UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014 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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _____ No ✓

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

Common Stock (No Par Value)	**Class A Common Stock (No Par Value)**
52,534,178 shares outstanding as of October 31, 2014	**5,989,314 shares outstanding as of October 31, 2014**

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GRAY TELEVISION, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

		September 30, 2014		December 31, 2013
Assets:				
Current assets:				
Cash	$	79,807		13,478
Accounts receivable, less allowance for doubtful accounts of $707 and $730, respectively		95,934		70,047
Current portion of program broadcast rights, net		12,767		7,656
Deferred tax asset		34,112		34,113
Prepaid and other current assets		11,129		5,293
Total current assets		233,749		130,587
Property and equipment, net		217,146		143,621
Deferred loan costs, net		19,489		17,293
Broadcast licenses		1,023,491		838,982
Goodwill		371,995		184,409
Other intangible assets, net		48,414		2,644
Investment in broadcasting company		13,599		13,599
Other		3,956		3,289
Total assets (1)	$	1,931,839	$	1,334,424

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands except for share data)

	September 30, 2014	December 31, 2013
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	$ 5,297	$ 2,256
Employee compensation and benefits	21,189	16,759
Accrued interest	30,459	12,703
Accrued network programming fees	5,068	2,467
Other accrued expenses	8,407	5,158
Federal and state income taxes	1,665	1,550
Current portion of program broadcast obligations	13,101	9,707
Deferred revenue	12,095	2,522
Acquisition related liabilities	9,978	9,739
Current portion of long-term debt	6,453	224
Total current liabilities	113,712	63,085
Long-term debt, less current portion	1,300,017	842,650
Program broadcast obligations, less current portion	2,292	1,520
Deferred income taxes	293,488	225,407
Accrued pension costs	26,823	26,925
Other	930	827
Total liabilities (1)	1,737,262	1,160,414
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, no par value; authorized 100,000,000 shares, issued 57,325,421 shares and 57,010,878 shares, respectively	485,717	483,055
Class A common stock, no par value; authorized 15,000,000 shares, issued 7,567,868 shares and 7,331,574 shares, respectively	16,709	15,321
Accumulated deficit	(234,192)	(251,000)
Accumulated other comprehensive loss, net of income tax benefit	(10,409)	(10,409)
	257,825	236,967
Treasury stock at cost, common stock, 4,791,481 shares and 4,768,925 shares, respectively	(40,850)	(40,559)
Treasury stock at cost, Class A common stock, 1,578,554 shares	(22,398)	(22,398)
Total stockholders' equity	194,577	174,010
Total liabilities and stockholders' equity	$ 1,931,839	$ 1,334,424

See notes to condensed consolidated financial statements.

(1) Our consolidated total assets as of September 30, 2014 and December 31, 2013 included total assets of $6.2 million and $6.8 million, respectively, of a variable interest entity ("VIE"). These assets can only be used to settle the obligations of the VIE. Our consolidated total liabilities as of September 30, 2014 and December 31, 2013 included total liabilities of $3.0 million and $3.1 million, respectively, of the VIE. As of September 30, 2014 and December 31, 2013, the creditors of the VIE had recourse against Gray for $2.9 million and $3.0 million of these liabilities, respectively.

GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(in thousands except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue (less agency commissions)	$ 131,702	$ 88,288	$ 330,248	$ 250,742
Operating expenses before depreciation, amortization and loss (gain) on disposal of assets, net:				
Broadcast	73,218	53,516	199,604	158,817
Corporate and administrative	5,271	4,470	21,618	13,587
Depreciation	8,228	6,024	21,598	17,762
Amortization of intangible assets	3,823	9	5,291	40
Loss (gain) on disposals of assets, net	6	49	385	(56)
Operating expenses	90,546	64,068	248,496	190,150
Operating income	41,156	24,220	81,752	60,592
Other income (expense):				
Miscellaneous income, net	11	-	14	-
Interest expense	(18,619)	(12,656)	(49,718)	(37,790)
Loss from early extinguishment of debt	-	-	(4,897)	-
Income before income taxes	22,548	11,564	27,151	22,802
Income tax expense	8,608	4,491	10,343	9,715
Net income	$ 13,940	$ 7,073	$ 16,808	$ 13,087
Basic per share information:				
Net income	$ 0.24	$ 0.12	$ 0.29	$ 0.23
Weighted-average shares outstanding	57,863	57,713	57,857	57,600
Diluted per share information:				
Net income	$ 0.24	$ 0.12	$ 0.29	$ 0.23
Weighted-average shares outstanding	58,394	58,078	58,330	57,907
Dividends declared per common share	$ -	$ -	$ -	$ -

See notes to condensed consolidated financial statements.

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

	Class A Common Stock		Common Stock		Accumulated Deficit	Class A Treasury Stock		Common Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount		
Balance at December 31, 2013	7,331,574	$ 15,321	57,010,878	$ 483,055	$ (251,000)	(1,578,554)	$ (22,398)	(4,768,925)	$ (40,559)	$ (10,409)	$ 174,010
Net income	-	-	-	-	16,808	-	-	-	-	-	16,808
Issuance of common stock:											
401(k) plan	-	-	1,582	18	-	-	-	-	-	-	18
2007 Long Term Incentive Plan - restricted stock	236,294	-	312,961	-	-	-	-	(22,556)	(291)	-	(291)
Share-based compensation	-	1,388	-	2,644	-	-	-	-	-	-	4,032
Balance at September 30, 2014	7,567,868	$ 16,709	57,325,421	$ 485,717	$ (234,192)	(1,578,554)	$ (22,398)	(4,791,481)	$ (40,850)	$ (10,409)	$ 194,577

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Operating activities		
Net income	$ 16,808	$ 13,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,598	17,762
Amortization of intangible assets	5,291	40
Amortization of deferred loan costs	2,158	1,235
Amortization of original issue (premium) or discount related to long-term debt	(647)	206
Amortization of restricted stock and stock option awards	4,032	1,719
Amortization of program broadcast rights	9,227	8,492
Payments on program broadcast obligations	(11,194)	(8,549)
Deferred income taxes	10,333	9,981
Loss (gain) on disposals of assets, net	385	(56)
Loss from early extinguishment of debt	4,897	-
Other	(214)	1,970
Changes in operating assets and liabilities:		
Receivables	(7,300)	2,886
Other current assets	(772)	(2,016)
Accounts payable	2,881	(678)
Other current liabilities	13,166	(1,352)
Accrued interest	17,755	6,863
Net cash provided by operating activities	88,404	51,590
Investing activities		
Purchases of property and equipment	(20,452)	(18,441)
Acquisitions of television businesses and broadcast licenses	(457,754)	(1,329)
Proceeds from asset sales	1,162	160
Other	(22)	7
Net cash used in investing activities	(477,066)	(19,603)
Financing activities		
Proceeds from borrowings on long-term debt	644,000	-
Repayments of borrowings on long-term debt	(179,758)	-
Deferred and other loan costs	(9,251)	(14)
Proceeds from issuance of common stock	-	280
Net cash provided by financing activities	454,991	266
Net increase in cash	66,329	32,253
Cash at beginning of period	13,478	11,067
Cash at end of period	$ 79,807	$ 43,320

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying condensed consolidated balance sheet of Gray Television, Inc. (and its consolidated subsidiaries, except as the context otherwise provides,"Gray," the "Company," "we," "us," and "our") as of December 31, 2013, which was derived from the Company's audited financial statements as of December 31, 2013, and our accompanying unaudited condensed consolidated financial statements as of September 30, 2014 and for the periods ended September 30, 2014 and 2013 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. Our operations consist of one reportable segment. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K"). Our financial condition as of, and operating results for the nine-month period ended, September 30, 2014 are not necessarily indicative of the financial condition or results that may be expected for any future interim period or for the year ending December 31, 2014.

Seasonality and Cyclicality

Broadcast advertising revenues are generally highest in the second and fourth quarters each year. This seasonality results partly from increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. Broadcast advertising revenues are also typically higher in even-numbered years due to increased spending by political candidates, political parties and special interest groups in advance of elections. This political spending typically is heaviest during the fourth quarter.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements. Our actual results could differ materially from these estimates. The most significant estimates we make relate to our allowance for doubtful accounts in receivables, valuation of goodwill and intangible assets, amortization of program broadcast rights and intangible assets, stock-based compensation, pension costs, income taxes, employee medical insurance claims, useful lives of property and equipment and contingencies.

Variable Interest Entity

During the year ended December 31, 2013, we entered into a series of transactions with the News-Press Gazette Company and Excalibur Broadcasting, LLC (collectively with its subsidiaries, "Excalibur"), pursuant to which we acquired the non-license assets, and Excalibur acquired the license assets, of KJCT-TV and associated low power stations (collectively, "KJCT-TV"), in the Grand Junction, Colorado market. In connection therewith, we entered into a shared services agreement, pursuant to which we provide certain services, including back-office, engineering and sales support, and a lease agreement, pursuant to which we provide studio and office space, to Excalibur. We have also entered into a put and call option agreement with Excalibur, pursuant to which we have the right to purchase, and Excalibur has the right to require us to purchase, the license assets of KJCT-TV, upon receipt of Federal Communications Commission ("FCC") approval (the "KJCT-TV Option"). In connection with the consummation of Excalibur's acquisition of KJCT-TV's license assets, Excalibur incurred debt which Gray has guaranteed. The assets of Excalibur can only be used to settle the obligations of Excalibur. In compliance with FCC regulations, Excalibur maintains complete responsibility for and control over programming, finances, personnel and operations of KJCT-TV. See Note 3 "Long-term Debt" for more information.

We consolidate a VIE when we are determined to be the primary beneficiary. In accordance with U.S. GAAP, in determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE.

Based on the terms of our agreements with, the significance of our investment in, and our guarantee of the debt of, Excalibur, we have determined that Excalibur is a VIE of Gray. We believe we are the primary beneficiary of Excalibur because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of Excalibur through the services we provide, and our obligation to absorb losses and earn returns that would be considered significant to Excalibur. Included in our condensed consolidated statements of operations for the nine months ended September 30, 2014 and 2013 is revenue of $1.4 million and $0.0 million, respectively, attributable to Excalibur.

The carrying amounts and classification of the assets and liabilities of Excalibur described above have been included in our consolidated balance sheets as of September 30, 2014 and December 31, 2013 as follows (in thousands):

	September 30, 2014	December 31, 2013
Assets:		
Current assets:		
Cash	$ 266	$ 473
Accounts receivable, net	428	524
Current portion of program broadcast rights, net	42	42
Prepaid and other current assets	-	7
Total current assets	736	1,046
Property and equipment, net	746	883
Deferred loan costs, net	202	174
Broadcast licenses	4,161	4,161
Other intangible assets, net	401	575
Total assets	$ 6,246	$ 6,839
Liabilities:		
Current liabilities:		
Accounts payable	$ 13	$ 14
Employee compensation and benefits	51	8
Accrued interest	1	2
Other accrued expenses	25	13
Accrued expenses due to Gray	1,376	651
Current portion of program broadcast obligations	34	45
Current portion of long-term debt	200	200
Total current liabilities	1,700	933
Long-term debt, less current portion	2,650	2,800
Other long-term liabilities	1,896	3,106
Total liabilities	$ 6,246	$ 6,839

The assets of Excalibur can only be used to settle the obligations of Excalibur and may not be sold, or otherwise disposed of, except for assets sold or replaced with others of like kind or value. Other long-term liabilities of $1.9 million and $3.1 million, representing the fair value of the KJCT-TV Option as of September 30, 2014 and December 31, 2013, respectively, and accrued expenses due to Gray of $1.4 million and $0.7 million as of September 30, 2014 and December 31, 2013, respectively, were eliminated in our consolidated financial statements. The terms of the KJCT-TV Option provide for the acquisition of the license assets of KJCT-TV at an exercise price that was less than the carrying value of such assets as of September 30, 2014.

