GRAY TELEVISION INC
Form 424B5
September 04, 2002

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This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities or the solicitation of an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 3, 2002

PROSPECTUS SUPPLEMENT	**Filed pursuant to Rule 424(b)(5)**
(to Prospectus dated September 3, 2002)	**Registration No. 333-88694**

$100,000,000

GRAY TELEVISION, INC.

9 1/4% Senior Subordinated Notes Due 2011

The Company:

We generate our revenues primarily from our 13 network-affiliated television stations in 11 medium-sized markets located in the Southeast, Southwest and Midwest and four daily newspapers located in the Southeast and Midwest.

We recently signed a definitive merger agreement to acquire 15 television stations from Stations Holding Company, Inc., the parent of Benedek Broadcasting Corporation. These stations are located in the Southeast, Midwest and South.

We will use the net proceeds of this offering to repay borrowings under our senior credit facility.

On July 25, 2002 we changed our name to Gray Television, Inc. from Gray Communications Systems, Inc.

The Notes:

These notes are in addition to $180,000,000 principal amount of our 9 1/4% Senior Subordinated Notes due 2011 we issued on December 21, 2001. The notes we are offering will be issued under the same indenture, will have the same terms and will form a single series with our existing notes. The notes will mature on December 15, 2011.

Interest on the notes will accrue from June 15, 2002 and we will pay interest twice a year on June 15 and December 15, beginning December 15, 2002.

The notes will be our unsecured senior subordinated obligations.

Generally, we cannot redeem the notes before December 15, 2006. On and after that date, we may redeem them at the rates set forth on page S-39 of this prospectus supplement. However, before December 15, 2004, we can redeem up to 35% of the original principal amount of the notes at 109.250% of their principal amount, plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company.

You should consider carefully the risk factors beginning on page S-13 of this prospectus supplement and on page 3 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total

Public Offering Price(1)	%	$
Underwriting Discounts and Commissions	%	$
Proceeds to Us (before expenses)	%	$

(1) Plus accrued interest on the notes from June 15, 2002 to the date of delivery.

The underwriters expect that delivery of the notes will be made on or about September 12, 2002 in book-entry form only through the facilities of The Depository Trust Company.

Joint Book-Running Managers

Wachovia Securities

Banc of America Securities LLC

Deutsche Bank Securities

Allen & Company LLC

The date of this prospectus supplement is , 2002.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the 9 1/4% senior subordinated notes due 2011 being offered, which we refer to as the offered notes. The second part, the base prospectus, gives more general information, some of which may not apply to the offered notes. Generally, when we refer to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of the offered notes varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement.

In this prospectus supplement and the documents incorporated by reference, we rely on and refer to market information regarding the television industry from BIA Financial Network, Inc. s MEDIA Access Pro Version 3.1, updated as of July 1, 2002, which we refer to as BIA. We also rely on and refer to market information regarding the television industry from Nielsen Station Index, Viewers in Profile, dated May 2002, as prepared by A.C. Nielsen Company, which we refer to as Nielsen. Although we believe that the information obtained from third parties is reliable, we have not independently verified the accuracy and completeness of the information. To the extent this information contains forward-looking statements, readers of this prospectus supplement are cautioned that these statements involve risks and uncertainty and that actual results may differ materially from those in these statements, similarly to that described in Forward-Looking Statements. All statements as to station ranking in this prospectus supplement are based on Nielsen data for the 6:00 a.m. to 2:00 a.m. Sunday through Saturday time period, except that data in the Selected Station and Market Information Regarding Gray and Stations section in the tables titled Competitive Landscape, incorporated herein by reference to our Current Report on Form 8-K filed on July 17, 2002, are based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period.

When we refer in this prospectus supplement to our markets, we include Hazard, Kentucky as a separate market. Hazard, Kentucky is a special 16 county trading area defined by Nielsen and is part of the Lexington, Kentucky designated market area. We pay Nielsen to conduct the special Hazard, Kentucky trading area study.

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PROSPECTUS SUPPLEMENT

ACCOMPANYING PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this prospectus supplement, the words believes, expects, anticipates, estimates and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe our future strategic plans, goals or objectives, including our plans, goals and objectives with respect to our merger with Stations Holding Company, Inc., which we refer to as Stations, are also forward-looking statements. Readers of this prospectus supplement are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our management or us, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to:

- the factors described in Risk Factors beginning on page S-13 of this prospectus supplement and on page 3 of the accompanying prospectus;
- general economic conditions in the markets in which we and Stations operate;
- competitive pressures in the markets in which we and Stations operate;
- the effect of future legislation or regulatory changes on our operations;
- high debt levels; and
- other factors described from time to time in our filings with the Securities and Exchange Commission, which we sometimes refer to as the SEC.

The forward-looking statements included in this prospectus supplement are made only as of the date hereof. We undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

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PROSPECTUS SUPPLEMENT SUMMARY

In this prospectus supplement, unless otherwise indicated, the words Gray, our, us and we refer to Gray Television, Inc. (formerly known as Gray Communications Systems, Inc.) and its subsidiaries. Our discussion of the television stations that we own and operate does not include our interest in the stations owned by Sarkes Tarzian, Inc., which we refer to as Tarzian.

On July 25, 2002, we changed our name to Gray Television, Inc. from Gray Communications Systems, Inc. On August 30, 2002, we changed our ticker symbols to GTN.A from GCS for our class A common stock and to GTN from GCS.B for our class B common stock on the New York Stock Exchange. On September 16, 2002, we plan to hold a stockholder vote to approve a change in the name of our class B common stock. If the proposal passes, the new name of our class B common stock will be Common Stock.

This summary highlights selected information from this document and the materials incorporated by reference and does not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement, the accompanying prospectus and the documents to which we have referred you.

Our Business

We currently own and operate 13 network affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Eleven of our 13 stations are ranked first in total viewing audience and news audience, with the remaining two stations ranked second in total viewing audience and second or third in news audience. Ten of our stations are affiliated with CBS Inc., or CBS, and three are affiliated with National Broadcasting Company, Inc., or NBC.

Since 1993, we have grown primarily through strategic acquisitions. Our significant historic acquisitions have included 12 television stations, three newspapers, a transportable satellite uplink business and a paging business. As a result of our acquisitions and in support of our growth strategy, we have added experienced members to our management team and have greatly expanded our operations in the television broadcasting business.

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek Broadcasting Corporation, which we refer to as Benedek. We plan to acquire 15 television stations from Stations. Stations is required under the merger agreement to sell its additional nine designated television stations to third parties prior to the merger. In consideration for Stations, we will pay an estimated consideration of $502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations in accordance with an amended plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 9, 2002. We expect the merger, if it closes, to be completed during the fourth quarter of 2002.

We believe that the merger represents an excellent opportunity for us to acquire complementary television stations that will create significant operational and financial benefits. These benefits include increased economies of scale, greater geographic and network diversification, access to additional operating cash flow, cross-promotion opportunities and the potential to increase and enhance our local franchises. Upon the completion of the proposed merger, we will own and operate 28 television stations serving 24 markets with a strong presence in the Southeast, Southwest, Midwest and Great Lakes regions of the United States. The combined station group will include 15 CBS affiliates, seven NBC affiliates and six American Broadcasting Corporation, or ABC, affiliates. In addition, our 15 CBS affiliates will make us the largest independent owner of CBS affiliated stations in the country. Pro forma for the acquisition, 25 of our 28 television stations will rank first or second in viewing audience and 24 of our 28 television stations will rank first or second in local news within their respective markets. In addition, our station group will reach approximately 5% of total U.S. TV households.

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We also own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of approximately 126,000. In addition, we own and operate a paging business located in the Southeast that had approximately 68,000 units in service at June 30, 2002.

For the year ended December 31, 2001, pro forma for the Stations acquisition, our television stations would have produced $214.0 million of net revenue and $84.7 million of broadcast cash flow. Including our publishing and other operations, we would have produced $263.9 million of net revenue and $97.0 million of media cash flow, on a pro forma basis in 2001.

We are a Georgia corporation formed in 1891. Our principal offices are located at 4370 Peachtree Road, NE, Atlanta Georgia 30319, and our telephone number is (404) 504-9828.

Operating & Growth Strategy

We attribute our success to date and our current opportunities to increase our revenue, media cash flow and audience share to the successful implementation of our core operating strategies, the principal components of which are to:

Focus on Local News and Programming to Maintain a Strong Local Franchise. We currently operate 13 network affiliated television stations serving 11 markets, with 12 of our 13 stations ranked first or second in local news. After completion of the merger, we will operate 28 network affiliated television stations serving 24 markets, with 24 of our 28 stations ranked first or second in local news. We endeavor to make each of our television stations a highly recognizable, local brand and believe that providing the leading source for local news and programming in our markets enables us to strengthen audience loyalty and increase viewership among attractive demographic audiences.

Continue to Develop Innovative Local Sales and Targeted Marketing Initiatives. We employ an experienced, high-quality local sales force at each station to increase advertising revenue by leveraging our local brand. We believe that a focused, tailored advertising solution is very attractive to local advertisers, who have historically been a more stable source of revenue than national advertisers. In 2001, approximately 59% of our net television advertising revenue was generated from our local advertisers and pro forma for the proposed merger with Stations, approximately 60% of our net television advertising revenue would have been generated from our local advertisers.

Capitalize on Leading Network Brands in Markets with Limited Competition. Currently, ten of our stations are affiliated with CBS and three are affiliated with NBC, representing approximately 81% and 19% of our total television revenue in 2001, respectively. Following the completion of the merger, we will have a broad and diverse portfolio of 28 affiliated television stations located in 24 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC, representing approximately 56%, 29% and 15% of our total pro forma net television revenue in 2001, respectively. Additionally, we will be the largest independent owner of CBS affiliated stations. We believe that our markets are less competitive than larger designated market areas, which we refer to as DMAs. Of our 24 markets, 16 markets are served by four TV stations or fewer, and seven markets are served by three or fewer television stations. Our markets also typically have fewer radio stations than larger DMAs.

Pursue Strategic Acquisitions to Expand and Enhance Regional Clusters. We have acquired and integrated successfully 12 of our 13 television stations since 1993, and have signed a definitive agreement to acquire an additional 15 television stations from Stations. After giving effect to the proposed merger, our television stations will be located in several distinct regions throughout the United States, diminishing potential adverse effects on our business caused by specific regional economic fluctuations. We believe that we are well positioned to participate in further consolidation of our industry, including opportunities that may arise as a result of regulatory changes, such as owning more than one television station in a market.

Attract and Retain High-Quality Management. We believe that high-quality management at both the corporate and station level is critical to the successful implementation of our strategy. We use equity incentives to attract and retain station general managers with proven track records. Members of our senior management team have extensive experience in operating, managing and acquiring television stations. Additionally, our station managers have an average of over 21 years of industry experience with individual industry experience ranging from 11 to 32 years.

Maintain Strict Financial Planning and Cost Controls. We employ a comprehensive ongoing strategic planning and budgeting process that enables us to continually identify and implement cost savings at each station, and is designed to increase our media cash flow. We believe that owning and operating 28 television stations will enable us to achieve economies of scale and reduce expenses for syndicated programming, capital equipment and vendor services.

Increase Advertising Revenue and Circulation at Our Newspaper Publishing Operations. We seek to increase advertising revenues and circulation at each of our four newspapers by creating a highly recognizable local brand by focusing on the depth and quality of our coverage of local news, sports and lifestyles and through community involvement. We are able to differentiate our publications from larger competitors and build reader loyalty by becoming the primary source for local news and advertising information within each of our target markets. Our newspaper strategy is led by senior managers and publishers who have an average of over 32 years of experience in the newspaper business with individual industry experience ranging from 20 to 40 years.

