GRAY TELEVISION INC
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2015 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	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
4370 Peachtree Road, NE Atlanta, GA	**30319**
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Class A Common Stock (no par value)	**New York Stock Exchange**
Common Stock (no par value)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one).

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 Act). Yes No

The aggregate market value of the voting stock (based upon the closing sales prices quoted on the New York Stock Exchange) held by non-affiliates of the registrant (solely for purposes of this calculation, all directors, executive officers and 10% or greater stockholders of the registrant are considered to be "affiliates") as of June 30, 2015: **Class A Common Stock and Common Stock; no par value –$1,006,138,318.**

The number of shares outstanding of the registrant’s classes of common stock as of February 19, 2016: **Class A Common Stock; no par value –**6,396,033 **shares; Common Stock, no par value –**66,304,805 **shares.**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for the annual meeting of stockholders, to be filed within 120 days of the registrant’s fiscal year end, pursuant to Regulation 14A are incorporated by reference into Part III hereof.

Gray Television Inc.

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PART 1

Item 1. Business.

In this annual report on Form 10-K (the "Annual Report"), unless otherwise indicated or the context otherwise requires, the words "Gray," the "Company," "we," "us," and "our" refer to Gray Television, Inc. and its consolidated subsidiaries. For more information on variable interest entities, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The discussion herein of the television (or "TV") stations that we own and operate does not include our interest in the television and radio stations owned by Sarkes Tarzian, Inc.

Our common stock and our Class A common stock have been listed and traded on The New York Stock Exchange (the "NYSE") under the symbols "GTN" and "GTN.A" since 1996 and 1995, respectively.

Unless otherwise indicated, all station rank, in-market share and television household data herein are derived from reports prepared by Nielsen Media Research Company ("Nielsen"), a national audience measuring service. While we believe this data to be accurate and reliable, we have not independently verified such data.

General

We are a television broadcast company headquartered in Atlanta, Georgia, that owns and operates television stations and leading digital assets in markets throughout the United States. As of February 19, 2016, we owned and/or operated television stations in 50 television markets broadcasting approximately 180 separate programming streams, including 35 affiliates of the CBS Network ("CBS"), 26 affiliates of the NBC Network ("NBC"), 19 affiliates of the ABC Network ("ABC") and 13 affiliates of the FOX Network ("FOX"). We refer to these major broadcast networks CBS, NBC, ABC and FOX collectively as the "Big Four" networks.

In addition to our primary broadcast channels, we can also broadcast secondary digital channels within a market. Our secondary digital 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 in addition to our primary channels. Certain of our secondary digital channels are affiliated with more than one network simultaneously. In addition to affiliations with ABC, CBS and FOX, our secondary channels are affiliated with numerous smaller networks and program services including, among others, the CW Network or the CW Plus Network (collectively, "CW"), MY Network ("MY" or "My Network"), the MeTV

Network ("MeTV"), This TV Network ("This TV"), Antenna TV ("Ant."), Telemundo ("Tel."), Heroes and Icons ("H&I") and MOVIES! Network ("Movies"). We also broadcast local news/weather channels in certain of our existing markets ("News"). Our combined TV station group reaches approximately 9.4% of total United States television households.

Our operating revenues are derived primarily from broadcast and internet advertising, retransmission consent fees and, to a lesser extent, from other sources such as production of commercials and tower rentals. For the years ended December 31, 2015, 2014 and 2013, we generated revenue of $597.4 million, $508.1 million and $346.3 million, respectively.

Television Industry Background

The Federal Communications Commission (the “FCC”) grants broadcast licenses to television stations. There are only a limited number of broadcast licenses available in any one geographic area.

Each commercial television station in the United States is assigned by Nielsen to one of 210 geographic television markets or designated market areas (“DMAs”). These markets are ranked in size according to their number of television households, with the market having the largest number of television households (New York City) ranked first. Each DMA is an exclusive geographic area consisting of all counties (and in some cases, portions of counties) in which the home-market commercial television stations receive the greatest percentage of total viewing hours. Nielsen periodically publishes data on estimated audiences for the television stations in each DMA.

Television station revenue is derived primarily from local, regional and national advertising and retransmission consent fees. Television station revenue is derived to a much lesser extent from studio and tower space rental fees 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 and/or digital content on a station’s website or mobile applications. Advertising 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. Because broadcast stations rely on advertising revenues, they are sensitive to cyclical changes in the economy. The sizes of advertisers’ budgets, which can be affected by broad economic trends, can affect the broadcast industry in general and the revenues of individual broadcast television stations.

Strategy

Our success is based on the following strategies for growing our revenues and operating cash flows:

Grow by Leveraging our Diverse National Footprint

We have a diverse and national footprint of television stations in 50 television markets that comprise approximately 9.4% of United States television households. We currently operate in DMAs ranked between 62 and 209 and primarily focus our operations on university towns and state capitals. We believe university towns and state capitals provide significant advantages as they generally offer more favorable advertising demographics, more stable economics and a stronger affinity between local stations and university sports teams than other markets. We also seek to operate in markets that we believe have the potential for significant political advertising revenue in periods leading up to elections. We are also diversified across our programming, broadcasting approximately 180 separate programming streams, including 35 affiliates of CBS, 26 affiliates of NBC, 19 affiliates of ABC and 13 affiliates of FOX.

Continue to Pursue Strategic Growth and Accretive Acquisition Opportunities

The television broadcasting industry has been characterized recently by a high level of acquisition activity. We believe that there continue to be a number of television stations, and a few station groups, that have attractive operating profiles and characteristics, and that share our commitment to local news coverage in the communities in which they operate and to creating high-quality and locally-driven content. We intend to continue to selectively pursue opportunities for the acquisition of television stations or station groups, primarily in markets below the Top 50 DMAs that fit our strategic and operational objectives, and where we believe that we can improve revenue, efficiencies and cash flow through active management and cost controls. As we consider potential acquisitions, we primarily evaluate potential station audience and revenue shares and the extent to which the target would positively impact our existing station operations.

Consistent with this strategy, between October 31, 2013 and December 31, 2015, we completed 16 acquisition transactions and two divestiture transactions. These transactions added a net total of 31 television stations in 20 television markets to our operations, including 15 new television markets. During the year ended December 31, 2015, we completed the following acquisitions:

the November 1, 2015 acquisition of KCRG-TV, which is affiliated with ABC and serves the Cedar Rapids, Iowa television market ("KCRG-TV") for $100.0 million (the "Cedar Rapids Acquisition);

the July 1, 2015 acquisition of KOSA-TV, whose digital channels are affiliated with the CBS and MY networks and serves the Odessa-Midland, Texas television market ("KOSA-TV") for $33.6 million (the "Odessa Acquisition");

the July 1, 2015 acquisition of KMVT-TV, whose digital channels are affiliated with the CBS and CW Networks, as well as KSVT-LD, whose digital channel is affiliated jointly with the FOX and MY Networks (together, "KMTV-TV"), which station serves the Twin Falls, Idaho television market, for $17.5 million (the "Twin Falls Acquisition");

the July 1, 2015 acquisition of certain non-license assets, including programming streams, of WFXS-TV, which had served as the FOX affiliate for the Wausau-Rhinelander, Wisconsin television market, whose programming streams are now broadcast on our digital low power television station in Wausau, WZAW-LD ("WZAW-LD" or) for $14.0 million (the "Wausau Acquisition");

the July 1, 2015 acquisition of WAGM-TV, whose digital channels are affiliated with the CBS and FOX networks ("WAGM-TV"), and which station serves the Presque Isle, Maine television market, for $10.3 million (the "Presque Isle Acquisition"); and

the July 1, 2015 acquisition of certain non-license assets, including programming streams, of KVTV-TV, which had served as the CBS affiliate for the Laredo, Texas television market, whose programming streams are now broadcast on our digital low power television station in Laredo, KYLX-TV ("KYLX-LD") for $9.0 million (the "Laredo Acquisition").

We refer to the stations acquired in 2015 collectively as the "2015 Acquired Stations." During 2014, we completed seven acquisitions, which transactions collectively added a total of 22 television stations and 12 markets (10 new markets) to our operations at various times during that year, and we refer to the stations acquired in those acquisitions as the "2014 Acquired Stations." During 2013, we completed two acquisition transactions that together added five television stations in four markets (three in new markets) to our operations, and we refer to the stations acquired in those acquisitions as the "2013 Acquired Stations." Unless the context of the discussion of these transactions requires otherwise, we refer to the 2015 Acquired Stations, the 2014 Acquired Stations and the 2013 Acquired Stations, collectively, as the "Acquired Stations."

In addition, on September 14, 2015, we announced that we agreed to acquire all of the television and radio stations of Schurz Communications, Inc. (“Schurz”) for approximately $442.5 million inclusive of working capital (the “Schurz Acquisition”). On October 1, 2015, we announced the sale of certain television stations to facilitate regulatory approvals for the Schurz Acquisition, and we simultaneously announced the acquisition of two television stations through swap transactions as part of those divestitures. On November 2, 2015, we announced that we had reached agreements with three radio broadcasters to divest the Schurz radio stations to those third-parties upon the closing of the Schurz Acquisition (the transactions announced on October 1, 2015 and November 2, 2015 together with the Schurz Acquisition, the “Schurz Acquisition and Related Transactions”). On October 1, 2015, we also announced the acquisition of KYES-TV, which would be our second station in the Anchorage, Alaska television market. The KYES-TV acquisition, which remains pending, is excluded from the foregoing definition.

On February 1, 2016, to facilitate regulatory approval of the Schurz Acquisition, we completed one swap transaction, the disposition of the assets of KAKE-TV in the Wichita, Kansas television market in exchange for the assets of WBXX-TV in the Knoxville, Tennessee television market. On February 16, 2016 we completed the remaining portions of the Schurz Acquisition and Related Transactions. The Schurz Acquisition and Related Transactions added the following television stations to our portfolio:

Station	**Primary Network Affiliation**	**Market**
WBXX-TV	CW	Knoxville, TN
KWCH-TV [(1)]	CBS	Wichita-Hutchinson, KS
WDBJ-TV	CBS	Roanoke, VA
KYTV-DT	NBC	Springfield, MO
KCZ	CW	Springfield, MO
KSPR-TV [(2)]	ABC	Springfield, MO
WAGT-TV	NBC	Augusta, GA
KTUU-TV	NBC	Anchorage, AK
KOTA-TV [(3)]	ABC	Rapid City, SD
WLUC-TV	NBC/FOX	Marquette, MI

(1) The acquired station includes one or more satellite stations, either re-broadcasting the programming associated with the primary network affiliation or programming associated with smaller networks and/or program services.

(2) Gray provides certain non-sales, back-office services to KSPR-TV, which Schurz acquired from Perkin Media, LLC, on February 16, 2016.

(3) We have acquired the indicated program stream in this market and are broadcasting this program stream on our previously existing station in this market, which has changed its call letters to KOTA-TV.

Refer to our Markets and Stations table later in this Item 1 and Note 2 “Acquisitions and Dispositions” and Note 11 “Subsequent Events” of our audited consolidated financial statements as of and for the year ended December 31, 2015 included in Item 8, for more information.

Maintain and Grow our Market Leadership Position

Based on the consolidated results of the four Nielsen “sweeps” periods in 2015, our television stations (including those acquired in February 2016) achieved the #1 ranking in overall audience in 39 of our 50 markets and the #1 ranking in local news audience in 36 of our markets. In addition, our stations achieved the #1 or #2 ranking in both overall audience and news audience in 49 of our 50 markets.

We believe there are significant advantages in operating the #1 or #2 television broadcasting stations in a local market. Strong audience and market share allows us to enhance our advertising revenue through price discipline and leadership. We believe a top-rated news platform is critical to capturing incremental sponsorship and political advertising revenue. Our high-quality station group allows us to generate high operating margins, which allows us additional opportunities to reinvest in our business to further strengthen our network and news ratings. Furthermore, we believe operating the top ranked stations in our various markets allows us to attract and retain top talent.

We also believe our local leadership positions help us in negotiating more beneficial terms in our network affiliation agreements, which expire on various dates through December 2020, and in our syndicated programming agreements.

We also believe that our leadership position in the markets in which we operate gives us additional leverage to negotiate retransmission contracts with cable system operators, telephone video distributors, direct broadcast satellite (“DBS”) operators, and other multichannel video programming distributors (collectively, “MVPDs”). These MVPDs pay us for the right to retransmit our television stations’ program content.

We intend to maintain our market leadership position through continued prudent investment in our news and syndicated programs, as well as continued technological advances and workflow improvements. We expect to continue to invest in technological upgrades over the next few years. We believe the foregoing will help us maintain and grow our market leadership; thereby enhancing our ability to grow and further diversify our revenues and cash flows.

Continue to Monetize Digital Spectrum

We currently broadcast over 80 secondary channels. Our secondary channels are affiliated with networks different from those affiliated with our primary channels and 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 channels are affiliated with more than one network simultaneously.

Our strategy includes expanding upon our digital offerings, and we evaluate potential opportunities from time to time either on our own and/or in partnership with other companies. We also evaluate opportunities to use spectrum for future delivery of television broadcasts to handheld and other mobile devices. For example, in 2015, we were one of the first affiliate groups to launch CBS All Access service, and we have implemented the service in each of our markets. We also have an agreement with the NBC Network to launch our NBC-affiliated channels through NBCUniversal’s TV Everywhere platform for mobile and online devices.

Maintain Prudent Cost Management

Historically, we have closely managed our costs to maintain and improve our margins. We believe that our market leadership position also gives us additional negotiating leverage to enable us to lower our syndicated programming costs. We have increased the efficiency of our stations by automating video production and back office processes. We believe that we will be able to further benefit from our cost and operational efficiencies as we continue to grow our Company.

Cyclicality, Seasonality and Revenue Concentrations

Because broadcast stations like ours rely on advertising revenue, they are sensitive to cyclical changes in the economy. As a result, our non-political advertising revenue has improved along with the general economic environment since 2010. Our political advertising revenue is generally not as significantly affected by economic slowdowns or recessions as our non-political advertising revenue.

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 Christmas holiday season. Broadcast advertising revenue is also typically higher in even-numbered years due to spending by political candidates, political parties and special interest groups during the “on year” of the two-year political advertising cycle. This political advertising spending typically is heaviest during the fourth quarter. In addition, the broadcast of Olympic Games by our NBC-affiliated stations during even-numbered years generally leads to increased viewership and revenue during those years.

Our broadcast advertising revenue is earned from the sale of advertisements broadcast by our stations. Although no single customer represented more than 5% of our broadcast advertising revenue for the years ended December 31, 2015, 2014 or 2013, we derived a material portion of our non-political broadcast advertising revenue from advertisers in a limited number of industries, particularly the automotive industry. For the years ended December 31, 2015, 2014 and 2013, we derived approximately 24%, 21% and 25%, respectively, of our total broadcast advertising revenue from our customers in the automotive industry. Revenue from this industry represents a higher percentage of total revenue in odd-numbered years due to, among other things, the increased availability of advertising time, as a result of such years being the “off year” of the two year political advertising cycle. Our results of operations and financial condition could be materially adversely affected if broadcast advertising revenue from the automotive industry, or certain other industries, such as the medical, restaurant, communications and furniture and appliance industries were to decline.

Markets and Stations

We operate in markets below the top 50 DMAs and have significant operations in university towns and state capitals. Our markets include 27 university towns, representing enrollment of approximately 634,000 students, and 11 state capitals. We believe university towns and state capitals provide significant advantages, as they generally offer more favorable advertising demographics, more stable economics and a stronger affinity between local stations and university sports teams.

We have strong, market leading positions in our markets. We believe a key driver for our strong market position is the strength of our local news and information programs. We believe that our market position and our strong local revenue streams have enabled us to maintain more stable revenues compared to many of our peers.

We are diversified across our markets and network affiliations. In 2015 and 2014, our largest market by company revenue was Charleston/Huntington, WV, which contributed approximately 6% and 7% of our revenue for each of those years, respectively. Our top 10 markets by Company revenue contributed approximately 38% and 35% of our revenue for each of the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, our CBS-affiliated channels accounted for 36% and 42%, respectively, of our revenue; our NBC-affiliated channels accounted for 34% and 38%, respectively, of our revenue; our ABC-affiliated channels accounted for 20% and 15%, respectively, of our revenue; and our FOX-affiliated channels accounted for

approximately 2% of our revenue.

All but four of our stations broadcast a primary channel affiliated with one of the four major broadcast networks. In addition to the primary channels, the majority of our stations also broadcast secondary digital channels that are affiliated with various networks. The terms of our affiliations with these networks are governed by network affiliation agreements. Each network affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the affiliated network. Our network affiliation agreements currently expire at various dates through December 31, 2020.

