GRAY TELEVISION INC
Form 10-K
February 28, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2018 or
Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number 1-13796

_____

GRAY TELEVISION, INC.

(Exact Name of Registrant as Specified in its Charter)

Georgia	**58-0285030**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4370 Peachtree Road, NE Atlanta, GA	**30319**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

Common Stock (no par value) **New York Stock Exchange**

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

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

The aggregate market value of the voting stock (based upon the closing sales prices quoted on the New York Stock Exchange) held by non-affiliates of the registrant (solely for purposes of this calculation, all directors, executive officers and 10% or greater stockholders of the registrant are considered to be "affiliates") as of June 30, 2018: **Class A Common Stock and Common Stock; no par value –$1,261,840,180.**

The number of shares outstanding of the registrant's classes of common stock as of February 22, 2019: **Class A Common Stock; no par value –** 6,892,233 **shares; Common Stock, no par value –** 94,131,367 **shares.**

DOCUMENTS INCORPORATED BY REFERENCE

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

Gray Television Inc.

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PART 1

Item 1. Business.

In this annual report on Form 10-K (the "Annual Report"), unless otherwise indicated or the context otherwise requires, the words "Gray," the "Company," "we," "us," and "our" refer to Gray Television, Inc. and its consolidated subsidiaries.

Our common stock and our Class A common stock are listed on The New York Stock Exchange (the "NYSE") under the symbols "GTN" and "GTN.A."

Unless otherwise indicated, all station rank, in-market share and television household data herein are derived from reports prepared by Comscore, Inc. ("Comscore"). While we believe this data to be accurate and reliable, we have not independently verified such data nor have we ascertained the underlying economic assumptions relied upon therein, and cannot guarantee the accuracy or completeness of such data.

General

We are a television broadcast company headquartered in Atlanta, Georgia, that is one of the largest owners of television ("TV") stations and digital assets in the United States. Currently, we own and operate television stations in 91 television markets broadcasting almost 400 separate program streams including nearly 150 affiliates of the ABC Network ("ABC"), the NBC Network ("NBC"), the CBS Network ("CBS") and the FOX Network ("FOX"). We refer to these major broadcast networks collectively as the "Big Four" networks. Our television stations ranked first or second among all local television stations in 86 of our 91 markets between December 2017 and November 2018. Our station portfolio reaches approximately 24% of total United States television households. We also own video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content.

Our operating revenues are derived primarily from broadcast and internet advertising and from retransmission consent fees. For the years ended December 31, 2018, 2017 and 2016 our revenues were $1,084.1 million, $882.7 million and $812.5 million, respectively.

Acquisition of Raycom Media, Inc. and Related Transactions

On January 2, 2019, we completed our acquisition of Raycom Media, Inc. ("Raycom"). In addition, we acquired television stations KYOU-TV in the Ottumwa, Iowa / Kirksville, Missouri market and WUPV-TV in the Richmond/Petersburg, Virginia market that Raycom had previously agreed to acquire. In connection with these transactions, we also completed the divestitures of nine television stations in overlap markets to satisfy the conditions placed on these transactions by the Antitrust Division of the U.S. Department of Justice (the "DOJ") and the Federal Communications Commission (the "FCC"). Together we refer to these transactions as the "Raycom Merger." In addition, immediately prior to the closing of the Raycom Merger, Raycom completed the spin-offs to its shareholders of two of its wholly owned subsidiaries, CNHI, LLC and PureCars Automotive, LLC.

The Raycom Merger completed our transformation from a small, regional broadcaster to a leading media company with nationwide scale based on high-quality stations with exceptional talent in attractive markets. By combining these two great companies, we now own and operate television stations and leading digital properties in television markets from Alaska and Hawaii to Maine and Florida.

Markets and Stations

In the year ended December 31, 2018, we operated exclusively in television markets below the top 50 largest designated market areas ("DMAs"). Beginning on January 2, 2019, with the completion of the Raycom Merger, we operate television stations in 34 additional markets, including eight stations in DMAs larger than the top 50 television markets. We believe a key driver for our strong market position both in the past and in the future is our focus on strong local news and information programming. We believe that our market position and our strong local teams have enabled us to maintain more stable revenues compared to many of our peers.

We are diversified across our markets and network affiliations. In 2018 and 2017, our largest market by revenue was Springfield, Missouri, which contributed approximately 5% of our revenue each year. Our top 10 markets by Company revenue contributed approximately 32% and 30% of our revenue for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, our NBC-affiliated channels accounted for approximately 33% of our revenue in each year; our CBS-affiliated channels accounted for approximately 36% of our revenue in each year; our ABC-affiliated channels accounted for approximately 18% of our revenue in each year; and our FOX-affiliated channels accounted for approximately 4% of our revenue.

In each of our markets, we own and operate at least one television station broadcasting a primary channel affiliated with one of the Big Four networks. We also own additional stations in some markets, some of which also broadcast primary channels affiliated with one of the Big Four networks. Nearly all of our stations also broadcast secondary digital channels that are affiliated with various networks, or are independent of any network. The terms of our affiliations with broadcast networks are governed by network affiliation agreements. Each network affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the affiliated network. Our network affiliation agreements with the Big Four broadcast networks currently expire at various dates through December 2023.

Television Industry Background

The FCC grants broadcast licenses to television stations. There are only a limited number of broadcast licenses available in any one geographic area. Each commercial television station in the United States is assigned to one of 210 DMAs. These markets are ranked in size according to their number of television households, with the market having the largest number of television households ranked number one (New York City). Each DMA is an exclusive geographic area consisting of all counties (and in some cases, portions of counties) in which the home-market commercial television stations receive the greatest percentage of total viewing hours.

Television station revenue is derived primarily from local, regional and national advertising revenue and retransmission consent fees. Television station revenue is also derived to a much lesser extent from studio and tower space rental fees and production activities. “Advertising” refers primarily to advertisements broadcast by television stations, but it also includes advertisements placed on a television station’s website and sponsorships of television programming and off-line content (such as email messages, mobile applications, and other electronic content distributed by stations). Advertising rates are generally based upon: (i) the size of a station’s market, (ii) a station’s overall ratings, (iii) a program’s popularity among targeted viewers, (iv) the number of advertisers competing for available time, (v) the demographic makeup of the station’s market, (vi) the availability of alternative advertising media in the market, (vii) the presence of effective sales forces and (viii) the development of projects, features and programs that tie advertiser messages to programming and/or digital content on a station’s website or mobile applications.

Advertising rates can also be determined in part by a station's overall ratings and in-market share, as well as the station's ratings and market share among particular demographic groups that an advertiser may be targeting. Because broadcast stations rely on advertising revenues, they are sensitive to cyclical changes in the economy. The sizes of advertisers' budgets, which can be affected by broad economic trends, can affect the broadcast industry in general and the revenues of individual broadcast television stations.

Strategy

Our success is based on the following strategies:

Grow by Leveraging our Diverse National Footprint. We serve a diverse and national footprint of television stations. We currently operate in DMAs ranked between 11 and 209. We seek to operate in markets that we believe have the potential for significant political advertising revenue in periods leading up to elections. We are also diversified across our broadcast programming.