Our senior management team has extensive experience in operating and managing our businesses, and is led by: J. Mack Robinson, President & Chief Executive Officer; Robert Prather, Executive Vice President-Acquisitions; James Ryan, Vice President and Chief Financial Officer; and, following the completion of the merger, James Yager, President of Benedek. Our publishing operations are led by Thomas J. Stultz, Vice President and President-Publishing. As of July 2, 2002, our directors and executives as a group owned or controlled 59.3% of our combined voting common stock.

Merger Summary

This section of the prospectus supplement describes certain material aspects of the proposed merger. This summary does not contain all of the information that is important to you. You should carefully read the entire registration statement, the accompanying prospectus and the other documents to which we refer you, including the merger agreement, for a more complete understanding of the merger.

The Merger

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek. The merger agreement provides that we will acquire Stations by merging our newly formed wholly-owned subsidiary, Gray MidAmerica Television, Inc., which we refer to as Gray MidAmerica, into Stations. In consideration for Stations, we will pay an estimated consideration of $502.5 million in cash, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations in accordance with an amended plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 9, 2002. We intend to finance the merger by incurring approximately $250 million of additional indebtedness and issuing approximately $275 million of equity. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

Lock Up Agreements

On June 4, 2002, in connection with the transactions contemplated by the merger agreement, Stations and we entered into Lock Up, Voting and Consent Agreements with certain stockholders and creditors of Stations. Under these lock up agreements, these persons agreed to, among other things, support and vote their shares in favor of a Stations bankruptcy plan that will give effect to the transactions contemplated by

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the merger agreement. As of the date of this prospectus supplement, Stations has received executed lock up agreements from holders of 97.9% of the outstanding senior preferred stock, 98.8% of the outstanding junior preferred stock, 100% of the outstanding class B common stock, and 94.6% of the outstanding aggregate principal amount of the senior subordinated discount notes.

In addition, stockholders who signed a lock up agreement and hold Stations senior preferred stock have agreed to pay to us, if Stations receives an offer from a third party to purchase more than 50% of Stations outstanding senior preferred stock, and such offer is approved by the bankruptcy court, a termination fee of $15.0 million. The liability of each stockholder is limited to an amount determined by multiplying $15.0 million by such stockholder s pro rata interest in the total number of shares of senior preferred stock whose holders signed lock up agreements.

The United States trustee in the Stations bankruptcy proceeding has asserted that the lock up agreements contravene the federal bankruptcy code and cannot be enforced against a party if it chooses not to vote for the Stations bankruptcy plan. The bankruptcy court has not ruled with respect to the U.S. trustee s assertions, but Stations believes that the lock up agreements are enforceable under applicable law.

The Letter of Credit and the Escrow Shares

When the merger agreement was signed, we delivered to Stations a standby letter of credit in the amount of $12.5 million and deposited with an escrow agent 885,269 shares of our class B common stock. These escrow shares had an aggregate value of $12.5 million, based on the average price of our class B common stock for the 20 consecutive trading days on the New York Stock Exchange ending on June 2, 2002.

If the merger is not consummated because of a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. The aggregate proceeds of the drawing on the letter of credit and the escrow shares will total $25.0 million, but we may replace some or all of the escrow shares with a cash payment. Under all other circumstances, the letter of credit will be terminated and the escrow shares will be returned to us.

Conditions to the Merger

The parties obligations to consummate the merger and related transactions generally are subject to the satisfaction or waiver of the following conditions after which we are required by the merger agreement to consummate the merger within seven days:

- the bankruptcy court approving the order confirming Stations amended plan of reorganization and such confirmation order becoming a final bankruptcy court order;
- the Federal Communications Commission, FCC, approving the transactions contemplated by the merger agreement, without any condition or qualification materially adverse to us or our subsidiaries or Stations or its subsidiaries, or materially adverse to our acquisition of control of Stations and its subsidiaries;
- all regulatory waiting periods applicable to the merger agreement and the related transactions expiring or terminating;
- subject to limited exceptions, the sale by Benedek of nine television stations to third parties; and
- the satisfaction of other customary conditions specified in the merger agreement.

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Sale of Certain Designated Benedek Stations Prior to the Merger

Benedek has sold or plans to sell, prior to the effective time of the merger, a total of nine designated television stations, which we refer to as the excluded stations. Benedek plans to sell eight of the excluded stations to Chelsey Broadcasting Company, LLC, a Delaware limited liability company, which we refer to as Chelsey, or its affiliates pursuant to an asset purchase agreement. Benedek already has sold its television station in Wheeling, West Virginia to a third party on April 30, 2002. Benedek intends to use the net proceeds of these sales to repay indebtedness under its senior secured credit facility. The sale of the nine designated television stations is a condition to the merger.

The Offering

The summary below describes the principal terms of the offered notes. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the offered notes, see Description of the Notes, beginning on page S-36.

Issuer	Gray Television, Inc.
Securities Offered	$100.0 million principal amount of 9 1/4% senior subordinated notes due 2011.
	The offered notes will be issued under the same indenture and will have the same terms as our outstanding $180.0 million 9 1/4% senior subordinated notes due 2011, which we refer to as the 2001 notes, all of which have been exchanged through an exchange offer for notes that are registered under the Securities Act of 1933, as amended, and are freely transferable.
Maturity Date	December 15, 2011
Interest Rate	9 1/4% per year (calculated using a 360-day year)
Interest Payment Dates	June 15 and December 15 of each year, beginning on December 15, 2002
Optional Redemption	We may redeem:
	all or part of the original principal amount of the offered notes beginning on December 15, 2006, at the redemption prices stated in Description of the Notes Redemption plus accrued and unpaid interest;
	up to 35% of the original principal amount of the offered notes and the 2001 notes at any time prior to December 15, 2004 at a price of 109.250% of the principal amount thereof plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company; and
	all but not part of the offered notes and the 2001 notes at any time prior to December 15, 2006 at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption plus a make whole premium based upon the present value of the remaining payments thereon.
Change of Control	Upon a change in control, defined as the acquisition by any persons of beneficial ownership of more than 35% of the voting power of the outstanding shares of our common stock, transfers of substantially all of our assets, certain substantial changes in our board of directors, certain consolidations or mergers of our company involving a significant change in shareholdings or the liquidation of our company, we will be required to make an offer to repurchase all of the outstanding offered notes and outstanding 2001 notes at 101% of the aggregate principal amount thereof plus accrued and unpaid interest to the date of purchase. Under certain circumstances, we may not be required to make a change of control offer. See Description of the Notes Change of Control.

Ranking and Subordination	The offered notes will be our general unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness, including all of our obligations under our amended and restated senior secured credit facility dated as of September 25, 2001, which we refer to as the senior secured credit facility. As of June 30, 2002, we had senior indebtedness of $200.0 million funded under our senior secured credit facility. We have unused availability of $37.5 million under our senior secured credit facility after giving effect to the $12.5 million undrawn letter of credit. See Description of the Notes Subordination.
Subsidiary Guarantees	The offered notes will be guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by each of the guarantors, which consist of all of our subsidiaries. The obligations of a guarantor under its guarantee of the offered notes will be subordinated in right of payment, to the same extent as our obligations under the offered notes, to all existing and future senior indebtedness of such guarantor, which will include any guarantee by it of our indebtedness under our senior secured credit facility.
Basic Indenture Covenants	The indenture governing the offered notes contains certain covenants that, among other things, limit our ability to (1) transfer or issue shares of capital stock of subsidiaries to third parties, (2) pay dividends or make certain other payments, (3) incur additional indebtedness, (4) issue preferred stock, (5) incur liens to secure our indebtedness, (6) apply net proceeds from certain asset sales, (7) enter into certain transactions with affiliates or (8) merge with or into any other person. See Description of the Notes Covenants.
Use of Proceeds	We will use the net proceeds of this offering primarily to repay a portion of the borrowings under our senior secured credit facility. See Use of Proceeds.

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Summary Historical Consolidated Financial Data

Set forth below is our summary historical consolidated financial data. The financial data for, and as of the end of, each of the years in the five-year period ended December 31, 2001 was derived from the audited consolidated financial statements included in our Annual Reports on Form 10-K and from other information in the Annual Reports. The financial data for, and as of the six month periods ended June 30, 2002 and 2001 was derived from our unaudited accounting records and have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of our management, include all normal and recurring adjustments and accruals necessary for a fair presentation of such information. More comprehensive financial information is included in the Annual Reports and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002. The financial information that follows is qualified in its entirety by reference to, and should be read in conjunction with, the Annual Reports, the Quarterly Reports and all of the financial statements and related notes contained in the Annual Reports and the Quarterly Reports.

	Year Ended December 31,					Six Months Ended June 30,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
	(dollars in thousands except per share data)						
Statements of Operations Data:							
Revenues							
Broadcast (less agency commissions)	$ 72,300	$ 91,007	$ 97,015	$ 120,640	$ 106,430	$ 52,575	$ 55,006
Publishing	24,536	29,330	37,808	41,499	41,189	19,927	21,216
Paging	6,712	8,553	9,130	9,074	8,725	4,405	4,083
Total revenues	103,548	128,890	143,953	171,213	156,344	76,907	80,305
Operating expenses							
Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	50,846	50,149
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	1,829	2,116
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	15,696	7,433
Total operating expenses	82,818	103,963	121,893	140,115	138,464	68,371	59,698
Operating income	20,730	24,927	22,060	31,098	17,880	8,536	20,607
Gain on disposition of television stations		72,646					
Valuation adjustments of goodwill and other assets		(2,074)					
Appreciation (depreciation) in value of derivative, net					(1,581)	(961)	730
Miscellaneous income (expense), net	(31)	(242)	336	780	194	98	97
Income (loss) before interest expense, income taxes, extraordinary charge and cumulative effect of accounting change	20,699	95,257	22,396	31,878	16,493	7,673	21,434
Interest expense	21,861	25,454	31,021	39,957	35,783	18,167	16,866
Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change	(1,162)	69,803	(8,625)	(8,079)	(19,290)	(10,494)	4,568
Income tax expense (benefit)	240	28,144	(2,310)	(1,867)	(5,972)	(3,232)	1,616
Net income (loss) before extraordinary charge and cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(7,262)	2,952
Extraordinary charge on extinguishment of debt							(7,318)
Net income (loss) before cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(7,262)	(4,366)
Cumulative effect of accounting change, net							(30,592)
Net income (loss)	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(7,262)	(34,958)
Preferred dividends	1,410	1,318	1,010	1,012	616	308	803

Non-cash preferred dividends associated with preferred stock redemption		3,360		2,160			3,969
Net income (loss) available to common stockholders	$ (2,812)	$ 36,981	$ (7,325)	$ (9,384)	$ (13,934)	$ (7,570)	$ (39,730)

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	Year Ended December 31,					Six Months Ended June 30,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
	(dollars in thousands except per share data)						
Other Data:							
Media cash flow(d)	$ 38,061	$ 46,624	$ 50,944	$ 66,247	$ 53,074	$ 26,411	$ 30,520
Media cash flow margin(d)	36.8%	36.2%	35.4%	38.7%	33.9%	34.3%	38.0%
Operating cash flow(e)	$ 35,533	$ 43,561	$ 47,496	$ 62,653	$ 49,459	$ 24,582	$ 28,404
Operating cash flow margin(e)	34.3%	33.8%	33.0%	36.6%	31.6%	32.0%	35.4%
Cash flows provided by (used in):							
Operating activities	$ 9,744	$ 20,074	$ 20,842	$ 22,765	$ 16,823	$ 8,268	$ 3,355
Investing activities	(57,498)	(55,299)	(126,780)	(8,276)	(186,165)	(2,679)	154,741
Financing activities	49,071	34,744	105,839	(14,061)	167,685	(6,109)	(143,184)
Capital expenditures	10,372	9,271	11,712	5,702	7,593	2,597	8,133
Ratio of total debt to operating cash flow							7.1x(g)
Ratio of operating cash flow to interest expense							1.6(g)
Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 2,367	$ 1,887	$ 1,787	$ 2,215	$ 169,115(f)	$ 1,695	$ 15,470
Total intangible assets, net	263,425	376,015	526,434	511,616	497,311	504,458	457,633
Total assets	345,051	468,974	658,157	636,772	794,337(f)	616,870	595,911
Long-term debt (including current portion)	227,076	270,655	381,702	374,887	551,444(f)	368,557	378,878
Preferred stock	11,111	7,371	7,371	4,637	4,637	4,637	39,234
Total stockholders equity	92,295	126,703	168,188	155,961	142,196	148,765	98,288

(a) Reflects the operating results of our acquisition of substantially all of the assets of WITN-TV and our acquisition of all of the outstanding common stock of GulfLink Communications, Inc. as of their respective acquisition dates, August 1, 1997 and April 24, 1997.