The following table provides information about our owned and/or operated television stations, as of February 19, 2016:

DMA Rank (a)	Designated Market Area ("DMA")	Station Call Letters		Network Affiliation (b)	Primary Broadcast License Expiration Date (c)	Primary Channel Station Rank in DMA (d)	News Rank in DMA (e)
62	Knoxville, TN	WVLT		CBS	8/1/2021	2	3
62	Knoxville, TN	WBXX		CW	8/1/2021	5	5
63	Lexington, KY	WKYT		CBS	8/1/2021	1	1
(f)	Hazard, KY	WYMT		CBS	8/1/2021	6	5
65	Wichita-Huthcinson, KS	KWCH		CBS	6/1/2022	1	1
65	Wichita-Huthcinson, KS	KSCW		CW	6/1/2022	5	5
65	Wichita-Huthcinson, KS	KDCU	(g)	UNI	6/1/2022	7	7
65	(Ensign, KS)	KBSD	(h)	CBS	6/1/2022		
65	(Goodland, KS)	KBSL	(h)	CBS	6/1/2022		
65	(Hays, KS)	KBSH	(h)	CBS	6/1/2022		
66	Charleston/Huntington, WV	WSAZ		NBC	10/1/2020	1	1
66	Charleston/Huntington, WV	WQCW		CW	10/1/2021	5	3
69	Roanoke-Lynchburg, VA	WDBJ		CBS	10/1/2020	1	1
71	Flint/Saginaw/Bay City, MI	WJRT		ABC	10/1/2021	2	2
74	Omaha, NE	WOWT		NBC	6/1/2022	2	2
75	Springfield, MO	KYTV		NBC	2/1/2022	1	1
75	Springfield, MO	KSPR	(i)	ABC	2/1/2022	3	3
75	Springfield, MO	KCZ		CW	2/1/2022	4	2
76	Toledo, OH	WTVG		ABC	10/1/2021	1	1
81	Madison, WI	WMTV		NBC	12/1/2021	1	2
87	Waco/Temple/Bryan, TX	KWTX		CBS	8/1/2022	1	1
87	Waco/Temple/Bryan, TX	KBTX		CBS	8/1/2022	4	4
89	Colorado Springs/Pueblo, CO	KKTV		CBS	4/1/2022	1	2
90	Cedar Rapids, IA	KCRG		ABC	2/1/2022	1	1
96	South Bend/Elkhart, IN	WNDU		NBC	8/1/2021	2	2
99	Greenville/New Bern/Washington, NC	WITN		NBC	12/1/2020	1	1
105	Lincoln/Hastings/Kearney, NE	KOLN		CBS	6/1/2022	1	1
105	(Grand Island, NE)	KGIN	(h)	CBS	6/1/2022		
105	Lincoln/Hastings/Kearney, NE	KSNB		NBC	6/1/2022	4	4
106	Reno, NV	KOLO		ABC	10/1/2022	2	2
108	Tallahassee, FL/Thomasville, GA	WCTV		CBS	4/1/2021	1	1

110	Sioux Falls, SD	KSFY		ABC	4/1/2022		2	2
110	(Aberdeen, SD)	KABY	(h)	ABC	4/1/2022			
110	(Pierre, SD)	KPRY	(h)	ABC	4/1/2022			
112	Augusta, GA/Aiken, SC	WRDW		CBS	4/1/2021		2	2
112	Augusta, GA/Aiken, SC	WAGT		NBC	4/1/2021		3	4
113	Lansing, MI	WILX		NBC	10/1/2021		2	2
115	Fargo/Valley City, ND	KVLY		NBC	4/1/2022		1	1
128	La Crosse/Eau Claire, WI	WEAU		NBC	4/1/2022		1	1
134	Wausau/Rhinelander, WI	WSAW		CBS	12/1/2021		1	2
134	Wausau/Rhinelander, WI	WZAW		FOX	NA	(j)	4	4
135	Topeka, KS	WIBW		CBS	6/1/2022		1	1
136	Rockford, IL	WIFR		CBS	12/1/2021		1	1
137	Monroe/El Dorado, LA	KNOE		CBS	6/1/2021		1	1

Stations owned and/or operated by Gray Television, Inc. (continued):

DMA Rank (a)	Designated Market Area ("DMA")	Station Call Letters		Network Affiliation (b)	Primary Broadcast License Expiration Date (c)	Primary Channel Station Rank in DMA (d)	Primary Channel News Rank in DMA (e)
142	Minot/Bismarck/Dickinson, ND	KFYR		NBC	4/1/2022	1	1
142	(Minot, ND)	KMOT	(h)	NBC	4/1/2022		
142	(Williston, ND)	KUMV	(h)	NBC	4/1/2022		
142	(Dickinson, ND)	KQCD	(h)	NBC	4/1/2022		
142	Minot/Bismarck/Dickinson, ND	KNDX		FOX	4/1/2022	4	3
142	(Minot, ND)	KXND	(h)	FOX	4/1/2022		
145	Odessa/Midland, TX	KOSA		CBS	8/1/2022	1	1
147	Anchorage, AK	KTUU		NBC	2/1/2023	1	1
152	Albany, GA	WSWG		CBS	4/1/2021	3	(k)
154	Panama City, FL	WJHG		NBC	2/1/2021	1	1
154	Panama City, FL	WECP		CBS	2/1/2021	3	3
161	Sherman, TX/Ada, OK	KXII		CBS	8/1/2022	1	1
161	(Paris, TX)	KXIP	(h)	CBS	8/1/2022		
172	Rapid City, SD	KOTA		ABC	4/1/2022	1	1
172	Rapid City, SD	KEVN		FOX	4/1/2022	4	2
172	(Lead, SD)	KHSD	(h)	ABC/FOX	4/1/2022		
172	(Sheridan, WY)	KSGW	(h)	ABC	4/1/2022		
172	(Scottsbluff, NE)	KDUH	(h)	ABC	6/1/2022		
173	Dothan, AL	WTVY		CBS	4/1/2021	1	1
173	Dothan, AL	WRGX		NBC	4/1/2021	3	3
178	Harrisonburg, VA	WHSV		ABC	10/1/2020	1	1
178	Harrisonburg, VA	WSVF		FOX/CBS	10/1/2020	4	2
179	Alexandria, LA	KALB		NBC/CBS	6/1/2021	1	1
180	Marquette, MI	WLUC		NBC/FOX	10/1/2021	1	1
182	Bowling Green, KY	WBKO		ABC/FOX	8/1/2021	1	1
183	Charlottesville, VA	WCAV		CBS	10/1/2020	2	2
183	Charlottesville, VA	WVAW		ABC	10/1/2020	3	5
183	Charlottesville, VA	WAHU		FOX	10/1/2020	4	4
184	Laredo, TX	KGNS		NBC/ABC	8/1/2022	1	1
184	Laredo, TX	KYLX		CBS	8/1/2022	3	(k)
185	Grand Junction/Montrose, CO	KKCO		NBC	4/1/2022	1	1
185	Grand Junction/Montrose, CO	KJCT		ABC	4/1/2022	3	2
189	Meridian, MS	WTOK		ABC	6/1/2021	1	1
193	Twin Falls, ID	KMVT		CBS	10/1/2022	1	1

193	Twin Falls, ID	KSVT	FOX	10/1/2022	4	3
194	Parkersburg, WV	WTAP	NBC	10/1/2020	1	1
194	Parkersburg, WV	WIYE	CBS	10/1/2020	2	(k)
194	Parkersburg, WV	WOVA	FOX	10/1/2020	3	2
196	Casper/Riverton, WY	KCWY	NBC	10/1/2022	1	1
197	Cheyenne, WY/Scottsbluff, NE	KGWN	CBS	10/1/2022	1	1
197	(Scottsbluff, NE)	KSTF (h)	CBS	6/1/2022		
197	Cheyenne, WY/Scottsbluff, NE	KCHY	NBC	10/1/2022	2	3
206	Presque Isle, ME	WAGM	CBS/FOX	4/1/2023	1	1
209	North Platte, NE	KNPL	CBS	6/1/2022	2	2
209	North Platte, NE	KNOP	NBC	6/1/2022	1	1
209	North Platte, NE	KIIT	FOX	6/1/2022	3	3

(a) DMA rank for the 2015-2016 television season based on information published by Nielsen.

(b) Indicates network affiliations. All primary channels and a significant majority of our secondary channels broadcast by the stations are affiliated with a network.

(c) Indicates expiration dates of broadcast licenses.

(d) Based on Nielsen data for the February, May, July and November 2015 rating periods.

(e) Based on Nielsen data for the February, May, July and November 2015 rating periods for various news programs.

(f) The rankings shown for WYMT are based on Nielsen data for the trading area (an area not defined as a distinct DMA) for the four most recent reporting periods.

(g) Gray provides sales and non-sales, back office services to KDCU, which is owned by Entravision Communications Company, an independent third party.

(h) This station is a satellite station under FCC rules and simulcasts the programming of our primary channel in its market. This station may offer some locally originated programming, such as local news.

(i) Gray provides non-sales, back office services to KSPR, which Schurz acquired from Perkin Media, LLC, on February 16, 2016.

(j) This station did not commence operations until July 1, 2015, and the FCC has not yet granted an initial license for this station. Instead, it operates pursuant to special temporary authority from the FCC. Once the FCC grants a license for the station, it will have an expiration date of December 1, 2021. We anticipate that a license will be granted for this station in due course.

(k) This station does not currently broadcast local news that is specific to its market.

Station Network Affiliations

The Big Four major broadcast networks dominate broadcast television in terms of the amount of viewership that their original programming attracts. The “Big Three” major broadcast networks of ABC, NBC, and CBS provide their respective network affiliates with a majority of the programming broadcast each day. FOX, CW and My Network provide their affiliates with a smaller portion of each day’s programming compared to the Big Three networks. The CW Plus network generally provides programming for the entire broadcast day for CW affiliates in markets smaller than the top 100 DMAs.

We believe most successful commercial television stations obtain their brand identity from locally produced news programs. Notwithstanding this, however, the affiliation of a station’s channels with one of the Big Four major networks can have a significant impact on the station’s programming, revenues, expenses and operations. A typical network provides an affiliate with network programming in exchange for a substantial majority of the advertising time

available for sale during the airing of the network programs. The network then sells this advertising time and retains the revenue. The affiliate sells the remaining advertising time available within the network programming and non-network programming, and the affiliate retains most or all of such revenue from these sales. In seeking to acquire programming to supplement network-supplied programming, which we believe is critical to maximizing affiliate revenue, affiliates compete primarily with other affiliates and independent stations in their markets as well as, in certain cases, various national non-broadcast networks ("cable networks") that present competitive programming. The Big Four networks and CW charge fees to their affiliates for receiving network programming.

A television station may also acquire programming through barter arrangements. Under a programming barter arrangement, a national program distributor retains a fixed amount of advertising time within the program in exchange for the programming it supplies. The television station may pay a fixed fee for such programming.

We record revenue and expense for trade transactions involving the exchange of tangible goods or services with our customers. The revenue is recorded at the time the advertisement is broadcast and the expense is recorded at the time the goods or services are used. The revenue and expense associated with these transactions are based on the fair value of the assets or services received.

We do not account for barter revenue and related barter expense generated from network or syndicated programming as such amounts are not material. Furthermore, any such barter revenue recognized would then require the recognition of an equal amount of barter expense. The recognition of these amounts would not have a material effect upon net income.

Affiliates of FOX, CW and MY Network must purchase or produce a greater amount of programming for their non-network time periods, generally resulting in higher programming costs. However, affiliates of FOX, CW and My Network retain a larger portion of their advertising time inventory and the related revenues compared to Big Three affiliates.

Competition

Television stations compete for audiences, certain programming (including news) and advertisers. Cable network programming is a significant competitor of broadcast television programming. However, no single cable network regularly attains audience levels of those of any major broadcast network. Cable networks' advertising share has increased due to the growth in the number of homes that subscribe to a pay-TV service from MVPDs. Despite increases in cable network viewership, over-the-air broadcasting remains the dominant distribution system for mass-market television advertising. Signal coverage and carriage on MVPD systems also materially affect a television station's competitive position.

Audience

Stations compete for audience based on broadcast program popularity, which has a direct effect on advertising rates. Networks supply a substantial portion of our affiliated stations' daily programming. Affiliated stations depend on the performance of the network programs to attract viewers. There can be no assurance that any such current or future

programming created by our affiliated networks will achieve or maintain satisfactory viewership levels. Stations program non-network time periods with a combination of locally produced news, public affairs and entertainment programming, including national news or syndicated programs purchased for cash, cash and barter, or barter only.

MVPD systems have significantly altered the competitive landscape for audience in the television industry. Specifically, MVPD systems can increase a broadcasting station's competition for viewers by bringing into the market both cable networks and distant television station signals not otherwise available to the station's audience.

Other sources of competition for audiences, programming and advertisers include internet websites, mobile applications and wireless carriers, direct-to-consumer video distribution systems, and home entertainment systems.

Recent developments by many companies, including internet service providers and internet website operators have expanded, and are continuing to expand, the variety and quality of broadcast and non-broadcast video programming available to consumers via the internet. Internet companies have developed business relationships with companies that have traditionally provided syndicated programming, network television and other content. As a result, additional programming has, and is expected to further become, available through non-traditional methods, which can directly impact the number of TV viewers, and thus indirectly impact station rankings, popularity and revenue possibilities of our stations.

Programming

Competition for non-network programming involves negotiating with national program distributors, or syndicators, that sell first run and rerun programming packages. Each station competes against the other broadcast stations in its market for exclusive access to off network reruns (such as *Seinfeld*) and first run programming (such as *Wheel of Fortune*). Broadcast stations compete also for exclusive news stories and features. While cable networks or internet service providers generally do not compete with local stations for programming, some national cable networks or internet service providers from time to time have acquired programs that would have been offered to, or otherwise might have been broadcast by, local television stations.

Advertising

Advertising revenues comprise the primary source of revenues for our stations. Our stations compete with other television stations for advertising revenues in their respective markets. Our stations also compete for advertising revenue with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, internet websites, and local cable and other MVPD systems. In the broadcast industry, advertising revenue competition occurs primarily within individual markets.

Federal Regulation of the Television Broadcast Industry

General

Under the Communications Act of 1934 (the “Communications Act”), television broadcast operations such as ours are subject to the jurisdiction of the FCC. Among other things, the Communications Act empowers the FCC to: (i) issue, revoke and modify broadcasting licenses; (ii) regulate stations’ operations and equipment; and (iii) impose penalties for violations of the Communications Act or FCC regulations. The Communications Act prohibits the assignment of a

license or the transfer of control of a licensee without prior FCC approval.

License Grant and Renewal

The FCC grants broadcast licenses to television stations for terms of up to eight years. Broadcast licenses are of paramount importance to the operations of television stations. The Communications Act requires the FCC to renew a licensee's broadcast license if the FCC finds that: (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Communications Act or the FCC's rules and regulations; and (iii) there have been no other violations which, taken together, would constitute a pattern of abuse. Historically the FCC has renewed broadcast licenses in substantially all cases. While we are not currently aware of any facts or circumstances that might prevent the renewal of our stations' licenses at the end of their respective license terms, we cannot provide any assurances that any license will be renewed. Our failure to renew any licenses upon the expiration of any license term could have a material adverse effect on our business. Under the Communications Act, the term of a broadcast license is automatically extended pending the FCC's processing of a renewal application. For further information regarding the expiration dates of our stations' current licenses and renewal application status, see the table under the heading "Markets and Stations."

Media Ownership Restrictions and FCC Proceedings

The FCC's broadcast ownership rules affect the number, type and location of broadcast and newspaper properties that we may hold or acquire. The rules now in effect limit the common ownership, operation or control of, and "attributable" interests or voting power in: (i) television stations serving the same area; (ii) television stations and daily newspapers serving the same area; and (iii) television stations and radio stations serving the same area. The rules also limit the aggregate national audience reach of television stations that may be under common ownership, operation and control, or in which a single person or entity may hold an official position or have more than a specified interest or percentage of voting power. The FCC's rules also define the types of positions and interests that are considered attributable for purposes of the ownership limits, and thus also apply to our principals and certain investors.

The FCC is required by statute to review all of its broadcast ownership rules every four years to determine if such rules remain necessary in the public interest. In March 2014, the FCC adopted a Report and Order (the "2014 Order") that made television joint sales agreements attributable when the brokering station sells more than 15% of the advertising time of the brokered station; and adopted rules that effectively prohibit top-four television stations in the same market from jointly negotiating retransmission consent agreements. The FCC simultaneously issued a Further Notice of Proposed Rulemaking (the "2014 FNPRM") that proposed to retain the local television ownership rules with a minor modification to measure station overlap based on a station's digital contour and considered whether to (i) impose reporting requirements on stations that participate in shared services agreements and (ii) adopt a revenue-based eligible entity definition to help promote ownership diversity.

Local TV Ownership Rules

The FCC's current television ownership rules allow one entity to own two commercial television stations in a DMA as long as the specified service contours of the stations do not overlap or, if they do, no more than one of those stations is ranked among the top four stations in the DMA and eight independently owned, full-power stations will remain in the DMA. Waivers of this rule may be available if at least one of the stations in a proposed combination qualifies, pursuant to specific criteria set forth in the FCC's rules, as failed, failing, or unbuilt. The 2014 FNPRM proposes only minor modifications to the existing rule by updating the contour overlap portion of the existing rule to specify the use of digital contours and not analog contours. Additionally, the 2014 FNPRM requests comments on whether (i) to adopt a waiver standard that would allow certain television combinations in small markets, even between top-four stations, (ii) to consider multicasting in determining local television ownership limits, and (iii) to limit the ability of station owners to form dual network affiliations through multicasting multiple channels of programming within a single digital channel.

Cross-Media Limits

The newspaper/broadcast cross-ownership rule generally prohibits one entity from owning both a commercial broadcast station and a daily newspaper in the same community. The radio/television cross-ownership rule allows a party to own one or two TV stations and a varying number of radio stations within a single market. The 2014 FNPRM sought comment on a proposal to adopt a newspaper/broadcast cross-ownership rule that would presumptively permit waivers of the newspaper/broadcast cross-ownership restrictions in the top 20 DMAs when the television station is not ranked among the top four television stations in the DMA and at least eight independently owned and/or operated major media voices remain in the DMA.

National Television Station Ownership Rule

The maximum percentage of U.S. households that a single owner can reach through commonly owned television stations is 39 percent. This limit was specified by Congress in 2004. The FCC applies a 50 percent “discount” for ultra-high frequency (“UHF”) stations. In September 2013, the FCC released a Notice of Proposed Rulemaking (the “2013 NPRM”) seeking comment on its tentative conclusion to eliminate the UHF discount.

Conclusion

The FCC’s media ownership proceedings are on-going and, in many cases, are or will be subject to further judicial and potentially Congressional review. We cannot predict the outcome of any of these current or potential proceedings.

