All Necessary Authorizations have been obtained or made, are in full force and effect and are not subject to any pending or threatened reversal or cancellation.

5. Revised projections which demonstrate the Borrower's ability to timely repay any Incremental Facility Loans made under the May 2004 Incremental Facility Commitment and to timely comply with the covenants contained in Sections 7.8, 7.9, 7.10 and 7.11 of the Loan Agreement have been provided to the Lenders on the Gray Television, Inc. Intralinks work space.

Capitalized terms used in this Notice of Incremental Facility Commitment and not otherwise defined herein are used as defined in the Loan Agreement.

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IN WITNESS WHEREOF, the Borrower, acting through an Authorized Signatory, has signed this Notice of Incremental Facility Commitment as of the day and year first above written.

GRAY TELEVISION, INC.

By: /s/ James C. Ryan

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Name: James C. Ryan  
Title: Senior Vice President and

Schedule 1  
To  
Notice of Incremental Facility Commitment (May 2004)

MAY 2004 INCREMENTAL FACILITY COMMITMENT TERMS

Incremental Facility Loan: The financial institutions who issued an Incremental Facility Commitment pursuant to the Loan Agreement, have agreed severally, in accordance with their respective Incremental Facility Commitment Ratios, and not jointly, upon the terms and subject to the conditions of this Schedule 1 and the Loan Agreement, to make a term loan to the Borrower on the Incremental Facility Commitment Effective Date (as set forth below) in an amount equal to the aggregate Incremental Facility Commitment.

Incremental Facility Commitment Effective Date: May 28, 2004 (the "Effective Date").

Incremental Facility Maturity Date: June 30, 2011 or such earlier date as payment of the May 2004 Incremental Facility Loan shall be due in accordance with the terms of the Loan Agreement (whether by acceleration or otherwise).

Purpose: The proceeds of the May 2004 Incremental Facility Loan shall be used first to prepay on the Effective Date in full the outstanding amount of the Incremental Facility Loans made pursuant to the Notice of Incremental Facility Commitment dated June 9, 2003, then for general corporate purposes.

Scheduled Repayments: Commencing on March 31, 2005, the principal balance of the May 2004 Incremental Facility Loan outstanding on the Effective Date shall be repaid in consecutive quarterly installments on the last day of each fiscal quarter (each a "Repayment Date") ending during the periods set forth below until paid in full in such amounts as follows:

Repayment Dates -----	Percentage of principal of the May 2004 Incremental Facility Loan outstanding on the Effective Date Due on each Repayment Date -----
March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005	0.25%
March 31, 2006, June 30, 2006, September 30, 2006 and December 31, 2006	0.25%



March 31, 2007, June 30, 2007, September 30, 2007 and December 31, 2007	0.25%
March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008	0.25%
March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009	0.25%
March 31, 2010 and June 30, 2010	0.25%
September 30, 2010 and December 31, 2010	23.50%
March 31, 2011 and June 30, 2011	23.75%

Applicable Margin:

The Applicable Margin for the May 2004 Incremental Facility Loan shall be (i) 1.00% for Base Rate Loans and (ii) 1.75% for LIBOR Rate Loans.

## CERTIFICATION

I, J. Mack Robinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gray Television, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

By: /s/ J. Mack Robinson

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Chairman and Chief Executive Officer

## CERTIFICATION

I, James C. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gray Television, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

By: /s/ James C. Ryan

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Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Gray Television, Inc. (the "Company") for the quarterly period ended June 30, 2004 (the "Periodic Report"), the undersigned Chief Executive Officer of the Company, hereby certifies pursuant to Title 18, Section 1350 United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003, to the best of his individual knowledge and belief, that the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2004

/s/ J. Mack Robinson

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J. Mack Robinson,  
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Gray Television, Inc. and will be retained by Gray Television, Inc. and furnished to the SEC or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Gray Television, Inc. (the "Company") for the quarterly period ended June 30, 2004 (the "Periodic Report"), the undersigned Chief Financial Officer of the Company, hereby certifies pursuant to Title 18, Section 1350 United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003, to the best of his individual knowledge and belief, that the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2004

/s/ James C. Ryan

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James C. Ryan,  
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Gray Television, Inc. and will be retained by Gray Television, Inc. and furnished to the SEC or its staff upon request.