Earnings Per Share

We compute basic earnings per share by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the relevant period. The weighted-average number of common shares outstanding does not include restricted shares. These shares, although classified as issued and outstanding, are considered contingently returnable until the restrictions lapse and, in accordance with U.S. GAAP, are not included in the basic earnings per share calculation until the shares vest. Diluted earnings per share is computed by including all potentially dilutive common shares, including restricted shares and shares underlying stock options, in the denominator of the diluted weighted-average shares outstanding calculation, unless their inclusion would be antidilutive.

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding for the three-month and nine-month periods ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Weighted-average shares outstanding - basic	57,863	57,713	57,857	57,600
Common stock equivalents for stock options and restricted stock	531	365	473	307
Weighted-average shares outstanding - diluted	58,394	58,078	58,330	57,907

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss balances as of September 30, 2014 and December 31, 2013 consisted of adjustments to our pension liability and income tax benefit as follows (in thousands):

	September 30, 2014	December 31, 2013
Accumulated balances of items included in accumulated other comprehensive loss:		
Increase in pension liability	$ (17,064)	$ (17,064)
Income tax benefit	(6,655)	(6,655)
Accumulated other comprehensive loss	$ (10,409)	$ (10,409)

Consolidated Statement of Comprehensive Income

Our comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013 consisted entirely of net income. Therefore, a consolidated statement of comprehensive income is not presented.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed principally by the straight-line method. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of any assets sold or retired and the related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting profit or loss is reflected in income or expense for the period. The following table lists components of property and equipment by major category (in thousands):

	September 30, 2014	December 31, 2013	Estimated Useful Lives (in years)
Property and equipment:			
Land	$ 32,021	$ 25,656	
Buildings and improvements	73,546	59,021	7 to 40
Equipment	387,235	323,603	3 to 20
	492,802	408,280	
Accumulated depreciation	(275,656)	(264,659)	
Total property and equipment, net	$ 217,146	$ 143,621	

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is equal to at least 85% of our receivable balances that are 120 days old or older. We may provide allowances for certain receivable balances that are less than 120 days old when warranted by specific facts and circumstances. We generally write-off accounts receivable balances when the customer files for bankruptcy or when all commonly used methods of collection have been exhausted.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued new guidance on revenue recognition for revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. This new standard is effective for annual reporting periods beginning after December 15, 2016. Early application is not permitted and the standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of this requirement on our financial statements.

2. Acquisitions

During the nine-month period ended September 30, 2014, we completed the six acquisitions described below (collectively, the "2014 Acquisitions"). The 2014 Acquisitions are expected to, among other things, increase our revenues and cash flows from operating activities, and allow us to operate more efficiently and effectively, by increasing our scale and providing us with the ability to negotiate more favorable terms in our agreements with third parties.

KAQY Acquisition

On June 13, 2014, Gray entered into a stock purchase agreement with Parker Broadcasting, Inc. ("Parker") pursuant to which we agreed to acquire two wholly owned subsidiaries of Parker: Parker Broadcasting of Dakota, LLC and Parker Broadcasting of Louisiana, LLC. Parker Broadcasting of Dakota, LLC owns certain non-license assets of KXJB-TV which is affiliated with the CBS network and serves the Fargo, North Dakota television market. Parker Broadcasting of Louisiana LLC owns certain non-license assets of KAQY-TV which is affiliated with the ABC network and serves the Monroe, Louisiana television market. On September 25, 2014, we completed the acquisition of the outstanding capital stock of Parker Broadcasting of Louisiana LLC (the "KAQY Acquisition") and transferred the programing of KAQY-TV to KNOE-TV, a station owned by Gray which also serves the Monroe, Louisiana, television market. We currently anticipate that we will complete the acquisition of Parker Broadcasting of Dakota, LLC (the "KXJB Acquisition") in 2014.

The total purchase price for the acquisition of the two Parker subsidiaries is $6.7 million, of which approximately $1.8 million has been allocated to the KAQY Acquisition. We have funded $6.0 million of the total purchase price and anticipate funding the remaining $0.7 million upon completing the KXJB Acquisition. Gray funded the KAQY Acquisition through a combination of cash from operations and borrowings under our 2014 Senior Credit Facility (as defined below).

SJL Acquisition

On September 15, 2014, we acquired all of the outstanding capital stock of WJRT Acquisition, Inc. and WTVG Acquisition, Inc. from SJL Holdings, LLC and SJL Holdings II, LLC, respectively, for total cash consideration of $131.5 million, which consisted of a base purchase price of $128.0 million and a working capital adjustment of approximately $3.5 million (the "SJL Acquisition"). WJRT Acquisition, Inc. and WTVG Acquisition, Inc. own and operate WJRT-TV and WTVG-TV, respectively, which are the ABC-affiliated television stations serving the Flint-Saginaw-Bay City, Michigan, and Toledo, Ohio, television markets. Gray financed the SJL Acquisition through a combination of cash from operations and borrowings under our 2014 Senior Credit Facility.

Hoak Acquisition

On June 13, 2014, we completed the acquisition of 100% of the capital stock of certain wholly owned subsidiaries of Hoak Media, LLC ("Hoak") for total cash consideration of approximately $299.8 million, which included a base purchase price of $290.8 million and a working capital adjustment of $9.0 million (the "Hoak Acquisition"). The acquired Hoak subsidiaries owned and operated twelve television stations as described in the table below. The Hoak Acquisition also included the assumption of Hoak's interest in certain operating agreements, and the acquisition of certain non-license assets, of KHAS-TV, which serves the Lincoln-Hastings, Nebraska market, from Hoak. On June 13, 2014, we transferred the programing of KHAS-TV to KSNB-TV, a station owned by Gray which also serves the Lincoln-Hastings, Nebraska, television market. We used borrowings under the 2014 Senior Credit Facility to fund the purchase price to complete the Hoak Acquisition.

The following stations were acquired in the Hoak Acquisition:

Station	Network Affiliation	Market
KSFY-TV	ABC	Sioux Falls, SD
KABY-TV*	ABC	Sioux Falls, SD
KPRY-TV*	ABC	Sioux Falls, SD
KVLY-TV	NBC	Fargo-Valley City, ND
KNOE-TV	CBS	Monroe- El Dorado, LA
KFYR-TV	NBC	Minot-Bismarck-Dickinson, ND
KMOT-TV*	NBC	Minot-Bismarck-Dickinson, ND
KUMV-TV*	NBC	Minot-Bismarck-Dickinson, ND
KQCD-TV*	NBC	Minot-Bismarck-Dickinson, ND
KALB-TV	NBC/CBS	Alexandria, LA
KNOP-TV	NBC	North Platte, NE
KIIT-LP	FOX	North Platte, NE
* satellite station		

As a component of the Hoak Acquisition, Gray assumed Hoak's rights under certain agreements with Parker to provide back-office services, sales support and limited programming to KXJB-TV and KAQY-TV (each a "Parker Agreement"). The Parker Agreement with KAQY-TV terminated upon completion of the KAQY Acquisition. The Parker Agreement with KXJB-TV will terminate when the KXJB Acquisition is complete.

KNDX Acquisition

On May 1, 2014, we acquired certain assets of KNDX-TV and its satellite station KXND-TV, as well as certain non-license assets of low power stations KNDX-LP and KXND-LP, from Prime Cities Broadcasting, Inc. ("Prime Cities"). These four stations served as the Fox network affiliates for the Minot-Bismarck, North Dakota television market. On June 13, 2014, we transferred the programing of KNDX-TV and KXND-TV to the television stations that we acquired from Hoak in the Minot-Bismarck, North Dakota television market. On June 27, 2014, we acquired the low power FCC licenses of KNDX-LP and KXND-LP from Prime Cities. We refer to the acquisition of these assets from Prime Cities as the "KNDX Acquisition." The total cash consideration to complete the KNDX Acquisition was $7.5 million, which was funded from a combination of cash from operations and borrowings under our 2012 Senior Credit Facility, as defined below.

KEVN Acquisition

On May 1, 2014, we acquired 100% of the equity interests in KEVN, Inc. from Mission TV, LLC (the "KEVN Acquisition"). KEVN, Inc. owned and operated KEVN-TV and its satellite station, KIVV-TV (collectively, the "KEVN Stations"). The KEVN Stations are affiliated with the Fox network and serve the Rapid City, South Dakota market. The total purchase price to complete the KEVN Acquisition was approximately $8.8 million which included a base purchase price of $7.8 million and a working capital adjustment of $1.0 million. The cash consideration to complete the KEVN Acquisition was funded from a combination of cash from operations and borrowings under our 2012 Senior Credit Facility.

WQCW Acquisition

On April 1, 2014, we acquired the assets of WQCW-TV, Portsmouth, Ohio and WOCW-LP, Charleston, West Virginia from Lockwood Broadcast Group (collectively, the "WQCW Acquisition"). WQCW-TV and WOCW-LP serve as the CW affiliate for the Charleston/ Huntington, West Virginia television market, where we own and operate WSAZ-TV, the market's NBC affiliate. The consideration to complete the WQCW Acquisition was approximately $5.5 million, which was funded from cash from operations.

Preliminary Fair Value Estimates:

The preliminary fair value estimates of the acquired assets, assumed liabilities and resulting goodwill from each of the 2014 Acquisitions are summarized as follows (in thousands):

	Acquisition					
	KAQY	**SJL**	**Hoak**	**KNDX**	**KEVN**	**WQCW**
Cash	$ 526	$ -	$ -	$ -	$ 615	$ -
Accounts receivable	159	7,132	10,732	-	568	-
Other current assets	54	1,972	511	39	96	45
Property and equipment	515	23,518	45,382	2,576	3,888	991
Goodwill	-	50,753	131,531	1,839	2,715	802
Broadcast licenses	-	86,685	91,958	500	1,675	3,691
Other intangible assets	1,199	10,091	35,386	2,584	1,786	15
Other non-current assets	16	329	-	15	29	-
Current liabilities	(712)	(5,111)	(3,595)	(36)	(216)	(45)
Other long-term liabilities	(4)	(379)	-	(17)	(32)	-
Deferred income tax liabilities	-	(43,461)	(12,135)	-	(2,339)	-
Total	$ 1,753	$ 131,529	$ 299,770	$ 7,500	$ 8,785	$ 5,499

Amounts in the table above are based upon management’s estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates, and estimated discount rates.

Accounts receivable are recorded at their fair value which represents the amount that we expect to collect. Gross contractual amounts receivable are approximately $0.2 million more than their recorded fair value.

The property and equipment amounts will be depreciated over their estimated useful lives ranging from 3 years to 40 years.

Amounts related to other intangible assets represent the estimated fair values of retransmission agreements of $32.0 million; advertising contracts of $2.0 million; advertising relationships of $13.0 million; and favorable leases of $4.1 million. These intangible assets are being amortized over their estimated useful lives of approximately 4.4 years for retransmission agreements; approximately 0.7 years for advertising contracts; approximately 5.5 years for advertising relationships; and approximately 8.1 years for leases.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, as well as future synergies that we expect to generate from the 2014 Acquisitions. We have preliminarily recorded $187.6 million of goodwill in connection with the 2014 Acquisitions. Of the goodwill recognized in connection with the 2014 Acquisitions, approximately $86.6 million is deductible for income tax purposes.

The fair values of assets acquired and liabilities assumed were based upon preliminary valuations and the estimates and assumptions are subject to change within the measurement period as additional information is obtained. Any such changes could be material and could result in significantly different fair values from those set out above.