Maintain and Grow our Market Leadership Position. Based on the consolidated results of the December 2017 through November 2018 ratings periods, our owned and operated television stations achieved the #1 ranking in overall audience in 66 of our 91 markets. In addition, our stations achieved the #1 or #2 ranking in overall audience in 86 of our 91 markets.

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

We also believe that our local market leadership positions help us in negotiating more beneficial terms in our major network affiliation agreements, which expire at various dates through December 2023, and in our syndicated programming agreements. These leadership positions also give us additional leverage to negotiate retransmission contracts with cable system operators, telephone video distributors, direct broadcast satellite (or "DBS") operators, and other multichannel video programming distributors (or "MVPDs").

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

Continue to Pursue Strategic Growth and Accretive Acquisition Opportunities. Over the last several years, the television broadcasting industry has been characterized by a high level of acquisition activity. We believe that there are a number of television stations, and a few station groups, that have attractive operating profiles and characteristics, and that share our commitment to local news coverage in the communities in which they operate and to creating high-quality and locally-driven content. On a highly selective basis, we may pursue opportunities for the acquisition of additional television stations or station groups that fit our strategic and operational objectives, and where we believe that we can improve revenue, efficiencies and cash flow through active management and cost controls. As we consider potential acquisitions, we primarily evaluate potential station audience and revenue shares and the extent to which the acquisition target would positively impact our existing station operations. Consistent with this strategy, from October 31, 2013 through December 31, 2018, we completed 23 acquisition transactions and four divestiture transactions. These transactions added a net total of 50 television stations in 31 television markets, including 28 new television markets, to our operations. For more information on these transactions see Note 3 “Acquisitions and Dispositions” of our audited consolidated financial statements included elsewhere herein. This note also describes the stations we acquired in each of 2017 and 2016, which we may also refer to collectively as our “acquisitions,” our “recent acquisitions” or “the acquisitions.”

On January 2, 2019, we completed the Raycom Merger. Giving effect to the Raycom Merger, including divestitures of stations due to market overlaps, we now own and/or operate television stations and leading locally focused digital platforms in 34 additional markets. In addition to high quality television stations, as part of the Raycom Merger, we acquired businesses that provide sports marketing and production services, that we believe have made us a more diversified media company.

Continue to Monetize Digital Spectrum. In addition to each of our station's primary channel, we also broadcast a number of secondary channels. Certain of our secondary channels are affiliated with more than one network simultaneously. Our strategy includes expanding upon our digital offerings and sales. We also evaluate opportunities to use spectrum for future delivery of data to mobile devices using a new transmission standard.

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

Further Strengthen our Balance Sheet. During the last several years, we have leveraged our strong cash flow and efficient operating model to grow our diverse national footprint. In recent years, we acted to improve the terms of our debt by amending or replacing our long-term debt in order to lock in more attractive terms while interest rates are at historically low levels. During 2017, we completed an underwritten public offering of 17.25 million shares of our common stock at a price to the public of $14.50 per share. The net proceeds of the offering were $238.9 million, after deducting underwriting discounts and expenses. We completed the Raycom Merger using a financing plan composed of combination of our cash on hand, common stock, preferred stock, attractively priced fixed rate debt and an amended term loan facility. We continually evaluate opportunities to improve our balance sheet.

Stations

The following table provides information about television stations owned by Gray Television, Inc. as of February 22, 2019:

DMA Rank (a)	Designated Market Area ("DMA")	Station Call Letters	Network Affiliation (b)	Primary Broadcast License Expiration Date (c)	Primary Channel Station Rank in DMA (d)
11	Tampa-St. Petersburg (Sarasota), FL	WWSB (e)	ABC	2/1/2021	10
19	Cleveland-Akron (Canton)	WOIO (e)	CBS	10/1/2021	4
19	Cleveland-Akron (Canton)	WUAB (e)	CW	10/1/2021	6
23	Charlotte, NC	WBTV (e)	CBS	12/1/2020	1
35	Cincinnati, OH	WXIX (e)	FOX	8/1/2021	4
37	West Palm Beach-Ft. Pierce, FL	WFLX (e)	FOX	2/1/2021	4
43	Birmingham (Ann and Tusc)	WBRC (e)	FOX	4/1/2021	1
48	Louisville, KY	WAVE (e)	NBC	8/1/2021	2
50	New Orleans, LA	WVUE (e)	FOX	6/1/2021	1
51	Memphis, TN	WMC (e)	NBC	8/1/2021	2
56	Richmond- Petersburg, VA	WWBT (e)	NBC	10/1/2020	1
56	Richmond- Petersburg, VA	WUPV (e)	CW	10/1/2020	5
60	Knoxville, TN	WVLT	CBS	8/1/2021	2
60	Knoxville, TN	WBXX	CW	8/1/2021	5
63	Lexington, KY	WKYT	CBS	8/1/2021	1
63	(Hazard, KY)	WYMT (f)	CBS	8/1/2021	
65	Flint/Saginaw/Bay City, MI	WJRT	ABC	10/1/2021	2
66	Honolulu, HI	KHNL (e)	NBC	2/1/2023	4
66	Honolulu, HI	KGMB (e)	CBS	2/1/2023	1
66	Honolulu, HI	KHBC (e)(f)	NBC/CBS	2/1/2023	
66	Honolulu, HI	KOGG (e)(f)	NBC/CBS	2/1/2023	
67	Green Bay/Appleton	WBAY	ABC	12/1/2021	1
68	Roanoke/Lynchburg, VA	WDBJ	CBS	10/1/2020	1
68	Roanoke/Lynchburg, VA	WZBJ	MY	10/1/2020	
69	Omaha, NE	WOWT	NBC	6/1/2022	2
70	Charleston/Huntington, WV	WSAZ	NBC	10/1/2020	1
70	Charleston/Huntington, WV	WQCW	CW	10/1/2021	6
71	Toledo, OH	WTVG	ABC	10/1/2021	1
72	Springfield, MO	KYTV	NBC	2/1/2022	1
72	Springfield, MO	KYCW	CW	2/1/2022	4
72	Springfield, MO	KSPR	ABC	2/1/2022	3
73	Tucson (Nogales), AZ	KOLD (e)	CBS	10/1/2022	2

74	Columbia, SC	WIS	(e)	NBC	12/1/2020	1
76	Wichita/Hutchinson, KS	KWCH		CBS	6/1/2022	1
76	Wichita/Hutchinson, KS	KSCW		CW	6/1/2022	5
76	(Ensign, KS)	KBSD	(f)	CBS	6/1/2022	
76	(Goodland, KS)	KBSL	(f)	CBS	6/1/2022	
76	(Hays, KS)	KBSH	(f)	CBS	6/1/2022	
79	Huntsville- Decatur (Florence), AL	WAFF	(e)	NBC	4/1/2021	2
86	Madison, WI	WMTV		NBC	12/1/2021	1
87	Cedar Rapids, IA	KCRG		ABC	2/1/2022	1
88	Paducah, KY/Cape Girardeau, MO/Harrisburg, IL	KFVS	(e)	CBS	2/1/2022	1
89	Waco/Temple/Bryan, TX	KWTX		CBS	8/1/2022	1
89	Waco/Temple/Bryan, TX	KBTX	(f)	CBS	8/1/2022	4
89	Waco/Temple/Bryan, TX	KNCT		CW	8/1/2022	

Stations owned by Gray Television, Inc. (continued):