(b) Reflects the operating results of our acquisition of all of the outstanding capital stock of Busse Broadcasting Corporation and our related acquisition of the assets of WEAU-TV in exchange for the assets of WALB-TV as of July 31, 1998, the closing date of the respective transactions. See Note B to our audited consolidated financial statements incorporated by reference in this prospectus.

(c) Reflects the operating results of our acquisition of all of the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd., completed on October 1, 1999, and our acquisition of substantially all of the assets of The Goshen News from News Printing Company, Inc. and its affiliates, completed on March 1, 1999, as of their respective acquisition dates. See Note B to our audited consolidated financial statements incorporated by reference in this prospectus.

(d) Media cash flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations. Media cash flow margin is defined as media cash flow divided by revenues.

(e) Operating cash flow is defined as media cash flow less corporate overhead. Operating cash flow margin is defined as operating cash flow divided by revenues.

We have included media cash flow, operating cash flow and certain related calculations because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company s ability to service debt. Media cash flow, operating cash flow and certain related calculations are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in our consolidated financial statements. Media cash flow, operating cash flow and certain related calculations are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

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(f) On December 21, 2001, we deposited $168.6 million with the trustee of our 10 5/8% Senior Subordinated Notes due 2006 to redeem those notes, including payment of principal, the applicable premium costs and accrued interest through the redemption date of January 22, 2002. Total assets include the $168.6 million reflected as restricted cash for redemption of long-term debt and long-term debt(including current portion) includes the related $155.2 million of our 10 5/8% notes that were extinguished on January 22, 2002.

(g) Represents ratios for the 12 months ended June 30, 2002.

(h) The following table presents the transitional disclosures regarding the adoption of SFAS 142:

	Year Ended December 31,					Six Months Ended June 30,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2000
	(dollars in thousands except per share data)						
Reported net income (loss) before extraordinary charge and cumulative effect of accounting	$(1,402)	$41,659	$(6,315)	$ (6,212)	$(13,318)	$(7,262)	$2,952
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	5,516	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 2,773	$47,356	$ 2,184	$ 4,810	$ (2,285)	$(1,746)	$2,952

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Summary Unaudited Pro Forma Financial Data

The unaudited pro forma combined condensed statements of operations for the six months ended June 30, 2002 and June 30, 2001 reflect the transactions associated with the acquisition of Stations as if they had been completed on January 1, 2001. The unaudited pro forma combined condensed statement of operations for the year ended December 31, 2001 reflects these transactions as if they had been completed on January 1, 2001. The June 30, 2002 unaudited pro forma combined condensed balance sheet reflects these transactions as if they had been completed on June 30, 2002. The unaudited pro forma financial statements are presented under Unaudited Pro Forma Financial Data in the accompanying prospectus.

The unaudited pro forma financial data presented below is for illustrative purposes only and is not necessarily indicative of the operating results that would have actually occurred had the acquisition of Stations been completed, nor is it necessarily indicative of future operating results. The unaudited pro forma financial data should be read in conjunction with our consolidated financial statements and notes thereto incorporated by reference in this prospectus, and in conjunction with Stations consolidated financial statements and notes thereto included in the accompanying prospectus. See Unaudited Pro Forma Financial Data included in the accompanying prospectus for further information about the compilation of the unaudited pro forma financial data.

	Pro Forma Year Ended December 31,	Pro Forma Six Months Ended June 30,	
	2001	2001	2002
Statements of Operations Data:			
Revenues			
Broadcast (less agency commissions)	$213,991	$104,603	$109,647
Publishing	41,189	19,927	21,216
Paging	8,725	4,405	4,083
Total revenues	263,905	128,935	134,946
Operating expenses			
Broadcast, publishing and paging	168,032	83,729	83,091
Corporate and administrative	7,251	3,861	4,023
Depreciation and amortization	40,406	20,487	12,224
Total operating expenses	215,689	108,077	99,338
Operating income	48,216	20,858	35,608
Interest expense	53,797	27,245	25,944
Appreciation (depreciation) in value of derivative, net	(1,581)	(961)	730
Miscellaneous income, net	353	185	153
Income (loss) from continuing operations before provision for (benefit from) income taxes	(6,809)	(7,163)	10,547
Income tax expense (benefit)	(946)	(1,727)	3,853
Net income (loss) from continuing operations	(5,863)	(5,436)	6,694
Preferred dividends	3,200	1,600	1,600
Net income (loss) from continuing operations available to common stockholders	$ (9,063)	$ (7,036)	$ 5,094
Other Data:			
Media cash flow(a)	$ 97,008	$ 45,609	$ 51,897
Media cash flow margin(a)	36.8%	35.4%	38.5%

Operating cash flow(b)	$ 89,757	$ 41,748	$ 47,874
Operating cash flow margin(b)	34.0%	32.4%	35.5%
Capital expenditures	$ 21,283	$ 8,314	$ 12,776
Ratio of total debt to operating cash flow			6.6(c)
Ratio of operating cash flow to interest expense			1.8(c)

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	Pro Forma June 30, 2002
Balance Sheet Data (at end of period):	
Cash and cash equivalents	$ 5,241
Total intangible assets, net	1,028,377
Total assets	1,234,219
Long-term debt (including current portion)	636,999
Preferred stock	39,234
Total stockholders equity	351,668

(a) Media cash flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations. Media cash flow margin is defined as media cash flow divided by revenues.

(b) Operating cash flow is defined as media cash flow less corporate overhead. Operating cash flow margin is defined as operating cash flow divided by revenues.

We have included media cash flow, operating cash flow and certain related calculations because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company s ability to service debt. Media cash flow, operating cash flow and certain related calculations are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in our consolidated financial statements. Media cash flow, operating cash flow and certain related calculations are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

(c) Represents ratios for the 12 months ended June 30, 2002.

(d) The following table presents the transitional disclosures regarding the adoption of SFAS 142:

	Pro Forma Year Ended December 31, 2001	Pro Forma Six Months Ended June 30, 2001	Pro Forma Six Months Ended June 30, 2002
Reported net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (5,863)	$ (5,436)	$ 6,694
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	11,033	5,516	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 5,170	$ 80	$ 6,694

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RISK FACTORS

You should carefully consider the following risk factors and the additional risk factors described in the accompanying prospectus, as well as other information contained in this prospectus supplement, the accompanying prospectus or incorporated herein by reference, before purchasing any of the offered notes.

We depend on the cash flow of our subsidiaries to satisfy our obligations, including our obligations under the offered notes.

Our operations are conducted through our direct and indirect wholly-owned subsidiaries, which guarantee the offered notes, jointly and severally, fully and unconditionally, on an unsecured senior subordinated basis. As a holding company, we own no significant assets other than our equity in our subsidiaries, and we are dependent upon the cash flow of our subsidiaries to meet our obligations. Accordingly, our ability to make interest and principal payments when due to holders of the offered notes and our ability to purchase the offered notes upon a change of control is dependent upon the receipt of sufficient funds from our subsidiaries, which may be restricted by the terms of any senior indebtedness of our subsidiaries, including the terms of existing and future guarantees of our indebtedness given by our subsidiaries. There can be no assurance that the funds received from our subsidiaries will be adequate to allow us to make payments on the offered notes. As a result, the offered notes and the subsidiary guarantees effectively are subordinated to all senior indebtedness and other liabilities and commitments of our subsidiaries.

Your right to receive payment on the offered notes and under the guarantees is junior to all of our and the guarantors senior debt.

All indebtedness under our senior secured credit facility is secured by substantially all of our assets, as well as the assets of our subsidiaries. Additionally, the offered notes and the guarantees are subordinated to the claims of the lenders under our senior secured credit facility.

In the event that we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any debt that ranks ahead of the offered notes and the guarantees will be entitled to be paid in full in cash or cash equivalents or in any other manner acceptable to holders of senior debt from our assets or the assets of the guarantor, as applicable, before any payment may be made with respect to the offered notes or under the affected guarantees. In any of these events, we cannot assure you that we would have sufficient assets to pay amounts due on the offered notes. As a result, holders of the offered notes may receive less, proportionally, than the holders of debt that is senior to the offered notes and the guarantees. The subordination provisions of the indenture also provide that we can make no payment to you during the continuance of payment defaults on our senior debt, and payments to you may be suspended for a period of up to 179 days if a nonpayment default exists under our senior debt. See Description of the Notes Subordination for additional information.

As of June 30, 2002, we had senior indebtedness of $200.0 million funded under our senior secured credit facility. We have unused availability of $37.5 million under our senior secured credit facility after giving effect to the $12.5 million undrawn letter of credit. The interest rate on the balance outstanding was 5.3%. In conjunction with the merger, we intend to amend our existing credit facility or enter into a new credit facility. In addition, our indenture and our senior secured credit facility permit, subject to specified limitations, the incurrence of additional indebtedness, which may be senior indebtedness. If we incur such additional indebtedness, the risks described above could intensify. See Description of the Notes Covenants included elsewhere herein and Description of Certain Indebtedness in the accompanying prospectus for additional information.

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Our indebtedness could materially and adversely affect our business and prevent us from fulfilling our obligations under the offered notes.

After completion of this offering, we will be highly leveraged and will have significant fixed debt service obligations in addition to our operating expenses. Our indebtedness could have significant adverse effects on our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- reduce the availability of our cash flow to fund working capital, capital expenditures and other general business purposes;
- limit our flexibility in planning for, or reacting to, changes in our industries, making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressure;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

If our indebtedness affects our operations in these ways, our business, financial condition and results of operations could suffer, making it more difficult for us to satisfy our obligations under the offered notes. Furthermore, the indenture governing the offered notes and our senior secured credit facility permit us to incur substantial amounts of additional debt in specified circumstances. If we incur additional debt in the future, the related risks could intensify.

Covenant restrictions under the indenture may limit our ability to operate our business.

The indenture governing the offered notes contains covenants that may restrict our ability and the guarantors ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing the offered notes restricts, among other things, our ability and the guarantors ability to:

- incur additional indebtedness;
- make specified restricted payments;
- make specified asset sales;
- incur liens;
- engage in intra-company transactions, such as the payment of dividends and the making of loans or advances;
- engage in transactions with affiliates;
- issue and sell capital stock of our subsidiaries; and
- engage in a merger, consolidation or sale of substantial assets.

We cannot assure you that we will meet the covenants in the indenture or that the holders of the offered notes that are party to the indenture will waive any failure to meet these covenants. A breach of any of these covenants would result in a default under the indenture, and may in turn result in a default under our senior secured credit facility. If an event of default occurs under our senior secured credit facility and continues beyond any applicable cure period, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If our indebtedness were to be accelerated, there can be no assurance that we would be able to pay it. Such acceleration would have a material adverse effect on our financial condition. See Description of Certain Indebtedness in the accompanying prospectus and Description of the Notes included elsewhere in this prospectus supplement.

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The guarantees may not be enforceable because of fraudulent conveyance laws.