Preliminary Pro Forma Financial Information

The following table sets forth certain unaudited pro forma results of operations of the Company for the nine months ended September 30, 2014 and 2013 assuming that the Hoak Acquisition and the SJL Acquisition, along with transactions necessary to finance the Hoak Acquisition and the SJL Acquisition, occurred on January 1, 2013 (in thousands, except per share data):

	Nine Months Ended September 30,	
	2014	**2013**
Revenue (less agency commissions)	$ 387,365	$ 322,376
Net income	$ 22,375	$ 11,790
Basic net income per share	$ 0.39	$ 0.20
Diluted net income per share	$ 0.38	$ 0.20

This pro forma financial information is based on each of Gray's, Hoak's and SJL's historical results of operations, adjusted for the effect of preliminary fair value estimates and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we completed each of the Hoak Acquisition and the SJL Acquisition on January 1, 2013 or on any other historical date, nor is it reflective of our expected results of operations for any future period. The pro forma adjustments for the nine months ended September 30, 2014 and 2013 reflect (i) depreciation expense and amortization of finite-lived intangible assets related to the fair value of the assets acquired, (ii) additional interest expense related to the financing of each of the Hoak Acquisition and the SJL Acquisition, (iii) the loss from early extinguishment of debt as if the amendment and restatement of our 2014 Senior Credit Facility had ocurred in 2013 rather than 2014 and (iv) the related tax effects of the adjustments. This pro forma financial information has been prepared based on estimates and assumptions which we believe are reasonable as of the date hereof, and are subject to change based on, among other things, changes in the fair value estimates or underlying assumptions.

In connection with completing the Hoak Acquisition and SJL Acquisition, in 2014 we incurred a total of $5.1 million of transaction related costs, primarily related to legal, consulting and other professional services. These costs were not included in the 2014 pro forma amounts presented above,but 2013 pro forma net income was adjusted to include these costs as if they were incurred in the 2013 period as they were directly attributable to the Hoak Acquisition and the SJL Acquisition.

Net revenues and operating income of the businesses acquired in the Hoak Acquisition and the SJL Acquisition included in our actual condensed consolidated statements of operations for the nine months ended September 30, 2014 were $25.0 million and $9.4 million, respectively.

Pro forma financial information for each of the KAQY Acquisition, the KNDX Acquisition, the KEVN Acquisition and the WQCW Acquisition is not included, as such information is not material to our financial statements.

Pending Acquisitions

As of September 30, 2014, our pending acquisitions were as follows: (1) the acquisition of the remaining outstanding equity interest in Yellowstone Television, LLC ("Yellowstone"), (2) the acquisition of KTVH-TV and KBGF-TV in Great Falls, Montana (the "Beartooth Acquisition"), (3) the acquisition of KMTF-TV in Helena, Montana, (the "KMTF Acquisition"), (4) the acquisition of KKHD-LD and the programming of KJCT-TV in Grand Junction, Colorado and (5) the KXJB Acquisition. As of September 30, 2014, the total consideration remaining to be paid for all of these acquisitions will be approximately $13.7 million. We completed the acquisition of Yellowstone on October 6, 2014 and we completed the Beartooth Acquisition on November 1, 2014. We anticipate closing the still pending acquisitions in the fourth quarter of 2014.

3. Long-term Debt

As of September 30, 2014 and December 31, 2013, long-term debt consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Long-term debt including current portion:		
2014 Senior Credit Facility	$ 623,438	$ -
2012 Senior Credit Facility	-	159,000
2020 Notes	675,000	675,000
Excalibur Loan	2,850	3,000
Other	3	48
Total outstanding principal	1,301,291	837,048
Plus unamortized premium on our 2020 Notes	5,179	5,826
Less current portion	(6,453)	(224)
Net carrying value	$ 1,300,017	$ 842,650
Borrowing availability under the 2014 Senior Credit Facility	$ 40,000	$ -
Borrowing availability under the 2012 Senior Credit Facility	$ -	$ 30,000

Senior Credit Facility

On June 13, 2014 (the "Closing Date"), Gray entered into an amendment and restatement of its then existing senior credit facility (the "2012 Senior Credit Facility") in the form of a new agreement (the "2014 Senior Credit Facility").

As of the Closing Date, the 2014 Senior Credit Facility provided total commitments of $575.0 million, consisting of a $525.0 million term loan facility (the "2014 Term Loan") and a $50.0 million revolving credit facility (the " 2014 Revolving Credit Facility").

On the Closing Date, we borrowed $525.0 million under the 2014 Term Loan. Proceeds from borrowings under the 2014 Term Loan were used to repay all amounts outstanding under the 2012 Senior Credit Facility, to fund the cash purchase price to complete the Hoak Acquisition and to pay related fees and expenses, as well as for general corporate purposes.

On September 15, 2014, we amended the 2014 Senior Credit Facility to increase the commitments under the 2014 Term Loan to $625.0 million and we borrowed an additional $100.0 million under the 2014 Term Loan. Proceeds from this borrowing were used to fund a portion of the cash purchase price to complete the SJL Acquisition.

2014 Term Loan borrowings bear interest, at our option, at either the Base Rate (as defined below) plus 1.75% to 2.0% or the London Interbank Offered Rate ("LIBOR") plus 2.75% to 3.0%, subject to a LIBOR floor of 0.75%, in each case based on a first lien leverage ratio test as set forth in the 2014 Senior Credit Facility (the "First Lien Ratio Test"). The 2014 Term Loan also requires us to make quarterly principal repayments equal to 0.25% of the outstanding principal amount of the 2014 Term Loan beginning September 30, 2014.

Borrowings under the 2014 Revolving Credit Facility bear interest, at our option, based on the Base Rate plus 1.0% to 1.5% or LIBOR plus 2.0% to 2.5%, in each case based on the First Lien Ratio Test. Base Rate is defined as the greatest of (i) the administrative agent's prime rate, (ii) the overnight federal funds rate plus 0.50% and (iii) one-month LIBOR plus 1.0%. We are required to pay a commitment fee on the average daily unused portion of the 2014 Revolving Credit Facility, which rate may range from 0.375% to 0.50% on an annual basis, based on the First Lien Ratio Test.

The 2014 Revolving Credit Facility matures on June 13, 2019 and the 2014 Term Loan matures on June 13, 2021.

Excluding accrued interest, the amount outstanding under our 2014 Senior Credit Facility as of September 30, 2014 consisted solely of a 2014 Term Loan balance of $623.4 million. As of September 30, 2014, the interest rate on the balance outstanding under the 2014 Senior Credit Facility was 3.8%. Our maximum borrowing availability is limited under the 2014 Senior Credit Facility by our required compliance with certain restrictive covenants, including a first lien net leverage ratio covenant. As of September 30, 2014, we had a $10.0 million letter of credit outstanding under the 2014 Revolving Credit Facility, which reduced our borrowing availability thereunder to $40.0 million as of that date. Also as of September 30, 2014, we had a deferred loan cost balance, net of accumulated amortization, of $7.5 million related to the 2014 Senior Credit Facility.

Prior to the amendment and restatement, the 2012 Senior Credit Facility consisted of a revolving loan (the "2012 Revolving Credit Facility") and a term loan (the "2012 Term Loan"). Excluding accrued interest, the amount outstanding under our 2012 Senior Credit Facility as of December 31, 2013 consisted solely of a 2012 Term Loan balance of $159.0 million. As of December 31, 2013, the interest rate on the balance outstanding under the 2012 Senior Credit Facility was 4.8%.

In connection with the entry into the 2014 Senior Credit Facility on June 13, 2014, we incurred loan issuance costs of approximately $7.1 million, including bank fees and other professional fees. In connection with our amendment on September 15, 2014, we incurred loan issuance costs of approximately $2.0 million, including bank fees and other professional fees.

The amendment and restatement of the 2012 Senior Credit Facility on June 13, 2014 was determined to be a significant modification and, as a result, we recorded a related loss from early extinguishment of debt of $4.9 million in the nine-month period ended September 30, 2014. The amendment of the 2014 Senior Credit Facility on September 15, 2014 was determined not to be a significant modification.

7½% Senior Notes due 2020 (the "2020 Notes")

As of September 30, 2014 and December 31, 2013, we had $675.0 million of our 2020 Notes outstanding; the coupon interest rate and the yield on the 2020 Notes was 7.5% and 7.3%, respectively, on each date, and we had a deferred loan cost balance, net of accumulated amortization, of $11.8 million and $13.2 million, respectively, related to our 2020 Notes.

Excalibur Loan

The Excalibur Loan is a term loan between a third party and Excalibur, a VIE whose financial condition and results we consolidate with ours in accordance with U.S. GAAP. As of September 30, 2014 and December 31, 2013, the balance outstanding on the Excalibur Loan was $2.9 million and $3.0 million, respectively. As of each of September 30, 2014 and December 31, 2013, the interest rate on the balance outstanding under the Excalibur Loan was 4.00% and 4.75%, respectively. The deferred loan cost balance, net of accumulated amortization, of the Excalibur Loan as of September 30, 2014 and December 31, 2013 was $0.2 million.

Collateral, Covenants and Restrictions

Our obligations under the 2014 Senior Credit Facility are secured by substantially all of the assets, including real estate, of Gray and substantially all of its subsidiaries. In addition, substantially all of Gray's subsidiaries are joint and several guarantors of those obligations and Gray's ownership interests in those subsidiaries are pledged to collateralize its obligations under the 2014 Senior Credit Facility. Excalibur is not a guarantor of, and its assets are not pledged to secure our obligations under, the 2014 Senior Credit Facility. Gray Television, Inc. is a holding company with no independent assets or operations. For all periods presented, the 2020 Notes have been fully and unconditionally guaranteed, on a joint and several, senior unsecured basis, by substantially all of Gray Television, Inc.'s subsidiaries. Any subsidiaries that do not guarantee such notes are "minor" (as defined in Rule 3-10(h) of Regulation S-X). As of September 30, 2014, there were no significant restrictions on the ability of Gray Television, Inc.'s subsidiaries to distribute cash to Gray or to the guarantor subsidiaries. Excalibur is not a guarantor of the 2020 Notes. The Excalibur Loan is secured by substantially all of Excalibur's assets, and we have jointly and severally guaranteed Excalibur's obligations under the Excalibur Loan, including the payment of all unpaid principal and interest.

The 2014 Senior Credit Facility contains affirmative and restrictive covenants that Gray must comply with, including (a) limitations on additional indebtedness, (b) limitations on liens, (c) limitations on the sale of assets, (d) limitations on guarantees, (e) limitations on investments and acquisitions, (f) limitations on the payment of dividends, payments on certain other debt and share repurchases, (g) limitations on mergers, and (h) at all times at which amounts are outstanding under the 2014 Revolving Credit Facility, maintenance of a total leverage ratio not to exceed certain maximum limits, as well as other customary covenants for credit facilities of this type. The 2020 Notes include covenants with which we must comply and the Excalibur Loan includes covenants with which Excalibur must also comply, each of which are typical for borrowing transactions of their respective nature. As of September 30, 2014 and December 31, 2013, we and Excalibur were in compliance with all required covenants under our respective debt obligations.

See Note 1 "Basis of Presentation" for more information about Excalibur.

4. Fair Value Measurement

To determine fair value, we utilize market data or assumptions that market participants would use in pricing an asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized into a hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs that require assumptions to measure fair value ("Level 3"). Level 2 inputs are those that are other than quoted prices on national exchanges included within Level 1 that are observable for the asset or liability either directly or indirectly ("Level 2").

Fair Value of Other Financial Instruments

The estimated fair value of other financial instruments is determined using market information and appropriate valuation methodologies. Interpreting market data to develop fair value estimates involves considerable judgment. The use of different market assumptions may have a material effect on the estimated fair value amounts. Accordingly, the estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange, or the value that ultimately will be realized upon maturity or disposition.

The carrying amounts of the following instruments approximate fair value due to their short term to maturity: (i) accounts receivable, (ii) prepaid and other current assets, (iii) accounts payable, (iv) accrued employee compensation and benefits, (v) accrued interest, (vi) other accrued expenses, (vii) acquisition-related liabilities and (viii) deferred revenue.