DMA Rank (a)	Designated Market Area ("DMA")	Station Call Letters	Network Affiliation (b)	Primary Broadcast License Expiration Date (c)	Primary Channel Station Rank in DMA (d)
90	Shreveport, LA	KSLA (e)	CBS	6/1/2021	2
91	Colorado Springs/Pueblo, CO	KKTV	CBS	4/1/2022	1
92	Jackson, MS	WLBT (e)	NBC	6/1/2021	1
93	Savannah, GA	WTOC (e)	CBS	4/1/2021	1
94	Charleston, SC	WCSC (e)	CBS	12/1/2020	1
95	Myrtle Beach-Florence	WMBF (e)	NBC	12/1/2020	3
96	Burlington, VT - Plattsburgh, NY	WCAX	CBS	4/1/2023	1
97	Baton Rouge, LA	WAFB (e)	CBS	6/1/2021	1
97	Baton Rouge, LA	WBXH (e)	MY	6/1/2021	
98	Davenport, IA (Quad Cities)	KWQC	NBC	2/1/2022	1
99	South Bend/Elkhart, IN	WNDU	NBC	8/1/2021	2
100	Boise, ID	KNIN (e)	FOX	10/1/2022	4
103	Evansville, IN	WFIE (e)	NBC	8/1/2021	1
105	Augusta, GA/Aiken, SC	WRDW	CBS	4/1/2021	2
105	Augusta, GA/Aiken, SC	WAGT	NBC	4/1/2021	3
107	Greenville/New Bern/Washington, NC	WITN	NBC	12/1/2020	1
109	Reno, NV	KOLO	ABC	10/1/2022	3
110	Lansing, MI	WILX	NBC	10/1/2021	2
111	Lincoln/Hastings/Kearney, NE	KOLN	CBS	6/1/2022	1
111	(Grand Island, NE)	KGIN (f)	CBS	6/1/2022	
111	Lincoln/Hastings/Kearney, NE	KSNB	NBC	6/1/2022	4
111	Lincoln/Hastings/Kearney, NE	KCWH	CW	6/1/2022	
112	Tallahassee, FL/Thomasville, GA	WCTV	CBS	4/1/2021	1
112	Tallahassee, FL/Thomasville, GA	WFXU	MY	2/1/2021	
114	Tyler-Longview, TX	KLTV (e)	ABC	8/1/2022	1
114	Tyler-Longview, TX	KTRE (e)(f)	ABC	8/1/2022	3
115	Sioux Falls, SD	KSFY	ABC	4/1/2022	2
115	(Pierre, SD)	KPRY (f)	ABC	4/1/2022	
116	Montgomery, AL	WSFA (e)	NBC	4/1/2021	1
117	Fargo/Valley City, ND	KVLY	NBC	4/1/2022	1
117	Fargo/Valley City, ND	KXJB	CBS	4/1/2022	2
127	Columbus, GA (Opelika, AL)	WTVM (e)	ABC	4/1/2021	1
129	Wilmington, NC	WECT (e)	NBC	12/1/2020	1
130	La Crosse/Eau Claire, WI	WEAU	NBC	12/1/2021	1
131	Amarillo, TX	KFDA (e)	CBS	8/1/2022	1
131	Amarillo, TX	KEYU (e)	TEL	8/1/2022	5
134	Wausau/Rhinelander, WI	WSAW	CBS	12/1/2021	1

134	Wausau/Rhinelander, WI	WZAW	FOX	12/1/2021	4
137	Monroe/El Dorado, LA	KNOE	CBS/ABC	6/1/2021	1
139	Rockford, IL	WIFR	CBS	12/1/2021	2
141	Topeka, KS	WIBW	CBS	6/1/2022	1

Stations owned by Gray Television, Inc. (continued):

DMA Rank (a)	Designated Market Area ("DMA")	Station Call Letters	Network Affiliation (b)	Primary Broadcast License Expiration Date (c)	Primary Channel Station Rank in DMA (d)
142	Odessa/Midland, TX	KOSA	CBS	8/1/2022	1
142	(Big Springs)	KWAB (e)(f)	CW	8/1/2022	
142	Odessa/Midland, TX	KTLE (e)	TEL	8/1/2022	
143	Lubbock, TX	KCBD (e)	NBC	8/1/2022	1
146	Minot/Bismarck/Dickinson, ND	KFYR	NBC	4/1/2022	1
146	(Minot, ND)	KMOT (f)	NBC	4/1/2022	
146	(Williston, ND)	KUMV (f)	NBC	4/1/2022	
146	(Dickinson, ND)	KQCD (f)	NBC	4/1/2022	
146	Minot/Bismarck/Dickinson, ND	KNDX	FOX	4/1/2022	3
146	(Williston, ND)	KXND (f)	FOX	4/1/2022	
147	Anchorage, AK	KTUU	NBC	2/1/2023	1
147	Anchorage, AK	KYES	MY	2/1/2023	6
148	Wichita Falls, TX & Lawton, OK	KSWO (e)	ABC	6/1/2022	2
148	Wichita Falls, TX & Lawton, OK	KKTM (e)	TEL	6/1/2022	7
150	Panama City, FL	WJHG	NBC	2/1/2021	1
150	Panama City, FL	WECP	CBS	2/1/2021	3
152	Albany, GA	WALB (e)	NBC/ABC	4/1/2021	1
152	Albany, GA	WGCW	CW	4/1/2021	6
155	Bangor, ME	WABI	CBS	4/1/2023	1
156	Biloxi-Gulfport, MS	WLOX (e)	ABC/CBS	6/1/2021	1
157	Gainesville, FL	WCJB	ABC	2/1/2021	1
159	Sherman, TX/Ada, OK	KXII	CBS/FOX	8/1/2022	1
159	(Paris, TX)	KXIP (f)	CBS	8/1/2022	
168	Hattiesburg/Laurel, MS	WDAM (e)	NBC/ABC	6/1/2021	1
170	Clarksburg/Weston, WV	WDTV	CBS	10/1/2020	2
170	Clarksburg/Weston, WV	WVFX	FOX	10/1/2020	4
171	Rapid City, SD	KOTA	ABC	4/1/2022	1
171	Rapid City, SD	KEVN	FOX	4/1/2022	4
171	(Lead, SD)	KHSD (f)	ABC/FOX	4/1/2022	
171	(Sheridan, WY)	KSGW (f)	ABC	10/1/2022	
172	Lake Charles, LA	KPLC (e)	NBC	6/1/2021	1
173	Dothan, AL	WTVY	CBS	4/1/2021	1
173	Dothan, AL	WRGX	NBC	4/1/2021	3
175	Harrisonburg, VA	WHSV	ABC	10/1/2020	1
175	Harrisonburg, VA	WSVF	FOX/CBS	10/1/2020	3
179	Alexandria, LA	KALB	NBC/CBS	6/1/2021	1
180	Jonesboro, AR	KAIT (e)	ABC/NBC	6/1/2021	1

181	Bowling Green, KY	WBKO	ABC/FOX	8/1/2021	1
182	Marquette, MI	WLUC	NBC/FOX	10/1/2021	1
183	Charlottesville, VA	WCAV	CBS	10/1/2020	2
183	Charlottesville, VA	WVAW	ABC	10/1/2020	3
183	Charlottesville, VA	WAHU	FOX	10/1/2020	4
184	Laredo, TX	KGNS	NBC/ABC	8/1/2022	2
184	Laredo, TX	KYLX	CBS	8/1/2022	4
184	Laredo, TX	KXNV	TEL	(g)	