Attribution Rules

Under the FCC’s ownership rules, a direct or indirect purchaser of certain types of our securities could violate FCC regulations if that purchaser owned or acquired an “attributable” interest in other media properties in the same areas as one or more of our stations. Pursuant to FCC rules, the following relationships and interests are generally considered attributable for purposes of broadcast ownership restrictions: (i) all officers and directors of a corporate licensee and its direct or indirect parent(s); (ii) voting stock interests of at least five percent; (iii) voting stock interests of at least 20 percent, if the holder is a passive institutional investor (such as an investment company, as defined in 15 U.S.C. 80a-3, bank, or insurance company); (iv) any equity interest in a limited partnership or limited liability company, unless properly “insulated” from management activities; (v) equity and/or debt interests that in the aggregate exceed 33 percent of a licensee’s total assets, if the interest holder supplies more than 15 percent of the station’s total weekly programming or is a same-market broadcast company or daily newspaper publisher; (vi) time brokerage of a broadcast station by a same-market broadcast company providing more than 15 percent of the station’s weekly programming; and (vii) same-market television and radio joint sales agreements, wherein the broker provides more than 15 percent of the station’s weekly advertising time.

Management services agreements and other types of shared services arrangements between same-market stations that do not include attributable time brokerage or joint sales components generally are not deemed attributable under the FCC’s current rules and policies. However, the FCC previously requested comment on whether local news service agreements and/or shared services agreements should be considered attributable for purposes of applying the media ownership rules. In a December 2013 Memorandum Opinion and Order granting a transfer of control application that included shared services arrangements, the Media Bureau cautioned broadcasters that it must consider the economic effects of, and incentives created by, each transaction on a case-by-case basis to determine whether the transaction serves the public interest, as well as complying with the FCC’s rules and prior decisions. The Department of Justice

has taken steps under the antitrust laws to block certain transactions involving joint sales or other services agreements.

To our knowledge, no officer, director or five percent or greater shareholder currently holds an attributable interest in another television station, radio station or daily newspaper that is inconsistent with the FCC's ownership rules and policies or with our ownership of our stations.

Alien Ownership Restrictions

The Communications Act restricts the ability of foreign entities or individuals to own or hold interests in broadcast licenses. The Communications Act bars the following from holding broadcast licenses: foreign governments, representatives of foreign governments, non-citizens, representatives of non-citizens, and corporations or partnerships organized under the laws of a foreign nation. Foreign individuals or entities, collectively, may directly or indirectly own or vote no more than 20 percent of the capital stock of a licensee or 25 percent of the capital stock of a corporation that directly or indirectly controls a licensee. The 20 percent limit on foreign ownership of a licensee may not be waived. Currently, the Commission has separate review standards for foreign ownership in the broadcast and common carrier contests. In November 2013, the FCC issued a Declaratory Ruling clarifying that it would consider, on a case-by-case basis, proposals for foreign investment in the parent company of a broadcast licensee in excess of 25 percent. Prior to this ruling, the FCC applied a *de facto* 25 percent cap on such investments. Subsequently, in October 2015, the FCC issued a Notice of Proposed Rulemaking ("Foreign Ownership NPRM") seeking comment on whether it should simplify the foreign ownership approval process for broadcast licensees by extending the streamlined rules and procedures that apply to common carrier licensees to the broadcast industry. The Foreign Ownership NPRM asks whether and how to revise the methodology a licensee should use to assess its compliance with the 25 percent foreign ownership benchmarks.

We serve as a holding company for our subsidiaries, including subsidiaries that hold station licenses. Therefore we may be restricted from having more than one-fourth of our stock owned or voted directly or indirectly by non-citizens, foreign governments, representatives of non-citizens or foreign governments, or foreign corporations.

Programming and Operations

Rules and policies of the FCC and other federal agencies regulate certain programming practices and other areas affecting the business or operations of broadcast stations.

The Children's Television Act of 1990 limits commercial matter in children's television programs and requires stations to present educational and informational children's programming. Broadcasters are effectively required through license renewal processing guidelines to provide at least three hours of children's educational programming per week on their primary channels and on each secondary channel. In October 2009, the FCC issued a Notice of Inquiry ("NOI") seeking comment on a broad range of issues related to children's usage of electronic media and the current regulatory landscape that governs the availability of electronic media to children. The NOI remains pending, and we cannot predict what recommendations or further action, if any, will result from it.

Over the past several years, the FCC has increased its enforcement efforts regarding broadcast indecency and profanity and the statutory maximum fine for broadcasting indecent material is currently $325,000 per incident. In June 2012, the Supreme Court decided a challenge to the FCC's indecency enforcement without resolving the scope of the FCC's ability to regulate broadcast content. In August 2013, the FCC issued a Public Notice seeking comment on whether it should modify its indecency policies. The FCC has not yet issued a decision in this proceeding, and the courts remain free to review the FCC's current policy or any modifications thereto. The outcomes of these proceedings could affect future FCC policies in this area, and we are unable to predict the outcome of any such judicial proceeding, which could have a material adverse effect on our business.

EEO Rules

The FCC's Equal Employment Opportunity ("EEO") rules impose job information dissemination, recruitment, documentation and reporting requirements on broadcast station licensees. Broadcasters are subject to random audits to ensure compliance with the EEO rules and may be sanctioned for noncompliance.

MVPD Retransmission of Local Television Signals

Under the Communications Act and FCC regulations, each television station generally has a so-called "must-carry" right to carriage of its primary channels on all MVPD systems serving their market. Each commercial television station may elect between invoking its "must carry" right or invoking a right to prevent an MVPD system from retransmitting the station's signal without its consent ("retransmission consent"). Stations must make this election by October 1 every three years, and stations most recently made such elections by October 1, 2014. Such elections are binding throughout the three-year cycle that commences on the subsequent January 1. The current carriage cycle commenced on January 1, 2015, and ends on December 31, 2017. Our stations have elected retransmission consent and have entered into retransmission consent contracts with virtually all MVPD systems serving their markets.

On March 31, 2014, the FCC amended its rules governing "good faith" retransmission consent negotiations to provide that it is a per se violation of the statutory duty to negotiate in good faith for a television broadcast station that is ranked among the top-four stations in a market (as measured by audience share) to negotiate retransmission consent jointly with another top-four station in the same market if the stations are not commonly owned. As part of the STELA Reauthorization Act of 2014 ("STELAR"), Congress further tightened the restriction to prohibit joint negotiation with any television station in the same market unless the stations are under common *de jure* control. We currently are not a party to any agreements that delegate our authority to negotiate retransmission consent for any of our television stations or grant us authority to negotiate retransmission consent for any other television station. Nevertheless, we cannot predict how this restriction might impact future opportunities.

The FCC also has sought comment on whether it should modify or eliminate the network non-duplication and syndicated exclusivity rules. We cannot predict the outcome of this proceeding. If, however, the FCC eliminates or relaxes its rules enforcing our program exclusivity rights, it could affect our ability to negotiate future retransmission consent agreements, and it could harm our ratings and advertising revenue if cable and satellite operators import duplicative programming.

In June 2014, the Supreme Court issued a ruling finding that the streaming of broadcast programming over the internet without the consent of the copyright owner of the programming was a public performance that infringed upon the copyright owners' rights. Broadcasters and other copyright owners had aggressively pursued injunctions against the companies offering these services in multiple jurisdictions. On December 19, 2014, the FCC issued a Notice of Proposed Rulemaking ("NPRM") seeking comment on its proposal to modernize the term "MVPD" to be technology neutral. If the NPRM proposal is adopted, an entity that uses the internet to distribute multiple streams of linear programming would be considered an MVPD and would have the same retransmission consent rights and obligations as other MVPDs, including the right to negotiate with television stations to carry their broadcast signals. The FCC also asked about the possible copyright implications of this proposal. We cannot predict the outcome of the FCC's interpretive proceedings.

STELAR was signed into law on December 4, 2014. STELAR extends the right of satellite TV operators to retransmit the signal of television broadcast stations for an additional five years and grants an extension of their compulsory copyright license for the carriage of distant TV signals. In accordance with STELAR, the FCC has promulgated rules that (i) grant DBS providers the right to seek market modifications based on factors similar to those used in the cable industry and cable operators the right to delete or reposition channels during "sweeps," (ii) broadened the FCC’s prohibition against joint retransmission negotiations by directing the FCC to prohibit joint retransmission negotiations by any stations in the same DMA not under common control, (iii) prohibit a television station from limiting the ability of an MVPD to carry into its local market television signals that are deemed significantly viewed, and (iv) eliminated the “sweeps prohibition,” which had precluded cable operators from deleting or repositioning local commercial television stations during “sweeps” ratings periods.

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In September 2015, the FCC, in accordance with STELAR, issued a notice of proposed rulemaking to review the "totality of the circumstances test" used to evaluate whether broadcast stations and MVPDs are negotiating for retransmission consent in good faith. We cannot predict the outcome of this proceeding. If, however, the FCC revises the totality of the circumstances test, it could affect our ability to negotiate retransmission consent agreements, including the rates that we obtain from MVPDs.

Broadcast Spectrum

In February 2012, Congress passed legislation that grants the FCC authority to conduct an auction of certain spectrum currently used by television broadcasters. On May 15, 2014, the FCC adopted a Report and Order (the "2014 Report") establishing the framework for an incentive auction of broadcast television spectrum. The 2014 Report created a two part incentive auction framework (the "Incentive Auction"). First, the FCC would conduct a reverse auction by which a television broadcaster may volunteer, in return for payment, to relinquish all or a part of its station's spectrum by (i) surrendering its license, (ii) relinquishing a portion of its spectrum and thereafter sharing spectrum with another station, or (iii) modifying a UHF channel license to a VHF channel license. Second, the FCC would conduct a forward auction of the relinquished spectrum to new users. The FCC must complete the reverse auction and the forward auction by September 30, 2022. Applications to participate in the Incentive Auction were due by January 12, 2016 with bidding scheduled to begin on March 29, 2016. Completion of both parts of the Incentive Auction (reverse and forward) is expected to take up to one year.

To accommodate the spectrum reallocation to new users, the FCC may require that television stations that do not participate in the auction (or that participate but are not selected to sell their spectrum) modify their transmission facilities. The FCC is required to use "reasonable efforts" to preserve a station's coverage area and population served, and it prevents the FCC from requiring that a station involuntarily move from the UHF band to the VHF band or from the high VHF band to the low VHF band. The underlying legislation authorizes the FCC to reimburse stations for reasonable relocation costs up to a total across all stations of $1.75 billion. If some or all of our television stations choose to channel share or are required to change frequencies they use, our stations could incur conversion costs that may not be fully reimbursed, or our ability to provide high definition programming and additional program streams, including mobile video services, could be constrained.

The FCC interpreted the implementing legislation to allow only full power and Class A television stations to participate in the auction and receive contour protection during any post-auction repacking of the broadcast spectrum. In certain markets, our low power television stations may be displaced by this process. Moreover, on June 16, 2015, the FCC issued a notice of proposed rulemaking proposing to reserve one vacant channel in each market for use by unlicensed "white spaces" devices and wireless microphones (the "Vacant Channel NPRM"). The FCC further modified the Vacant Channel NPRM on August 11, 2015 by proposing to reserve up to two channels in certain markets after the Incentive Auction is complete. Under the Vacant Channel NPRM, the FCC would refuse to grant an application to modify the facilities of a low power television station if the applicant could not demonstrate that a sufficient number of vacant channels would remain in the service area of the low power station after the applicant implements the modification – thus, reducing the likelihood that a low power television station would be able to locate a new channel

after the Incentive Auction. These stations could incur substantial costs to locate and build a replacement facility on a new channel. If a low power television station is unable to locate a new channel on which to operate, it could lose its license.

We cannot predict the likelihood, timing or outcome of any court, Congressional or FCC regulatory action with respect to the Incentive Auction, or repacking of broadcast television spectrum, nor the impact of any such changes upon our business.

The foregoing does not purport to be a complete summary of the Communications Act, other applicable statutes, or the FCC's rules, regulations or policies. Proposals for additional or revised regulations and requirements are pending before, are being considered by, and may in the future be considered by, Congress and federal regulatory agencies from time to time. We cannot predict the effect of any existing or proposed federal legislation, regulations or policies on our business. Also, several of the foregoing matters are now, or may become, the subject of litigation, and we cannot predict the outcome of any such litigation or the effect on our business.

Employees

As of February 19, 2016, we had 3,495 full-time employees and 324 part-time employees, of which 83 full-time and 11 part-time employees at three stations were represented by various unions. We consider our relations with our employees to be good.

Corporate Information

Gray Television, Inc. is a Georgia corporation, incorporated in 1897 initially to publish the Albany Herald in Albany, Georgia. We entered the broadcast industry in 1953. Our executive offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia 30319, and our telephone number at that location is (404) 504-9828. Our website address is http://www.gray.tv. We make the following reports filed or furnished, as applicable, with the Securities and Exchange Commission (the "SEC") available, free of charge, on our website under the heading "SEC Filings" as soon as practicable after they are filed with, or furnished to, the SEC: our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to any of the foregoing. The information on our website is not incorporated by reference or part of this or any other report we file with or furnish to the SEC.

We have adopted a Code of Ethics (the "Code") that applies to all of our directors, executive officers and employees. The Code is available on our website under the heading "Corporate Governance." If any waivers of the Code are granted, the waivers will be disclosed in an SEC filing on Form 8-K.

Item 1A. Risk Factors.

In addition to the other information contained in, incorporated by reference into or otherwise referred to in this report, you should consider carefully the following factors when evaluating our business. Any of these risks, or the occurrence of any of the events described in these risk factors, could materially adversely affect our business, financial condition or results of operations. In addition, other risks or uncertainties not presently known to us or that we

currently do not deem material could arise, any of which could also materially adversely affect us. This report also contains and incorporates by reference forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements as a result of certain factors, including the occurrence of one or more of the following risk factors.

We have substantial debt and have the ability to incur significant additional debt. The principal and interest payment obligations on such debt may restrict our future operations and impair our ability to meet our long-term obligations.

At December 31, 2015, we had approximately $1.2 billion in aggregate principal amount of outstanding indebtedness (excluding intercompany debt). On February 16, 2016, we incurred an additional $425.0 million of debt (the "2016 Term Loan") under our senior credit facility (the "Senior Credit Facility"). Proceeds from borrowings under the 2016 Term Loan were used to fund the cash purchase price to complete the Schurz Acquisition and Related Transactions and to pay a portion of the related fees and expenses. Subject to our ability to meet certain borrowing conditions, we have the ability to incur significant additional debt, including secured debt, under our Senior Credit Facility, including but not limited to our un-drawn $60.0 million revolving loan. In addition, the terms of the indenture governing our outstanding 7½% Senior Notes due 2020 (the "2020 Notes") (as supplemented, the "Indenture") also permit us to incur additional indebtedness, subject to our ability to meet certain borrowing conditions.

Our substantial debt may have important consequences. For instance, it could:

- require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which would reduce funds available for other business purposes, including capital expenditures and acquisitions;

- place us at a competitive disadvantage compared to some of our competitors that may have less debt and better access to capital resources;

- limit our ability to obtain additional financing required to fund acquisitions, working capital and capital expenditures and for other general corporate purposes; and

- make it more difficult for us to satisfy our financial obligations.

Our ability to service our significant financial obligations depends on our ability to generate significant cash flow. This is partially subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, that future borrowings will be available to us under the Senior Credit Facility or any other credit facilities, or that we will be able to complete any necessary financings, in amounts sufficient to enable us to fund our operations or pay our debts and other obligations, or to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. Additional debt or equity financing may not be available in sufficient amounts, at times or on terms acceptable to us, or at all. Specifically, volatility in the capital markets may also impact our ability to obtain additional financing, or to refinance our existing debt, on terms or at times favorable to us. If we are unable to implement one or more of these alternatives, we may not be able to service our debt or other obligations, which could result in us being in default thereon, in which circumstances our lenders could cease making loans to us, and lenders or other holders of our debt could accelerate and declare due all outstanding obligations due under the respective agreements, which could have a material adverse effect on us.

The agreements governing our various debt obligations impose restrictions on our operations and limit our ability to undertake certain corporate actions.

The agreements governing our various debt obligations, including the Indenture and the agreements governing the Senior Credit Facility, include covenants imposing significant restrictions on our operations. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

incur additional debt, subject to certain limitations;

declare or pay dividends, redeem stock or make other distributions to stockholders;

make investments or acquisitions;

- create liens or use assets as security in other transactions;
- issue guarantees;
- merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;
- amend our articles of incorporation or bylaws;
- engage in transactions with affiliates; and
- purchase, sell or transfer certain assets.

Any of these restrictions and limitations could make it more difficult for us to execute our business strategy.

The Indenture and the Senior Credit Facility also require us to comply with certain financial ratios and covenants; our failure to do so would result in a default thereunder, which would have a material adverse effect on us.

We are also required to comply with certain financial covenants under the Indenture and the Senior Credit Facility. Our ability to comply with these requirements may be affected by events affecting our business, but beyond our control, including prevailing general economic, financial and industry conditions. These covenants could have an adverse effect on us by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the Indenture or the Senior Credit Facility.

Upon a default under any of our debt agreements, the lenders or debt holders thereunder could have the right to declare all amounts outstanding, together with accrued and unpaid interest, to be immediately due and payable, which could, in turn, trigger defaults under other debt obligations and could result in the termination of commitments of the lenders to make further extensions of credit under the Senior Credit Facility. If we were unable to repay our secured debt to our lenders, or were otherwise in default under any provision governing our outstanding secured debt obligations, our secured lenders could proceed against us and the subsidiary guarantors and against the collateral securing that debt. Any default resulting in an acceleration of outstanding indebtedness, a termination of commitments under our financing arrangements or lenders proceeding against the collateral securing such indebtedness would likely result in a material adverse effect on our business, financial condition and results of operations.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Borrowings under the Senior Credit Facility are at variable rates of interest and expose us to interest rate risk. If the London Interbank Offered Rate ("*LIBOR*") were to exceed certain levels, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available to service our obligations would decrease.