The carrying amount of our long-term debt was $1,306.5 million and $842.9 million, respectively, and the fair value was $1,308.0 million and $877.5 million, respectively, as of September 30, 2014 and December 31, 2013. We classify our long-term debt within Level 2 of the fair value hierarchy. Fair value of our long-term debt is based on observable estimates provided by third-party financial professionals as of September 30, 2014 and December 31, 2013.

5. Retirement Plans

The following table provides the components of net periodic benefit cost for our pension plans for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	$ 1,279	$ 1,291	$ 3,886	$ 3,871
Interest cost	1,099	967	3,336	2,899
Expected return on plan assets	(1,123)	(926)	(3,410)	(2,774)
Loss amortization	263	824	799	2,468
Net periodic benefit cost	$ 1,518	$ 2,156	$ 4,611	$ 6,464

During the nine-month period ended September 30, 2014, we contributed $4.7 million to our pension plans. During the remainder of the year ending December 31, 2014, we expect to contribute an additional $1.3 million to our pension plans.

6. Stock-based Compensation

We recognize compensation expense for stock-based payment awards made to our employees and directors, including stock options and restricted shares under our 2007 Long-Term Incentive Plan, as amended (the “2007 Incentive Plan”) and our Directors’ Restricted Stock Plan. The following table provides our stock-based compensation expense and related income tax benefit for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Stock-based compensation expense, gross	$ 981	$ 255	$ 4,032	$ 1,719
Income tax benefit at our statutory rate associated with stock-based compensation	(383)	(99)	(1,572)	(670)
Stock-based compensation expense, net	$ 598	$ 156	$ 2,460	$ 1,049

2007 Long-Term Incentive Plan

The 2007 Long-Term Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, and performance awards to acquire shares of our Class A common stock or common stock, or the receipt of other awards based on our performance, to our employees and non-employee directors.

During the nine-month period ended September 30, 2014, we granted 312,961 shares of restricted common stock to our employees, of which 68,991 shares vested on the date of grant; 127,316 shares will vest on January 17, 2015; and 58,327 shares will vest on each of January 17, 2016 and January 17, 2017. Also during the nine-month period ended September 30, 2014, we granted 194,413 shares of restricted Class A common stock to an employee, of which 31,821 shares vested on the date of grant; 75,412 shares will vest on January 17, 2015; and 43,590 shares will vest on each of January 17, 2016 and January 17, 2017. Also during the nine-month period ended September 30, 2014, we granted 41,881 shares of restricted Class A common stock to our non-employee directors, all of which will vest on January 1, 2015. During the nine-month period ended September 30, 2013, we granted 318,852 shares of restricted common stock to our employees, of which 107,224 shares vested in the year ended December 31, 2013; 70,542 shares vested on March 19, 2014; and 70,542 will vest on each of March 19, 2015 and March 19, 2016. During the nine-month period ended September 30, 2013, we granted 63,210 shares of restricted common stock to our non-employee directors. These shares vested on January 1, 2014.

Directors' Restricted Stock Plan

The Directors' Restricted Stock Plan authorizes the grant of restricted stock awards to our non-employee directors. During the nine-month periods ended September 30, 2014 and 2013, we did not grant any restricted stock awards under the Directors' Restricted Stock Plan.

A summary of restricted common stock activity for the nine-month periods ended September 30, 2014 and 2013 is as follows:

	Nine Months Ended			
	September 30, 2014		September 30, 2013	
	Number of Shares	Weighted-average Grant Date Fair Value Per Share	Number of Shares	Weighted-average Grant Date Fair Value Per Share
Restricted stock - common:				
Outstanding - beginning of period	274,838	$ 4.43	-	$ -
Granted	312,961	$ 11.78	382,062	$ 5.20
Vested	(202,743)	$ 6.93	(107,224)	$ 7.16
Outstanding - end of period	385,056	$ 9.09	274,838	$ 4.43

A summary of restricted Class A common stock activity for the nine-month periods ended September 30, 2014 and 2013 is as follows:

	Nine Months Ended			
	September 30, 2014		September 30, 2013	
	Number of Shares	Weighted-average Grant Date Fair Value Per Share	Number of Shares	Weighted-average Grant Date Fair Value Per Share
Restricted stock - class A common:				
Outstanding - beginning of period	-	$ -	-	$ -
Granted	236,294	$ 9.80	-	$ -
Vested	(31,821)	$ 9.75	-	$ -
Outstanding - end of period	204,473	$ 9.81	-	$ -

A summary of stock option activity related to our common stock for the nine-month periods ended September 30, 2014 and 2013 is as follows:

	Nine Months Ended			
	September 30, 2014		September 30, 2013	
	Number of Shares Underlying Options	Weighted-Average Exercise Price	Number of Shares Underlying Options	Weighted-Average Exercise Price
Stock options - common:				
Outstanding - beginning of period	274,746	$ 1.99	1,316,068	$ 5.98
Options granted	-	$ -	-	$ -
Options exercised	-	$ -	(119,822)	$ 2.34
Options expired	-	$ -	(921,500)	$ 7.64
Options forfeited	-	$ -	-	$ -
Options outstanding - end of period	274,746	$ 1.99	274,746	$ 1.99
Exercisable at end of period	137,376	$ 1.99	68,688	$ 1.99

For the nine-month period ended September 30, 2014, we did not have any stock options outstanding for our Class A common stock. The aggregate intrinsic value of our outstanding stock options was $1.6 million based on the closing market price of our common stock on September 30, 2014.

7. Commitments and Contingencies

Acquisition Commitments

As of September 30, 2014, our pending acquisitions were as follows: (1) the acquisition of the remaining outstanding equity interest in Yellowstone, (2) the Beartooth Acquisition, (3) the KMTF Acquisition, (4) the acquisition of KKHD-LD and the programming of KJCT-TV in Grand Junction, Colorado and (5) the KXJB Acquisition. As of September 30, 2014, the total consideration remaining to be paid for all of these acquisitions will be approximately $13.7 million. We completed the acquisition of Yellowstone on October 6, 2014 and we completed the Beartooth Acquisition on November 1, 2014. We anticipate closing the still pending acquisitions in the fourth quarter of 2014.

Legal Proceedings and Claims

From time to time, we are or may become subject to legal proceedings and claims that arise in the normal course of our business. In our opinion, the amount of ultimate liability, if any, with respect to known actions, will not materially affect our financial position. However, the outcome of any one or more matters cannot be predicted with certainty, and the unfavorable resolution of any matter could have a material adverse effect on us.

Sports Marketing Agreement

On October 12, 2004, the University of Kentucky ("UK") awarded a sports marketing agreement jointly to us and IMG Worldwide, Inc. ("IMG") (the "UK Agreement"). Effective July 1, 2014, Gray and IMG assigned all rights and obligations under the UK Agreement to a third party and UK has consented to this assignment. As a result, Gray no longer has any further rights or obligations under the UK Agreement.

8. Goodwill and Intangible Assets

During the nine months ended September 30, 2014, we acquired various television broadcast stations and broadcast licenses. As a result of these acquisitions, our goodwill and intangible balances increased during the nine months ended September 30, 2014. See Note 2 "Acquisitions" for more information regarding these transactions. A summary of changes in our goodwill and other intangible assets, on a net basis, for the nine months ended September 30, 2014 is as follows (in thousands):

	Net Balance at December 31, 2013	Acquisitions And Adjustments	Impairments	Amortization	Net Balance at September 30, 2014
Goodwill	$ 184,409	$ 187,586	$ -	$ -	$ 371,995
Broadcast licenses	838,982	184,509	-	-	1,023,491
Definite lived intangible assets	2,644	51,061	-	(5,291)	48,414
Total intangible assets net of accumulated amortization	$ 1,026,035	$ 423,156	$ -	$ (5,291)	$ 1,443,900

As of September 30, 2014 and December 31, 2013, our intangible assets and related accumulated amortization consisted of the following (in thousands):

	As of September 30, 2014			As of December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets not currently subject to amortization:						
Broadcast licenses	$ 1,077,190	$ (53,699)	$ 1,023,491	$ 892,681	$ (53,699)	$ 838,982
Goodwill	371,995	-	371,995	184,409	-	184,409
	$ 1,449,185	$ (53,699)	$ 1,395,486	$ 1,077,090	$ (53,699)	$ 1,023,391
Intangible assets subject to amortization:						
Network affiliation agreements	$ 1,264	$ (1,264)	$ -	1,264	$ (1,264)	$ -
Other definite lived intangible assets	66,887	(18,473)	48,414	15,826	(13,182)	2,644
	$ 68,151	$ (19,737)	$ 48,414	$ 17,090	$ (14,446)	$ 2,644
Total intangibles	$ 1,517,336	$ (73,436)	$ 1,443,900	$ 1,094,180	$ (68,145)	$ 1,026,035

Upon renewal of intangible assets such as network affiliations and broadcast licenses, we expense all related fees as incurred.

9. Income Taxes

For the three-month and nine-month periods ended September 30, 2014 and 2013, our income tax expense and effective income tax rates were as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income tax expense	$ 8,608	$ 4,491	$ 10,343	$ 9,715
Effective income tax rate	38.2%	38.8%	38.1%	42.6%

We estimate our differences between taxable income or loss and recorded income or loss on an annual basis. Our tax provision for each quarter is based upon these full year projections, which are revised each reporting period. These projections incorporate estimates of permanent differences between U.S. GAAP income or loss and taxable income or loss, state income taxes and adjustments to our liability for unrecognized tax benefits to adjust our statutory Federal income tax rate of 35.0% to our effective income tax rate.

For the nine-month period ended September 30, 2014, these estimates increased or decreased our statutory Federal income tax rate of 35.0% to our effective income tax rate of 38.1% as follows: state income taxes added 3.8%, while permanent differences between our U.S. GAAP income and taxable income resulted in a reduction of 0.5% and adjustments to our reserve for uncertain tax positions resulted in a reduction of 0.2%.

For the nine-month period ended September 30, 2013, these estimates increased or decreased our statutory Federal income tax rate of 35.0% to our effective income tax rate of 42.6% as follows: an adjustment resulting from the expiration of certain unexercised stock options added 2.7%, state income taxes added 2.9%, permanent differences between our U.S. GAAP income and taxable income added 1.8%, an adjustment for the write off of stock options deferred under Section 162(m) of the internal revenue code added 0.6% and adjustments to our reserve for uncertain tax positions resulted in a reduction of 0.4%.

10. Subsequent Events

On October 31, 2013, we acquired 99% of the outstanding equity of Yellowstone. October 6, 2014, we exercised an option to acquire the remaining 1% of Yellowstone's outstanding equity for $10.0 million. As of September 30, 2014, we had a letter of credit for $10.0 million outstanding under our 2014 Senior Credit Facility. As a result of the exercise of the option to acquire the remainder of Yellowstone's outstanding equity, we cancelled the letter of credit on October 6, 2014.

On November 1, 2014, we paid $55,629 to complete the Beartooth Acquisition. Prior to September 30, 2014, we had funded $1.68 million of the $1.75 million purchase price.

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

Executive Overview

Introduction

The following analysis of the financial condition and results of operations of Gray Television, Inc. and its consolidated subsidiaries (except as the context otherwise provides, "Gray," the "Company," "we," "us" or "our") should be read in conjunction with our unaudited condensed consolidated financial statements and related notes contained in this report and our audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the "2013 Form 10-K"). Gray's consolidated financial condition and results of operations include the accounts of Excalibur Broadcasting, LLC (collectively with its subsidiaries, "Excalibur"), a variable interest entity that Gray is required to consolidate under generally accepted accounting principles. Included in Gray's results of operations for the nine months ended September 30, 2014 and 2013 is net revenue of $1.4 million and $0.0 million, respectively, of Excalibur.