Stations owned by Gray Television, Inc. (continued):

DMA Rank (a)	Designated Market Area ("DMA")	Station Call Letters	Network Affiliation (b)	Primary Broadcast License Expiration Date (c)	Primary Channel Station Rank in DMA (d)
187	Grand Junction/Montrose, CO	KKCO	NBC	4/1/2022	1
187	Grand Junction/Montrose, CO	KJCT	ABC	4/1/2022	3
189	Twin Falls, ID	KMVT	CBS	10/1/2022	1
189	Twin Falls, ID	KSVT	FOX	10/1/2022	4
191	Meridian, MS	WTOK	ABC	6/1/2021	1
194	Parkersburg, WV	WTAP	NBC	10/1/2020	1
194	Parkersburg, WV	WIYE	CBS	10/1/2020	2
194	Parkersburg, WV	WOVA	FOX	10/1/2020	3
197	Cheyenne, WY/Scottsbluff, NE	KGWN	CBS	10/1/2022	1
197	(Scottsbluff, NE)	KSTF (f)	CBS	6/1/2022	
197	(Cheyenne, WY/Scottsbluff, NE)	KCHY (f)	NBC	10/1/2022	
198	Casper/Riverton, WY	KCWY	NBC	10/1/2022	1
200	Ottumwa, IA/Kirksville,MO	KYOU (e)	FOX/NBC	2/1/2022	3
202	Fairbanks, AK	KXDF	CBS	2/1/2023	2
202	Fairbanks, AK	KTVF	NBC	2/1/2023	1
202	Fairbanks, AK	KFXF	MY	2/1/2023	3
206	Presque Isle, ME	WAGM	CBS/FOX	4/1/2023	1
209	North Platte, NE	KNOP	NBC	6/1/2022	1
209	(Scottsbluff, NE)	KNEP (f)	NBC	6/1/2022	
209	North Platte, NE	KNPL	CBS	6/1/2022	2
209	North Platte, NE	KIIT	FOX	6/1/2022	3

(a) DMA rank for the 2018-2019 television season based on information published by Comscore.

(b) Indicates primary network affiliations. All primary channels and nearly all of our secondary channels broadcast by the stations are affiliated with at least one broadcast network.

(c) Indicates expiration dates of primary FCC broadcast licenses.

(d) Based on Comscore data for 2018.

(e) Station acquired in the Raycom Merger on January 2, 2019.

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

(g) This station has filed a license application with the FCC, which remains pending. We anticipate that that the pending application will be granted in due course.

Cyclicality, Seasonality and Revenue Concentrations

Broadcast stations like ours rely on advertising revenue and are therefore sensitive to cyclical changes in the economy. Our political advertising revenue is generally not as significantly affected by economic slowdowns or recessions as our non-political advertising revenue.

Broadcast advertising revenue is generally highest in the second and fourth quarters each year. This seasonality results partly from increases in consumer advertising in the spring and retail advertising in the period leading up to and including the Christmas holiday season. Broadcast advertising revenue is also typically higher in even-numbered years due to spending by political candidates, political parties and special interest groups during the “on year” of the two-year election cycle. This political advertising spending typically is heaviest during the fourth quarter. In addition, the broadcast of Olympic Games by our NBC-affiliated stations during even-numbered years generally leads to increased viewership and revenue during those years.

Our broadcast advertising revenue is earned from the sale of advertisements broadcast by our stations. Although no single customer represented more than 5% of our broadcast advertising revenue for the years ended December 31, 2018, 2017 or 2016, we derived a material portion of our non-political broadcast advertising revenue from advertisers in a limited number of industries, particularly the automotive industry. For the years ended December 31, 2018, 2017 and 2016, we derived approximately 25%, 25% and 22%, respectively, of our total broadcast advertising revenue from our customers in the automotive industry. Revenue from this industry may represent a higher percentage of total revenue in odd-numbered years due to, among other things, the increased availability of advertising time, as a result of such years being the “off year” of the two year election cycle.

Station Network Affiliations. In addition to affiliations with ABC, CBS, NBC and FOX, our secondary channels are affiliated with numerous smaller networks and program services including, among others, the CW Network or the CW Plus Network (collectively, “CW”), MY Network (“MY” or “My Network”), the MeTV Network, This TV Network, Antenna TV, Telemundo (“Tel.”), Cozi, Heroes and Icons and MOVIES! Network. Certain of our secondary digital channels are affiliated with more than one network simultaneously. We also broadcast independent and local news/weather channels in some markets.

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

We believe most successful commercial television stations obtain their brand identity from locally produced news programs. Notwithstanding this, however, the affiliation of a station’s channels with one of the Big Four major networks can have a significant impact on the station’s programming, revenues, expenses and operations. A typical network provides an affiliate with network programming in exchange for a substantial majority of the advertising time available for sale during the airing of the network programs. The network then sells this advertising time and retains the revenue. The affiliate sells the remaining advertising time available within the network programming and non-network programming, and the affiliate retains most or all of such revenue from these sales. In seeking to acquire programming to supplement network-supplied programming, which we believe is critical to maximizing affiliate revenue, affiliates compete primarily with other affiliates and independent stations in their markets as well as, in

certain cases, various national non-broadcast networks (“cable networks”) that present competitive programming. The Big Four networks and CW charge fees to their affiliates for receiving network programming.

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

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

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

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

Competition

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

Audience. Stations compete for audience based on broadcast program popularity, which has a direct effect on advertising rates. Networks supply a substantial portion of our affiliated stations' daily programming. Affiliated stations depend on the performance of the network programs to attract viewers. There can be no assurance that any such current or future programming created by our affiliated networks will achieve or maintain satisfactory viewership levels. Stations program non-network time periods with a combination of locally produced news, public affairs and entertainment programming, including national news or syndicated programs purchased for cash, cash and barter, or barter only.

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

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

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

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

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

Federal Regulation of the Television Broadcast Industry

General. Under the Communications Act of 1934 (the "Communications Act"), television broadcast operations such as ours are subject to the jurisdiction of the FCC. Among other things, the Communications Act empowers the FCC to: (i) issue, revoke and modify broadcasting licenses; (ii) regulate stations' operations and equipment; and (iii) impose penalties for violations of the Communications Act or FCC regulations. The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior FCC approval.

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

Media Ownership Restrictions and FCC Proceedings. The FCC's broadcast ownership rules affect the number, type and location of broadcast properties that we may hold or acquire. The FCC adopted significant changes to its ownership rules, which took effect in February 2018. The new rules will continue to limit the common ownership,

operation or control of, and “attributable” interests or voting power in, television stations serving the same area. The current rules limit the aggregate national audience reach of television stations that may be under common ownership, operation and control, or in which a single person or entity may hold an official position or have more than a specified interest or percentage of voting power. The FCC’s rules also define the types of positions and interests that are considered attributable for purposes of the ownership limits, and thus also apply to our principals and certain investors.