The success of our business is dependent upon advertising revenues, which are seasonal and cyclical, and will also fluctuate as a result of a number of factors, some of which are beyond our control.

Our main source of revenue is the sale of advertising time and space. Our ability to sell advertising time and space depends on, among other things:

- economic conditions in the areas where our stations are located and in the nation as a whole;
- the popularity of the programming offered by our television stations;
- changes in the population demographics in the areas where our stations are located;
- local and national advertising price fluctuations, which can be affected by the availability of programming, the popularity of programming, and the relative supply of and demand for commercial advertising;
- our competitors' activities, including increased competition from other advertising-based mediums, particularly cable networks, MVPDs and the internet;
- the duration and extent of any network preemption of regularly scheduled programming for any reason;
- decisions by advertisers to withdraw or delay planned advertising expenditures for any reason;
- labor disputes or other disruptions at major national advertisers, programming providers or networks; and
- other factors beyond our control.

Our results are also subject to seasonal and cyclical fluctuations that we expect to continue. Seasonal fluctuations typically result in higher revenue and broadcast operating income in the second and fourth quarters than in the first and third quarters of each year. This seasonality is primarily attributable to advertisers' increased expenditures in the spring and in anticipation of holiday season spending in the fourth quarter and an increase in television viewership during this period. In addition, we typically experience fluctuations in our revenue and broadcast operating income between even-numbered and odd-numbered years. In years in which there are impending elections for various state and national offices, which primarily occur in even-numbered years, political advertising revenue tends to increase, often significantly, and particularly during presidential election years. We consider political broadcast advertising revenue to be revenue earned from the sale to political candidates, political parties and special interest groups of

advertisements broadcast by our stations that contain messages primarily focused on elections and/or public policy issues. In even-numbered years, we derive a material portion of our broadcast advertising revenue from political broadcast advertisers. For the years ended December 31, 2015 and 2014, we derived approximately 3% and 16%, respectively, of our total revenue from political broadcast advertisers. If political broadcast advertising revenue declined, especially in an even-numbered year, our results of operations and financial condition could also be materially adversely affected. Also, our stations affiliated with the NBC Network broadcast Olympic Games typically experience increased viewership and revenue during those broadcasts, which also occurs in even-numbered years. As a result of the seasonality and cyclicality of our revenue and broadcast operating income, and the historically significant increase in our revenue and broadcast operating income during even-numbered years, it has been, and is expected to remain, difficult to engage in period-over-period comparisons of our revenue and results of operations.

Continued uncertain financial and economic conditions may have an adverse impact on our business, results of operations or financial condition.

Financial and economic conditions continue to be uncertain over the longer term and the continuation or worsening of such conditions could reduce consumer confidence and have an adverse effect on our business, results of operations and/or financial condition. If consumer confidence were to decline, this decline could negatively affect our advertising customers' businesses and their advertising budgets. In addition, volatile economic conditions could have a negative impact on our industry or the industries of our customers who advertise on our stations, resulting in reduced advertising sales. Furthermore, it may be possible that actions taken by any governmental or regulatory body for the purpose of stabilizing the economy or financial markets will not achieve their intended effect. In addition to any negative direct consequences to our business or results of operations arising from these financial and economic developments, some of these actions may adversely affect financial institutions, capital providers, advertisers or other consumers on whom we rely, including for access to future capital or financing arrangements necessary to support our business. Our inability to obtain financing in amounts and at times necessary could make it more difficult or impossible to meet our obligations or otherwise take actions in our best interests.

Our dependence upon a limited number of advertising categories could adversely affect our business.

We consider broadcast advertising revenue to be revenue earned primarily from the sale of advertisements broadcast by our stations. Although no single customer represented more than 5% of our broadcast advertising revenue for the years ended December 31, 2015 or 2014, we derived a material portion of non-political broadcast advertising revenue from advertisers in a limited number of industries, particularly the automotive industry. For the years ended December 31, 2015 and 2014, we derived approximately 24% and 21%, respectively, of our total broadcast advertising revenue from our advertisers in the automotive industry. Our results of operations and financial condition could be materially adversely affected if broadcast advertising revenue from the automotive, or certain other industries, such as the medical, restaurant, communications, or furniture and appliances industries, declined.

In addition, in even-numbered years, we derive a material portion of our broadcast advertising revenue from political broadcast advertisers as described above. If political broadcast advertising revenue declined, especially in an even-numbered year, our results of operations and financial condition could also be materially adversely affected.

We seek to selectively evaluate growth opportunities through strategic acquisitions, and there are significant risks associated with an acquisition strategy.

We intend to continue to evaluate opportunities for growth through selective acquisitions of television stations or station groups. There can be no assurances that we will be able to identify any suitable acquisition candidates, and we cannot predict whether we will be successful in pursuing or completing any acquisitions, or what the consequences of not completing any acquisitions would be. Consummation of any proposed acquisition at any time may also be subject to various conditions such as compliance with FCC rules and policies. Consummation of acquisitions may also be subject to antitrust or other regulatory requirements.

An acquisition strategy involves numerous other risks, which includes risks associated with:

identifying suitable acquisition candidates and negotiating definitive purchase agreements on satisfactory terms;

integrating operations and systems and managing a large and geographically diverse group of stations;

obtaining financing to complete acquisitions, which financing may not be available to us at times, in amounts, or at rates acceptable to us, if at all, and potentially the related risks associated with increased debt;

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- diverting our management's attention from other business concerns;

- potentially losing key employees at acquired stations; and

- potential changes in the regulatory approval process that may make it materially more expensive, or materially delay our ability, to consummate any proposed acquisitions.

Our failure to identify suitable acquisition candidates, or to complete any acquisitions and integrate any acquired business, or to obtain the expected benefits therefrom, could materially adversely affect our business, financial condition and results of operations.

We may fail to realize any benefits and incur unanticipated losses related to any acquisition.

The success of our strategic acquisitions depends, in part, on our ability to successfully combine the acquired business and assets with our business and our ability to successfully manage the assets so acquired. It is possible that the integration process could result in the loss of key employees, the disruption of ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers and employees or to achieve the anticipated benefits of the acquisition. Successful integration may also be hampered by any differences between the operations and corporate culture of the two organizations. Additionally, general market and economic conditions may inhibit our successful integration of any business. If we experience difficulties with the integration process, the anticipated benefits of the acquisition may not be realized fully, or at all, or may take longer to realize than expected. Finally, any cost savings that are realized may be offset by losses in revenues from the acquired business, any assets or operations disposed of in connection therewith or otherwise, or charges to earnings in connection with such acquisitions.

We must purchase television programming in advance of knowing whether a particular show will be popular enough for us to recoup our costs.

One of our most significant costs is for the purchase of television programming. If a particular program is not sufficiently popular among audiences in relation to the cost we pay for such program, we may not be able to sell enough related advertising time for us to recoup the costs we pay to broadcast the program. We also must usually purchase programming several years in advance, and we may have to commit to purchase more than one year's worth of programming, resulting in the incurrence of significant costs in advance of our receipt of any related revenue. We may also replace programs that are performing poorly before we have recaptured any significant portion of the costs we incurred in obtaining such programming or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues, result in the incurrence of impairment charges or otherwise cause our costs to escalate relative to revenues.

We are highly dependent upon our network affiliations, and our business and results of operations may be materially affected if a network (i) terminates its affiliation with us; (ii) significantly changes the economic terms and conditions of any future affiliation agreements with us; or (iii) significantly changes the type, quality or quantity of programming provided to us under an affiliation agreement.

Our business depends in large part on the success of our network affiliations. Nearly all of our stations are directly or indirectly affiliated with at least one of the four major broadcast networks pursuant to a separate affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the affiliated network during the term of the related agreement. Our affiliation agreements generally expire at various dates through December 2020.

If we cannot enter into affiliation agreements to replace any agreements in advance of their expiration, we would no longer be able to carry the affiliated network's programming. This loss of programming would require us to seek to obtain replacement programming. Such replacement programming may involve higher costs and may not be as attractive to our target audiences, thereby reducing our ability to generate advertising revenue. Furthermore, our concentration of CBS and/or NBC affiliates makes us particularly sensitive to adverse changes in our business relationship with, and the general success of, CBS and/or NBC**.**

We can give no assurance that any future affiliation agreements will have economic terms or conditions equivalent to or more advantageous to us than our current agreements. If in the future a network or networks imposed more adverse economic terms upon us, such event or events could have a material adverse effect on our business and results of operations.

In addition, if we are unable to renew or replace any existing affiliation agreements, we may be unable to satisfy certain obligations under our existing or any future retransmission consent agreements with MVPDs and/or secure payment of retransmission consent fees under such agreements. Furthermore, if in the future a network limited or removed our ability to retransmit network programming to MVPDs, we may be unable to satisfy certain obligations or criteria for fees under any existing or any future retransmission consent agreements. In either case, such an event could have a material adverse effect on our business and results of operations.

We are also dependent upon our retransmission consent agreements with MVPDs, and we cannot predict the outcome of potential regulatory changes to the retransmission consent regime.

We are also dependent, in significant part, on our retransmission consent agreements. Our current retransmission consent agreements expire at various times over the next several years. No assurances can be provided that we will be able to renegotiate all of such agreements on favorable terms, on a timely basis, or at all. The failure to renegotiate such agreements could have a material adverse effect on our business and results of operations.

Our ability to successfully negotiate future retransmission consent agreements may be hindered by potential legislative or regulatory charges to the framework under which these agreements are negotiated.

For example, on March 31, 2014, the FCC amended its rules governing "good faith" retransmission consent negotiations to provide that it is a per se violation of the statutory duty to negotiate in good faith for a television broadcast station that is ranked among the top-four stations in a market (as measured by audience share) to negotiate retransmission consent jointly with another top-four station in the same market if the stations are not commonly owned. As part of the STELAR, Congress further tightened the restriction to prohibit joint negotiation with any television station in the same market unless the stations are under common *de jure* control. We currently are not a party to any agreements that

delegate our authority to negotiate retransmission consent for any of our television stations or grant us authority to negotiate retransmission consent for any other television station. Nevertheless, we cannot predict how this restriction might impact future opportunities.

The FCC also has sought comment on whether it should modify or eliminate the network non-duplication and syndicated exclusivity rules. We cannot predict the outcome of this proceeding. If, however, the FCC eliminates or relaxes its rules enforcing our program exclusivity rights, it could affect our ability to negotiate future retransmission consent agreements, and it could harm our ratings and advertising revenue if cable and satellite operators import duplicative programming.

In addition, certain online video distributors ("OVDs") have explored streaming broadcast programming over the internet without approval from or payments to the broadcaster. The majority of federal courts have issued preliminary injunctions enjoining these OVDs from streaming broadcast programming because the courts have generally concluded that OVDs are unlikely to demonstrate that they are eligible for the statutory copyright license that provides cable operators with the requisite copyrights to retransmit broadcast programming, although in July 2015 a district court concluded that OVDs should be eligible for the statutory copyright license. That case currently is on appeal. We cannot predict the outcome of that appeal or whether the courts will continue to issue similar injunctions against future OVDs. Separately, on December 19, 2014, the FCC issued an NPRM proposing to classify certain OVDs as MVPDs for purposes of certain FCC carriage rules. If the FCC adopts its proposal, OVDs would need to negotiate for consent from broadcasters before they retransmit broadcast signals. We cannot predict whether the FCC will adopt its proposal or other modified rules that might weaken our rights to negotiate with OVDs.

In September 2015, the FCC, in accordance with STELAR, issued a notice of proposed rulemaking to review the "totality of the circumstances test" used to evaluate whether broadcast stations and MVPDs are negotiating for retransmission consent in good faith. We cannot predict the outcome of this proceeding. If, however, the FCC revises the totality of the circumstances test, it could affect our ability to negotiate retransmission consent agreements, including the rates that we obtain from MVPDs. The FCC also has taken other actions to implement various provisions of STELAR affecting the carriage of television stations, including (i) adopting rules that allow for the modification of satellite television markets in order to ensure that satellite operators carry the broadcast stations of most interest to their communities, (ii) prohibiting same-market television stations from coordinating negotiations or negotiating on a joint basis for retransmission consent, except under certain conditions, (iii) prohibiting a television station from limiting the ability of an MVPD to carry into its local market television signals that are deemed significantly viewed; and (iv) eliminating the "sweeps prohibition," which had precluded cable operators from deleting or repositioning local commercial television stations during "sweeps" ratings periods.

Congress also continues to consider various changes to the statutory scheme governing retransmission of broadcast programming. Some of the proposed bills would make it more difficult to negotiate retransmission consent agreements with large MVPDs and would weaken our leverage to seek market-based compensation for our programming. We cannot predict whether any of these proposals will become law, and, if any do, we cannot determine the effect that any statutory changes would have on our business.

We operate in a highly competitive environment. Competition occurs on multiple levels (for audiences, programming and advertisers) and is based on a variety of factors. If we are not able to successfully compete in all relevant aspects, our revenues will be materially adversely affected.

Television stations compete for audiences, certain programming (including news) and advertisers. Signal coverage and carriage on MVPD systems also materially affect a television station's competitive position. With respect to audiences, stations compete primarily based on broadcast program popularity. We cannot provide any assurances as to the acceptability by audiences of any of the programs we broadcast. Further, because we compete with other broadcast stations for certain programming, we cannot provide any assurances that we will be able to obtain any desired

programming at costs that we believe are reasonable. Cable-network programming combined with increased access to cable and satellite TV, has become a significant competitor for broadcast television programming viewers. Cable networks' viewership and advertising share have increased due to the growth in MVPD penetration (the percentage of television households that are connected to a MVPD system) and increased investments in programming by cable networks. Further increases in the advertising share of cable networks could materially adversely affect the advertising revenue of our television stations.

In addition, technological innovation and the resulting proliferation of programming alternatives, such as internet websites, mobile apps and wireless carriers, direct-to-consumer video distribution systems, and home entertainment systems have further fractionalized television viewing audiences and resulted in additional challenges to revenue generation. New technologies and methods of buying advertising also present an additional competitive challenge, as competitors may offer products and services such as the ability to purchase advertising programmatically or bundled offline and online advertising, aimed at more efficiently capturing advertising spend.

Our inability or failure to broadcast popular programs, or otherwise maintain viewership for any reason, including as a result of increases in programming alternatives, or our loss of advertising due to technological changes, could result in a lack of advertisers, or a reduction in the amount advertisers are willing to pay us to advertise, which could have a material adverse effect on our business, financial condition and results of operations.

Our pension plan obligations are currently underfunded, and, if certain factors worsen, we may have to make significant cash payments to some or all of these plans, which could reduce the cash available for our business.

We have underfunded obligations under our defined benefit pension plans. Notwithstanding that our pension plans are frozen with regard to any future benefit accruals, the funded status of our pension plans is dependent upon many factors, including returns on invested assets, the level of certain market interest rates and the discount rate used to determine pension obligations. Unfavorable returns on the plan assets or unfavorable changes in applicable laws or regulations may materially change the timing and amount of required plan funding, which could reduce the cash available for our business. In addition, any future decreases in the discount rate used to determine pension obligations could result in an increase in the valuation of pension obligations, which could affect the reported funding status of our pension plans and future contributions.

We do not currently pay cash dividends on either class of our common stock. To the extent a potential investor ascribes value to a dividend paying stock, the value of our stock may be correspondingly reduced.

Our Board of Directors has not declared a cash or stock dividend on our common stock or Class A common stock since 2008. The timing and amount of any future dividend is at the discretion of our board of directors, and they may be subject to limitations or restrictions in the Senior Credit Facility and other financing agreements we may be, or become, party to. We can provide no assurance when or if any future dividends will be declared on either class of common stock.

As a result, if and to the extent an investor ascribes value to a dividend-paying stock, the value of our common stock and Class A common stock may be correspondingly reduced.

We may be unable to maintain or increase our internet advertising revenue, which could have a material adverse effect on our business and operating results.

We generate a portion of our advertising revenue from the sale of advertisements on our internet sites. Our ability to maintain and increase this advertising revenue is largely dependent upon the number of users actively visiting our internet sites. As a result we must increase user engagement with our internet sites in order to increase our advertising revenue. Because internet advertising techniques are evolving, if our technology and advertisement serving techniques do not evolve to meet the changing needs of advertisers, our advertising revenue could also decline. Changes in our business model, advertising inventory or initiatives could also cause a decrease in our internet advertising revenue.

We do not have long-term agreements with most of our internet advertisers. Any termination, change or decrease in our relationships with our largest advertising clients could have a material adverse effect on our revenue and profitability. If we do not maintain or increase our advertising revenue, our business, results of operations and financial condition could be materially adversely affected.

We have, in the past, incurred impairment charges on our goodwill and/or broadcast licenses, and any such future charges may have a material effect on the value of our total assets.

As of December 31, 2015, the book value of our broadcast licenses was $1.1 billion and the book value of our goodwill was $423.2 million, in comparison to total assets of $2.1 billion. Not less than annually, and more frequently if necessary, we are required to evaluate our goodwill and broadcast licenses to determine if the estimated fair value of these intangible assets is less than book value. If the estimated fair value of these intangible assets is less than book value, we will be required to record a non-cash expense to write down the book value of the intangible asset to the estimated fair value. We cannot make any assurances that any required impairment charges will not have a material adverse effect on our total assets.

Cybersecurity risks could affect our operating effectiveness.