Overview

We are a television broadcast company headquartered in Atlanta, Georgia, that owns and operates television stations and digital properties in markets throughout the United States. As of September 30, 2014, we owned and/or operated television stations in 44 television markets broadcasting a total of 139 programming streams, including 26 affiliates of the CBS Network ("CBS"), 24 affiliates of the NBC Network ("NBC"), 16 affiliates of the ABC Network ("ABC") and ten affiliates of the FOX Network ("FOX").

Within a market, we broadcast secondary digital channels that are in addition to our primary broadcast channels. Our secondary broadcast channels are generally affiliated with networks different from those affiliated with our primary broadcast channels, and they are operated by us to make better use of our broadcast spectrum by providing supplemental and/or alternative programming to our primary channels. Certain of our secondary channels are affiliated with more than one network simultaneously. In addition to affiliations with ABC, CBS and FOX, our secondary channels are affiliated with the following networks: the CW Network or the CW Plus Network, MyNetworkTV, the MeTV Network, This TV Network, Antenna TV, Live Well Network and Telemudo. We also broadcast eleven local news/weather channels in certain of our existing markets. Our combined TV station group reaches approximately 8.1% of total United States households.

Recent Acquisitions

During the nine-month period ended September 30, 2014, we completed six acquisitions that are described in Note 2, "Acquisitions," of the notes to our unaudited condensed consolidated financial statements included elsewhere herein: the KAQY Acquisition, the SJL Acquisition, the Hoak Acquisition, the KNDX Acquisition, the KEVN Acquisition and the WQCW Acquisition (collectively, the "2014 Acquisitions"). We began providing services to one new full-power station ("KJCT-TV") on October 31, 2013 and began operating additional stations in three new markets (the "Yellowstone Stations") on November 1, 2013. The stations acquired in the 2014 Acquisitions, KJCT-TV and the Yellowstone Stations are collectively referred to as the "Acquired Stations."

Television Industry Background

The Federal Communications Commission (the "FCC") grants broadcast licenses to television stations. Historically, there have been a limited number of channels available for broadcasting in any one geographic area.

Television station revenue is derived primarily from local and national advertising. Television station revenue is derived to a much lesser extent from retransmission consent fees; network compensation; studio and tower space rental; and commercial production activities. "Advertising" refers primarily to advertisements broadcast by television stations, but it also includes advertisements placed on a television station's website and sponsorships of television programming and off-line content (such as email messages, mobile applications, and other electronic content distributed by stations). Advertising rates are based upon: (i) the size of a station's market, (ii) a station's overall ratings, (iii) a program's popularity among targeted viewers, (iv) the number of advertisers competing for available time, (v) the demographic makeup of the station's market, (vi) the availability of alternative advertising media in the market, (vii) the presence of effective sales forces and (viii) the development of projects, features and programs that tie advertiser messages to programming. Rates can also be determined in part by a station's overall ratings and in-market share, as well as the station's ratings and market share among particular demographic groups that an advertiser may be targeting. Advertisers' budgets, which can be affected by broad economic trends, can affect the broadcast industry in general and the revenue of individual broadcast television stations.

Revenues, Cyclicality and Seasonality

Broadcast stations like ours rely on advertising revenue and this revenue is sensitive to cyclical changes in the economy. As a result, improvement in general economic conditions resulted in improvements of our non-political advertising revenue in the nine-month period ended September 30, 2014 compared to the nine-month period ended September 30, 2013.

Broadcast advertising revenue is generally highest in the second and fourth quarters each year. This seasonality results partly from increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. Broadcast advertising revenue is also typically higher in even-numbered years due to increased spending by political candidates, political parties and special interest groups in advance of elections. This political spending typically is heaviest during the fourth quarter.

For the nine-month period ended September 30, 2014, our largest advertising customer category was automotive. For the nine-month periods ended September 30, 2014 and 2013, we earned approximately 23% and 25%, respectively, of our total broadcast advertising revenue from our automotive customers. Our business and operating results could be materially adversely affected if advertising revenue from automotive customers decreases. Our business and operating results could also be materially adversely affected if revenue decreased from one or more other significant advertising categories, such as the medical, restaurant, communications, furniture and appliances, entertainment, or financial service industries.

Please see our "Results of Operations" and "Liquidity and Capital Resources" sections below for further discussion of our operating results.

Revenue

Set forth below are the principal types of revenue, less agency commissions, earned by us for the periods indicated and the percentage contribution of each type of revenue to our total revenue (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014		2013		2014		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenue:								
Local	$ 62,029	47.1%	$ 48,728	55.2%	$ 169,751	51.4%	$ 146,025	58.2%
National	16,158	12.3%	13,585	15.4%	44,332	13.4%	42,061	16.8%
Internet	7,431	5.6%	6,476	7.3%	20,676	6.3%	18,439	7.4%
Political	22,029	16.7%	1,377	1.6%	33,437	10.1%	2,769	1.1%
Retransmission consent	19,674	14.9%	9,165	10.4%	53,450	16.2%	28,253	11.3%
Other	4,381	3.4%	1,814	2.1%	8,602	2.6%	6,052	2.4%
Consulting	-	0.0%	7,143	8.0%	-	0.0%	7,143	2.8%
Total	$ 131,702	100.0%	$ 88,288	100.0%	$ 330,248	100.0%	$ 250,742	100.0%

Results of Operations

Three Months Ended September 30, 2014 ("2014 three-month period") Compared to Three Months Ended September 30, 2013 ("2013 three-month period")

Revenue. Total revenue increased $43.4 million, or 49%, to $131.7 million in the 2014 three-month period primarily due to increases in local advertising revenue, national advertising revenue, internet advertising revenue and retransmission consent revenue, as well as an expected increase in political advertising revenue. The Acquired Stations accounted for approximately $28.2 million and $0.0 million of our total revenue in the 2014 and 2013 three-month periods, respectively. Political advertising revenue increased $20.7 million to $22.0 million due to 2014 being the "on year" of the two year election cycle which resulted in increased spending by political candidates, political parties and special interest groups in the 2014 three-month period. Retransmission consent revenue increased $10.5 million, or 115%, to $19.7 million primarily due to increased subscriber rates. Local advertising revenue increased approximately $13.3 million, or 27%, to $62.0 million. National advertising revenue increased approximately $2.6 million, or 19%, to $16.2 million. Internet advertising revenue increased $1.0 million, or 15%, to $7.4 million.

During the 2013 three-month period, we recognized a one-time payment of $7.1 million in incentive consulting revenue associated with a now-expired consulting agreement.

Strong demand for our advertising inventory from political advertisers affected advertising revenue from our non-political advertising revenue categories. Excluding revenue attributable to the Acquired Stations and political advertisers, our five largest advertising categories on a combined local and national basis by customer type demonstrated the following changes during the 2014 three-month period compared to the 2013 three-month period: automotive decreased 3%; medical increased less than 1%; restaurant decreased 8%; communications decreased 15%; and furniture and appliances decreased 16%.

Broadcast expenses. Broadcast expenses (before depreciation, amortization and loss (gain) on disposal of assets) increased $19.7 million, or 37%, to $73.2 million in the 2014 three-month period, due primarily to increases in compensation expense of $9.6 million and non-compensation expense of $10.1 million. Compensation expense increased primarily due to increases in salaries of $7.6 million, incentive compensation of $1.0 million, healthcare costs of $0.3 million and non-cash stock-based compensation of $0.3 million offset, in part, by a decrease in pension expense of $0.6 million. The increase in salaries resulted primarily from the addition of personnel at the Acquired Stations. The increase in healthcare costs was due to increased claims activity. Non-compensation expense increased due to an increase in network affiliation fees of $3.4 million (reflecting in part, increased fees payable to the ABC network under our affiliation agreements that renewed January 1, 2014) and an increase in national sales representation fees of $1.2 million. Although to a lesser extent, we also had increases in other programming costs, software license fees, consulting fees and other professional fees. During the 2014 three-month period and the 2013 three-month period, we recorded total broadcast non-cash stock-based compensation expense of $0.3 million and $0.0 million, respectively. Broadcast non-cash stock-based compensation expense increased due to the grant of restricted common stock to certain employees in 2014. The Acquired Stations accounted for approximately $15.8 million and $0.0 million of our total broadcast expense in the 2014 and 2013 three-month periods, respectively.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and loss (gain) on disposal of assets) increased $0.8 million, or 18%, to $5.3 million in the 2014 three-month period due primarily to increases in non-compensation expense of $0.6 million and compensation expense of $0.2 million. Non-compensation expense increased primarily due to increases in legal and other professional fees of $0.6 million associated with our completed and pending acquisitions. Compensation expense increased primarily due to increases in non-cash stock-based compensation and routine salary expense. During the 2014 three-month period and the 2013 three-month period, we recorded corporate non-cash stock-based compensation expense of $0.7 million and $0.3 million, respectively. Corporate non-cash stock-based compensation expense increased due to the grant of restricted common stock to certain employees in 2014.

Depreciation. Depreciation of property and equipment increased $2.2 million, or 37%, to $8.2 million during the 2014 three-month period compared to the 2013 three-month period. Depreciation increased due to additional property and equipment being placed in service as a result of routine purchases and the acquisition of the Acquired Stations.

Amortization of intangible assets. Amortization of intangible assets increased approximately $3.8 million to $3.8 million during the 2014 three-month period compared to the 2013 three-month period. Amortization expense increased due to amortization of the additional definite lived intangible assets of the Acquired Stations.

Interest expense. Interest expense increased $6.0 million, or 47%, to $18.6 million for the 2014 three-month period. This increase was attributable to an increase in average interest rates and an increase in average borrowings outstanding. Our average debt balance was $1.2 billion and $835.0 million during the 2014 and 2013 three-month periods, respectively. The average interest rate on our total debt balances was approximately 5.8% and 5.7% during the 2014 and 2013 three-month periods, respectively. Our average debt balance has increased as a result of increased borrowings used to finance, in part, the acquisition of the Acquired Stations.

Income tax expense. We recognized income tax expense of $8.6 million and $4.5 million for the 2014 and 2013 three-month periods, respectively. For the 2014 and 2013 three-month periods, our effective income tax rate was 38.2% and 38.8%, respectively. We estimate our differences between taxable income and recorded income on an annual basis. Our tax provision for each interim reporting period is based upon these full year projections which are revised each interim reporting period. These projections incorporate estimates of permanent differences between U.S. GAAP income and taxable income, state income taxes, adjustments to our liability for unrecognized tax benefits and other items as necessary to adjust our statutory Federal income tax rate of 35.0% to our effective income tax rate.

Nine Months Ended September 30, 2014 ("2014 nine-month period") Compared to Nine Months Ended September 30, 2013 ("2013 nine-month period")

Revenue. Total revenue increased $79.5 million, or 32%, to $330.2 million in the 2014 nine-month period primarily due to increases in local advertising revenue, national advertising revenue, internet advertising revenue and retransmission consent revenue, as well as an expected increase in political advertising revenue. The Acquired Stations accounted for approximately $40.7 million and $0.0 million of our total revenue in the 2014 and 2013 nine-month periods, respectively. Political advertising revenue increased $30.7 million, or 1108%, to $33.4 million due to 2014 being the "on year" of the two year election cycle which resulted in increased spending by political candidates, political parties and special interest groups in the 2014 nine-month period. Retransmission consent revenue increased $25.2 million, or 89%, to $53.5 million primarily due to increased subscriber rates. Local advertising revenue increased approximately $23.7 million, or 16%, to $169.8 million. National advertising revenue increased approximately $2.3 million, or 5%, to $44.3 million. Local and national advertising revenue in the 2014 nine-month period benefited from approximately $3.8 million earned from the broadcast of the 2014 Winter Olympic Games on our fourteen NBC affiliated stations. There was no corresponding Olympic Games advertising revenue during the 2013 nine-month period. Local and national advertising revenue included the broadcast of the 2014 Super Bowl on our five FOX channels, which earned us approximately $0.2 million, a decrease of approximately $0.9 million compared to the broadcast of the 2013 Super Bowl on our then 20 CBS channels that earned us approximately $1.1 million. Internet advertising revenue increased $2.2 million, or 12%, to $20.7 million.