We are a holding company with no direct operations and no significant assets other than the stock of our subsidiaries. We will depend on funds from our subsidiaries to meet our obligations, including cash interest payments on the offered notes. If a court voids the guarantees, your right as a holder of offered notes to participate in any distribution of the assets of any of our subsidiaries upon the liquidation, reorganization or insolvency of a subsidiary will be subject to the prior claims of that subsidiary s creditors.

Our subsidiaries guarantees may be subject to review under U.S. federal bankruptcy laws or relevant state fraudulent conveyance laws if a bankruptcy case or lawsuit is commenced by or on behalf of the guarantors unpaid creditors. Although laws differ among various jurisdictions, in general under fraudulent conveyance laws a court could subordinate or avoid a guarantee if it is found that:

- the debt under the guarantee was incurred with the actual intent to hinder, delay or defraud creditors; or
- a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee and a guarantor:
  - was insolvent or was rendered insolvent because of its guarantee;
  - was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that we or it would incur, debts beyond its ability to pay upon maturity (as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes).

It may be asserted that, since the guarantors incurred their guarantees for our benefit, they incurred the obligations under the guarantees for less than reasonably equivalent value or fair consideration.

The standards for determining insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at the time it issued the guarantee, either:

- the sum of its debts, including contingent liabilities, is greater than its assets, at fair valuation; or
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured.

We believe that, at the time the guarantors initially incur the debt represented by the guarantees, the guarantors will not be insolvent or rendered insolvent by the incurrence of the debt, be lacking sufficient capital to run their businesses effectively or be unable to pay obligations on the guarantees as they mature or become due.

In reaching the foregoing conclusions, we have relied upon our analyses of internal cash flow projections and estimated values of the assets and liabilities of the guarantors. We cannot assure you, however, that a court passing on the same questions would reach the same conclusions.

If a guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against that particular guarantor and you will only be a creditor of any guarantor whose obligation was not set aside or found to be unenforceable.

There is no assurance that an active trading market for the offered notes will develop or, if it develops, that it will continue.

There is an existing market for the 2001 notes and we expect that there will be a market for the offered notes; however, there is no assurance that a market for the offered notes will develop or, if it develops, that it will continue. We cannot assure you with respect to:

- the liquidity of a market for the offered notes;
- your ability to sell the offered notes; or
- the price at which you will be able to sell the offered notes.

The offered notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including the number of holders of the offered notes, prevailing interest rates, the market for similar notes, our financial performance and prospects and the prospects for companies in our industry generally. We do not intend to list the offered notes on any securities exchange or to seek approval for quotations through any automated quotation system. A market in the offered notes has been made by the underwriters, who have advised us that they currently anticipate to continue making a market in the offered notes, but they are not obligated to do so and may discontinue making a market at any time without notice.

We may not be able to finance a change of control offer required by the indenture.

If we were to experience a change of control, the indenture governing the offered notes requires us to offer to purchase all of the notes then outstanding at 101% of their principal amount, plus accrued interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds to purchase the offered notes. The purchase of the offered notes may require additional third-party financing and we cannot assure you that we would be able to obtain that financing on favorable terms or at all.

In addition, our senior secured credit facility restricts our ability to purchase the offered notes, even when we are required to do so by the indenture in connection with a change of control. Furthermore, similar change of control events will result in an event of default under our senior secured credit facility and could cause the acceleration of our debt thereunder. The inability to repay that debt, if accelerated, and to purchase all of the tendered offered notes in the event of a change of control, would constitute an event of default under the indenture.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that do not constitute a change of control under the indenture governing the offered notes. Any of these transactions may result in an increase in our debt or otherwise affect our capital structure, harm our credit ratings or have a material adverse effect on holders of the offered notes.

The guarantors may be released under certain circumstances.

Any guarantee of a guarantor may be released if we sell, exchange or transfer the stock of that guarantor or substantially all of its assets to a non-affiliate and the guarantor no longer guarantees any of our other debt. The indenture also permits us to sell a majority interest and retain a minority interest in a subsidiary engaged in our paging or satellite business and does not require that subsidiary to remain as a guarantor of the offered notes.

Because a significant portion of our assets are intangible, they may have little value upon a liquidation.

Our assets consist primarily of intangible assets, including affiliation agreements with television networks such as NBC and CBS and FCC licenses, the value of which will depend significantly upon the success of our business and the financial prospects of the television broadcasting and paging industries in general. If we default on our indebtedness, or if we are liquidated, the value of these assets may not be

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sufficient to satisfy our obligations to our creditors and debtholders, including the holders of the offered notes.

Restrictions under our existing senior secured credit facility limit our flexibility.

Our existing senior secured credit facility prevents us from taking certain actions and requires us to meet certain tests. These limitations and tests include the following:

- limitations on liens;
- limitations on additional debt;
- limitations on dividends and distributions;
- limitations on management and consulting fees;
- limitations on stock repurchases;
- limitations on transactions with affiliates;
- limitations on guarantees;
- limitations on asset sales;
- limitations on sale-leaseback transactions;
- limitations on acquisitions;
- limitations on changes in our business;
- limitations on mergers and other corporate reorganizations;
- limitations on loans, investments and advances, including investments in joint ventures and foreign subsidiaries; and
- financial ratio and condition tests.

These restrictions and tests may prevent us from taking action that could increase the value of our securities, or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default under our senior secured credit facility. If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other action that would reduce the value of our securities.

Servicing our debt will require a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to service our debt depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. In addition, the ability to borrow funds under our senior secured credit facility in the future will depend on our meeting the financial covenants in that agreement. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our senior secured credit facility or otherwise, in an amount sufficient to enable us to pay our debt or to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt 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 or on terms acceptable to us, or at all. If we are unable to implement one or more of these alternatives, we may not be able to service our debt obligations.

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USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately $97.5 million, after deducting the underwriting discount and estimated offering expenses. We expect to use the net proceeds of this offering primarily to repay a portion of the borrowings under our senior secured credit facility. We intend to use any remaining proceeds for general corporate purposes, including capital expenditures and to meet working capital needs.

As of June 30, 2002, the interest rate on our outstanding borrowings of $200.0 million under our senior secured credit facility was 5.3%. See Description of Certain Indebtedness Senior Secured Credit Facility in the accompanying prospectus for a description of how the interest rate is calculated. The final maturity date for any outstanding amounts under the revolving credit facility is December 31, 2008 and for any outstanding amounts under the term facility is September 30, 2009. We used our outstanding borrowings for our general corporate purposes.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2002

on an actual basis;

as adjusted to give effect to the issuance of the offered notes; and

pro forma as adjusted to give effect to the issuance of the offered notes and the merger.

The information set forth below should be read in conjunction with Information Regarding Gray Selected Historical Consolidated Financial Data and Unaudited Pro Forma Financial Data in the accompanying prospectus, Use of Proceeds included elsewhere in this prospectus supplement and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes incorporated in this prospectus supplement by reference to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

	As of June 30, 2002		
	Actual	As Adjusted for this Offering	Pro Forma As Adjusted for the Merger
		(dollars in thousands)	
Cash and cash equivalents	$ 15,470	$ 12,970	$ 5,241
Long-term debt:			
Senior Credit Facility(a)	$200,000	$100,000	$ 353,092
9 1/4% senior subordinated notes due 2011 net of unamortized issue discount of $1,370	178,630	278,630	278,630
Other	248	248	5,277
	378,878	378,878	636,999
Less current portions	(202)	(202)	(2,181)
Total long-term debt	378,676	378,676	634,818
Series C Redeemable Convertible Preferred Stock	39,234	39,234	39,234
Stockholders Equity:			
Class A Common Stock	20,173	20,173	20,173
Class A Common Treasury Stock	(8,339)	(8,339)	(8,339)
Class B Common Stock	118,721	118,721	375,721
Accumulated Deficit	(32,268)	(32,268)	(35,887)
Total Stockholders Equity	98,287	98,287	351,668
Total Capitalization	$516,197	$516,197	$1,025,720

(a) Amounts outstanding as of June 30, 2002 for actual and for as adjusted for this offering do not include a $12.5 million standby letter of credit which we have issued in connection with the merger with Stations. As of June 30, 2002 we had senior indebtedness of $200.0 million funded under our senior secured credit facility. We have unused availability of $37.5 million under our senior secured credit facility after giving effect to the $12.5 million undrawn letter of credit.

BUSINESS OF GRAY TELEVISION, INC.

Our Business

We currently own and operate 13 network affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Eleven of our 13 stations are ranked first in total viewing audience and news audience, with the remaining two stations ranked second in total viewing audience and second or third in news audience. Ten of our stations are affiliated with CBS and three are affiliated with NBC.

Since 1993, we have grown primarily through strategic acquisitions. Our significant historic acquisitions have included 12 television stations, three newspapers, a transportable satellite uplink business and a paging business. As a result of our acquisitions and in support of our growth strategy, we have added experienced members to our management team and have greatly expanded our operations in the television broadcasting business.

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek. We plan to acquire 15 television stations from Stations. Stations is required under the merger agreement to sell its additional nine designated television stations to third parties prior to the merger. In consideration for Stations, we will pay an estimated consideration of $502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations in accordance with an amended plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 9, 2002. We expect the merger, if it closes, to be completed during the fourth quarter of 2002.

We believe that the merger represents an excellent opportunity for us to acquire complementary television stations that will create significant operational and financial benefits. These benefits include increased economies of scale, greater geographic and network diversification, access to additional operating cash flow, cross-promotion opportunities and the potential to increase and enhance our local franchises. Upon the completion of the proposed merger, we will own and operate 28 television stations serving 24 markets with a strong presence in the Southeast, Southwest, Midwest and Great Lakes regions of the United States. The combined station group will include 15 CBS affiliates, seven NBC affiliates and six ABC affiliates. In addition, our 15 CBS affiliates will make us the largest independent owner of CBS affiliated stations in the country. Pro forma for the acquisition, 25 of our 28 television stations will rank first or second in viewing audience and 24 of our 28 television stations will rank first or second in local news within their respective markets. In addition, our station group will reach approximately 5% of total U.S. TV households.

We also own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of approximately 126,000. In addition, we own and operate a paging business located in the Southeast that had approximately 68,000 units in service at June 30, 2002.

For the year ended December 31, 2001, pro forma for the Stations acquisition, our television stations would have produced $214.0 million of net revenue and $84.7 million of broadcast cash flow. Including our publishing and other operations, we would have produced $263.9 million of net revenue and $97.0 million of media cash flow, on a pro forma basis in 2001.

Operating & Growth Strategy

We attribute our success to date and our current opportunities to increase our revenue, media cash flow and audience share to the successful implementation of our core operating strategies, the principal components of which are to:

Focus on Local News and Programming to Maintain a Strong Local Franchise. We currently operate 13 network affiliated television stations serving 11 markets, with 12 of our 13 stations ranked first or second in local news. After completion of the merger with Stations, we will operate 28 network affiliated television stations serving 24 markets, with 24 of our 28 stations ranked first or second in local news. We endeavor to make each of our television stations a highly recognizable, local brand through the depth, quality and focus of its local news, programming and community involvement. We believe that providing the leading source for local news and programming in our markets enables us to strengthen audience loyalty and increase viewership among attractive demographic audiences. As a result, we believe that the strength of our local franchises enables us to maximize advertising revenues from local, regional and national accounts. We believe that our commitment to local news, programming and community involvement is essential to our ability to serve each of the communities in which we operate and provides us with a strong competitive advantage.

Continue to Develop Innovative Local Sales and Targeted Marketing Initiatives. We employ an experienced, high-quality local sales force at each station to increase advertising revenue by leveraging our local brand. In 2001, approximately 59% of our net television advertising revenue was generated from our local advertisers and pro forma for the proposed merger with Stations, approximately 60% of our net television advertising revenue would have been generated from our local advertisers. Additionally, our net revenue from local television advertisers represented approximately 67% of the combined total of our local and national net advertising revenues and, pro forma for the proposed merger with Stations, approximately 68% of the combined total of our local and national net advertising revenues would have been generated from local television advertisers. Our goal is to develop customized advertising campaigns for our customers, which directly target their desired audience and address their long-term advertising objectives. We believe that a focused, tailored advertising solution is very attractive to local advertisers, who have historically been a more stable source of revenue than national advertisers. In addition to focusing on expanding our relationships with existing advertisers, we seek to identify and create new relationships with local, regional and national customers in our markets. Each station s sales personnel are trained to understand local advertisers needs and are required to meet performance standards with respect to client activity, including new customer identification.