We use computers in substantially all aspects of our business operations. Our revenues are increasingly dependent on digital products. Such use exposes us to potential cyber incidents resulting from deliberate attacks or unintentional events. These incidents can include, but are not limited to, unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, data corruption or operational disruption. The results of these incidents could include, but are not limited to, business interruption, disclosure of nonpublic information, decreased advertising revenues, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation, financial consequences and reputational damage adversely affecting customer or investor confidence, any or all of which could adversely affect our business. We have systems and processes in place to protect against risks associated with cyber incidents however, depending on the nature of an incident, these protections may not be fully sufficient.

Certain stockholders or groups of stockholders have the ability to exert significant influence over us.

Hilton H. Howell, Jr., our Vice Chairman, President and Chief Executive Officer, is the son-in-law of Mrs. Harriett J. Robinson, a member of our Board of Directors, as well as the husband of Mrs. Robin R. Howell, a member of our Board of Directors (collectively with members of their family, the “Howell-Robinson Family”). As of February 19, 2016, collectively, the Howell-Robinson Family directly or indirectly beneficially owns shares representing approximately 44.2% of the outstanding combined voting power of our common stock and Class A common stock.

As a result of these significant stockholdings and positions on the Board of Directors, the Howell-Robinson Family is able to exert significant influence over our policies and management, potentially in a manner that may not be consistent with the interests of our other stockholders.

We are a holding company with no material independent assets or operations and we depend on our subsidiaries for cash.

We are a holding company with no material independent assets or operations, other than our investments in our subsidiaries. Because we are a holding company, we are dependent upon the payment of dividends, distributions, loans or advances to us by our subsidiaries to fund our obligations. These payments could be or become subject to dividend or other restrictions under applicable laws in the jurisdictions in which our subsidiaries operate. Payments by our subsidiaries are also contingent upon the subsidiaries' earnings. If we are unable to obtain sufficient funds from our subsidiaries to fund our obligations, our financial condition and ability to meet our obligations may be adversely affected.

Federal broadcasting industry regulations limit our operating flexibility.

The FCC regulates all television broadcasters, including us. We must obtain FCC approval whenever we (i) apply for a new license; (ii) seek to renew, modify or assign a license; (iii) purchase a broadcast station; and/or (iv) transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations, and we cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions, mergers, divestitures or other business activities. Our failure to renew any licenses upon the expiration of any license term could have a material adverse effect on our business.

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

The FCC can sanction us for programming broadcast on our stations that it finds to be indecent.

Over the past several years, the FCC has increased its enforcement efforts regarding broadcast indecency and profanity and the statutory maximum fine for broadcasting indecent material is currently $325,000 per incident. In June 2012, the Supreme Court decided a challenge to the FCC's indecency enforcement without resolving the scope of the FCC's ability to regulate broadcast content. In August 2013, the FCC issued a Public Notice seeking comment on whether it should modify its indecency policies. The FCC has not yet issued a decision in this proceeding, and the courts remain free to review the FCC's current policy or any modifications thereto. The outcomes of these proceedings could affect future FCC policies in this area, and we are unable to predict the outcome of any such judicial proceeding, which could have a material adverse effect on our business.

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

The FCC's ownership rules generally prohibit us from owning or having "attributable interests" in television stations located in the same markets in which our stations are licensed. Accordingly, those rules constrain our ability to expand in our present markets through additional station acquisitions.

The FCC's National Television Station Ownership Rule limits the maximum number of households we can reach.

Under the FCC's National Television Station Ownership Rule, a single television station owner may not reach more than 39 percent of U.S. households through commonly owned television stations. This rule may constrain our ability to expand through additional station acquisitions.

The FCC's Incentive Auction and related proceedings could result in the reallocation of broadcast spectrum for wireless broadband or other non-broadcast use, which could materially impair our ability to provide competitive services.

In February 2012, Congress passed legislation that, among other things, grants the FCC authority to conduct an auction of certain spectrum currently used by television broadcasters. On May 15, 2014, the FCC adopted the 2014 Report establishing the framework for implementation of the Incentive Auction of broadcast television spectrum. The 2014 Report created a two part Incentive Auction framework. First, the FCC would conduct a reverse auction by which a television broadcaster may volunteer, in return for payment, to relinquish all or a portion of its station's spectrum by (i) surrendering its license, (ii) relinquishing part of its spectrum and thereafter sharing spectrum with another station, or (iii) modifying a UHF channel license to a VHF channel license. Second, the FCC would conduct a forward auction of the relinquished spectrum to new users. The FCC must complete the reverse auction and the forward auction by September 30, 2022. Applications to participate in the incentive auction were due by January 12, 2016 with bidding scheduled to begin on March 29, 2016. Completion of both parts of the Incentive Auction (reverse and forward) is expected to take up to one year.

To accommodate the spectrum reallocation to new users, the FCC may require that television stations that do not participate in the auction (or that participate but are not selected to sell their spectrum) modify their transmission facilities and change channels. The FCC is required to use “reasonable efforts” to preserve a station’s coverage area and population served, and the FCC is prohibited from requiring that a station involuntarily move from the UHF band to the VHF band or from the high VHF band to the low VHF band. The underlying legislation authorizes the FCC to reimburse stations for reasonable relocation costs up to a total across all stations of $1.75 billion. If some or all of our television stations choose to channel share or are required to change the frequencies they use, our stations could incur conversion costs that may not be fully reimbursed or our ability to provide high definition programming and additional program streams, including mobile video services, could be constrained.

The Incentive Auction and a related proceeding could have a material effect on our low power television stations. The FCC interpreted the implementing legislation to allow only full power and Class A television stations to participate in the auction and receive contour protection in any post-auction reorganization of the broadcast spectrum. In certain markets, our low power television stations may be displaced by this process. These stations could incur substantial costs to locate and build a replacement facility on a new channel. Moreover, on June 16, 2015, the FCC issued the Vacant Channel NPRM for proposed rulemaking to reserve one vacant channel in each market for use by unlicensed “white spaces” devices and wireless microphones. The FCC further modified the Vacant Channel NPRM on August 11, 2015 by proposing to reserve up to two channels in certain markets after the Incentive Auction is complete. Under the Vacant Channel NPRM, the FCC would refuse to grant an application to modify the facilities of a low power television station if the applicant could not demonstrate that a sufficient number of vacant channels would remain in the service area of the low power station after the applicant implements the modification – thus, reducing the likelihood that a low power television station would be able to locate a new channel after the Incentive Auction. If a low power television station is unable to locate a new channel on which to operate, it could lose its license.

We cannot predict the likelihood, timing or outcome of any court, Congressional or FCC regulatory action with respect to the Incentive Auction, or repacking of broadcast television spectrum, nor the impact of any such changes upon our business.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our principal executive offices in a building located at 4370 Peachtree Road, NE, Atlanta, Georgia, 30319. We also lease various other offices that support our operations. See “Business – Markets and Stations” elsewhere in this

Annual Report for a complete listing of our television stations and their locations.

The types of properties required to support television stations include offices, studios, transmitter sites and antenna sites. A station's studios are generally housed within its offices in each respective market. The transmitter sites and antenna sites are generally located in elevated areas to provide optimal signal strength and coverage. We own or lease land, offices, studios, transmitters and antennas in each of our markets necessary to support our operations in that market area. In some market areas, we also own or lease multiple properties, such as towers and/or signal repeaters (translators), to optimize our broadcast capabilities. To the extent that our properties are leased and those leases contain expiration dates, we believe that those leases can be renewed, or that alternative facilities can be leased or acquired, on terms that are comparable, in all material respects, to our existing properties.

We generally believe all of our owned and leased properties are in good condition, and suitable for the conduct of our present business.

Item 3. Legal Proceedings.

We are, from time to time, subject to legal proceedings and claims in the normal course of our business. Based on our current knowledge, we do not believe that any known legal proceedings or claims are likely to have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant.

Set forth below is certain information with respect to our executive officers as of February 19, 2016:

Hilton H. Howell, Jr., age 53, has been our Chief Executive Officer since August 2008 and has also served as our President since June 2013 and Vice-Chairman since September 2002. Before that, he had been our Executive Vice President since September 2000. He has served as one of our directors since 1993. He is a member of the Executive Committee of our Board of Directors. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995, and as Chairman of that company since February 24, 2009. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and

Casualty Insurance Company since 1991. He has served as Vice Chairman of Bankers Fidelity Life Insurance Company since 1992 and Vice Chairman of Georgia Casualty & Surety Company from 1992 through 2008. Mr. Howell also serves as a director of Atlantic American Corporation and its subsidiaries American Southern Insurance Company, American Safety Insurance Company and Bankers Fidelity Life Insurance Company, as well as Delta Life Insurance Company and Delta Fire and Casualty Insurance Company. He is the son-in-law of Mrs. Harriett J. Robinson and the husband of Mrs. Robin R. Howell, both members of our Board of Directors.

James C. Ryan, age 55, has served as our Chief Financial Officer since October 1998 and as Executive Vice President since February 2016. Before that, he had been our Senior Vice President since September 2002 and our Vice President since October 1998.

Kevin P. Latek, age 45, has served as our Executive Vice President and Chief Legal and Development Officer since February 2016. Before that, he served as our Senior Vice President, Business Affairs, since July 2013 and as our Vice President for Law and Development since March 2012. Prior to joining us, Mr. Latek represented television and radio broadcasters as well as financial institutions in FCC regulatory and transactional matters with the law firm of Dow Lohnes, PLLC, in Washington, DC. He is a member of the National Association of Broadcasters Educational Foundation, the CBS Affiliates Board, the American Bar Association and the Federal Communications Bar Association. He is a past member of the FOX Affiliates Board of Governors.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock, no par value, and our Class A common stock, no par value, have been listed and traded on the NYSE since September 24, 1996 and June 30, 1995, respectively.

The following table sets forth the high and low sale prices of the common stock and the Class A common stock for the periods indicated, as reported by the NYSE.

	Common Stock		**Class A Common Stock**	
	High	**Low**	**High**	**Low**
2015:				
First Quarter	$14.46	$ 9.46	$ 12.34	$7.54
Second Quarter	16.38	13.26	13.95	11.50
Third Quarter	17.85	10.59	15.18	9.09
Fourth Quarter	17.70	12.46	15.95	12.73
2014:				
First Quarter	$14.68	$ 9.29	$ 12.56	$7.60
Second Quarter	13.13	9.34	10.80	7.90
Third Quarter	13.75	7.88	11.01	6.21
Fourth Quarter	11.51	7.26	9.16	5.79

As of February 19, 2016, we had 66,304,805 outstanding shares of common stock held by approximately 11,637 stockholders and 6,396,033 outstanding shares of Class A common stock held by approximately 372 stockholders. The number of stockholders consists of stockholders of record and individual participants in security position listings as furnished to us pursuant to Rule 17Ad-8 under the Securities Exchange Act of 1934 (the “Exchange Act”).

Our articles of incorporation provide that each share of common stock is entitled to one vote, and each share of Class A common stock is entitled to 10 votes, on each matter submitted to a vote of stockholders. Our articles of incorporation require that our common stock and our Class A common stock receive dividends on a *pari passu* basis when declared.

We have not paid dividends on either class of our common stock since October 15, 2008. The Senior Credit Facility contains covenants that restrict our ability to pay cash dividends on our capital stock.

In addition, the declaration and payment of any dividends on our common stock or Class A common stock are subject to the discretion of our Board of Directors. Any future payments of dividends will depend on our earnings and financial position and such other factors as our Board of Directors deems relevant. See Note 3 “Long-term Debt” of our audited consolidated financial statements included elsewhere herein for a further discussion of restrictions on our ability to pay dividends.

Stock Performance Graph

The following stock performance graphs and related disclosures do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing by us under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate them by reference therein.

The following graphs compare the cumulative total return of the common stock and the Class A common stock from December 31, 2010 to December 31, 2015, as compared to the stock market total return indexes for (i) The New York Stock Exchange Market Index and (ii) The New York Stock Exchange Television Broadcasting Stations Index (the “TV Broadcasting Stations Index”).

The graphs assume the investment of $100 in each of our common stock and the Class A common stock, respectively, the New York Stock Exchange Market Index and the TV Broadcasting Stations Index on December 31, 2010. Any dividends are assumed to have been reinvested as paid.

Company/Index/Market	**As of 12/31/2010**	**12/31/2011**	**12/31/2012**	**12/31/2013**	**12/31/2014**	**12/31/2015**
Gray Television, Inc. common stock	$100	$ 87	$ 118	$ 796	$ 599	$ 872
NYSE Composite	$100	$ 96	$ 112	$ 141	$ 150	$ 144
TV Broadcasting Stations Index	$100	$ 108	$ 147	$ 235	$ 273	$ 298

Company/Index/Market	As of 12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Gray Television, Inc. Class A common stock	$100	$ 76	$ 98	$ 729	$ 517	$ 772
NYSE Composite	$100	$ 96	$ 112	$ 141	$ 150	$ 144
TV Broadcasting Stations Index	$100	$ 108	$ 147	$ 235	$ 273	$ 298

Item 6. Selected Financial Data.

Certain selected historical consolidated financial data is set forth below. This information with respect to the years ended December 31, 2015, 2014 and 2013, and as of December 31, 2015 and 2014 should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes thereto included elsewhere herein.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except net income per share data)				
Statements of Operations Data (1):					
Revenue (less agency commissions)	$597,356	$508,134	$346,298	$404,831	$307,131
Operating income	140,057	153,773	83,880	153,441	75,348
Loss from early extinguishment of debt (2)	-	(5,086)	-	(46,683)	-
Net income	39,301	48,061	18,288	28,129	9,035
Net income attributable to common stockholders	39,301	48,061	18,288	24,034	1,795
Net income attributable to common stockholders per common share:					
Basic	0.58	0.83	0.32	0.42	0.03
Diluted	0.57	0.82	0.32	0.42	0.03
Balance Sheet Data (at end of period):					
Total assets	$2,143,161	$1,871,580	$1,334,424	$1,249,788	$1,233,980
Long-term debt (including current portion)	1,235,537	1,236,401	842,874	832,867	832,233
Redeemable preferred stock (3)	-	-	-	-	24,841
Total stockholders' equity	429,274	216,192	174,010	143,935	122,953

(1) Our operating results fluctuate significantly between years, in accordance with, among other things, increased political advertising expenditures in even-numbered years.

(2) In 2014, we recorded a loss from early extinguishment of debt related to: (i) the amendment and restatement of our Senior Credit Facility and (ii) the write off of unamortized deferred financing costs upon the extinguishment of debt of a variable interest entity and the termination of our guarantee of the related debt. In 2012, we recorded a loss on early extinguishment of debt related to: (i) the amendment and restatement of our prior senior credit facility and (ii) the redemption of our then-outstanding 10½% senior secured second lien notes due 2015.

(3) In 2011, we repurchased approximately $13.4 million in face amount of Series D Perpetual Preferred Stock, and paid $6.6 million in accrued dividends thereon. In 2012, we repurchased the remaining approximately $25.9 million in face amount of Series D Perpetual Preferred Stock, and paid $16.7 million in accrued dividends related thereto.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

Introduction

The following discussion and analysis of the financial condition and results of operations of Gray Television, Inc. and its consoldiated subsidiaries (except as the context othewise provides, "Gray," the "Company," "we," "us" or "our") should be read in conjunction with our audited consolidated financial statements and notes thereto included elsewhere herein.

Business Overview

We are a television broadcast company headquartered in Atlanta, Georgia, that owns and/or operates television stations and leading digital assets in markets throughout the United States. As of February 19, 2016, we owned and/or operated television stations in 50 television markets broadcasting approximately 180 separate programming streams, including 35 affiliates of the CBS Network ("CBS"), 26 affiliates of the NBC Network ("NBC"), 19 affiliates of the ABC Network ("ABC") and 13 affiliates of the FOX Network ("FOX").

In addition to our primary broadcast channels, we can also broadcast secondary digital channels within a market. Our secondary digital 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 in addition to our primary channels. Certain of our secondary digital channels are affiliated with more than one network simultaneously. In addition to affiliations with ABC, CBS and FOX, our secondary channels are affiliated with numerous smaller networks and program services including, among others, the CW Network or the CW Plus Network (collectively, "CW"), MY Network ("MY" or "My Network"), the MeTV Network ("MeTV"), This TV Network ("This TV"), Antenna TV ("Ant."), Telemundo ("Tel."), Heroes and Icons ("H&I") and MOVIES! Network ("Movies"). We also broadcast local news/weather channels in certain of our existing markets ("News"). Our combined TV station group reaches approximately 9.4% of total United States television households.

Based on the consolidated results of the four Nielsen "sweeps" periods in 2015, our television stations (including those acquired in February 2016) achieved the #1 ranking in overall audience in 39 of our 50 markets and the #1 ranking in local news audience in 36 of our markets. In addition, our stations achieved the #1 or #2 ranking in both overall audience and news audience in 49 of our 50 markets. For further information please refer to our Markets and Stations table in Item 1.

Recent Acquisitions

We continue our focus on strategic growth and acquisitions. Consistent with that strategy, between October 31, 2013 and December 31, 2015, we completed 16 acquisition transactions and two divestiture transactions. These transactions added a net total of 31 television stations in 20 television markets to our operations, including 15 new television markets being added to our operations. These transactions had a significant impact on our results of operations, our liquidity and our capital resources. The impact of these transactions also affects the comparability of our period-over-period results. During 2015, we completed a number of acquisitions described in detail in Note 2 "Acquisitions and Dispositions" of our audited consolidated financial statements included elsewhere herein, consisting of the following: the Cedar Rapids Acquisition, the Odessa Acquisition, the Twin Falls Acquisition, the Wausau Acquisition, the Presque Isle Acquisition and the Laredo Acquisition (collectively, the "2015 Acquired Stations"). During 2014, we completed seven acquisitions, which collectively added a total of 22 television stations and 12 markets to our operations (10 new markets) at various times during that year (collectively, "2014 Acquired Stations"). In the fourth quarter of 2013, we began providing services to one new full-power station and associated low-power stations, and in December 2014, we acquired the programming streams of all of those stations (collectively, the "Excalibur Acquisition"). Also in the fourth quarter of 2013, we acquired five stations in three new markets (together with the stations acquired in the Excalibur Acquisition, the "2013 Acquired Stations"). Unless the context of the discussion requires otherwise, we refer to the 2015 Acquired Stations, the 2014 Acquired Stations and the 2013 Acquired Stations collectively as the "Acquired Stations."