During the 2013 nine-month period, we recognized a one-time payment of $7.1 million in incentive consulting revenue associated with a now-expired consulting agreement.

Strong demand for our advertising inventory from political advertisers affected advertising revenue from our non-political advertising revenue categories. Excluding revenue attributable to the Acquired Stations and political advertisers, our five largest advertising categories on a combined local and national basis by customer type demonstrated the following changes during the 2014 nine-month period compared to the 2013 nine-month period: automotive increased 4%; medical increased 5%; restaurant decreased 11%; communications decreased 8%; and furniture and appliances decreased 10%.

Broadcast expenses. Broadcast expenses (before depreciation, amortization and loss (gain) on disposal of assets) increased $40.8 million, or 26%, to $199.6 million in the 2014 nine-month period, due primarily to an increase in non-compensation expense of $21.6 million and compensation expense of $19.2 million. Non-compensation expense increased primarily due to an increase in network affiliation fees of $7.9 million (reflecting in part, increased fees payable to the ABC network under our affiliation agreements that renewed January 1, 2014) and an increase in national sales representation fees of $1.8 million. Although to a lesser extent, we also had increases in programming costs, software license fees, consulting fees, bad debt expense and other professional fees. Compensation expense increased primarily due to increases in salaries of $16.2 million, non-cash paid-time-off of $3.9 million, health care costs of $1.1 million and non-cash stock-based compensation of $1.2 million offset, in part, by a decrease in pension expense of $1.8 million. The increase in salaries resulted primarily from the addition of personnel at the Acquired Stations. The non-cash increase in expense for paid-time-off was due largely to a change in our employee benefit policy. During the nine-months ended September 30, 2014 and 2013, we recorded total broadcast non-cash stock-based compensation expense of $1.2 million and $0.0 million, respectively. Broadcast non-cash stock-based compensation expense increased due to the grant of restricted common stock to certain employees in 2014. The Acquired Stations accounted for approximately $25.3 million and $0.0 million of our total broadcast expense in the 2014 and 2013 nine-month periods, respectively.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and loss (gain) on disposal of assets) increased $8.0 million, or 59%, to $21.6 million for the 2014 nine-month period due primarily to increases in non-compensation expense of $6.2 million and compensation expense of $1.8 million. Non-compensation expense increased primarily due to increases in legal and other professional fees of $5.7 million associated with our completed and pending acquisitions. Compensation expense increased primarily due to increases in non-cash stock-based compensation expenses and routine increases in salary expense. We recorded non-cash stock-based compensation expense during the nine-month periods ended September 30, 2014 and 2013 of $2.8 million and $1.7 million, respectively. Corporate non-cash stock-based compensation expense increased due to the grant of restricted common stock to certain employees in 2014.

Depreciation. Depreciation of property and equipment increased $3.8 million, or 22%, to $21.6 million for the 2014 nine-month period. Depreciation increased due to additional property and equipment being placed in service due to routine purchases and the acquisition of the Acquired Stations.

Amortization of intangible assets. Amortization of intangible assets increased $5.3 million to $5.3 million during the 2014 nine-month period compared to the 2013 nine-month period. Amortization increased due to amortization of the additional definite lived intangible assets of the Acquired Stations.

Interest expense. Interest expense increased $11.9 million, or 32%, to $49.7 million for the 2014 nine-month period. This increase was attributable to an increase in average interest rates and an increase in average borrowings outstanding. Our average debt balance was $1.0 billion and $835.0 million during the 2014 and 2013 nine-month periods, respectively. The average interest rates on our total debt balances were 6.4% and 5.7% during the 2014 and 2013 nine-month periods, respectively. Our average debt balance has increased as a result of increased borrowings used to finance, in part, the acquisition of the Acquired Stations.

Loss from early extinguishment of debt. On June 13, 2014, we entered into an amendment and restatement of our senior credit facility in the form of a new agreement (the "2014 Senior Credit Facility"). In connection with entering into the 2014 Senior Credit Facility, we incurred loan issuance costs of approximately $7.1 million, including bank fees and other professional fees. This amendment and restatement was determined to be a significant modification and, as a result, we recorded a related loss upon early extinguishment of debt of $4.9 million in the nine-month period ended September 30, 2014.

Income tax expense. We recognized income tax expense of $10.3 million and $9.7 million in the 2014 and 2013 nine-month periods, respectively. For the 2014 and 2013 nine-month periods, our effective income tax rate was 38.1% and 42.6%, respectively. We estimate our differences between taxable income and recorded income on an annual basis. Our tax provision for each interim reporting period is based upon these full year projections which are revised each interim reporting period. These projections incorporate estimates of permanent differences between U.S. GAAP income and taxable income, state income taxes, adjustments to our liability for unrecognized tax benefits and other items as necessary to adjust our statutory Federal income tax rate of 35.0% to our effective income tax rate. Our effective income tax rate for the 2014 nine-month period as compared to the 2013 nine-month period decreased primarily due to an adjustment resulting from the expiration of certain unexercised stock options in the 2013 nine-month period.

Liquidity and Capital Resources

General

The following table presents data that we believe is helpful in evaluating our liquidity and capital resources (in thousands).

	As of	
	September 30, 2014	December 31, 2013
Cash	$ 79,807	$ 13,478
Long-term debt including current portion	$ 1,306,470	$ 842,874
Borrowing availability under the 2014 Senior Credit Facility	$ 40,000	$ -
Borrowing availability under the 2012 Senior Credit Facility	$ -	$ 30,000

	Nine Months Ended September 30,	
	2014	2013
Net cash provided by operating activities	$ 88,404	$ 51,590
Net cash used in investing activities	(477,066)	(19,603)
Net cash provided by financing activities	454,991	266
Increase in cash	$ 66,329	$ 32,253

Senior Credit Facility

On June 13, 2014 (the "Closing Date"), Gray entered into an amendment and restatement of its then existing senior credit facility (the "2012 Senior Credit Facility") in the form of a new agreement (the "2014 Senior Credit Facility").

As of the Closing Date, the 2014 Senior Credit Facility provided total commitments of $575.0 million, consisting of a $525.0 million term loan facility (the "2014 Term Loan") and a $50.0 million revolving credit facility (the "2014 Revolving Credit Facility").

On the Closing Date, we borrowed $525.0 million under the 2014 Term Loan. Proceeds from borrowings under the 2014 Term Loan were used to repay all amounts outstanding under the 2012 Senior Credit Facility, to fund the cash purchase price to complete the Hoak Acquisition and to pay related fees and expenses, as well as for general corporate purposes.

On September 15, 2014, we amended the 2014 Senior Credit Facility to increase the commitments under the 2014 Term Loan to $625.0 million and we borrowed an additional $100.0 million under the 2014 Term Loan. Proceeds from this borrowing were used to fund a portion of the cash purchase price to complete the SJL Acquisition.

2014 Term Loan borrowings bear interest, at our option, at either the Base Rate (as defined below) plus 1.75% to 2.0% or the London Interbank Offered Rate ("LIBOR") plus 2.75% to 3.0%, subject to a LIBOR floor of 0.75%, in each case based on a first lien leverage ratio test as set forth in the 2014 Senior Credit Facility (the "First Lien Ratio Test"). The 2014 Term Loan also requires us to make quarterly principal repayments equal to 0.25% of the outstanding principal amount of the 2014 Term Loan beginning September 30, 2014.

Borrowings under the 2014 Revolving Credit Facility bear interest, at our option, based on the Base Rate plus 1.0% to 1.5% or LIBOR plus 2.0% to 2.5%, in each case based on the First Lien Ratio Test. Base Rate is defined as the greatest of (i) the administrative agent's prime rate, (ii) the overnight federal funds rate plus 0.50% and (iii) one-month LIBOR plus 1.0%. We are required to pay a commitment fee on the average daily unused portion of the 2014 Revolving Credit Facility, which rate may range from 0.375% to 0.50% on an annual basis, based on the First Lien Ratio Test.

The 2014 Revolving Credit Facility matures on June 13, 2019 and the 2014 Term Loan matures on June 13, 2021.

Excluding accrued interest, the amount outstanding under our 2014 Senior Credit Facility as of September 30, 2014 consisted solely of a 2014 Term Loan balance of $623.4 million. As of September 30, 2014, the interest rate on the balance outstanding under the 2014 Senior Credit Facility was 3.8%. Our maximum borrowing availability is limited under the 2014 Senior Credit Facility by our required compliance with certain restrictive covenants, including a first lien net leverage ratio covenant. As of September 30, 2014, we had a $10.0 million letter of credit outstanding under the 2014 Revolving Credit Facility, which reduced our borrowing availability thereunder to $40.0 million as of that date. Also as of September 30, 2014, we had a deferred loan cost balance, net of accumulated amortization, of $7.5 million related to the 2014 Senior Credit Facility.

Prior to the amendment and restatement, the 2012 Senior Credit Facility consisted of a revolving loan (the "2012 Revolving Credit Facility") and a term loan (the "2012 Term Loan"). Excluding accrued interest, the amount outstanding under our 2012 Senior Credit Facility as of December 31, 2013 consisted solely of a 2012 Term Loan balance of $159.0 million. As of December 31, 2013, the interest rate on the balance outstanding under the 2012 Senior Credit Facility was 4.8%.

In connection with the entry into the 2014 Senior Credit Facility on June 13, 2014, we incurred loan issuance costs of approximately $7.1 million, including bank fees and other professional fees. In connection with our amendment on September 15, 2014, we incurred loan issuance costs of approximately $2.0 million, including bank fees and other professional fees.

The amendment and restatement of the 2012 Senior Credit Facility on June 13, 2014 was determined to be a significant modification and, as a result, we recorded a related loss from early extinguishment of debt of $4.9 million in the nine-month period ended September 30, 2014. The amendment of the 2014 Senior Credit Facility on September 15, 2014 was determined not to be a significant modification.

7½% Senior Notes due 2020 (the "2020 Notes")

As of September 30, 2014 and December 31, 2013, we had $675.0 million of our 2020 Notes outstanding; the coupon interest rate and the yield on the 2020 Notes was 7.5% and 7.3%, respectively, on each date, and we had a deferred loan cost balance, net of accumulated amortization, of $11.8 million and $13.2 million, respectively, related to our 2020 Notes.

Excalibur Loan

The Excalibur Loan is a term loan between a third party and Excalibur, a VIE whose financial condition and results we consolidate with ours in accordance with U.S. GAAP. As of September 30, 2014 and December 31, 2013, the balance outstanding on the Excalibur Loan was $2.9 million and $3.0 million, respectively. As of each of September 30, 2014 and December 31, 2013, the interest rate on the balance outstanding under the Excalibur Loan was 4.00% and 4.75%, respectively. The deferred loan cost balance, net of accumulated amortization, of the Excalibur Loan as of September 30, 2014 and December 31, 2013 was $0.2 million.

Collateral, Covenants and Restrictions

Our obligations under the 2014 Senior Credit Facility are secured by substantially all of the assets, including real estate, of Gray and substantially all of its subsidiaries. In addition, substantially all of Gray's subsidiaries are joint and several guarantors of those obligations and Gray's ownership interests in those subsidiaries are pledged to collateralize its obligations under the 2014 Senior Credit Facility. Excalibur is not a guarantor of, and its assets are not pledged to secure our obligations under, the 2014 Senior Credit Facility. Gray Television, Inc. is a holding company with no independent assets or operations. For all periods presented, the 2020 Notes have been fully and unconditionally guaranteed, on a joint and several, senior unsecured basis, by substantially all of Gray Television, Inc.'s subsidiaries. Any subsidiaries that do not guarantee such notes are "minor" (as defined in Rule 3-10(h) of Regulation S-X). As of September 30, 2014, there were no significant restrictions on the ability of Gray Television, Inc.'s subsidiaries to distribute cash to Gray or to the guarantor subsidiaries. Excalibur is not a guarantor of the 2020 Notes. The Excalibur Loan is secured by substantially all of Excalibur's assets, and we have jointly and severally guaranteed Excalibur's obligations under the Excalibur Loan, including the payment of all unpaid principal and interest.