Capitalize on Leading Network Brands in Markets with Limited Competition. Currently, ten of our stations are affiliated with CBS and three are affiliated with NBC, representing approximately 81% and 19% of our total television revenue in 2001, respectively. Following the completion of the merger, we will have a broad and diverse portfolio of 28 affiliated television stations located in 24 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC, representing approximately 56%, 29% and 15% of our total pro forma net television revenue in 2001, respectively. Additionally, we will be the largest independent owner of CBS affiliated stations. Our network affiliations provide our television stations with top-rated programming, which complements and enhances our leading local brand. We believe that our markets are less competitive than larger DMAs. Of our 24 markets, 16 markets are served by four TV stations or fewer, and seven markets are served by three or fewer television stations. Our markets also typically have fewer radio stations than larger DMAs.

Pursue Strategic Acquisitions to Expand and Enhance Our Regional Clusters. We have acquired and integrated successfully 12 of our 13 television stations since 1993, and have signed a definitive agreement to acquire an additional 15 television stations from Stations. After giving effect to the proposed merger, our television stations will be located in several distinct regions throughout the United States, with significant presence in the Southeast, Midwest, Texas and Great Lakes regions, diminishing potential adverse effects on our business caused by specific regional economic fluctuations. We believe that we are well positioned to participate in further consolidation of our industry, including opportunities that may arise as a result of future regulatory changes. For example, a number of the FCC s most restrictive ownership regulations, including newspaper-television cross ownership and television duopoly rules, are currently under review and could be relaxed in the future, providing us with further attractive growth opportunities. In pursuing future acquisitions, we intend to focus on network affiliated television stations in medium-sized markets that offer superior growth. Specifically, we pursue television stations proximate to our existing clusters, as evidenced by the proposed merger with Stations in which five of the 15 television

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stations we intend to acquire are adjacent to markets in which we currently own and operate television stations. Additionally, we focus on acquiring television stations where we can successfully implement our operating strategies to establish leading local news, increase revenue and audience share, develop relevant regional content and reduce costs.

Attract and Retain High-Quality Management. We believe that high-quality management at both the corporate and station level is critical to the successful implementation of our strategy. We use equity incentives to attract and retain station general managers with proven track records. Members of our senior management team have extensive experience in operating, managing and acquiring television stations, and include: J. Mack Robinson, President and Chief Executive Officer; Robert Prather, Executive Vice President- Acquisitions; James Ryan, Vice President and Chief Financial Officer; and after the proposed merger, K. James Yager, currently the President of Benedek. Additionally, our station managers have an average of over 21 years of industry experience with individual industry experience ranging from 11 to 32 years.

Maintain Strict Financial Planning and Cost Controls. We employ a comprehensive ongoing strategic planning and budgeting process that enables us to continually identify and implement cost savings at each station, and is designed to increase our media cash flow. We believe that owning and operating 28 television stations will enable us to achieve economies of scale and reduce expenses for syndicated programming, capital equipment and vendor services. Furthermore, we believe that the synergies generated through geographic clustering, further enhanced by the Stations acquisition and the realization of technological and automation efficiencies, will enable us to achieve additional cost savings in the near future.

Increase Advertising Revenue and Circulation at Our Newspaper Publishing Operations. We seek to increase advertising revenues and circulation at each of our four newspapers by creating a highly recognizable local brand by focusing on the depth and quality of our coverage of local news, sports and lifestyles and through community involvement. We are able to differentiate our publications from larger competitors and build reader loyalty by becoming the primary source for local news and advertising information within each of our target markets. We also sponsor community events with the objective of strengthening our community relationships. We employ an experienced local sales force to increase advertising revenue by leveraging our local brand. Through our ongoing strategic planning and budgeting process, we continually identify and implement cost savings at each newspaper to increase our media cash flow. In 2001, publishing represented approximately 16% of our total pro forma net revenue. Our newspaper strategy is led by senior managers and publishers who have an average of over 32 years of experience in the newspaper business with individual experience ranging from 20 to 40 years. Our publishing operations are led by Thomas J. Stultz, Vice President and President-Publishing.

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Television Broadcasting

The following is a list of all our stations pro forma following the merger. In markets where we have satellite stations and stations that serve distant communities, the figures have been combined.

	DMA Rank(a)	Market	Station	Analog Channel	Network Affiliation Network	Network Affiliation Expiration	FCC License Renewal Date	Station Rank in DMA(b)	Station News Rank In DMA(c)	Commercial Stations in DMA(d)	In Market Share of Household Viewing(b)	Television Households(a) (in thousands)
*	62	Knoxville, TN	WVLT	8	CBS	12/31/04	8/1/05	2 (tied)	3	5	22%	478
	65	Wichita- Hutchinson, KS	KAKE	10	ABC	1/1/06	6/1/06	3	3	4	21%	453
		(Colby, KS)	KLBY(e)	4	ABC	1/1/06	6/1/06					
		(Garden City, KS)	KUPK(e)	13	ABC	1/1/06	6/1/06					
*	66	Lexington, KY	WKYT	27	CBS	12/31/04	8/1/05	1	1	5	35%	436
*	Note (f)	Hazard, KY	WYMT	57	CBS	12/31/04	8/1/05	1	1		39%	169
	75	Omaha, NE	WOWT	6	NBC	1/1/12	6/1/06	1	1	5	36%	386
	85	Madison, WI	WMTV	15	NBC	1/1/12	12/1/05	2	2	4	30%	339
	91	Colorado Springs, CO	KKTV	10	CBS	6/30/05	4/1/06	1	1	5	33%	306
*	94	Waco-Temple- Bryan, TX	KWTX	10	CBS	12/31/05	8/1/06	1	1	6	42%	299
*		(Bryan, TX)	KBTX(g)	3	CBS	12/31/05	8/1/06	1	1			
*	102	Lincoln-Hastings- Kearney, NE	KOLN	10	CBS	12/31/05	6/1/06	1	1	5	54%	269
*		(Grand Island, NE)	KGIN(h)	11	CBS	12/31/05	6/1/06					
*	106	Greenville- New Bern- Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	2	4	30%	251
	111	Lansing, MI	WILX	10	NBC	1/1/12	10/1/05	1	1	4	39%	238
*	113	Tallahassee, FL- Thomasville, GA	WCTV	6	CBS	12/31/04	4/1/05	1	1	5	57%	237
*	114	Augusta, GA	WRDW	12	CBS	3/31/05	4/1/05	1	1	4	35%	234
*	127	La Crosse- Eau Claire, WI	WEAU	13	NBC	12/31/11	12/1/05	1	1	4	39%	198
	132	Rockford, IL	WIFR	23	CBS	6/30/05	12/1/05	2	1	4	32%	176
	137	Wausau- Rhinelander, WI	WSAW	7	CBS	6/30/05	12/1/05	1	2	4	42%	169
	138	Topeka, KS	WIBW	13	CBS	6/30/05	6/1/06	1	1	4	49%	166
*	159	Panama City, FL	WJHG	7	NBC	12/31/11	2/1/05	1	1	3	50%	121
*	160	Sherman, TX- Ada, OK	KXII	12	CBS	12/31/05	8/1/06	1	1	2	74%	119
	172	Dothan, AL	WTVY	4	CBS	6/30/05	4/1/05	1	1	3	69%	95
	178	Harrisonburg, VA	WHSV	3	ABC	11/1/04	10/1/04	1	1	1	97%	84
	181	Bowling Green, KY	WBKO	13	ABC	11/1/04	8/1/05	1	1	2	83%	81
	185	Meridian, MS	WTOK	11	ABC	11/1/04	6/1/05	1	1	3	66%	70
	186	Parkersburg, WV	WTAP	15	NBC	1/1/12	10/1/05	1	1	1	96%	63
												5,437
												(Approximately 5% of all US television households)

* Denotes a television station currently owned by Gray.

(a) Based on data published by Nielsen for the period September 2001 through September 2002.

(b) Based on Nielsen data for the May 2002 rating period, Sunday to Saturday, 6 a.m. 2 a.m.

(c) Based on our review of the Nielsen data for the May 2002 rating period during various news hours.

(d) Based on stations that BIA has reported at one share or more in three of the four most recent rating periods.

(e) KLBY and KUPK are satellite stations of KAKE under FCC rules.

(f) Special 16 county trading area defined by Nielsen and is part of the Lexington, KY DMA.

(g) KBTX is a satellite station of KWTX under FCC rules.

(h) KGIN is a satellite station of KOLN under FCC rules.

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Industry Background

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

Advertising Sales. Television station revenues primarily are derived from local, regional and national advertising and, to a much lesser extent, from network compensation and revenues from studio and tower space rental and commercial production activities. Advertising rates are based upon a variety of factors, including a program s popularity among the viewers an advertiser wishes to attract, the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Rates also are determined by a station s overall ratings and in-market share, as well as the station s ratings and share among particular demographic groups, which an advertiser may be targeting. Because broadcast stations rely on advertising revenues, they are sensitive to cyclical changes in the economy. The sizes of advertisers budgets, which are affected by broad economic trends, affect the broadcast industry in general and the revenues of individual broadcast television stations.

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

Description of Network Affiliations. Four major broadcast networks, ABC, NBC, CBS and Fox Broadcasting Company, which we refer to as FOX, dominate broadcast television. Additionally, the United Paramount Network, which we refer to as UPN, Warner Brothers Network, which we refer to as WB, and the Pax TV Network, which we refer to as Pax TV, have been launched as additional television networks. An affiliate of FOX, UPN, WB or Pax TV receives a smaller portion of each day s programming from its network compared to an affiliate of ABC, NBC or CBS.

The affiliation of a station with ABC, NBC or CBS has a significant impact on the composition of the station s programming, revenues, expenses and operations. A typical affiliate of these networks receives the majority of each day s programming from the network. This programming, along with network compensation in the form of cash payments, in certain instances, is provided to the affiliate by the network in exchange for a substantial majority of the advertising time available for sale during the airing of network programs. The network then sells this advertising time and retains the revenues. The affiliate retains the revenues from time sold during breaks in and between network programs and programs the affiliate produces or purchases from non-network sources. In acquiring programming to supplement programming supplied by the affiliated network, the affiliates compete primarily with other affiliates and independent stations in their markets. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. In addition, a television station may acquire programming through barter arrangements. Under barter arrangements, a national program distributor may receive advertising time in exchange for the programming it supplies, with the station paying a reduced fee or no fee for such programming. Most successful commercial television stations obtain their brand identity from locally produced news programs.

In contrast to a station affiliated with a network, a fully independent station purchases or produces all of the programming that it broadcasts, resulting in generally higher programming costs. An independent station, however, retains its entire inventory of advertising time and all the revenues obtained therefrom. As a result of the smaller amount of programming provided by its network, an affiliate of FOX, UPN, WB

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or Pax TV must purchase or produce a greater amount of programming, resulting in generally higher programming costs. These affiliate stations, however, retain a larger portion of the inventory of advertising time and the revenues obtained therefrom compared to stations affiliated with the major networks.