In addition, on September 14, 2015, we announced that we agreed to acquire the assets of all of the television and radio stations of Schurz for approximately $442.5 million inclusive of working capital. On October 1, 2015, we announced the sale of the assets of certain television stations to facilitate regulatory approvals for the Schurz Acquisition, and we simultaneously announced the acquisition of the assets of two television stations through swap transactions as part of those divestitures. On November 2, 2015, we announced that we had reached agreements with three radio broadcasters to divest the assets of Schurz's radio stations to those third-parties upon the closing of the Schurz Acquisition. On October 1, 2015, we also announced the acquisition of the assets of KYES-TV, which would be our second station in the Anchorage, Alaska television market. The KYES-TV acquisition, which remains pending, is excluded from the foregoing definition.

On February 1, 2016, to facilitate regulatory approval of the Schurz Acquisition, we completed one swap transaction, the disposition of the assets of KAKE-TV in the Wichita, Kansas television market in exchange for the assets of WBXX-TV in the Knoxville, Tennessee television market. On February 16, 2016, we completed the remaining portions of the Schurz Acquisition and Related Transactions. The Schurz Acquisition and Related Transactions were funded by $425.0 million of borrowings under the 2016 Term Loan under our Senior Credit Facility. Proceeds from borrowings under the 2016 Term Loan were used to fund the cash purchase price and to pay a portion of the related fees and expenses.

Revenues, Operations, Cyclicality, Seasonality and Financing

Our operating revenues are derived primarily from broadcast and internet advertising and retransmission consent fees and, to a lesser extent, from other sources such as production of commercials, tower rentals and management fees.

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

We also sell internet advertising on our stations' websites. These advertisements may be sold as banner advertisements, pre-roll advertisements or video and other types of advertisements or sponsorships.

Most advertising contracts are short-term, and generally run only for a few weeks. Approximately 55% of the net revenues of our television stations for the year ended December 31, 2015 were generated from local advertising (including political advertising revenues), which is sold primarily by a station's sales staff directly to local accounts. Approximately 14% of the net revenues of our television stations for the year ended December 31, 2015 were generated from national advertising, which is sold either by a station's sales staff to national accounts or by a station's national advertising sales representative to national accounts. The stations generally pay commissions to advertising agencies on local, regional and national advertising. The stations also pay commissions to the national sales representative on national advertising, including certain political advertising.

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

Our primary broadcasting operating expenses are employee compensation, related benefits and programming costs. In addition, the broadcasting operations incur overhead expenses, such as maintenance, supplies, insurance, rent and utilities. A large portion of the operating expenses of our broadcasting operations is fixed.

Our total revenue for 2015 increased from 2014. This was expected due primarily to the impact from our 2015 Acquired Stations and 2014 Acquired Stations. Our retransmission consent revenue increased in 2015 compared to 2014 due to improved terms of our retransmission consent contracts, increased subscriber rates and the impact from our Acquired Stations. Local and national advertising revenue in 2014 benefited from approximately $3.8 million earned from the broadcast of the 2014 Winter Olympic Games on our then 14 NBC channels. In 2015, local and national advertising revenue included approximately $1.5 million of revenue from the broadcast of the 2015 Super Bowl on our then 24 NBC channels, an increase of approximately $1.3 million compared to the $0.2 million of revenue from the broadcast of the 2014 Super Bowl on our then five FOX channels. In 2013, we recorded certain incentive consulting revenue under a consulting agreement that expired on December 31, 2012, although we received no consulting revenue in 2015 or 2014.

Automotive advertisers have traditionally accounted for a significant portion of our revenue. For the years ended December 31, 2015 and 2014, we derived approximately 24% and 21%, respectively, of our total broadcast advertising revenue from customers in the automotive industry. Strong demand for our advertising inventory from political advertisers can require significant use of available inventory, which in turn can lower our advertising revenue from our non-political advertising revenue categories in the even numbered "on-year" of the two year political advertising cycle. These temporary declines reverse themselves in the odd numbered "off-year" of the two year political advertising cycle.

While our revenues have experienced a gradual improvement as a result of improvements in general economic conditions in recent years, revenue remains under pressure from the internet as a competitor for advertising spending. We continue to enhance and market our internet websites in an effort to generate additional revenue. Our aggregate internet revenue is derived from two sources. The first is advertising or sponsorship opportunities directly on our websites, referred to as “direct internet revenue.” The other source is television advertising time purchased by our clients to directly promote their involvement in our websites, referred to as “internet-related commercial time sales.”

We continue to monitor our operating expenses and reduce them where possible. Our total operating expenses for the year ended December 31, 2015 increased over 2014 amounts primarily due to the addition of the 2015 Acquired Stations and the 2014 Acquired Stations, as well as to increases in salaries, transaction expenses, non-cash compensation, severance, healthcare expense, pension expense and payroll taxes. As previously disclosed, we also accrued a special charge of $6.3 million in the year ended December 31, 2015 reflecting the estimated termination fees that we estimated would be due and payable in future periods resulting from our decision to terminate essentially all of our national sales representation agreements effective on January 1, 2016. In January 2016, we paid the amount accrued which settled all of our obligations under these terminated agreements.

Financing Sources

On March 31, 2015, we completed an underwritten offering of 13.5 million shares of our common stock at a price to the public of $13.00 per share pursuant to an effective shelf registration statement. The net proceeds from the offering were $167.3 million, after deducting underwriting discounts of $7.5 million and expenses of $0.9 million. We used the net proceeds from the offering to pay a significant portion of the consideration necessary to complete the acquisition of the 2015 Acquired Stations.

On June 13, 2014, we entered into an amendment and restatement of our prior senior credit facility in the form of a new agreement and, on September 15, 2014, we further amended that agreement. We borrowed a total of $625.0 million under the Senior Credit Facility to repay amounts outstanding under our prior senior credit facility and to finance the purchase several of the 2014 Acquired Stations. During the year ended December 31, 2013, we completed the offer and sale of an additional $375.0 million aggregate principal amount of our 7½% Senior Notes due 2020, and used those proceeds to repay a portion of the principal outstanding under the prior senior credit facility.

In connection with the completion of the Schurz Acquisition and Related Transactions, we entered into an amendment to the Senior Credit Facility, pursuant to which, among other things, in February 2016, we incurred an additional $425.0 million of debt under the 2016 Term Loan under the Senior Credit Facility and the revolving loan commitment under the Senior Credit Facility was increased by $10.0 million. See Note 11 “Subsequent Events” of our audited consolidated financial statements as of and for the year ended December 31, 2015 included in Item 8 for a discussion of this amendment and the additional debt incurred.

Please see our “Results of Operations” and “Liquidity and Capital Resources” sections below for further discussion of our operating results and refinancing activities.

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 to our total revenue (dollars in thousands):

	Year Ended December 31,					
	2015		2014		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenue:						
Local	$308,179	51.6%	$245,768	48.4%	$203,061	58.6%
National	81,110	13.6%	64,958	12.8%	58,298	16.8%
Internet	28,292	4.7%	28,245	5.6%	25,427	7.3%
Political	17,163	2.9%	81,975	16.1%	4,598	1.3%
Retransmission consent	151,957	25.4%	74,894	14.7%	39,750	11.5%
Other	10,655	1.8%	12,294	2.4%	8,021	2.3%
Consulting	-	0.0%	-	0.0%	7,143	2.2%
Total	$597,356	100.0%	$508,134	100.0%	$346,298	100.0%

Risk Factors

The broadcast television industry is reliant primarily on advertising revenue and faces significant competition. For a discussion of certain other presently known, significant factors that may affect our business, see “Item 1A. Risk Factors” included herein.

Results of Operations

Year Ended December 31, 2015 (“2015”) Compared to Year Ended December 31, 2014 (“2014”)

Revenue

Total revenue increased $89.2 million, or 18%, to $597.4 million for 2015 compared to 2014. Local advertising revenue increased approximately $62.4 million, or 25%, to $308.2 million. National advertising revenue increased approximately $16.2 million, or 25%, to $81.1 million. The 2015 Acquired Stations and the 2014 Acquired Stations had a significant impact on our revenues. Together, the stations acquired in those years accounted for approximately $163.4 million and $72.1 million of our total revenue in 2015 and 2014, respectively. Local and national advertising revenue in 2014 benefited from approximately $3.8 million earned from the broadcast of the 2014 Winter Olympic Games on our then 14 NBC channels. There were no corresponding Olympic Games advertising revenue during 2015. In 2015, local and national advertising revenue included approximately $1.5 million of revenue from the broadcast of the 2015 Super Bowl on our then 24 NBC channels, an increase of approximately $1.3 million compared to the $0.2 million of revenue from the broadcast of the 2014 Super Bowl on our then five FOX channels. Retransmission consent revenue increased $77.1 million, or 103%, to $152.0 million in 2015 compared to 2014, primarily due to increased subscriber rates. Political advertising revenue decreased $64.8 million, or 79%, to $17.2 million, reflecting decreased advertising from political candidates and special interest groups during the “off year” of the two-year political advertising cycle. Other revenue decreased $1.6 million, or 13%, to $10.7 million in 2015 compared to 2014.

Excluding revenue attributable to the 2015 Acquired Stations, the 2014 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 2015 compared to 2014: automotive increased 3%; medical increased 9%; restaurant increased less than 1%; communications decreased 1%; and furniture and appliances increased 13%.

Broadcast expenses

Broadcast expenses (before depreciation, amortization and loss on disposal of assets) increased $88.2 million, or 31%, to $374.2 million for 2015 compared to 2014, due primarily to increases in compensation expense of $27.9 million and non-compensation expense of $60.3 million. The 2015 Acquired Stations and the 2014 Acquired Stations had a significant impact on our expenses. Together, the stations acquired in those years accounted for approximately $91.4 million and $34.8 million of our total broadcast expense in 2015 and 2014, respectively.

Compensation expense increased by $27.9 million in 2015 compared to 2014, primarily as a result of $25.5 million in additional compensation related costs, resulting primarily from the addition of employees at the 2015 Acquired Stations and 2014 Acquired Stations. In addition, expenses related to matching contributions and discretionary profit sharing contributions to our defined contribution 401(k) plan increased by $3.4 million. These added employee benefit costs were offset, in part, by a decrease of $1.6 million in expenses related to our defined benefit pension plan. Non-compensation expense increased primarily due to an increase in network affiliation fees of $50.6 million related to our increased retransmission consent revenue under our affiliation agreements, as well as the commencement in the first quarter of 2015 of network program fees payable to CBS. Our national sales representation fees increased $3.0 million as a result of a $6.3 million one-time charge resulting from the previously disclosed termination of our national advertising sales representation agreements effective January 1, 2016. This one-time charge was partially offset by decreased commissions resulting from reduced political advertising revenues in 2015 compared to 2014 reflecting the off-year of the political advertising cycle. Non-cash share based compensation expenses were $0.9 million in 2015 compared to $1.5 million in 2014.

Corporate and administrative expenses

Corporate and administrative expenses (before depreciation, amortization and loss on disposal of assets) increased $5.1 million, or 18%, to $34.3 million for 2015 compared to 2014. The increase was due primarily to increases in compensation expense of $2.8 million and non-compensation expense of $2.4 million. Compensation expense increased primarily due to increases in incentive compensation and relocation expenses. We recorded non-cash stock-based compensation expense during 2015 and 2014 of $3.1 million and $3.5 million, respectively. Non-compensation expense increased primarily due to increased legal and other professional fees associated with our acquisitions.

Depreciation

Depreciation of property and equipment totaled $36.7 million and $30.2 million for 2015 and 2014, respectively. Depreciation expense increased in 2015 compared to 2014 due to purchases of property and equipment at our existing

stations and additional property and equipment placed in service related to the 2015 Acquired Stations and the 2014 Acquired Stations.

Amortization of intangible assets

Amortization of intangible assets totaled $12.0 million and $8.3 million for 2015 and 2014, respectively. Amortization expense increased in 2015 compared to 2014 due to the amortization expense associated with the acquisition of definite-lived intangible assets of the 2015 Acquired Stations and the 2014 Acquired Stations.

Interest expense

Interest expense increased $5.5 million, or 8%, to $74.4 million for 2015 compared to 2014. Interest expense increased due to an increase in our average principal outstanding. Our average debt balance was $1.2 billion and $1.1 billion during the 2015 and 2014, respectively. Our average debt balance increased as a result of increased borrowings used to finance, in part, the acquisition of certain of the 2014 Acquired Stations. The average interest rates on our total debt balances were 5.8% and 6.2% for 2015 and 2014, respectively.

Income tax expense

Our effective income tax rate increased to 40.2% for 2015 from 39.8% for 2014. Our effective income tax rates differed from the statutory rate due to the following items:

	Year Ended December 31,	
	2015	**2014**
Statutory federal income tax rate	35.0%	35.0%
Current year permanent items	1.8%	1.1%
State and local taxes, net of federal taxes	4.3%	5.1%
Change in valuation allowance	(0.6)%	(0.9)%
Reserve for uncertain tax positions	(0.9)%	(0.2)%
Other items, net	0.6%	(0.3)%
Effective income tax rate	40.2%	39.8%

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 ("2013")

Revenue

Total revenue increased $161.8 million, or 47%, to $508.1 million for 2014 compared to 2013. Local advertising revenue increased approximately $42.7 million, or 21%, to $245.8 million. National advertising revenue increased approximately $6.7 million, or 11%, to $65.0 million. The 2014 Acquired Stations and the 2013 Acquired Stations had a significant impact on our revenues. Together, the stations acquired in those years accounted for approximately $88.2 million and $2.9 million of our total revenue in 2014 and 2013, respectively. Local and national advertising

revenue included the broadcast of the 2014 Super Bowl on our then five FOX channels, from which we earned 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 from which we earned approximately $1.1 million. Local and national advertising revenue benefited from the broadcast of the 2014 Winter Olympic Games on our then 14 NBC channels. Retransmission consent revenue increased $35.1 million, or 88%, to $74.9 million in 2014 compared to 2013 primarily due to increased subscriber rates. Political advertising revenue increased $77.4 million, or 1683%, to $82.0 million, reflecting increased advertising from political candidates and special interest groups during the “on year” of the two-year political advertising cycle. Other revenue increased $4.3 million, or 53%, to $12.3 million in 2014 compared to 2013. We did not recognize any consulting revenue in 2014.

Excluding revenue attributable to the 2014 Acquired Stations, the 2013 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 2014 compared to 2013: automotive increased 2%; medical increased 1%; restaurant decreased 7%; communications decreased 11%; and furniture and appliances decreased 11%.

Broadcast expenses

Broadcast expenses (before depreciation, amortization and loss on disposal of assets) increased $68.6 million, or 32%, to $286.0 million for 2014 compared to 2013 due primarily to an increase in compensation expense of $28.1 million and an increase in non-compensation expense of $37.7 million. The 2014 Acquired Stations and the 2013 Acquired Stations had a significant impact on our broadcast expenses. Together, the stations acquired in those years accounted for approximately $47.7 million and $1.6 million of our total broadcast expense in 2014 and 2013, respectively.

Compensation expense increased primarily due to an increase in salaries that resulted primarily from a non-recurring, non-cash charge of $3.9 million due to a change in our paid time off employee benefit policy. Salary expense increased $24.8 million resulting primarily from the addition of personnel at the 2014 Acquired Stations and 2013 Acquired Stations. Healthcare costs increased $2.1 million reflecting increased claim activity and the addition of personnel at the 2014 Acquired Stations and 2013 Acquired Stations. Pension expense decreased $2.5 million, primarily as a result of a decreased discount rate in 2014.

Non-compensation expense increased primarily due to increases in network affiliation fees of $12.0 million reflecting, in part, increased fees payable to the ABC network under our affiliation agreements that renewed effective January 1, 2014. National sales representation fees increased $4.4 million due to commissions paid on increased revenue. In addition, programming costs, software license fees, other professional fees, consulting fees, utilities, news service expense, repairs and maintenance, bad debt expense, rent, insurance and property taxes also increased as a result of the inclusion of the 2014 Acquired Stations and 2013 Acquired Stations.

Corporate and administrative expenses

Corporate and administrative expenses (before depreciation, amortization and loss on disposal of assets) increased $9.4 million, or 47%, to $29.2 million for 2014 compared to 2013. The increase was due primarily to increases in compensation expense of $3.4 million and non-compensation expense of $6.0 million. Compensation expense increased primarily due to increases in non-cash stock-based compensation, incentive compensation and routine increases in salary expense. Non-compensation expense increased primarily due to increases of $5.3 million in legal and other professional fees associated with our acquisitions.

Depreciation

Depreciation of property and equipment totaled $30.2 million and $24.1 million for 2014 and 2013, respectively. Depreciation expense increased in 2014 compared to 2013 due to purchases of property and equipment at our existing stations and additional property and equipment placed in service at the 2014 Acquired Stations and 2013 Acquired Stations.

Amortization of intangible assets

Amortization of intangible assets totaled $8.3 million and $0.3 million for 2014 and 2013, respectively. Amortization expense increased in 2014 compared to 2013 due to the amortization expense associated with the acquisition of definite-lived intangible assets of the 2014 Acquired Stations and 2013 Acquired Stations.