The FCC is required by statute to review all of its broadcast ownership rules every four years to determine if such rules remain necessary in the public interest. In November 2017, the FCC released an Order that eliminated or relaxed several long-standing media ownership rules. Specifically, the Order (i) eliminated the newspaper/broadcast cross-ownership rule, (ii) eliminated the radio/television cross-ownership rule, (iii) loosened the existing rules governing ownership of local television stations as described above and (iv) reversed the FCC's earlier decision to treat television joint sales agreements as attributable ownership interests. In December 2018, the FCC began the new quadrennial review of its ownership rules. In its Notice of Proposed Rulemaking ("NPRM"), the FCC is seeking comments on competition in the local television marketplace, including: (i) whether its current two-stations to a market limit should be relaxed or tightened, (ii) whether it should modify its general prohibition on owning two stations ranked among the Top-Four in a market, (iii) if the FCC's television market analysis should consider the factors the DOJ applies to local television issues, (iv) how the FCC should evaluate competition among television stations.

Local TV Ownership Rules. The FCC's current television ownership rules allow one entity to own two commercial television stations in a DMA as long as the specified service contours of the stations do not overlap or, if they do, at least one of the stations is not ranked among the top four stations in the DMA (the "Top Four Prohibition"). Under its rules adopted in November 2017, the Commission will consider requests for waiver of the Top Four Prohibition on a case-by-case basis.

National Television Station Ownership Rule. The maximum percentage of U.S. households that a single owner can reach through commonly owned television stations is 39 percent. This limit was specified by Congress in 2004. The FCC applies a 50 percent "discount" for ultra-high frequency ("UHF") stations. In December 2017, the Commission issued an NPRM seeking comment on whether it should modify or eliminate the national cap, including the UHF discount.

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

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

the station's weekly programming.

Management services agreements and other types of shared services arrangements between same-market stations that do not include attributable time brokerage components generally are not deemed attributable under the FCC's current rules and policies. However, the FCC previously requested comment on whether local news service agreements and/or shared services agreements should be considered attributable for purposes of applying the media ownership rules. The Department of Justice has taken steps under the antitrust laws to block certain transactions involving joint sales or other services agreements.

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

Alien Ownership Restrictions. The Communications Act restricts the ability of foreign entities or individuals to own or hold interests in broadcast licenses. The Communications Act bars the following from holding broadcast licenses: foreign governments, representatives of foreign governments, non-citizens, representatives of non-citizens, and corporations or partnerships organized under the laws of a foreign nation. Foreign individuals or entities, collectively, may directly or indirectly own or vote no more than 20 percent of the capital stock of a licensee or 25 percent of the capital stock of a corporation that directly or indirectly controls a licensee. The 20 percent limit on foreign ownership of a licensee may not be waived. In September 2016, the Commission adopted an Order that allows broadcast licensees to use streamlined procedures when filing a petition for declaratory ruling seeking FCC approval to exceed the 25 percent foreign ownership benchmark for a parent company. The Commission also clarified the methodology for publicly traded broadcasters to assess compliance with the foreign ownership limits.

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

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

The Children's Television Act of 1990 limits commercial matter in children's television programs and requires stations to present educational and informational children's programming. Broadcasters are effectively required through license renewal processing guidelines to provide at least three hours of children's educational programming per week on their primary channels and on each secondary channel. In July 2018, the FCC issued an NPRM that proposed sweeping changes to the current children's programming rules that would give broadcasters increased flexibility in how they choose to serve the educational and informational needs of children. The NPRM remains pending, and we cannot predict what recommendations or further action, if any, will result from it.

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

proceeding, which could have a material adverse effect on our business.

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

MVPD Retransmission of Local Television Signals. Under the Communications Act and FCC regulations, each television station generally has a so-called "must-carry" right to carriage of its primary channels on all MVPD systems serving their market. Each commercial television station may elect between invoking its "must carry" right or invoking a right to prevent an MVPD system from retransmitting the station's signal without its consent ("retransmission consent"). Stations must make this election by October 1 every three years, and stations most recently made such elections by October 1, 2017. Such elections are binding throughout the three-year cycle that commences on the subsequent January 1. The current carriage cycle commenced on January 1, 2018, and ends on December 31, 2020. Our stations have elected retransmission consent and have entered into retransmission consent contracts with virtually all MVPD systems serving their markets.

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

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

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

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

In September 2015, the FCC, in accordance with STELAR, issued an NPRM to review the “totality of the circumstances test” used to evaluate whether broadcast stations and MVPDs are negotiating for retransmission consent in good faith. We cannot predict the outcome of this proceeding. If, however, the FCC revises the totality of the

circumstances test, it could affect our ability to negotiate retransmission consent agreements, including the rates that we obtain from MVPDs.

Broadcast Spectrum. In February 2012, Congress passed legislation that granted the FCC authority to conduct an auction of certain spectrum currently used by television broadcasters. On May 15, 2014, the FCC adopted a Report and Order (the "2014 Report") establishing the framework for an incentive auction of broadcast television spectrum. The 2014 Report created a two part incentive auction framework (the "Incentive Auction"): (1) a reverse auction pursuant to which a television broadcaster could volunteer, in return for payment, to relinquish all or a part of its station's spectrum by (i) surrendering its license, (ii) relinquishing a portion of its spectrum and thereafter sharing spectrum with another station, or (iii) modifying a UHF channel license to a VHF channel license; and (2) a forward auction pursuant to which wireless carriers bid for the relinquished spectrum to offer wireless services. In April 2017, the Commission issued a Public Notice announcing the conclusion of the Incentive Auction, which resulted in 84 MHz of broadcast spectrum being repurposed for wireless use.

Now that the Incentive Auction has concluded, the FCC has begun the process of reallocating the 84 MHz of spectrum to new users. Specifically, the FCC is requiring certain television stations that did not sell their spectrum in the reverse auction to change channels and modify their transmission facilities. The FCC is required to use "reasonable efforts" to preserve a station's coverage area and population served, and cannot require that a station involuntarily move from the UHF band to the VHF band or from the high VHF band to the low VHF band. These changes may constrain our ability to provide high definition programming and additional program streams, including mobile video services. The underlying legislation authorizes the FCC to reimburse stations for reasonable relocation costs. Some television stations are required to change channels and modify their facilities or may choose to channel share. In March 2018, Congress adopted the Reimbursement Expansion Act (REA) to expand the list of entities eligible to be reimbursed for auction-related expenses to include LPTV and TV translator stations. The REA also increased the funds available to reimbursement full power and Class A stations.

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

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

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

Employees

As of February 22, 2019, we had 7,371 full-time employees and 1,152 part-time employees, of which 276 full-time and six part-time employees at nine stations were represented by various unions. We consider our relations with our employees to be good.

Corporate Information

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

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

Item 1A. Risk Factors.

In addition to the other information contained in, incorporated by reference into or otherwise referred to in this annual report on Form 10-K, you should consider carefully the following factors when evaluating our business. Any of these risks, or the occurrence of any of the events described in these risk factors, could materially adversely affect our business, financial condition or results of operations. In addition, other risks or uncertainties not presently known to us or that we currently do not deem material could arise, any of which could also materially adversely affect us. This annual report on Form 10-K also contains and incorporates by reference forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements as a result of certain factors, including the occurrence of one or more of the following risk factors.