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

Network Affiliations of the Television Stations. Each of our stations and each of the stations that we intend to acquire in the merger is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated. In return, the network has the right to sell a substantial majority of the advertising time during such broadcasts. In exchange for every hour that a station elects to broadcast network programming, the network pays the station a specific network compensation fee, which varies with the time of day. Typically, prime-time programming generates the highest hourly network compensation payments. Such payments are subject to increase or decrease by the network during the term of an affiliation agreement with provisions for advance notices and right of termination by the station in the event of a reduction in such payments. In January 2002 we reached a preliminary agreement with NBC on the terms of a new 10-year affiliation agreement for WJHG. The agreement extends WJHG s affiliation with NBC until December 31, 2011. Effective January 1, 2002, WJHG no longer receives network compensation payments from NBC under the affiliation agreement. In addition, we have preliminarily agreed with NBC to extend the existing affiliation agreements for WITN and WEAU until December 31, 2011. The network aggregate compensation payments made by NBC to WITN and WEAU will remain generally consistent with the terms of the existing agreements until June 30, 2006 for WITN and December 31, 2005 for WEAU, after which times NBC will cease making further compensation payments. We are working with NBC to finalize the definitive agreements with respect to these revised NBC affiliation agreements. As a result of these affiliation agreement renewals with NBC as well as with CBS, network compensation for our three NBC affiliates and our CBS affiliates, KWTX, KBTX and KXII will be phased out over the next few years. Each affiliation agreement is for a definite term and generally contains renewal provisions. Although we historically have renewed network affiliation agreements with the respective networks, we cannot guarantee that any agreements will be renewed in the future under their current terms. Please see the television station summary table for a listing of the expiration dates of the current network affiliation agreements for each of our stations and for each of the stations that we intend to acquire in the merger.

Network Compensation

The table below shows the total network compensation we earned in 1999, 2000 and 2001 as well as what we currently estimate we will earn in 2002 through 2005 for our stations and the stations that we intend to acquire in the merger. The amounts estimated below for 2002 through 2005 are based on the network affiliation agreements currently in effect. We cannot guarantee that the future amounts we currently expect to earn will be realized. We currently do not expect to receive network compensation after 2005.

	1999	2000	2001	2002	2003	2004	2005
			(dollars in millions)				
Gray	$ 6.5	$ 8.3	$ 6.9	$5.3	$5.2	$5.6	$3.4
Stations	5.7	5.4	4.7	3.5	3.3	3.5	2.2
Combined Total	$12.2	$13.7	$11.6	$8.8	$8.5	$9.1	$5.6

Newspaper Publishing

We own and operate four daily newspapers located in Georgia and Indiana. In the aggregate, our newspapers have approximately 126,000 daily subscribers. Seeking to build a loyal readership and to distinguish our newspapers from other publications, we focus our papers on local news, sports and lifestyle.

For the 12 months ended June 30, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our publishing segment were $42.5 million and $11.0 million, respectively. During this 12-month period, retail advertising at 50% comprised the largest percent of our publishing revenue, while classifieds accounted for 29%, circulation revenue accounted for 19% and miscellaneous revenue accounted for 2%.

The Albany Herald

The Albany Herald Publishing Company, Inc., which we refer to as The Albany Herald, located in Albany, Georgia, publishes *The Albany Herald* seven days a week, serving southwest Georgia. *The Albany Herald* has a circulation of approximately 31,000 Sunday subscribers and 28,000 daily subscribers. The Albany Herald also produces a weekly advertising shopper and other niche publications.

Gwinnett Daily Post and The Rockdale Citizen/ Newton Citizen

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

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

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

The Goshen News

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

Industry Background

Newspaper publishing is the oldest segment of the media industry and, as a result of the focus on local news, newspapers, in general, remain an important media for local advertising. Newspaper advertising revenues are cyclical and generally have been affected by changes in national and regional economic conditions. Financial instability in the retail industry, including bankruptcies of larger retailers and consolidations among large retail chains, can result in reduced retail advertising expenditures. Classified advertising, which makes up approximately one-third of newspaper advertising expenditures, can be affected by an economic slowdown and its effect on employment, real estate transactions and automotive sales. However, growth in housing starts and automotive sales, although cyclical in nature, generally provide continued growth in newspaper advertising expenditures. While the newspaper publishing industry

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is impacted by the economic cycles, it generally is not affected by the cyclical nature of political advertising revenue.

Pagers and Wireless Services

The paging business, which we acquired in September 1996, is based in Tallahassee, Florida and operates in Columbus, Macon, Albany, Thomasville, Valdosta and Savannah, Georgia, in Dothan, Alabama, in Tallahassee, Gainesville, Orlando and Panama City, Florida and in certain contiguous areas. Our paging operations had approximately 68,000 units in service as of June 30, 2002. For the 12 months ended June 30, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our paging segment were $8.4 million and $2.6 million, respectively.

Our paging system operates by connecting a telephone call placed to a local telephone number with a local paging switch. The paging switch processes a caller s information and sends the information to a link transmitter which relays the processed information to paging transmitters, which in turn alert an individual pager by means of a coded radio signal. This process provides service to a local coverage area. To further enhance coverage to our customer base, all of our local coverage areas are interconnected or networked, providing for wide area coverage or network coverage. A pager s coverage area is programmable and can be customized to include or exclude any particular paging switch and its respective geographic coverage area, thereby providing our paging customers with a choice of coverage areas. In addition, we are able to network with other paging companies which share our paging frequencies in other markets, by means of an industry standard network paging protocol, to increase the geographic coverage area in which our customers can receive paging service. During 1999, we introduced services which allow our paging customers to receive electronic mail on their pagers. In addition, we expanded our capability so that individuals may send text messages via the Internet to our paging customers by accessing the paging businesses web page. In 2001, we introduced WebTouch, allowing our customers to access their account information through the web to make changes and payments.

A subscriber to our paging services either owns a pager, thereby paying solely for the use of our paging services, or leases a pager, thereby paying a periodic charge for both the pager and the paging services. Of our pagers that currently are in service, approximately 70% are customer owned and maintained, which we refer to as COAM, with the remainder being leased. COAM customers historically maintain service longer, thus enhancing the stability of the subscriber base and earnings. We are focusing our marketing efforts on increasing our base of COAM users.

Industry Background

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

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

Legal Proceedings

We are not a party to any legal proceedings in which an adverse outcome would have a material adverse effect, either individually or in the aggregate, on us except for the income tax matter described below.

The Internal Revenue Service, which we refer to as the IRS, is auditing our federal tax returns for the years ended December 31, 1996 and 1998. In conjunction with this examination, we extended the time

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period that the IRS has to audit our federal tax returns for the 1996 and 1997 tax years until December 31, 2001.

In connection with an audit of our 1996 and 1998 federal income tax returns, the IRS has asserted a deficiency in income taxes of $12.1 million, plus related interest and penalties. The asserted deficiency relates principally to our acquisition in 1996 of certain assets of First American Media, Inc. If the IRS is successful in its claims, we would be required to account for the 1996 acquisition transaction as a stock purchase instead of an asset purchase which would significantly lower the tax basis in the assets acquired. On January 18, 2002, we filed a petition in the United States Tax Court to contest this deficiency, and we believe that we have a meritorious position with respect to the issues related to the deficiency. We cannot be certain when, and if, this matter will be resolved in our favor, and if it is not, we could incur negative consequences in future years.

Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the protection of the environment, including those governing the management and disposal of, and exposure to, hazardous materials, the release of pollutants and the cleanup of contamination. As an owner and operator of property and in connection with the current and historical storage and use of hazardous materials at our sites, we could incur significant costs resulting from the cleanup of contaminated sites (regardless of the fault or lawfulness of the activity that resulted in contamination) or violations of environmental laws. For example, some of our properties contain, or formerly contained, underground storage tanks, or have above-ground storage tanks, used for the storage of fuel for back-up generators or have been the site of other industrial or commercial operations in the past. We believe, however, that our operations are in substantial compliance with all applicable environmental laws and regulations.

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MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information regarding our directors and executive officers as of August 1, 2002.

Name	Age	Position
J. Mack Robinson	79	President, Chief Executive Officer, Director
Hilton H. Howell, Jr.	40	Executive Vice President, Director
Robert S. Prather, Jr.	57	Executive Vice President Acquisitions, Director
James C. Ryan	41	Vice President Finance, Chief Financial Officer
Robert A. Beizer	62	Vice President Law and Development, Secretary
Thomas J. Stultz	50	Vice President, President Publishing
Wayne M. Martin	55	Regional Vice President Television
Rich D. Adams	54	Regional Vice President Texas
Frank J. Jonas	55	Regional Vice President Midwest
William E. Mayher, III	63	Chairman, Director
Richard L. Boger	55	Director
Ray M. Deaver	61	Director
Howell W. Newton	55	Director
Hugh Norton	69	Director
Harriett J. Robinson	71	Director

Background of Directors and Executive Officers

J. Mack Robinson, age 79, has been our President and Chief Executive Officer since 1996. He has served as one of our directors since 1993. He is the Chairman of the Executive Committee and a member of the Management Personnel Committee of our board of directors. Mr. Robinson has served as Chairman of the Board of Bull Run Corporation, which we refer to as Bull Run, one of our principal stockholders, since 1994, Chairman of the Board and President of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1958, President of Atlantic American Corporation, an insurance holding company, from 1988 until 1995 and Chairman of the Board of Atlantic American Corporation since 1974. Mr. Robinson also serves as a director of the following companies: Bankers Fidelity Life Insurance Company, American Independent Life Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company and American Safety Insurance Company. He is a director *emeritus* of Wachovia Corporation. Mr. Robinson is the husband of Mrs. Harriett J. Robinson and the father-in-law of Mr. Hilton H. Howell, Jr., both members of our board of directors.

Hilton H. Howell, Jr., age 40, has been our Executive Vice President since September 2000 and one of our directors since 1993. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995 and Executive Vice President from 1992 to 1995. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1991, and Vice Chairman of Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company since 1992. He has been a director, Vice President and Secretary of Bull Run, one of our principal stockholders, since 1994. Mr. Howell also serves as a director of the following companies: Atlantic American Corporation, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company, American Safety Insurance Company, Association Casualty Insurance Company and Association Risk Management General Agency. He is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our board of directors.

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Robert S. Prather, Jr., age 57, has served as our Executive Vice President-Acquisitions since 1996. He has served as one of our directors since 1993. He is a member of the Executive Committee and the Management Personnel Committee of our board of directors. He has served as President and Chief Executive Officer and a director of Bull Run, one of our principal stockholders, since 1992. He serves as a director of Swiss Army Brands, Inc. and The Morgan Group, Inc. and serves on the Board of Trustees of the Georgia World Congress Center Authority.

James C. Ryan, age 41, has served as our Vice President and Chief Financial Officer since October 1998. He was the Chief Financial Officer of Busse Broadcasting Corporation from 1987 until we acquired it in 1998.

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

Thomas J. Stultz, age 50, has served as our Vice President and President of our Publishing Division since 1996. Prior to joining us, he served as Vice President of Multimedia Newspaper Company, a division of Multimedia, Inc. from 1988 to 1995, having responsibility for developing and coordinating Multimedia s newspaper marketing initiatives and directly supervising several Multimedia daily and non-daily publications. Mr. Stultz has approximately 32 years of experience in the newspaper industry.

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

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

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

William E. Mayher, III, age 63, is a member of the 1992 Long Term Incentive Plan Committee, the Executive Committee and the Management Personnel Committee of our board of directors and has served as Chairman of our board of directors since August 1993. Dr. Mayher was a neurosurgeon in Albany, Georgia from 1970 to 1998. Dr. Mayher is Chairman of the Medical College of Georgia Foundation and a past member of the American Association of Neurological Surgeons. He also serves as a director of Gaston Loughlin, Inc. and Palmyra Medical Centers.

Richard L. Boger, age 55, has served as one of our directors since 1991. Mr. Boger is a member of the Executive Committee and the Audit Committee of our board of directors and he is Chairman of the Management Personnel Committee and the 1992 Long Term Incentive Plan Committee of our board of directors. Mr. Boger has been President and Chief Executive Officer of Export Insurance Services, Inc., an insurance brokerage and agency until February 15, 2002, President and Chief Executive Officer of Lex-Tek International, Inc., an insurance software company, and a director of CornerCap Group of Funds, a Series investment company since prior to 1992.