The 2014 Senior Credit Facility contains affirmative and restrictive covenants that Gray must comply with, including (a) limitations on additional indebtedness, (b) limitations on liens, (c) limitations on the sale of assets, (d) limitations on guarantees, (e) limitations on investments and acquisitions, (f) limitations on the payment of dividends, payments on certain other debt and share repurchases, (g) limitations on mergers, and (h) at all times at which amounts are outstanding under the 2014 Revolving Credit Facility, maintenance of a total leverage ratio not to exceed certain maximum limits, as well as other customary covenants for credit facilities of this type. The 2020 Notes include covenants with which we must comply and the Excalibur Loan includes covenants with which Excalibur must also comply, each of which are typical for borrowing transactions of their respective nature. As of September 30, 2014 and December 31, 2013, we and Excalibur were in compliance with all required covenants under our respective debt obligations.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities

Net cash provided by operating activities was $88.4 million in the 2014 nine-month period compared to $51.6 million in the 2013 nine-month period. The increase in cash provided by operations was due primarily to an increase in revenue offset, in part, by increases in broadcast and corporate and administrative expenses.

Net cash used in investing activities was $477.1 million in the 2014 nine-month period compared to net cash used in investing activities of $19.6 million for the 2013 nine-month period. The increase in cash used in investing activities was largely due to the use of funds to complete the 2014 Acquisitions.

Net cash provided by financing activities in the 2014 nine-month period was $455.0 million compared to net cash provided by financing activities of $0.3 million in the 2013 nine-month period. This increase in cash provided by financing activities was due primarily to an increase in borrowings of long-term debt, net of repayments, in the 2014 nine-month period compared to the 2013 nine-month period. On June 13, 2014, we borrowed $525.0 million under the 2014 Senior Credit Facility, using the funds as follows: $309.5 million to complete the Hoak Acquisition, including fees, and fund a down payment on the Parker Acquisition; $159.5 million to repay outstanding debt and related accrued interest; $6.5 million for payment of fees resulting from the amendment and restatement of the 2012 Senior Credit Facility; and $49.5 million in cash for general corporate purposes. On September 15, 2014, we borrowed an additional $100.0 million under the 2014 Senior Credit Facility and used these proceeds to fund a portion of the SJL Acquisition purchase price.

Liquidity

As of September 30, 2014, required debt principal repayments over the next twelve months consisted primarily of $6.3 million due under the 2014 Senior Credit Facility and $0.2 million due under the Excalibur Loan. As of September 30, 2014, we estimate that we will make approximately $74.3 million in debt interest payments over the next twelve months immediately following September 30, 2014. Capital expenditures may increase to between $25.0 million and $28.0 million during the twelve months immediately following September 30, 2014. As of September 30, 2014, we estimated that we would be required to pay approximately $13.7 million to complete pending acquisitions. On October 6, 2014, we paid $10.0 million to complete the then pending acquisition of the remaining equity interest in Yellowstone. On November 1, 2014, we paid $55,629 to complete the then pending Beartooth Acquisition. We currently expect we will be required to pay approximately $3.7 million to complete still pending acquisitions. These acquisitions are subject to a number of conditions, some of which may be out of our control, and which include, in some instances, FCC approval. No assurances of the timing of the satisfaction of these conditions can be provided. Although our cash flows from operations are subject to a number of risks and uncertainties, we anticipate that our cash on hand, future cash expected to be generated from operations, borrowings from time to time under the 2014 Senior Credit Facility (or any such other credit facility as may be in place at the appropriate time) and, potentially, external equity or debt financing, will be sufficient to fund these debt service obligations, estimated capital expenditures and acquisition-related obligations. Any potential equity or debt financing would depend upon, among other things, the costs and availability of such financing at the appropriate time. We also presently believe that our future cash expected to be generated from operations and borrowing availability under the 2014 Senior Credit Facility (or any such other credit facility) will be sufficient to fund our future capital expenditures and long-term debt service obligations until at least June 13, 2021, which is the maturity date of the 2014 Term Loan.

Capital Expenditures

Capital expenditures in the 2014 and 2013 nine-month periods were $20.5 million and $18.4 million, respectively. We anticipate that our capital expenditures for the remainder of 2014 will be between $9.5 million and $12.5 million.

Other

We file a consolidated federal income tax return and such state or local tax returns as are required. Although we may earn taxable operating income in future years, as of September 30, 2014, we anticipate that through the use of our available loss carryforwards we will not pay significant amounts of federal or state income taxes until 2016.

We do not believe that inflation has had a significant impact on our results of operations nor is inflation expected to have a significant effect upon our business in the near future.

During the nine-month period ended September 30, 2014, we contributed $4.7 million to our pension plans. During the remainder of the year ending December 31, 2014, we expect to contribute between $1.3 million and $1.8 million to our pension plans.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP 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. We consider our 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 our 2013 Form 10-K.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21 E of the Securities Exchange Act of 1934. Forward-looking statements are all statements other than those of historical fact. When used in this Quarterly Report, the words "believes," "expects," "anticipates," "estimates," "will," "may," "should" and similar words and expressions are generally intended to identify forward-looking statements. Among other things, statements that describe our expectations regarding our results of operations, general and industry-specific economic conditions, future pension plan contributions, capital expenditures and the timing for completing pending transactions are forward-looking statements. Readers of this Quarterly Report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our 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 contained in the forward-looking statements as a result of various factors including, but not limited to, those listed under the heading "Risk Factors" in our 2013 Form 10-K and as may be described in subsequently filed quarterly reports on Form 10-Q, as well as the other factors described from time to time in our filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We believe that the market risk of our financial instruments as of September 30, 2014 has not materially changed since December 31, 2013. The market risk profile as of December 31, 2013 is disclosed in our 2013 Form 10-K.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report, 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 our disclosure controls and procedures. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or furnish under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. No system of controls, no matter how well designed and implemented, can provide absolute assurance that the objectives of the system of controls are met and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There were no changes in our internal control over financial reporting during the three-month period ended September 30, 2014 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 1A. Risk Factors

Please refer to the information set out under the heading "Risk Factors" in Part I, Item 1A in our 2013 Form 10-K for a description of risk factors that we determined to be most material to our financial condition and results of operation. We do not believe there have been any material changes in these risk factors.

Item 6. Exhibits

10.1	First Amendment and Incremental Facility Agreement, dated as of September 15, 2014, to the Second Amended and Restated Credit Agreement dated, as of June 13, 2014, by and among Gray Television, Inc., and the lenders and agents thereto.
31.1	Rule 13(a) – 14(a) Certificate of Chief Executive Officer
31.2	Rule 13(a) – 14(a) Certificate of Chief Financial Officer
32.1	Section 1350 Certificate of Chief Executive Officer
32.2	Section 1350 Certificate of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

GRAY TELEVISION, INC.
(Registrant)

Date: November 5, 2014

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

EXHIBIT 10.1

FIRST AMENDMENT AND INCREMENTAL FACILITY AGREEMENT

This FIRST AMENDMENT AND INCREMENTAL FACILITY AGREEMENT dated as of September 15, 2014 (this " Agreement"), to the Second Amended and Restated Credit Agreement dated as of June 13, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Gray Television, Inc., a Georgia corporation (the "Borrower"), the lenders from time to time party thereto (the "Lenders") and Wells Fargo Bank, National Association, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

Statement of Purpose

The Borrower has requested an Incremental Term Loan in the aggregate principal amount of $100,000,000 (the "Initial Incremental Increase") in accordance with the terms and conditions of Section 2.14 of the Credit Agreement.

Subject to the terms and conditions of this Agreement, the lenders of the Initial Incremental Increase (the "Initial Incremental Lenders") have severally committed (such several commitments, the "Initial Incremental Commitments") to make additional Initial Term Loans (as such term is amended pursuant to this Agreement) pursuant to the Initial Incremental Increase in the respective amounts set forth on Annex A to this Agreement. The Initial Incremental Commitments represent the commitments of each such Initial Incremental Lender with respect to the draw to be made as part of the Initial Term Loan on the Effective Date (as defined below) as more particularly described herein.

Section 2.14 of the Credit Agreement provides that the Borrower, the Administrative Agent and the applicable Incremental Lenders may amend the Credit Agreement and the other Loan Documents to effect an Incremental Increase.

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

1. Capitalized Terms. All capitalized undefined terms used in this Agreement (including, without limitation, in the introductory paragraph and the Statement of Purpose hereto) shall have the meanings assigned thereto in the Credit Agreement.

2. Initial Incremental Increase.

(a) Subject to the terms and conditions set forth in this Agreement and the Credit Agreement, each Initial Incremental Lender severally agrees to make a single loan in Dollars to the Borrower on the Effective Date in an amount equal to its Initial Incremental Commitment. Such loans shall be made on the Effective Date in accordance with Article 2 of the Credit Agreement and this Agreement; provided that for purposes of Section 2.1(b) of the Credit Agreement, the Initial Term Loan Commitment Ratio of each Initial Incremental Lender with respect to the Initial Incremental Increase shall be the amount set forth opposite such Initial Incremental Lender's name on Annex A hereto; provided further that the tenor of the initial Interest Period applicable to the loan made on the Effective Date shall be as agreed to by the Administrative Agent, the Initial Incremental Lenders and the Borrower.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Credit Agreement or any other Loan Document, the parties hereto agree that, except where the context otherwise requires, the loan made pursuant to the Initial Incremental Increase shall be an "Initial Term Loan" under and as defined in the Credit Agreement. In furtherance of the foregoing, on the Effective Date, the aggregate outstanding principal balance of the Initial Term Loan shall be increased in an amount equal to the Initial Incremental Increase and the Administrative Agent shall be authorized to make such adjustments to the Register, the Initial Term Loan Commitment Ratios and other loan account balances as it deems necessary to reflect the Initial Incremental Increase as part of the Initial Term Loan.

(c) The proceeds of the Initial Incremental Increase shall be used (i) to finance the purchase price of the acquisition (the "SJL Acquisition") by the Borrower or any other Credit Party of all of the capital stock of WJRT Acquisition, Inc. and WTVG Acquisition, Inc. (collectively, the "Target") from SJL Holdings, LLC and SJL Holdings II, LLC (collectively, the "Seller"), (ii) to refinance existing Indebtedness of the Target and its Subsidiaries (the "Refinancing"), (iii) to finance the payment of fees, transaction costs and expenses incurred in connection with this Agreement, the Initial Incremental Increase, the SJL Acquisition, the Refinancing and the other transactions contemplated hereby and (iv) for other general corporate purposes of the Borrower and its Subsidiaries permitted by the Credit Agreement.

(d) Except to the extent otherwise set forth herein, the terms and conditions applicable to the Initial Incremental Increase shall be the same as the terms and conditions applicable to the Initial Term Loans. Without limiting the generality of the foregoing, the parties hereto agree that the loans made pursuant to the Initial Incremental Increase shall (i) bear interest at the same interest rate (including the Applicable Margin and the last sentence of the definition of "LIBOR") applicable to the Initial Term Loans, (ii) be repaid in accordance with Section 2.6(b)(i) of the Credit Agreement (as amended by this Agreement), (iii) mature on the Initial Term Loan Maturity Date and (iv) share ratably in all payments (including all optional and mandatory prepayments) with the outstanding Initial Term Loans and receive the benefits of Section 2.6(a)(ii) of the Credit Agreement on the same terms as the outstanding Initial Term Loans.