Interest expense

Interest expense increased $16.5 million, or 31%, to $68.9 million for 2014 compared to 2013. Interest expense increased due to an increase in our average principal outstanding. Our average debt balance was $1.1 billion and $835.7 million during the 2014 and 2013, respectively. Our average debt balance increased as a result of increased borrowings used to finance, in part, the acquisition of certain of the Acquired Stations. The average interest rates on our total debt balances were 6.2% and 6.0% for 2014 and 2013, respectively.

Loss from early extinguishment of debt

In connection with entering into the 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 from early extinguishment of debt of $4.9 million in 2014. Also, on December 15, 2014 we exercised an option to acquire the assets of Excalibur, which at that time was treated as a VIE. In connection with this transaction, Excalibur repaid the outstanding balance of their debt and as a result the unamortized portion of their deferred loan costs was written off as a loss from early extinguishment of debt of $0.2 million.

Income tax expense

Our effective income tax rate decreased to 39.8% for 2014 from 41.8% for 2013. Our effective income tax rates differed from the statutory rate due to the following items:

	Year Ended December 31,	
	2014	**2013**
Statutory federal income tax rate	35.0%	35.0%
Current year permanent items	1.1%	2.1%
State and local taxes, net of federal taxes	5.1%	4.6%
Change in valuation allowance	(0.9)%	(1.3)%
Reserve for uncertain tax positions	(0.2)%	(0.4)%
Other items, net	(0.3)%	1.8%
Effective income tax rate	39.8%	41.8%

Liquidity and Capital Resources

General

The following tables present data that we believe is helpful in evaluating our liquidity and capital resources (dollars in thousands):

	Year Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	$105,614	$134,219	$60,239
Net cash used in investing activities	(206,382)	(501,892)	(60,527)
Net cash provided by financing activities	167,317	384,964	2,699
Net increase in cash	$66,549	$17,291	$2,411

	December 31,	
	2015	2014
Cash	$97,318	$30,769
Long-term debt including current portion	$1,235,537	$1,236,401
Borrowing availability under Senior Credit Facility	$50,000	$50,000

Our Senior Credit Facility consists of a revolving loan (the “Revolving Credit Facility”) and a term loan. Excluding accrued interest, the amount outstanding under our Senior Credit Facility as of December 31, 2015 and 2014 consisted solely of a term loan balance of $556.4 million. Our maximum borrowing availability under our Revolving Credit Facility is limited by our required compliance with certain restrictive covenants, including a first lien net leverage ratio covenant.

As of December 31, 2015 and 2014, we had $675.0 million of our 2020 Notes outstanding.

As of of December 31, 2015 and 2014, the interest rate on the balance outstanding under the Senior Credit Facility was 3.8%, the coupon interest rate on our 2020 Notes was 7.5% and the yield was 7.3%.

As of December 31, 2015 and 2014, we had a deferred loan cost balance, net of accumulated amortization, of $6.1 million and $7.4 million, respectively, related to the Senior Credit Facility; and we had a deferred loan cost balance,

net of accumulated amortization, of $9.3 million and $11.3 million, respectively, related to our 2020 Notes.

Our obligations under the Senior Credit Facility are secured by substantially all of our consolidated subsidiaries' assets, including real estate. In addition, all of our subsidiaries are joint and several guarantors of, and our ownership interests in those subsidiaries are pledged to collateralize, our obligations under the Senior Credit Facility.

The Senior Credit Facility contains affirmative and restrictive covenants that we 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 and share repurchases, (g) limitations on mergers, and (h) maintenance of a total leverage ratio not to exceed certain maximum limits while any amount is outstanding under the Revolving Credit Facility, as well as other customary covenants for credit facilities of this type. The 2020 Notes include covenants with which we must comply and are typical for borrowing transactions of their nature. As of December 31, 2015 and 2014, we were in compliance with all required covenants under all our debt obligations.

For further information concerning the Senior Credit Facility and the 2020 Notes, see Note 3 “Long-term Debt” and Note 11 “Subsequent Events” to our audited consolidated financial statements included elsewhere herein. For estimates of future principal and interest payments under the Senior Credit Facility and the 2020 Notes, see “Tabular Disclosure of Contractual Obligations as of December 31, 2015” included elsewhere in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Income Taxes

We file a consolidated federal income tax return and such state or local tax returns as are required. We anticipate that we may begin to pay significant amounts of Federal or state income taxes in 2016.

Liquidity

As of February 19, 2016, we had $4.3 million in debt principal repayments due over the twelve months immediately following December 31, 2015. As of February 19, 2016, we estimate that we will make approximately $87.4 million in debt interest payments, including accrued interest of $12.7 million as of December 31, 2015, and $40.0 million in capital expenditures during the twelve months immediately following December 31, 2015. 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 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 and estimated capital expenditure 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 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 term loans under the Senior Credit Facility.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities - Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net cash provided by operating activities decreased $28.6 million to $105.6 million in 2015 compared to net cash provided by operating activities of $134.2 million in 2014. The decrease in cash provided by operating activities was due primarily to several factors, including a decrease in net income of $8.8 million and a decrease of $19.2 million due to changes in working capital balances.

Net cash used in investing activities decreased $295.5 million to $206.4 million for 2015 compared to $501.9 million for 2014 due primarily to decreased cash used to acquire television businesses and licenses.

Net cash provided by financing activities was $167.3 million in 2015 compared to net cash provided by financing activities of $385.0 million in 2014. This change of $217.7 million was due primarily to our refinancing activities. Cash provided by financing activities in 2015 was due primarily to our underwritten public offering of 13.5 million shares of our common stock at a price to the public of $13.00 per share on March 31, 2015. The net proceeds of the offering were $167.3 million, after deducting underwriting discounts and expenses. During 2014, we borrowed $394.4 million more in long-term debt than we repaid, which was partially offset by our payment of $9.4 million in costs primarily associated with the refinancing of our prior senior credit facility.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities - Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net cash provided by operating activities increased $74.0 million to $134.2 million in 2014 compared to net cash provided by operating activities of $60.2 million in 2013. The increase in cash provided by operating activities was due primarily to several factors, including an increase in operating income of $69.9 million and an increase of $9.9 million due to changes in certain current asset and current liability balances.

Net cash used in investing activities increased $441.4 million to $501.9 million for 2014 compared to $60.5 million for 2013 due primarily to an increase in cash used to acquire television businesses and licenses.

Net cash provided by financing activities was $385.0 million in 2014 compared to net cash provided by financing activities of $2.7 million in 2013. This change of $382.3 million was due primarily to our refinancing activities. During 2014, we borrowed $394.4 million more in long-term debt than we repaid, which was partially offset by our payment of $9.4 million in costs primarily associated with the refinancing of our prior senior credit facility. During December 2014, we made voluntary principal pre-payments totaling $67.0 million on the outstanding balance of the 2014 Term Loan under our Senior Credit Facility (the “2014 Term Loan”) and as a result we are not required to make any additional principal payments until the 2014 Term Loan matures on June 13, 2021.

Retirement Plans

We sponsor and in some cases contribute to defined benefit and defined contribution retirement plans covering substantially all of our full-time employees. Our defined benefit pension plans are the Gray Television, Inc. Retirement Plan (the “Gray Pension Plan”) as well as two plans assumed when we acquired the related businesses in prior years. Effective July 1, 2015, monthly plan benefits under the Gray Pension Plan were frozen and no longer increased after June 30, 2015, therefore all three of our defined benefit pension plans are frozen plans. Our funding policy is consistent with the funding requirements of existing federal laws and regulations under the Employee Retirement Income Security Act of 1974.

A discount rate is selected annually to measure the present value of the benefit obligations. In determining the selection of a discount rate, we estimated the timing and amounts of expected future benefit payments and applied a yield curve developed to reflect yields available on high-quality bonds. The yield curve is based on an externally published index specifically designed to meet the criteria of United States Generally Accepted Accounting Principles (“U.S. GAAP”). The discount rate selected for determining benefit obligations as of December 31, 2015 was 4.31%, which reflects the results of this yield curve analysis. The discount rate used for determining benefit obligations as of December 31, 2014 was 4.00%. Our assumptions regarding expected return on plan assets reflects asset allocations,

the investment strategy and the views of investment managers, as well as historical experience. We use an assumed rate of return of 7.00% for our assets invested in the Gray pension plans. In 2015, estimated asset returns for this plan, calculated on a mean market value assuming mid-year contributions and benefit payments, were a loss of 1.5%, and in 2014 were a gain of 6.5%. Other significant assumptions relate to inflation, retirement and mortality rates. Our inflation assumption is based on an evaluation of external market indicators. Retirement and mortality rates are based on actual plan experience.

During 2015 and 2014, we contributed an aggregate of $5.4 million and $6.8 million, respectively, to our pension plans, and we anticipate making an aggregate contribution of approximately $2.3 million to such plans in 2016. The use of significantly different assumptions, or if actual experienced results differ significantly from those assumed, could result in our funding obligations being materially different.

See Note 8 “Retirement Plans” of our audited consolidated financial statements included elsewhere herein for further information concerning the retirement plans.

The Gray Television, Inc. Capital Accumulation Plan (“the Capital Accumulation Plan”) is a defined contribution plan intended to meet the requirements of section 401(k) of the Internal Revenue Code. Effective beginning on July 1, 2015, employer contributions under the Capital Accumulation Plan include matching cash contributions at a rate of 100% of the first 3% of each employee’s salary deferral, and 50% of the next 2% of each employee’s salary deferral. In addition, the Company, at its discretion, may make an additional profit sharing contribution, based on annual Company performance, to those employees who meet certain criteria. During 2015, we contributed an aggregate $1.8 million in employer matching contributions to the Capital Accumulation Plan. In the year ended December 31, 2015 we accrued, and in January 2016 we contributed, $1.6 million of profit sharing contributions to our Capital Accumulation Plan. Our contributions to our Capital Accumulation Plan in 2014 were not significant.

Capital Expenditures

Capital expenditures for the years ended December 31, 2015 and 2014 were $24.2 million and $32.2 million, respectively. We expect that our capital expenditures will be approximately $40.0 million in the year ending December 31, 2016. We expect to fund future capital expenditures with cash from operations.

Off-Balance Sheet Arrangements

Operating Commitments

We have various operating lease commitments for equipment, land and office space. We also have commitments for various syndicated television programs.

We have two types of syndicated television program contracts: first run programs and off network reruns. The first run programs are programs such as *Wheel of Fortune* and the off network programs are programs such as *Seinfeld*. A difference between the two types of syndicated television programming is that the first run programs have not been produced at the time the contract to air such programming is signed but the off network programs have already been produced. For all syndicated television contracts, we record an asset and corresponding liability for payments to be made for the entire “off network” contract period and for only the current year of the “first run” contract period. Only an estimate of the payments anticipated to be made in the year following the balance sheet date of the “first run” contracts are recorded on the current balance sheet, because the programs for the later years of the contract period have not been

produced or delivered.

Tabular Disclosure of Contractual Obligations as of December 31, 2015

The following table aggregates our material expected contractual obligations and commitments as of December 31, 2015 (in thousands):

	Payment Due By Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Contractual obligations recorded on our balance sheet as of December 31, 2015:					
Long-term debt obligations (1)	$1,231,438	$-	$-	$675,000	$556,438
Accrued interest (2)	12,717	12,717	-	-	-
Programming obligations currently accrued (3)	12,956	10,785	2,171	-	-
Off-balance sheet arrangements as of December 31, 2015:					
Cash interest on long-term debt obligations (4)	329,861	58,775	142,983	117,670	10,433
Operating lease obligations (5)	13,427	2,286	3,881	3,181	4,079
Purchase obligations not currently accrued (6)	17	17	-	-	-
Programming obligations not currently accrued (7)	24,571	3,923	18,190	1,407	1,051
Network affiliation agreements (8)	418,614	88,737	222,493	102,084	5,300
Acquisition commitments (9)	415,300	415,300	-	-	-
Total	**$2,458,901**	**$592,540**	**$389,718**	**$899,342**	**$577,301**

(1) "Long-term debt obligations" represent principal payment obligations under the Senior Credit Facility and the 2020 Notes at December 31, 2015. These amounts are recorded as liabilities as of the balance sheet date net of the $4.1 million of unamortized original issue premium on the 2020 Notes. As of December 31, 2015, the interest rate on the balance outstanding under the Senior Credit Facility was 3.8%. As of December 31, 2015, the coupon interest rate and the yield on the 2020 Notes were 7.5% and 7.3%, respectively. On February 16, 2016, and in connection with the completion of the Schurz Acquisition and Related Transactions, we incurred an additional $425.0 million of debt under the Senior Credit Facility in the form of the 2016 Term Loan. Such amount is not reflected in the table above. Principal payments on the 2016 Term Loan due by period are as follows: Less than 1 year - $4.3 million; 1-3 years - $8.5 million; 3-5 years - $8.5 million; and more than 5 years - $403.7 million.

(2) "Accrued interest" includes interest on long-term debt obligations accrued as of December 31, 2015.

(3) “Programming obligations currently accrued” represents obligations for syndicated television programming whose license period has begun and the product is available. These amounts are recorded as liabilities as of the current balance sheet date.

(4) “Cash interest on long-term debt obligations” consists of estimated interest expense on long-term debt excluding interest expense accrued as of December 31, 2015 described in (2) above. The estimate is based upon debt balances as of December 31, 2015 and required future principal repayments under those obligations. Additional interest expense not reflected in the table above and attributable to the 2016 Term Loan is as follows: Less than 1 year - $15.9 million; 1-3 years - $35.9 million; 3-5 years - $35.3 million; and more than 5 years - $8.6 million. Our Senior Credit Facility and our 2020 Notes will mature on June 13, 2021 and October 1, 2020, respectively. This estimate of cash interest on long-term debt obligations assumes that current interest rates will remain consistent and the principal obligations underlying these interest estimates will not be replaced by other long-term obligations prior to or upon their maturity.

(5) "Operating lease obligations" represent payment obligations under non-cancelable lease agreements classified as operating leases. These amounts are not recorded as liabilities as of the current balance sheet date.

(6) "Purchase obligations not currently accrued" generally represent payment obligations for equipment. It is our policy to accrue for these obligations when the equipment is received and the vendor has completed the work required by the purchase agreement. These amounts are not recorded as liabilities as of the current balance sheet date because we had not yet received the related equipment.

(7) "Programming obligations not currently accrued" represent obligations for syndicated television programming whose license period has not yet begun or the product is not yet available. These amounts are not recorded as liabilities as of the current balance sheet date.

(8) "Network affiliation agreements" represent the fixed obligations under our current agreements with broadcast networks. Our network affiliation agreements expire at various dates through December 2020.

(9) "Acquisition commitments" represents our net obligations under the Schurz Acquisition and Related Transactions as of December 31, 2015. These transactions were completed on February 16, 2016. For additional information on these transactions see Note 11 "Subsequent Events" included in our Notes to Consolidated Financial Statements herein.

Estimates of the amount, timing and future funding obligations under our pension plans include assumptions concerning, among other things, actual and projected market performance of plan assets, investment yields, statutory requirements and demographic data for pension plan participants. Pension plan funding estimates are therefore not included in the table above because the timing and amounts of funding obligations for all future periods cannot be reasonably determined. We expect to contribute approximately $2.3 million in total to our defined benefit pension plans during 2016.

Inflation

The impact of inflation on operations has not been significant to date. However, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on operating results, particularly since amounts outstanding under the Senior Credit Facility incur interest at a variable rate.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires us to make judgments and estimations that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those reported amounts. 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. Our policies concerning intangible assets and income taxes are disclosed below.

Annual Impairment Testing of Broadcast Licenses and Goodwill

We have determined that our broadcast licenses are indefinite-lived intangible assets in accordance with the accounting guidance for goodwill and other intangible assets, which require such assets to be tested for impairment on an annual basis, or more often when certain triggering events occur. For goodwill, we have elected to bypass the qualitative assessment provisions and to perform the prescribed testing steps for goodwill on an annual basis. Neither of these asset types is amortized.

Our annual impairment testing of broadcast licenses and goodwill for each individual television station requires an estimation of the fair value of each broadcast license and the fair value of the entire television station, which we consider a reporting unit. Such estimations generally rely on analyses of public and private comparative sales data as well as discounted cash flow analyses that inherently require multiple assumptions relating to the future prospects of each individual television station including, but not limited to (i) expected long-term market growth characteristics; (ii) estimations regarding a station's future expected viewing audience; (iii) station revenue shares within a market; (iv) future expected operating expenses; (v) costs of capital; and (vi) appropriate discount rates. We believe that the assumptions we utilize in analyzing potential impairment of broadcast licenses and/or goodwill for each of our television stations are reasonable individually and in the aggregate. However, these assumptions are highly subjective and changes in any one assumption, or a combination of assumptions, could produce significant differences in the calculated outcomes.

To estimate the fair value of our reporting units, we utilize a discounted cash flow model supported by a market multiple approach. We believe that a discounted cash flow analysis is the most appropriate methodology to test the recorded value of long-term assets with a demonstrated long-lived/enduring franchise value. We believe the results of the discounted cash flow and market multiple approaches provide reasonable estimates of the fair value of our reporting units because these approaches are based on our actual results and reasonable estimates of future performance, and also take into consideration a number of other factors deemed relevant by us, including but not limited to, expected future market revenue growth, market revenue shares and operating profit margins. We have consistently used these approaches in determining the fair value of our reporting units. We also consider a market multiple approach utilizing market multiples to corroborate our discounted cash flow analysis. We believe that this methodology is consistent with the approach that any strategic market participant would utilize if they were to value one of our television stations.

As of December 31, 2015 and 2014, the recorded value of our broadcast licenses was $1.1 billion and $1.0 billion, respectively. As of December 31, 2015 and 2014, the recorded value of our goodwill was $423.2 million and $374.4 million, respectively. We did not record an impairment expense related to our broadcast licenses or goodwill during 2015, 2014 or 2013.