Risks Related to Our Indebtedness

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

Currently we have approximately $4.0 billion in aggregate principal amount of outstanding indebtedness, excluding intercompany debt and deferred financing costs. Subject to our ability to meet certain borrowing conditions, we have the ability to incur significant additional debt, including secured debt under our un-drawn $200.0 million revolving credit facility under our senior credit facility (the “2019 Senior Credit Facility”). The terms of the indenture (the “2027 Notes Indenture”) governing our outstanding 7.0% senior notes due 2027 (the “2027 Notes”), the indenture (the “2026 Notes Indenture”) governing our outstanding 5.875% senior notes due 2026 (the “2026 Notes”) and the indenture (the “2024 Notes Indenture”) governing our 5.125% senior notes due 2024 (the “2024 Notes”) also permit us to incur additional indebtedness, subject to our ability to meet certain borrowing conditions.

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

- require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which would reduce funds available for other business purposes, including capital expenditures and acquisitions;
- place us at a competitive disadvantage compared to some of our competitors that may have less debt and better access to capital resources;
- limit our ability to obtain additional financing to fund acquisitions, working capital and capital expenditures and for other general corporate purposes; and
- make it more difficult for us to satisfy our financial obligations.

Our ability to service our significant financial obligations depends on our ability to generate significant cash flow. This is partially subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, that future borrowings will be available to us under our 2019 Senior Credit Facility or any other credit facilities, or that we will be able to complete any necessary financings, in amounts sufficient to enable us to fund our operations or pay our debts and other obligations, or to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. Additional debt or equity financing may not be available in sufficient amounts, at times or on terms acceptable to us, or at all. Specifically, volatility in the capital markets may also impact our ability to obtain additional financing, or to refinance our existing debt, on terms or at times favorable to us. If we are unable to implement one or more of these alternatives, we may not be able to service our debt or other obligations, which could result in us being in default thereon, in which circumstances our lenders could cease making loans to us, and lenders or other holders of our debt could accelerate and declare due all outstanding obligations due under the respective agreements, which could have a material adverse effect on us.

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

The agreements governing our various debt obligations, including our 2019 Senior Credit Facility, the 2027 Notes Indenture, the 2026 Notes Indenture and the 2024 Notes Indenture (together, the “existing indentures” or the “indentures”), include covenants imposing significant restrictions on our operations. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place, or will place, restrictions on our ability to, among other things:

incur additional debt, subject to certain limitations;

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

make investments or acquisitions;

create liens or use assets as security in other transactions;

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

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

The existing indentures and our 2019 Senior Credit Facility requires us to comply with certain financial ratios or other covenants; our failure to do so would result in a default thereunder, which would have a material adverse effect on us.

We are required to comply with certain financial or other covenants under the existing indentures and our 2019 Senior Credit Facility. Our ability to comply with these requirements may be affected by events affecting our business, but beyond our control, including prevailing general economic, financial and industry conditions. These covenants could have an adverse effect on us by limiting our ability to take advantage of financing, investment, acquisition or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the existing indentures or our 2019 Senior Credit Facility.

Upon a default under any of our debt agreements, the lenders or debtholders thereunder could have the right to declare all amounts outstanding, together with accrued and unpaid interest, to be immediately due and payable, which could, in turn, trigger defaults under other debt obligations and could result in the termination of commitments of the lenders to make further extensions of credit under our 2019 Senior Credit Facility. If we were unable to repay our secured debt to our lenders, or were otherwise in default under any provision governing our outstanding secured debt obligations, our secured lenders could proceed against us and our subsidiary guarantors and against the collateral securing that debt. Any default resulting in an acceleration of outstanding indebtedness, a termination of commitments under our financing arrangements or lenders proceeding against the collateral securing such indebtedness would likely result in a material adverse effect on our business, financial condition and results of operations.

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

Borrowings under our 2019 Senior Credit Facility are at variable rates of interest and expose us to interest rate risk. If the rates on which our borrowings are based were to increase from current levels, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available to service our other obligations would decrease.

Risks Related to Our Business

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

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

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

Our results are also subject to seasonal and cyclical fluctuations. Seasonal fluctuations typically result in higher revenue and broadcast operating income in the second and fourth quarters rather than in the first and third quarters of each year. This seasonality is primarily attributable to advertisers' increased expenditures in the spring and in anticipation of holiday season spending in the fourth quarter and an increase in television viewership during this period. In addition, we typically experience fluctuations in our revenue and broadcast operating income between

even-numbered and odd- numbered years. In years in which there are impending elections for various state and national offices, which primarily occur in even-numbered years, political advertising revenue tends to increase, often significantly, and particularly during presidential election years. We consider political broadcast advertising revenue to be revenue earned from the sale of advertising to political candidates, political parties and special interest groups of advertisements broadcast by our stations that contain messages primarily focused on elections and/or public policy issues. In even-numbered years, we typically derive a material portion of our broadcast advertising revenue from political broadcast advertisers. For the years ended December 31, 2018 and 2017, we derived approximately 14% and 2%, respectively, of our total revenue from political broadcast advertisers. If political broadcast advertising revenues declined, especially in an even-numbered year, our results of operations and financial condition could also be materially adversely affected. Also, our stations affiliated with the NBC Network broadcast Olympic Games and typically experience increased viewership and revenue during those broadcasts, which also occur in even-numbered years. As a result of the seasonality and cyclicality of our revenue and broadcast operating income, and the historically significant increase in our revenue and broadcast operating income during even-numbered years, it has been, and is expected to remain, difficult to engage in period-over-period comparisons of our revenue and results of operations.

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

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

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

We consider broadcast advertising revenue to be revenue earned primarily from the sale of advertisements broadcast by our stations. Although no single customer represented more than 5% of our broadcast advertising revenue for the years ended December 31, 2018 or 2017, we derived a material portion of non-political broadcast advertising revenue from advertisers in a limited number of industries, particularly the automotive industry. During each of the years ended December 31, 2018 and 2017 we derived approximately 25% of our total broadcast advertising revenue from our advertisers in the automotive industry. Our results of operations and financial condition could be materially adversely affected if broadcast advertising revenue from the automotive, or certain other industries, such as the medical, restaurant, communications, or furniture and appliances, industries, declined.

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

We intend to continue to evaluate opportunities for growth through selective acquisitions of television stations or station groups. There can be no assurances that we will be able to identify any suitable acquisition candidates, and we cannot predict whether we will be successful in pursuing or completing any acquisitions, or what the consequences of not completing any acquisitions would be. Consummation of any proposed acquisition at any time may also be subject to various conditions such as compliance with FCC rules and policies. Consummation of acquisitions may also be subject to antitrust or other regulatory requirements. In addition, as we operate in a highly regulated industry, we could be subject to litigation, government investigations and enforcement actions on a variety of matters, the result of which could limit our acquisition strategy.

An acquisition strategy involves numerous other risks, including risks associated with:

- identifying suitable acquisition candidates and negotiating definitive purchase agreements on satisfactory terms;
- integrating operations and systems and managing a large and geographically diverse group of stations;

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

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

- potentially losing key employees; and

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

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

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

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

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

One of our most significant costs is for the purchase of television programming. If a particular program is not sufficiently popular among audiences in relation to the cost we pay for such program, we may not be able to sell enough related advertising time for us to recover the costs we pay to broadcast the program. We also must usually purchase programming several years in advance, and we may have to commit to purchase more than one year's worth of programming, resulting in the incurrence of significant costs in advance of our receipt of any related revenue. We

may also replace programs that are performing poorly before we have recaptured any significant portion of the costs we incurred in obtaining such programming or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues, result in the incurrence of impairment charges or otherwise cause our costs to escalate relative to revenues.