(e) By its execution hereof, each party hereto consents to the Initial Incremental Increase and the other transactions contemplated hereby notwithstanding any prior notice requirements required by Section 2.14 of the Credit Agreement.

3. Amendments to the Credit Agreement. Subject to, and in accordance with, the terms and conditions set forth herein, the parties hereto hereby agree that the Credit Agreement is hereby amended as follows:

(a) the definition of "First Amendment Effective Date" is hereby added to Section 1.1 of the Credit Agreement in the appropriate alphabetical order to read in its entirety as follows:

"First Amendment Effective Date" means September 15, 2014.

(b) the definition of "Initial Term Loan Commitment" is hereby amended by replacing the last sentence of such definition with the following sentence:

"The aggregate Initial Term Loan Commitment of all the Lenders is $525,000,000 as of the Closing Date and, after giving effect to the Incremental Term Loan made on the First Amendment Effective Date shall be $625,000,000."

(c) Section 2.1(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) Initial Term Loan. The Lenders with an Initial Term Loan Commitment agree severally, in accordance with their respective Initial Term Loan Commitment Ratios, and not jointly, upon the terms and subject to the conditions of this Agreement and the other Loan Documents, to lend to the Borrower in two separate draws, the first of which occurred on the Closing Date in an aggregate principal amount of $525,000,000 and the second of which shall be made on the First Amendment Effective Date in an aggregate principal amount of $100,000,000 (with the resulting aggregate outstanding principal amount of all Term Loans immediately after the First Amendment Effective Date being $625,000,000), in each case, in an aggregate principal amount not to exceed such Initial Term Lender's respective Initial Term Loan Commitment with respect to each such draw. Subject to the terms and conditions hereof, the Borrower may from time to time (x) Convert from a Base Rate Advance into a LIBOR Advance or from a LIBOR Advance into a Base Rate Advance; or (y) Continue a LIBOR Advance as a LIBOR Advance."

(d) Section 2.6(b)(i) of the Credit Agreement is hereby amended by replacing "$1,312,500" with "$1,562,500".

(e) Section 5.10 of the Credit Agreement is hereby amended by adding the phrase "funded on the Closing Date" after the first reference to "the Initial Term Loan" in clause (a) thereof.

4. Conditions to Effectiveness. Upon the satisfaction or waiver of each of the following conditions, this Agreement shall be deemed to be effective (the date of such satisfaction, the "Effective Date"):

(a) the Administrative Agent shall have received counterparts of this Agreement executed by the Administrative Agent, each Initial Incremental Lender, the Borrower and each Subsidiary Guarantor;

(b) the Administrative Agent shall have received a duly executed Initial Term Loan Note in favor of each Initial Incremental Lender (in each case, if requested by such Initial Incremental Lender prior to the Effective Date);

(c) no Default shall exist as of the Effective Date immediately prior to or after giving effect to (i) the Initial Incremental Increase, (ii) the making of any extension credit pursuant to this Agreement and (iii) the SJL Acquisition;

(d) the Borrower shall deliver or cause to be delivered a certificate in form and substance satisfactory to the Administrative Agent and executed by an Authorized Signatory certifying (i) the pro forma Leverage Ratio after giving effect to the SJL Acquisition and the making of the extensions of credit pursuant to the Initial Incremental Increase (assuming that the Initial Incremental Increase is fully funded on the Effective Date), which shall be less than or equal to the then applicable Debt Incurrence Test, (ii) that the pro forma Leverage Ratio after giving effect to the SJL Acquisition is less than or equal to the greater of (A) the Leverage Ratio as of the last day of the most recently ended fiscal quarter for which financial statements have been (or were required to be) delivered under Section 6.1 or 6.2 of the Credit Agreement, as applicable, and (B) 6.75 to 1.00, (iii) after giving effect to the SJL Acquisition, the Borrower shall have Liquidity of at least $20,000,000, (iv) that attached thereto are a true, correct and correct copies of (A) the resolutions of the Borrower and each Subsidiary Guarantor authorizing the execution, delivery and performance of this Agreement, the transactions contemplated hereby and the Loan Documents (as amended hereby), (B) any amendments to articles or certificates of formation or incorporation (or the equivalent) and the bylaws or operating agreements (or the equivalent) of the Borrower and each Subsidiary Guarantor since the Closing Date and (C) the Acquisition Documents with respect to the SJL Acquisition and (v) that each of the requirements set forth in the definition of "Permitted Acquisition" applicable to the SJL Acquisition which are required prior to such Acquisition shall have been satisfied;

(e) the SJL Acquisition (including, without limitation, all asset purchases, Station Servicing Arrangements and/or option agreements, put/call agreements and agreements evidencing rights to assign any assets, in each case related to such Acquisition) shall be consummated substantially concurrently with the extensions of credit hereunder in accordance with all Applicable Laws and on the terms and conditions set forth in Acquisition Documents with respect thereto without giving effect to any amendment, modification, waiver or consent thereto that is materially adverse to the Lenders (as reasonably determined by the Administrative Agent), unless approved in writing by the Administrative Agent;

(f) the Administrative Agent shall have received the following, in form and substance reasonably satisfactory to the Administrative Agent:

(i) legal opinions of (A) Jones Day, corporate counsel to the Borrower and its Restricted Subsidiaries, and (B) such other legal opinions as may be reasonably requested by the Administrative Agent (which shall include customary reliance by successors and/or assigns of each Initial Incremental Lender and the Administrative Agent) in each case, addressed to each Initial Incremental Lender and the Administrative Agent and dated as of the Effective Date, which shall be in form and substance reasonably acceptable to the Administrative Agent;

(ii) Uniform Commercial Code Lien and other applicable searches with respect to the Target and each of its Subsidiaries, the applicable television stations, applicable purchased assets (including any rights of assignment) and the applicable Seller with respect to the SJL Acquisition and any payoff letters or lien releases required in connection with the SJL Acquisition;

(iii) evidence that (i) the SJL Acquisition has been approved by the board of directors (or equivalent governing body) of the Seller and (ii) all Necessary Authorizations relating to the execution, delivery and performance of this Agreement and any other documents in connection therewith and the consummation of the SJL Acquisition (including, without limitation, all asset purchases, Station Servicing Arrangements and/or option agreements, put/call agreements and agreements evidencing rights to assign any assets, in each case related to the SJL Acquisition) have been obtained or made and are in full force and effect;

(iv) a completed and duly executed Request for Advance substantially in the form of Exhibit D to the Credit Agreement; and

(v) all such other documents as the Administrative Agent may reasonably request, in each case certified by an appropriate governmental official or an Authorized Signatory if so requested; and

(g) The Borrower shall have paid to the Administrative Agent, Wells Fargo Securities, LLC and the Initial Incremental Lenders all fees due on the Effective Date and any other accrued and unpaid fees or commissions due on the Effective Date, (ii) all reasonable and invoiced fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent accrued and unpaid prior to or on the Effective Date, plus such estimate of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent) and (iii) to any other Person such amount as may be due thereto on the Effective Date in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any document in connection with this Agreement.

Without limiting the generality of the provisions of Section 9.3 of the Credit Agreement, for purposes of determining compliance with the conditions specified in this Section 4, each Initial Incremental Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to an Initial Incremental Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Effective Date specifying its objection thereto.

5. Limited Effect. Except as expressly provided herein, the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect. This Agreement shall not be deemed (a) to be a waiver of, consent to, or a modification or amendment of any other term or condition of the Credit Agreement or any other Loan Document, (b) to prejudice any 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 Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Borrower or any of its Subsidiaries or any other Person with respect to any other waiver, amendment, modification or any other change to the Credit Agreement or the Loan Documents or any rights or remedies arising in favor of the Lenders or the Administrative Agent, or any of them, under or with respect to any such documents or (d) to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of any other agreement by and among the Credit Parties, on the one hand, and the Administrative Agent or any other Lender, on the other hand. References in the Credit Agreement to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein”, “hereof” or other words of like import) and in any other Loan Document to the “Credit Agreement” shall be deemed to be references to the Credit Agreement as modified hereby.

6. Representations and Warranties. By its execution hereof, each Credit Party hereby certifies, represents and warrants that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) it has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement, (c) this Agreement has been duly executed and delivered on behalf of such Credit Party, (d) this Agreement constitutes a legal, valid and binding obligation of such Credit Party, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and (e) each of the representations and warranties made by it in or pursuant to the Loan Documents are true and correct in all material respects (except to the extent that such representation and warranty is subject to a materiality or Materially Adverse Effect qualifier, in which case it shall be true and correct in all respects), in each case on and as of the Effective Date as if made on and as of the Effective Date (both before and after giving effect to the Initial Incremental Increase), except to the extent that such representations and warranties relate to an earlier date, in which case such representations and warranties are true and correct in all material respects (except to the extent that such representation and warranty is subject to a materiality or Material Adverse Effect qualifier, in which case it shall be true and correct in all respects) as of such earlier date.

7 . Reaffirmation. By its execution hereof, each Subsidiary Guarantor hereby expressly (a) acknowledges that the covenants, representations and warranties and other obligations set forth in the Credit Agreement and the other Loan Documents to which it is a party remain in full force and effect and (b) affirms that each of the Liens and security interests granted in or pursuant to the Loan Documents are valid and subsisting and (c) agrees that this Agreement shall in no manner impair or otherwise adversely affect any of the Liens and security interests granted in or pursuant to the Loan Documents.

8. Execution in Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of an original executed counterpart hereof.

9. Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10. Entire Agreement. This Agreement is the entire agreement, and supersedes any prior agreements and contemporaneous oral agreements, of the parties concerning its subject matter.

11. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the parties and their heirs, beneficiaries, successors and permitted assigns.

12. Nature of Agreement. This Agreement shall be an Incremental Increase Amendment as defined in the Credit Agreement.

13. Agreement Regarding Assignments. Notwithstanding anything to the contrary contained in the Credit Agreement (including, without limitation, Section 11.5 thereof) or any other Loan Document, the Borrower hereby agrees that its consent shall not be required with respect to any assignment of Initial Term Loan during the primary syndication of the Initial Term Loan made pursuant to the Initial Incremental Increase (which shall include the 90 day period following the Effective Date).

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers, all as of the day and year first written above.

BORROWER:

GRAY TELEVISION, INC., as Borrower

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

SUBSIDIARY GUARANTORS:

WVLT-TV, INC.

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

GRAY TELEVISION GROUP, INC.

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

GRAY TELEVISION LICENSEE, LLC

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

YELLOWSTONE TELEVISION, LLC

By Gray Television Group, Inc., its General Partner

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

YELLOWSTONE LICENSECO LLC

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

ADMINISTRATIVE AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Bank, Swingline Lender and an Initial Incremental Lender

By: /s/ Tray Jones
Name: Tray Jones
Title: Director

EXHIBIT 31.1

CERTIFICATION

I, Hilton H. Howell, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gray Television, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 5, 2014

By: /s/ Hilton H. Howell, Jr.
Hilton H. Howell, Jr.
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, James C. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gray Television, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2014

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

EXHIBIT 32.1

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

In connection with the accompanying quarterly report on Form 10-Q of Gray Television, Inc. (the "Company") for the quarterly period ended September 30, 2014 (the "Periodic Report"), the undersigned Chief Executive Officer of the Company, hereby certifies pursuant to Title 18, Section 1350 United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his individual knowledge and belief, that the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 5, 2014

/s/ Hilton H. Howell, Jr.
Hilton H. Howell, Jr.
President and Chief Executive Officer

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

EXHIBIT 32.2

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

In connection with the accompanying quarterly report on Form 10-Q of Gray Television, Inc. (the "Company") for the quarterly period ended September 30, 2014 (the "Periodic Report"), the undersigned Chief Financial Officer of the Company, hereby certifies pursuant to Title 18, Section 1350 United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his individual knowledge and belief, that the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 5, 2014

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

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