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Ray M. Deaver, age 61, has served as one of our directors since January 2002. Prior to his appointment to our board of directors, Mr. Deaver served as our Regional Vice President-Texas from October 1999 until his retirement on December 31, 2001. He was the President and General Manager of KWTX Broadcasting Company and President of Brazos Broadcasting Company from November 1997 until their acquisition by us in October 1999. Prior to 1995, he was Vice President of KWTX Broadcasting Company and Brazos Broadcasting Company. He has approximately 40 years of experience in the broadcast industry. Mr. Deaver is currently the Chairman of the CBS Television Network Affiliates Advisory Board.

Howell W. Newton, age 55, has served as one of our directors since 1991. Mr. Newton is Chairman of the Audit Committee of our board of directors. Mr. Newton has been President and Treasurer of Trio Manufacturing Co., a textile manufacturing company, since 1978.

Hugh Norton, age 69, has served as one of our directors since 1987. He is a member of the 1992 Long Term Incentive Plan Committee, the Management Personnel Committee and the Audit Committee of our board of directors. Mr. Norton has been President of Norco, Inc., an insurance agency since 1973. Mr. Norton is also a real estate developer in Destin, Florida.

Harriett J. Robinson, age 71, has served as one of our directors since 1997. Mrs. Robinson has been a director of Atlantic American Corporation since 1989. Mrs. Robinson has also been a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1967. Mrs. Robinson is the wife of Mr. J. Mack Robinson and the mother-in-law of Mr. Hilton H. Howell, Jr.

Our board of directors currently is composed of nine directors, three of whom are our employees. Directors serve until the next annual stockholders meeting or until their successors have been duly elected and qualified.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following information is current as of July 2, 2002.

General

J. Mack Robinson, President, Chief Executive Officer and one of our directors, is Chairman of the Board of Bull Run and the beneficial owner of 24.9% of the outstanding shares of Bull Run common stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Robinson). Robert S. Prather, Jr., Executive Vice President-Acquisitions and one of our directors, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of 8.7% of the outstanding shares of Bull Run common stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Prather). Bull Run is the owner of 18.2% of our total outstanding common stock. Hilton H. Howell, Jr., Executive Vice President and one of our directors, is Vice President, Secretary and a director of Bull Run. Bull Run and the executive officers and directors mentioned above, and their affiliates, hold or have the right to vote in the aggregate 49.9% in voting power of our currently outstanding common stock. Furthermore, if all options and warrants that are currently outstanding were exercised, their voting power would increase to 56.0%.

Harriett J. Robinson serves as a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company, which are both holders of a portion of our Series C convertible preferred stock, which we refer to as the Series C.

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

Compensation Committee Interlocks and Insider Participation

Richard L. Boger, William E. Mayher, III, Robert S. Prather, Jr., Hugh Norton and J. Mack Robinson are the members of the Management Personnel Committee, which serves as our Compensation Committee. Mr. Robinson, President, Chief Executive Officer and one of our directors, serves on the Compensation Committee of Bull Run. Mr. Prather, Executive Vice President-Acquisitions and one of our directors, also serves as President, Chief Executive Officer and director of Bull Run.

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

During 2001, we paid preferred stock dividends of $616,347 to the holders of our series A and series B preferred stock. The holders of our series A and series B preferred stock consisted of Bull Run, J. Mack Robinson and certain of his affiliates. During the six months ended June 30, 2002, we paid preferred stock dividends of $321,905 to affiliated holders of our series A, series B and series C preferred stock.

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

We paid $10.0 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. We have previously capitalized and paid to Bull Run $3.2 million of costs associated with our option to acquire these shares. In connection with the option agreement, we granted warrants to Bull Run to purchase up to

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100,000 shares of our class B common stock at $13.625 per share. The warrants vested immediately upon our exercise of our option to purchase the Tarzian shares. The warrants expire on December 3, 2011 (10 years following the date on which we exercised our option).

On February 12, 1999, Tarzian filed a complaint against Bull Run and the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run s purchase of the shares, and requests judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and we cannot predict when the final resolution of the litigation will occur. The purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the Tarzian shares to a person or entity other than the purchaser (or its successors or assigns), the purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest, the full $10.0 million purchase price, plus interest.

On April 22, 2002, we issued a total of $40.0 million of new Series C. We issued $31.4 million to a limited number of outside accredited investors, and $8.6 million to J. Mack Robinson and certain of his affiliates in exchange for all of the outstanding shares of our series A preferred stock and series B preferred stock on a one-for-one basis. Shares of the Series C are convertible into our class B common stock at an initial conversion price of $14.39 per share, subject to customary adjustments.

For advisory services rendered by Bull Run to us in connection with the proposed acquisition of Stations, we advanced to Bull Run $5.0 million on June 10, 2002. In the event that the acquisition is not consummated, Bull Run will be required to repay to us the advisory fee in full.

We obtain certain workers compensation insurance coverage from Georgia Casualty & Surety Co., which is a wholly-owned subsidiary of Atlantic American Corporation, a publicly traded company in which J. Mack Robinson and certain of his affiliates have a substantial ownership interest. During 2001, we paid insurance premiums of $240,395 to Georgia Casualty.

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PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the ownership of our class A common stock and class B common stock as of July 2, 2002 by (i) any person who is known to us to be the beneficial owner of more than five percent of our class A common stock or class B common stock, (ii) all directors and (iii) all directors and executive officers as a group. Warrants and options to acquire our class A common stock or class B common stock included in the amounts listed below are currently exercisable or will be exercisable within 60 days after July 2, 2002. As of July 2, 2002, our directors and executives as a group owned or controlled 59.3% of our combined voting common stock.

Name	Class A Common Stock Beneficially Owned		Class B Common Stock Beneficially Owned		Combined Voting Percent of Common Stock
	Shares	Percent	Shares	Percent	
Robert A. Beizer (a)		*	42,691	*	*
Richard L. Boger (a)	3,736	*	13,763	*	*
Ray M. Deaver (b)		*	406,168	4.6%	*
Hilton H. Howell, Jr. (c) (d) (e)	3,778,577	47.3%	296,247	3.3%	42.8%
Wayne M. Martin (a)	7,005	*	37,314	*	*
William E. Mayher, III (a)	13,500	*	23,750	*	*
Howell W. Newton (a)	2,625	*	7,500	*	*
Hugh Norton (a)	13,500	*	23,750	*	*
Robert S. Prather, Jr. (c) (f)	3,352,910	42.1%	392,650	4.2%	38.2%
Harriett J. Robinson (a) (c) (e) (g)	4,998,752	59.9%	563,600	6.1%	54.6%
J. Mack Robinson (c) (e) (h)	4,998,752	59.9%	563,600	6.1%	54.6%
Thomas J. Stultz (a)	2,250	*	26,011	*	*
Bull Run Corporation (i)	3,123,897	39.3%	111,750	1.2%	35.4%
Mario J. Gabelli (j)	462,485	6.8%	2,824,855	31.8%	9.6%
George H. Nader (k)	359,998	5.3%		*	4.7%
Shapiro Capital Management Company, Inc. (l)		*	970,496	10.9%	1.3%
All directors and executive officers as a group	5,363,956	64.2%	1,643,562	16.9%	59.3%

* Less than 1%.

(a) Includes options to purchase our class B common stock, as follows: each of Messrs. Boger, Mayher, Newton and Norton and Mrs. Robinson 5,000 shares of our class B common stock; Mr. Martin 36,250 shares of our class B common stock; Mr. Beizer 42,000 shares of our class B common stock and Mr. Stultz 22,500 shares of our class B common stock.

(b) Includes 213,228 shares of our class B common stock owned by Mr. Deaver s wife, as to which shares he disclaims beneficial ownership.

(c) Includes 2,017,647 shares of our class A common stock and 11,750 shares of our class B common stock owned by Bull Run and warrants to purchase 1,106,250 shares of our class A common stock and 100,000 shares of our class B common stock owned by Bull Run, as described in footnote (9) below, because Messrs. Howell, Prather and Robinson are directors and officers of Bull Run and Messrs. Prather and Robinson are principal shareholders of Bull Run. In addition, Mrs. Robinson is the spouse of Mr. Robinson. Each of Messrs. Howell, Prather and Robinson and Mrs. Robinson disclaims beneficial ownership of the shares owned by Bull Run.

(d) Includes 59,075 shares of our class A common stock owned by Mr. Howell s wife directly and as trustee for her children, as to which shares he disclaims beneficial ownership.

(e) Includes as to Messrs. Robinson and Howell and Mrs. Robinson, an aggregate of 523,605 shares of our class A common stock and 16,000 shares of our class B common stock owned by certain

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companies of which Mr. Howell is an officer and a director, Mr. Robinson is an officer, director and a principal or sole shareholder and Mrs. Robinson is a director. Also includes warrants to purchase 37,500 shares of our class A common stock owned by one of these companies.

(f) Includes 225 shares of our class A common stock and 100 shares of our class B common stock owned By Mr. Prather s wife, as to which shares he disclaims beneficial ownership. Includes options to purchase 9,337 shares of our class A common stock and options to purchase 266,000 shares of our class B common stock.

(g) Includes: (1) an aggregate of 401,975 shares of our class A common stock and 92,950 shares of our class B common stock, options to purchase 10,000 shares of our class A common stock, options to purchase 265,000 shares of our class B common stock and warrants to purchase 75,000 shares of our class A common stock owned by Mrs. Robinson s husband; (2) warrants to purchase 112,500 shares of our class A common stock; and (3) 336,950 shares of our class A common stock, 40,000 shares of our class B common stock and warrants to purchase 150,000 shares of our class A common stock owned by Mrs. Robinson, as trustee for her daughters. Mrs. Robinson disclaims beneficial ownership of all such securities. Mrs. Robinson s address is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

(h) Includes: (1) options to purchase 10,000 shares of our class A common stock and options to purchase 265,000 shares of our class B common stock; (2) warrants to purchase 75,000 shares of our class A common stock held by Mr. Robinson; and (3) 564,275 shares of our class A common stock and 72,900 shares of our class B common stock owned by Mr. Robinson s wife directly and as trustee for their daughters, options to purchase 5,000 shares of our class B common stock and warrants to purchase 262,500 shares of our class A common stock held by Mr. Robinson s wife directly and as trustee for their daughters. Mr. Robinson disclaims beneficial ownership of all such securities. Mr. Robinson s address is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

(i) Includes warrants to purchase 1,106,250 shares of our class A common stock and 100,000 shares of our class B common stock. The address of Bull Run is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

(j) This information was furnished to us on a Schedule 13D filed by Gabelli Funds, Inc. and also by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer. The Schedule 13D reports the beneficial ownership of our class A common stock as follows: Gabelli Funds, LLC 102,125 shares; GAMCO Investors, Inc. 310,400 shares; Gabelli Securities, Inc. 7,070 shares, Gabelli Performance Partnership, L.P. 40,750 shares and Gabelli Advisers, Inc. 2,500 shares. The Schedule 13D reports the beneficial ownership of our class B common stock as follows: Gabelli Funds, LLC 1,153,347 shares; GAMCO Investors, Inc. 1,570,791 shares; Gabelli Securities, Inc. 16,340; Gabelli International Limited 44,100 shares; Gabelli Advisers, Inc. 29,000 shares, Gabelli Performance Partnership, L.P. 11,000 shares and Gemini Capital Management, LLC 277 shares. GAMCO Investors, Inc. only has the authority to vote 1,513,041 of the shares beneficially held by it. The address of Mr. Gabelli and Gabelli Funds, Inc. is One Corporate Center, Rye, New York 10580.

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

(l) This information was furnished to us on a Schedule 13G, filed on July 11, 2002 by Shapiro Capital Management Company, Inc., the address of which is 3060 Peachtree Road NW, Atlanta, Georgia 30306.