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

Our business depends in large part on the success of our network affiliations. Nearly all of our stations are directly or indirectly affiliated with at least one of the four major broadcast networks pursuant to a separate affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the affiliated network during the term of the related agreement. Our affiliation agreements generally expire at various dates through December 2023.

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

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

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

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

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

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

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

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

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

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

In September 2015, the FCC, in accordance with STELAR, issued an NPRM to review the "totality of the circumstances test" used to evaluate whether broadcast stations and MVPDs are negotiating for retransmission consent in good faith. In a July 14, 2016 blog post, the Chairman of the FCC announced that the FCC will not be adopting additional rules governing the retransmission consent process as a part of this proceeding. Instead, the FCC will monitor retransmission consent negotiations and rule on good-faith-negotiation complaints on a case-by-case basis. We cannot predict whether this approach will affect our ability to negotiate retransmission consent agreements, including the rates that we obtain from MVPDs, nor can we predict whether the FCC might reopen this proceeding in the future. The FCC also has taken other actions to implement various provisions of STELAR affecting the carriage of television stations, including (i) adopting rules that allow for the modification of satellite television markets in order to ensure that satellite operators carry the broadcast stations of most interest to their communities, (ii) prohibiting a television station from limiting the ability of an MVPD to carry into its local market television signals that are deemed significantly viewed; and (iii) eliminating the "sweeps prohibition," which had precluded cable operators from deleting or repositioning local commercial television stations during "sweeps" ratings periods.

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

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

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

stations for certain programming, we cannot provide any assurances that we will be able to obtain any desired programming at costs that we believe are reasonable. Cable-network programming, combined with increased access to cable and satellite TV, has become a significant competitor for broadcast television programming viewers. Cable networks' viewership and advertising share have increased due to the growth in MVPD penetration (the percentage of television households that are connected to a MVPD system) and increased investments in programming by cable networks. Further increases in the advertising share of cable networks could materially adversely affect the advertising revenue of our television stations.

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

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

Our defined benefit pension plan obligation is currently underfunded, and, if certain factors worsen, we may have to make significant cash payments, which could reduce the cash available for our business.

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

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

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

We do not have long-term agreements with most of our internet advertisers. Any termination, change or decrease in our relationships with our largest advertising clients could have a material adverse effect on our revenue and

profitability. If we do not maintain or increase our advertising revenue, our business, results of operations and financial condition could be materially adversely affected.

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

As of December 31, 2018, the book value of our broadcast licenses was $1.5 billion and the book value of our goodwill was $612.4 million, in comparison to total assets of $4.2 billion. In addition, the recently completed Raycom Merger will add significant amounts to these values. Not less than annually, and more frequently if necessary, we are required to evaluate our goodwill and broadcast licenses to determine if the estimated fair value of these intangible assets is less than book value. If the estimated fair value of these intangible assets is less than book value, we will be required to record a non-cash expense to write down the book value of the intangible asset to the estimated fair value. We cannot make any assurances that any required impairment charges will not have a material adverse effect on our total assets.

Recently enacted changes to the U.S. tax laws may have a material impact on our business or financial condition.

On December 22, 2017, U.S. tax reform legislation known as the Tax Cuts and Jobs Act (the "TCJA") was signed into law. The TCJA made substantial changes to U.S. tax law, including a reduction in the corporate tax rate, a limitation on deductibility of interest expense, a limitation on the use of net operating losses to offset future taxable income and the allowance of immediate expensing of capital expenditures. The TCJA will continue to have, significant effects on us, some of which may be adverse. The extent of the impact remains uncertain at this time and is subject to any other regulatory or administrative developments, including any further regulations or other guidance yet to be promulgated by the U.S. Internal Revenue Service. The TCJA contains numerous, complex provisions that could affect us.

Cybersecurity risks could affect our operating effectiveness.

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

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

Hilton H. Howell, Jr., our Chairman, President and Chief Executive Officer, is the husband of Robin R. Howell, a member of our Board of Directors (collectively with other members of their family, the "Howell-Robinson Family").

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

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

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

Risks Related to Regulatory Matters

Federal broadcasting industry regulations limit our operating flexibility.

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

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

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

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

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

The FCC's ownership rules generally prohibit us from owning or having "attributable interests" in two television stations that are located in the same markets in which our stations are licensed and at least one station is ranked among the top-four stations in the market (the "Top Four Prohibition"). In November 2017, the FCC released an Order that eliminated or relaxed several long-standing media ownership rules. The Order (i) eliminated the newspaper/broadcast cross-ownership rule; (ii) eliminated the radio/television cross-ownership rule; (iii) loosened the existing rules governing ownership of local television stations by agreeing to consider requests for waivers of the Top Four

Prohibition on a case-by-case basis; and (iv) reversed the FCC's earlier decision to treat joint sales agreements ("JSAs") as attributable ownership interests. In December 2018, the FCC launched a new proceeding to consider whether further changes in the media ownership rules were necessary. The FCC also considers television Local Marketing Agreements ("LMAs") (which are agreements under which a television station sells or provides more than 15 percent of the programming on another same-market television station) as "attributable interests." While the ownership rules have been relaxed, these rules still constrain our ability to expand in our present markets through additional station acquisitions or LMAs.

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

Under the FCC's National Television Station Ownership Rule, a single television station owner may not reach more than 39 percent of U.S. households through commonly owned television stations, subject to a 50 percent discount of the number of television households attributable to UHF stations (the "UHF Discount"). In December 2017, the Commission issued an NPRM seeking comment on whether it should modify or eliminate the national cap, including the UHF Discount. This rule may constrain our ability to expand through additional station acquisitions. Currently our station portfolio reaches approximately 24% of total United States television households.

The Company is subject to governmental oversight regarding compliance with antitrust law as well as related civil litigation.

Various governmental agencies, including the DOJ, have authority to enforce the antitrust laws of the United States in the broadcast television industry. In the last year, the DOJ has increased its enforcement activities within the industry. For example in November 2018, the DOJ filed a lawsuit in the United States District Court for the District of Columbia against six broadcasters, including Raycom, alleging an agreement to exchange competitively sensitive information. Simultaneously, the DOJ filed a settlement in the form of a proposed final judgment. If approved by the court, the settlement would, among other things, prohibit the defendant broadcasters from exchanging competitively sensitive information and impose certain compliance requirements. No party to the settlement agreement, including Raycom, admitted to any wrongdoing. In addition, following the public disclosure of the DOJ investigation, several putative class action lawsuits were filed against various broadcasters, including Gray, asserting claims related to those reflected in the DOJ proposed settlement. These lawsuits have been consolidated in the United States District Court for the Northern District of Illinois for the purpose of coordinated and consolidated pretrial proceedings. We are unable to predict the outcome of these proceedings.

Risks Related to the Ownership of Our Equity Securities

The price and trading volume of our equity securities may be volatile.