Prior to January 1, 2002, acquired broadcast licenses were valued at the date of acquisition using a residual method. The recorded value of these broadcast licenses as of December 31, 2015 and 2014 was approximately $341.0 million. Broadcast licenses acquired after December 31, 2001 were valued at the date of acquisition using an income method that assumes an initial hypothetical start-up operation. This change in methodology was due to a change in accounting requirements. The book value of these broadcast licenses as of December 31, 2015 and 2014 was approximately $773.6 million and $682.6 million, respectively. Regardless of whether we initially recorded the value of our broadcast licenses using the residual or the income method, for purposes of testing for potential impairment we use the income method to estimate the fair value of our broadcast licenses.

We test for impairment of broadcast licenses and goodwill on an annual basis on the last day of each fiscal year. We also test for impairment during any reporting period if certain triggering events occur. The two most recent impairment testing dates were December 31, 2015 and 2014. A summary of the significant assumptions used in our impairment analyses of broadcast licenses and goodwill as of December 31, 2015 and 2014 is presented below. Our reporting units, allocations of our broadcast licenses and goodwill and our methodologies were consistent as of both testing dates.

	As of December 31,					
	2015			**2014**		
	(dollars in thousands)					
Pre-tax impairment charge:						
Broadcast licenses	$	-		$	-	
Goodwill	$	-		$	-	
Significant assumptions:						
Forecast period (years)		10			10	
Increase or (decrease) in market advertising revenue for projection year 1 compared to latest historical period (1)	1.4%	to	60.7%	(22.2%)	to	(0.3%)
Positive or (negative) advertising revenue compound growth rate for forecast period	(1.9)	to	2.0%	(2.2%)	to	0.9%
Operating cash flow margin:						
Broadcast licenses	9.2%	to	45.2%	8.7%	to	47.0%
Goodwill	8.0%	to	62.1%	(16.6%)	to	59.7%
Discount rate:						
Broadcast licenses		8.5%			8.0%	
Goodwill		9.5%			9.0%	

(1) Depending on whether the first year of the respective projection period is an even-numbered or odd-numbered year, assumptions relating to market advertising growth rates will vary significantly reflecting the significant cyclical impact of political advertising revenue in even-numbered years. The analysis for 2015 generally anticipated an increase in revenue for 2016.

When estimating the fair value of our broadcast licenses and reporting units, we make assumptions regarding revenue growth rates, operating cash flow margins and discount rates. These assumptions require substantial judgment, and actual rates and margins may differ materially. Although we did not record an impairment charge for the year ended December 31, 2015, we may have recorded such an adjustment if we had changed certain assumptions. The following table contains a sensitivity analysis of these assumptions and a hypothetical non-cash impairment charge that would have resulted if our advertising revenue growth rate and our operating cash flow margin had been revised lower or if our discount rate had been revised higher. We also disclose a hypothetical impairment charge assuming a 5% and 10% decrease in the fair value of our broadcast licenses and enterprise values:

	Hypothetical Impairment Charge As of December 31, 2015	
	Broadcast Licenses	**Goodwill**
	(in thousands)	
Hypothetical change:		
A 100 basis point decrease in advertising revenue growth rate throughout the forecast period	$10,745	$ 3,687
A 100 basis point decrease in operating cash flow margin throughout the forecast period	$172	$ 426
A 100 basis point increase in the applicable discount rate	$27,854	$ 6,385
A 5% reduction in the fair value of broadcast licenses and enterprise values	$1,026	$ 986
A 10% reduction in the fair value of broadcast licenses and enterprise values	$8,605	$ 3,280

These hypothetical non-cash impairment charges would not have any direct impact on our liquidity, debt covenant compliance or future results of operations. Our historical operating results may not be indicative of our future operating results. Our future ten-year discounted cash flow analysis, which fundamentally supports our estimated fair values as of December 31, 2015, reflected certain assumptions relating to the expected impact of the current general economic environment.

The discount rates used in our impairment analysis were based upon the after-tax rate of return determined using a weighted-average cost of capital calculation for media companies. In calculating the discount rates, we considered estimates of the long-term mean market return, industry beta, corporate borrowing rate, average industry debt to capital ratio, average industry equity capital ratio, risk free rate and the tax rate. We believe using a discount rate based on a weighted-average cost of capital calculation for media companies is appropriate because it would be reflective of rates active participants in the media industry would utilize in valuing broadcast licenses and/or broadcast enterprises.

Valuation of Network Affiliation Agreements

We believe that the value of a television station is derived primarily from the attributes of its broadcast license rather than its network affiliation agreement. These attributes have a significant impact on the audience for network programming in a local television market compared to the national viewing patterns of the same network programming.

Certain other broadcasting companies have valued their stations on the basis that it is the network affiliation and not the other attributes of the station, including its broadcast license, which contributes to the operational performance of that station. As a result, we believe that these broadcasting companies allocate a significant portion of the purchase price for any station that they may acquire to the network affiliation relationship and include in their network affiliation valuation amounts related to attributes which we believe are more appropriately reflected in the value of the broadcast license or reporting units.

The methodology we used to value these stations was based on our evaluation of the broadcast licenses acquired and the characteristics of the markets in which they operated. Given our assumptions and the specific attributes of the stations we acquired from 2002 through December 31, 2015, we ascribed no incremental value to the incumbent network affiliation relationship in each market beyond the cost of negotiating a new agreement with another network and the value of any terms of the affiliation agreement that were more favorable or unfavorable than those generally prevailing in the market.

Some broadcast companies may use methods to value acquired network affiliations different than those that we use. These different methods may result in significant variances in the amount of purchase price allocated to these assets among broadcast companies.

If we were to assign higher values to all of our network affiliations and less value to our broadcast licenses or goodwill and if it is further assumed that such higher values of the network affiliations are definite-lived intangible assets, this reallocation of value might have a significant impact on our operating results. There is diversity of practice within the industry, and some broadcast companies have considered such network affiliation intangible assets to have a life ranging from 15 to 40 years depending on the specific assumptions utilized by those broadcast companies.

The following table reflects the hypothetical impact of the reassignment of value from broadcast licenses to network affiliations for our historical acquisitions (the first acquisition being in 1994) and the resulting increase in amortization expense assuming a hypothetical 15-year amortization period as of our most recent impairment testing date of December 31, 2015 (in thousands, except per share data):

	As Reported	**Percentage of Total Value Reassigned to Network Affiliation Agreements**	
		50%	**25%**
Balance Sheet (As of December 31, 2015):			
Broadcast licenses	$1,114,626	$413,218	$763,922
Other intangible assets, net (including network affiliation agreements)	53,280	237,470	145,375
Statement of Operations (For the year ended December 31, 2015):			
Amortization of intangible assets	11,982	41,264	26,623
Operating income	140,057	110,775	125,416
Net income	39,301	21,439	30,370
Net income available to common stockholders	39,301	21,439	30,370
Net income available to common stockholders,			
per share - basic	$0.58	$0.31	$0.44
per share - diluted	$0.57	$0.31	$0.44

For future acquisitions, if any, the valuation of the network affiliations may differ from the values of previous acquisitions due to the different characteristics of each station and the market in which it operates.

Market Capitalization

When we test our broadcast licenses and goodwill for impairment, we also consider our market capitalization. As of December 31, 2015, our market capitalization was greater than our book value.

Income Taxes

We have approximately $112.0 million in federal operating loss carryforwards, which expire during the years 2027 through 2031. Additionally, we have an aggregate of approximately $153.5 million of various state operating loss carryforwards. We project to have taxable income in the carryforward periods. Therefore, we believe that it is more likely than not that the federal net operating loss carryforwards will be fully utilized.

A valuation allowance has been provided for a portion of the state net operating loss carryforwards. We believe that we will not meet the more likely than not threshold in certain states due to the uncertainty of generating sufficient income. Therefore, the state valuation allowance at December 31, 2015 and 2014 was $1.7 million and $2.1 million, respectively.

Recent Accounting Pronouncements

See Note 1 “Description of Business and Summary of Significant Accounting Policies” of our audited consolidated financial statements as of and for the year ended December 31, 2015 included in Item 8, for more information.

Cautionary Statements for Purposes of the “Safe Harbor” Provisions of the Federal Securities Laws

This Annual Report on Form 10-K 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 21E of the Securities Exchange Act of 1934. Forward-looking statements are all statements other than those of historical fact. When used in this Annual Report, the words “believes,” “expects,” “anticipates,” “estimates,” “will,” “may,” “should” and similar words and expressions are generally intended to identify forward-looking statements. Forward-looking statements may relate to, among other things, statements about our strategies, expected results of operations, general and industry-specific economic conditions, future pension plan contributions, capital expenditures, assumptions underlying various estimates and estimates of future obligations. Readers 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 in Item 1A. of this Annual Report and the other factors described from time to time in our SEC filings. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. We undertake no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to certain risks arising from business operations and economic conditions. We attempt to manage our exposure to a wide variety of business and operational risks principally through management of our core business activities. We attempt to manage economic risk, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources and duration of our debt funding and, at times, the use of interest rate swap agreements. From time to time, we enter into interest rate swap agreements to manage interest rate exposure with the following objectives:

managing current and forecasted interest rate risk while maintaining financial flexibility and solvency;

proactively managing our cost of capital to ensure that we can effectively manage operations and execute our business strategy, thereby maintaining a competitive advantage and enhancing shareholder value; and

complying with covenant requirements in our financing agreements.

As of December 31, 2015, we had $556.4 million outstanding under the Senior Credit Facility and $675.0 million, at liquidation value, in 2020 Notes outstanding. We pay interest based on a floating interest rate on balances outstanding under the Senior Credit Facility, subject to a minimum LIBOR floor of 0.75% plus applicable margins. We pay a fixed rate of interest on the 2020 Notes. As of December 31, 2015, the majority of our outstanding debt bears interest at a fixed interest rate, which reduces our risk of potential increases in interest rates, but would not allow us to benefit from any reduction in market interest rates such as LIBOR or the prime rate. Also, as of that date, we were not a party to any interest rate swap agreements.

Based on our floating rate debt outstanding at December 31, 2015, a 100 basis point increase in market interest rates would have increased our interest expense and decreased our income before income taxes for the year ended December 31, 2015 by approximately $3.3 million. However, a 100 basis point decrease in market interest rates would not have affected our interest expense or our income before income taxes for the year ended December 31, 2015, because the interest rate on amounts outstanding under the Senior Credit Facility has a minimum LIBOR floor of 0.75%.

Based on our floating rate debt outstanding at February 19, 2016, including the effect of the 2016 Term Loan under our Senior Credit Facility, a 100 basis point increase in market interest rates would increase our interest expense and decrease our income before income taxes by approximately $5.8 million. However, a 100 basis point decrease in market interest rates would not have affected our interest expense or our income before income taxes for the year ended December 31, 2015, because the interest rate on amounts outstanding under the Senior Credit Facility has a minimum LIBOR floor of 0.75%.

The recorded amount of our long-term debt, including current portion, was $1.2 billion and $1.2 billion, respectively, and the fair value of our long-term debt, including current portion, was $1.2 billion and $1.2 billion, respectively, as of December 31, 2015 and 2014. Fair value of our long-term debt is based on estimates provided by third-party financial professionals as of the respective dates.

Item 8. Financial Statements and Supplementary Data.

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Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the U. S. Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 framework"). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2015.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded the operations of television stations KCRG-TV in Cedar Rapids, Iowa acquired from The Cedar Rapids Television Company and The Gazette Company, KOSA-TV in Odessa, Texas acquired from ICA Broadcasting I, LTD, KMVT-TV and KSVT-LD in Twin Falls, Idaho acquired from Neuhoff Media Twin Falls, LLC, WZAW-TV in Wausau, Wisconsin acquired from Davis Television Wausau, LLC, WAGM-TV in Presque Isle, Maine acquired from NEPSK, Inc., and KYLX-TV in Laredo, Texas acquired from Eagle Creek Broadcasting of Laredo, LLC, from the assessment of internal control over financial reporting as of December 31, 2015. These operations were excluded because the related entities were acquired in purchase business combinations in 2015.

Together these operations accounted for approximately 9% and 4% of our total assets and revenues, respectively, as reported in our consolidated financial statements as of and for the year ended December 31, 2015.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Gray Television, Inc.

We have audited the accompanying consolidated balance sheets of Gray Television, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015, and the financial statement schedule of Gray Television, Inc. listed in Item 15(a). We also have audited Gray Television, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Gray Television, Inc.'s management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s Report on Internal Control Over Financial Reporting, management excluded the operations of the television stations KCRG-TV in Cedar Rapids, Iowa acquired from The Cedar Rapids Television Company and The Gazette Company, KOSA-TV in Odessa, Texas acquired from ICA Broadcasting I, LTD, KMVT-TV and KSVT-LD in Twin Falls, Idaho acquired from Neuhoff Media Twin Falls, LLC, WZAW-TV in Wausau, Wisconsin acquired from Davis Television Wausau, LLC, WAGM-TV in Presque Isle, Maine acquired from NEPSK, Inc., and KYLX-TV in Laredo, Texas acquired from Eagle Creek Broadcasting of Laredo, LLC, from the assessment of internal control over financial reporting as of December 31, 2015. These operations were excluded because they and the related entities were acquired in purchase business combinations in 2015. Together these operations accounted for approximately 9% and 4% of Gray Television, Inc.’s total assets and revenues, respectively, as reported in Gray Television, Inc.’s consolidated financial statements as of and for the year ended December 31,

2015.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that *(a)* pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; *(b)* provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and *(c)* provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gray Television, Inc. as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America, and in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein. Also in our opinion, Gray Television, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

/s/ RSM US LLP

Atlanta, Georgia

February 26, 2016

GRAY TELEVISION, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31,	
	2015	**2014**
Assets:		
Current assets:		
Cash	$97,318	$30,769
Accounts receivable, less allowance for doubtful accounts of $1,794 and $1,667, respectively	121,473	106,692
Current portion of program broadcast rights, net	10,511	9,765
Deferred tax asset	49,690	18,855
Prepaid and other current assets	6,462	2,223
Total current assets	285,454	168,304
Property and equipment, net	234,475	221,811
Deferred loan costs, net	15,453	18,651
Broadcast licenses	1,114,626	1,023,580
Goodwill	423,236	374,390
Other intangible assets, net	53,280	47,802
Investment in broadcasting company	13,599	13,599
Other	3,038	3,443
Total assets	$2,143,161	$1,871,580

See accompanying notes.

GRAY TELEVISION, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands except for share data)

	December 31,	
	2015	**2014**
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	$4,532	$4,613
Employee compensation and benefits	28,983	25,160
Accrued interest	12,717	17,623
Accrued network programming fees	11,945	7,129
Other accrued expenses	14,348	6,218
Federal and state income taxes	771	1,894
Current portion of program broadcast obligations	10,785	9,899
Deferred revenue	3,514	7,486
Total current liabilities	87,595	80,022
Long-term debt, less current portion	1,235,537	1,236,401
Program broadcast obligations, less current portion	2,171	2,000
Deferred income taxes	351,546	292,679
Accrued pension costs	36,337	43,334
Other	701	952
Total liabilities	1,713,887	1,655,388
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, no par value; authorized 100,000,000 shares, issued 70,989,426 shares and 57,326,180 shares, respectively	655,446	486,317
Class A common stock, no par value; authorized 15,000,000 shares, issued 7,855,381 shares and 7,567,868 shares, respectively	19,325	17,096
Accumulated deficit	(163,638)	(202,939)
Accumulated other comprehensive loss, net of income tax benefit	(17,284)	(20,812)
	493,849	279,662
Treasury stock at cost, common stock, 4,882,705 shares and 4,814,716 shares, respectively	(41,890)	(41,072)
Treasury stock at cost, Class A common stock, 1,611,371 shares and 1,578,554 shares, respectively	(22,685)	(22,398)
Total stockholders' equity	429,274	216,192
Total liabilities and stockholders' equity	$2,143,161	$1,871,580

See accompanying notes.

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GRAY TELEVISION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for net income per share data)

	Year Ended December 31,		
	2015	**2014**	**2013**
Revenue (less agency commissions)	$597,356	$508,134	$346,298
Operating expenses before depreciation, amortization, and loss on disposals of assets, net:			
Broadcast	374,182	285,990	217,411
Corporate and administrative	34,343	29,203	19,810
Depreciation	36,712	30,248	24,096
Amortization of intangible assets	11,982	8,297	336
Loss on disposals of assets, net	80	623	765
Operating expenses	457,299	354,361	262,418
Operating income	140,057	153,773	83,880
Other income (expense):			
Miscellaneous income, net	103	23	-
Interest expense	(74,411)	(68,913)	(52,445)
Loss from early extinguishment of debt	-	(5,086)	-
Income before income taxes	65,749	79,797	31,435
Income tax expense	26,448	31,736	13,147
Net income	39,301	48,061	18,288
Basic per share information:			
Net income	$0.58	$0.83	$0.32
Weighted average shares outstanding	68,330	57,862	57,630
Diluted per share information:			
Net income	$0.57	$0.82	$0.32
Weighted average shares outstanding	68,987	58,364	57,972
Dividends declared per common share	$-	$-	$-

See accompanying notes.

GRAY TELEVISION, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	$39,301	$48,061	$18,288
Other comprehensive income (loss):			
Adjustment to pension liability	5,783	(17,053)	16,001
Income tax expense (benefit)	2,255	(6,650)	6,240
Other comprehensive income (loss)	3,528	(10,403)	9,761
Comprehensive income	$42,829	$37,658	$28,049

See accompanying notes.

GRAY TELEVISION, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands, except for number of shares)

	Class A Common Stock		Common Stock		Accumulated	Class A Treasury Stock		Common Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Deficit	Shares	Amount	Shares	Amount	(Loss) Income	Total
Balance at December 31, 2012											