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DESCRIPTION OF THE NOTES

We will issue offered notes under an indenture, which we refer to as the indenture, dated as of December 15, 2001, by and among us, the Subsidiary Guarantors and Bankers Trust Company, which has since changed its name to Deutsche Bank Trust Company Americas, as trustee, as supplemented by a supplemental indenture, which will be entered into on or before the issuance of the offered notes. The terms of the Notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, which we refer to as the Trust Indenture Act, as in effect on the date of the indenture. The Notes are subject to all such terms, and holders of Notes are referred to the indenture and the Trust Indenture Act for a statement of those terms. An aggregate of $180.0 million principal amount of the 2001 notes were previously issued on December 21, 2001 pursuant to the indenture. The offered notes, as an additional issuance of 9 1/4% senior subordinated notes due 2011, will be Additional Notes as defined in the indenture which permits us to issue up to $100.0 million principal amount of additional notes. The offered notes are identical to, and will be *pari passu* with and treated identically with, the 2001 notes, all of which have been exchanged through an exchange offer which was consummated in August 2002 for notes that are registered under the Securities Act of 1933 and are freely transferable.

We summarize below certain material provisions of the indenture, but do not restate the indenture in its entirety. We urge you to read the indenture because it defines your rights. You can obtain a copy of the indenture and a form of the Notes from us or the underwriters.

Key terms used in this section are defined under Certain Definitions. When we refer in this section to:

- the Company, we mean Gray Television, Inc. and not its subsidiaries; and

- the Notes, we mean the 2001 notes, exchange notes issued therefor and the offered notes.

Overview of the Notes

The Notes are:

- general unsecured senior subordinated obligations of the Company.

- subordinated to Senior Debt existing on the Issue Date or incurred thereafter;

- guaranteed, jointly and severally, on an unsecured senior subordinated basis by the Subsidiary Guarantors; and

- limited in aggregate principal amount to $280.0 million, which includes $100.0 million of the offered notes.

As described in the consolidated financial information included elsewhere in this prospectus supplement (or incorporated by reference herein), after giving effect to this offering and the use of proceeds thereof, at June 30, 2002:

- our total indebtedness would have been $378.9 million, which includes $180.0 million of the 2001 notes and $100.0 million of the offered notes;

- the Company would have had senior indebtedness of $100.0 million funded under the Senior Credit Facility and unused availability of $37.5 million under the Senior Credit Facility after giving effect to the $12.5 million undrawn letter of credit; and

- the Subsidiary Guarantors would have had $378.9 million of indebtedness, including indebtedness of $248,000 and guarantees of indebtedness of $100.0 million under the Senior Credit Facility and guarantees of $280.0 million of indebtedness from the issuance of the Notes.

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Principal, Maturity and Interest

We will issue $100.0 million of aggregate principal amount of offered notes in denominations of $1,000 and integral multiples of $1,000. The Notes will mature on December 15, 2011.

Interest on the offered notes will accrue at the rate of 9.25% per annum and will be payable semi-annually in arrears on June 15 and December 15, commencing on December 15, 2002, to holders of record on the immediately preceding June 1 and December 1. On December 15, 2002, we will pay interest on the offered notes and the 2001 notes for the full six month period from and including June 15, 2002. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the Notes will be payable at the office or agency of the Company maintained for such purpose within the City of New York or, at the option of the Company, payment of interest may be made by check mailed to the holders of the Notes at their respective addresses as set forth in the register of holders of Notes. Until otherwise designated by the Company, the Company s office or agency in the City of New York will be the office of the trustee maintained for such purpose. The offered notes will be issued in fully registered form, without coupons, and in denominations of $1,000 and integral multiples thereof.

Subordination

The payment of principal of, premium, if any, and interest on the Notes will be subordinated in right of payment, to the extent and in the manner provided in the indenture, to the prior payment in full in cash or any other form acceptable to the holders of Senior Debt, of all Senior Debt of the Company, whether outstanding on the Issue Date or incurred thereafter. As of June 30, 2002, the Company had senior indebtedness of $200.0 million funded under the Senior Credit Facility, a portion of which will be repaid with proceeds of this offering. The Company has unused availability of $37.5 million under the Senior Credit Facility after giving effect to the $12.5 million undrawn letter of credit. See Description of Certain Indebtedness Senior Secured Credit Facility in the accompanying prospectus and Covenants Limitation on Incurrence of Indebtedness.

Upon any payment or distribution of cash, securities or other property of the Company to creditors upon any liquidation, dissolution or winding up of the Company, or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property or securities, the holders of any Senior Debt of the Company will be entitled to receive payment in full, in cash or any other form acceptable to the holders of Senior Debt, of all Obligations due in respect of such Senior Debt before the holders of the Notes will be entitled to receive any payment or distribution with respect to the Notes (excluding certain equity or subordinated debt securities).

The Company also may not make any payment or distribution of any assets or securities of the Company or any Subsidiary Guarantor of any kind or character (including, without limitation, cash, property and any payment or distribution which may be payable or deliverable by reason of the payment of any other debt of the Company or the Subsidiary Guarantors being subordinated to the payment of the Notes) upon or in respect of the Notes (excluding certain equity or subordinated debt securities) if the trustee has received written notice, a Payment Blockage Notice, from the representative of any holders of Designated Senior Debt that (x) a default (whether or not any requirement for the giving of notice, the lapse of time or both, or any other condition to such default becoming an event of default, has occurred) in the payment of principal of (or premium, if any) or interest on or any other amount payable in connection with any Designated Senior Debt has occurred and is continuing (a Payment Default) or (y) any other default has occurred and is continuing with respect to any Designated Senior Debt (whether or not any requirement for the giving of notice, the lapse of time or both, or any other condition to such default becoming an event of default, has occurred), a Non-Payment Default. Payments on the Notes shall resume (and all past due amounts on the Notes, with interest thereon as specified in the indenture, shall be paid) (i) in the case of a Payment Default, on the date on which such Payment Default is cured or waived, and (ii) in the case of a Non-Payment Default, on the earliest of (a) the date on which such Non-Payment Default is cured or waived or shall have ceased to exist or the Designated Senior Debt

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related thereto shall have been discharged or paid in full in cash or any other manner acceptable to the holders of such Designated Senior Debt, (b) 179 days after the date on which the Payment Blockage Notice with respect to such default was received by the trustee, unless the maturity of the Designated Senior Debt under the Senior Credit Facility has been accelerated and (c) the date such Payment Blockage Notice is terminated by written notice to the trustee from a representative of the holders of the Designated Senior Debt that gave such Payment Blockage Notice. During any consecutive 365-day period, the aggregate number of days in which payments due on the Notes may not be made as a result of Non-Payment Defaults on Designated Senior Debt, a Payment Blockage Period, shall not exceed 179 days, only one Payment Blockage Period may be commenced and there shall be a period of at least 186 consecutive days when such payments are not prohibited. No event or circumstance that creates a default under any Designated Senior Debt that (i) gives rise to the commencement of a Payment Blockage Period or (ii) exists at the commencement of or during any Payment Blockage Period shall be made the basis for the commencement of any subsequent Payment Blockage Period, whether or not within a period of 365 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days following the commencement of the initial Payment Blockage Period.

If the Company fails to make any payment on the Notes when due or within any applicable grace period, whether or not on account of the payment blockage provisions referred to above, such failure will constitute an Event of Default under the indenture and will enable the holders of the Notes to accelerate the maturity thereof. See Events of Default.

As a result of the subordination provisions described above, in the event of liquidation or insolvency of the Company, holders of Notes may recover less ratably than unsubordinated creditors of the Company. In such circumstances, funds which would otherwise be payable to the holders of the Notes will be paid to the holders of the Senior Debt to the extent necessary to pay the Senior Debt in full in cash or any other manner acceptable to the holders of such Senior Debt, and the Company may be unable to meet its obligations fully with respect to the Notes.

The subordination provisions described above will cease to be applicable to the Notes upon any defeasance or covenant defeasance of the Notes. See Defeasance.

Senior Debt of the Company means the principal of, premium (if any) and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company, regardless of whether or not a claim for post-filing interest is allowed in such proceedings) on, and fees and other amounts owing in respect of the Senior Credit Facility and all other Indebtedness of the Company, whether outstanding on the date of the indenture or thereafter incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the Notes; *provided, however,* that Senior Debt shall not include:

(1) any obligation of the Company to any Subsidiary of the Company;

(2) any liability for federal, state, local or other taxes owed or owing by the Company;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(4) any indebtedness or obligation of the Company, and any accrued and unpaid interest in respect thereof, that by its terms is subordinate or junior in any respect to any other Indebtedness or obligation of the Company, including any Senior Subordinated Indebtedness of the Company and any Subordinated Indebtedness of the Company;

(5) any obligations with respect to any Capital Stock; or

(6) any Indebtedness incurred in violation of the indenture.

Guarantor Senior Debt has a correlative meaning.

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Subsidiary Guarantees

Our obligations under the Notes are guaranteed, jointly and severally and fully and unconditionally, on a senior subordinated basis, which we refer to as the Subsidiary Guarantees, by the Subsidiary Guarantors. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee are unconditional and absolute, irrespective of any invalidity, illegality, unenforceability of any Note or the indenture or any extension, compromise, waiver or release in respect of any obligation of the Company or any other Subsidiary Guarantor under any Note or the indenture, or any modification or amendment of or supplement to the indenture.

The obligations of any Subsidiary Guarantor under its Subsidiary Guarantee are subordinated, to the same extent as the obligations of the Company in respect of the Notes, to the prior payment in full of all Guarantor Senior Debt of such Subsidiary Guarantor (which will include any guarantee issued by such Subsidiary Guarantor of any Senior Debt, including Indebtedness represented by guarantees under the Senior Credit Facility) in cash or any other manner acceptable to the holders of such Guarantor Senior Debt. The obligations of each Subsidiary Guarantor are limited to the maximum amount as will result in the obligation not constituting a fraudulent conveyance or fraudulent transfer under U.S. federal or state law. See Subordination.

Upon the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Subsidiary Guarantor (or substantially all of its assets) to a Person which is not the Company or a Subsidiary of the Company or the sale of a majority of the capital stock of a Paging Subsidiary or a Satellite Uplink Subsidiary to a Person which is not the Company or a Subsidiary of the Company, in each case, which sale or other disposition is otherwise in compliance with the indenture, such Subsidiary Guarantor shall be deemed released from all its obligations under its Subsidiary Guarantee; *provided* that any such termination shall occur only to the extent that all obligations of such Subsidiary Guarantor under all of its guarantees of, and under all of its pledges of assets or other security interests which secure, other Indebtedness of the Company shall also terminate upon such release, sale or transfer.

In addition, each Subsidiary Guarantor may consolidate with or merge into or sell its assets to the Company or another Subsidiary Guarantor without limitation. The indenture further provides that a Subsidiary Guarantor may consolidate with or merge into or sell its assets to a corporation other than the Company or another Subsidiary Guarantor (whether or not affiliated with such Subsidiary Guarantor, but subject to the provisions described in the immediately preceding paragraph), provided that (a) if the surviving person is not the Subsidiary Guarantor, the surviving person agrees to assume such Subsidiary Guarantor s obligations under its Subsidiary Guarantee and all its obligations under the indenture and (b) such transaction does not (i) violate any covenants set forth in the indenture or (ii) result in a Default or Event of Default under the indenture immediately thereafter that is continuing.

Following consummation of the merger, Stations and its subsidiaries will become Subsidiary Guarantors pursuant to the indenture.

Optional Redemption

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

Year	Percentage
2006	104.625%
2007	103.083%
2008	101.542%
2009 and thereafter	100.000%

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

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

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

Treasury Rate means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) which has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source or similar market data) most nearly equal to the period from the redemption date to December 15, 2006; *provided, however,* that if the period from the redemption date to December 15, 2006 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, exc