The price and trading volume of our equity securities may be volatile and subject to fluctuations. Some of the factors that could cause fluctuation in the stock price or trading volume of our equity securities include:

- general market and economic conditions and market trends, including in the television broadcast industry and the financial markets generally;

the political, economic and social situation in the United States;

actual or anticipated variations in operating results, including audience share ratings and financial results;

inability to meet projections in revenue;

announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or other business developments;

technological innovations in the television broadcast industry;

adoption of new accounting standards affecting our industry;

operations of competitors and the performance of competitors' common stock;

- litigation or governmental action involving or affecting us or our subsidiaries;
- changes in financial estimates and recommendations by securities analysts;
- recruitment or departure of key personnel;
- purchases or sales of blocks of our common stock; and
- operating and stock performance of the companies that investors may consider to be comparable.

There can be no assurance that the price of our equity securities will not fluctuate or decline significantly. The stock market in recent years has experienced considerable price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies and that could adversely affect the price of our equity securities, regardless of our operating performance. Stock price volatility might be worse if the trading volume of shares of our equity securities is low. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our equity securities were to decline significantly, which may cause us to incur substantial costs and could divert the time and attention of our management.

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

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

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

Additional issuances of equity securities would dilute the ownership of our existing stockholders and could reduce our earnings per share.

We may issue additional equity securities in the future in connection with capital raises, acquisitions, strategic transactions or for other purposes. To the extent we issue substantial additional equity securities, the ownership of our existing stockholders would be diluted and our earnings per share could be reduced.

Anti-takeover provisions contained in our Restated Articles of Incorporation ("Articles") and our Bylaws, as amended ("Bylaws"), as well as provisions of Georgia law, could impair a takeover attempt.

Our Articles and Bylaws may have the effect of delaying, deferring or discouraging a prospective acquirer from making a tender offer for our shares of common stock or otherwise attempting to obtain control of us. To the extent that these provisions discourage takeover attempts, they could deprive stockholders of opportunities to realize takeover premiums for their shares. Moreover, these provisions could discourage accumulations of large blocks of common stock, thus depriving stockholders of any advantages which large accumulations of stock might provide.

As a Georgia corporation, we are also subject to provisions of Georgia law, including Section 14-2-1132 of the Georgia Business Corporation Code. Section 14-2-1132 prevents some stockholders holding more than 10% of our outstanding common stock from engaging in certain business combinations unless the business combination was approved in advance by our Board of Directors or results in the stockholder holding more than 90% of our outstanding common stock.

Any provision of our Articles, our Bylaws or Georgia law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

We have the ability to issue additional preferred stock, which could affect the rights of holders of our common stock and Class A common stock.

Including the shares of preferred stock issued in the Raycom Merger, our Articles allow our Board of Directors to issue up to 20 million shares of preferred stock and set forth the terms of such preferred stock. The terms of any such preferred stock, if issued, may adversely affect the dividend and liquidation rights of holders of our common stock.

Holders of our Class A common stock have the right to 10 votes per share on all matters to be voted on by our stockholders and, consequently, the ability to exert significant influence over us.

As a result of the 10 to 1 voting rights of holders of our Class A common stock, these stockholders are expected to be able to exert significant influence over all matters requiring stockholder approval, including mergers and other material transactions, and may be able to cause or prevent a change in the composition of our Board of Directors or a change in control of our Company that could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company and might ultimately affect the market price of our common stock.

If securities analysts do not continue to publish research or reports about our business, or if they publish negative evaluations of our stock, the price of our stock could decline.

We expect that the trading price of our equity securities may be affected by research or reports that industry or financial analysts publish about our business. If one or more of the analysts who cover us downgrade their evaluations, the price of our equity securities could decline. If one or more of these analysts cease coverage of our Company, we could lose visibility in the market for our equity securities, which in turn could cause our stock prices to decline.

Future sales of our Common Stock by the selling stockholders in connection with the Raycom Merger, or the perception in the public markets that such sales may occur, could cause the trading price of our Common Stock to decline.

The issuance of our Common Stock to the selling stockholders in connection with the Raycom Merger could have the effect of depressing the market price for our Common Stock. The Company has filed a registration statement to register all of the shares of Common Stock issued to the selling stockholders in connection with the Raycom Merger. Sales of substantial amounts of our Common Stock, including sales by the selling stockholders from time to time, or the perception that these sales could occur, could adversely affect the price of our Common Stock.

Risks Related to the Raycom Merger

We may not realize all of the anticipated benefits, including synergies, from the Raycom Merger, and our business and results of operations or financial condition may be materially adversely impacted.

There is no assurance that we will successfully or cost effectively integrate the Raycom business. As a result of the Raycom Merger, we now have significantly more television stations covering additional markets, and we have been required to expand the scope of our operations. Our management will be required to devote a significant amount of time and attention to the integration process, including managing a significantly larger and more diversified company than that before the consummation of the Raycom Merger and integrating operations of the Raycom business while carrying on the ongoing operations of our historical business. The process of integrating the business operations may cause an interruption of, or loss of momentum in, the activities of our historical business. If our management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer and our liquidity, results of operations and financial condition may be materially adversely impacted. In addition, as a result of the Raycom Merger, we may identify additional risks and uncertainties not yet known to us.

Even if we are able to successfully integrate the Raycom business, it may not be possible to realize the full benefits, including the synergies that are expected to result from the Raycom Merger, or realize these benefits within the time frame that is expected. Our expected cost savings, as well as any revenue or other synergies, are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. If we fail to realize the benefits we anticipate from the Raycom Merger, our liquidity, results of operations or financial condition may be adversely impacted.

We have incurred, and will continue to incur, significant transaction and merger-related integration costs in connection with the Raycom Merger and other transactions related thereto.

We have paid, and expect to continue to pay, significant transaction costs in connection with the Raycom Merger and other transactions related thereto. These transaction costs include legal, accounting and financial advisory fees and expenses, expenses associated with indebtedness that we incurred in connection with the Raycom Merger and other transactions related thereto, filing fees, printing expenses, mailing expenses and other related charges. As a result of the Raycom Merger, we may also incur costs associated with integrating the operations of Raycom, and these costs may be significant and may have an adverse effect on our future operating results if the anticipated cost savings from the Raycom Merger and related transactions are not achieved. Although we expect that the elimination of duplicative costs and the realization of other efficiencies related to the integration of the Raycom business should allow us to offset these incremental expenses over time, the net benefit may not be achieved in the near term, or at all.

Uncertainties associated with the Raycom Merger may cause employees to leave the Company and may otherwise affect the future business and operations of the Company.

Our success after the Raycom Merger depends in part upon our ability to retain key employees. As a result of the Raycom Merger, current and prospective employees may experience uncertainty about their future roles with the Company and choose to pursue other opportunities, which could have an adverse effect on the Company. If key employees depart, the integration of Raycom may be more difficult and our business may be adversely affected.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our principal executive offices in a building located at 4370 Peachtree Road, NE, Atlanta, Georgia, 30319. We also lease various other offices that support our operations. See “Business – Stations” elsewhere in this Annual Report on Form 10-K for a listing of our significant television stations and their locations.

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

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

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant.

Set forth below is certain information with respect to our executive officers as of February 22, 2019:

Hilton H. Howell, Jr., age 56, has served as our Executive Chairman and Chief Executive Officer since January 2, 2019. Prior to that, Mr. Howell served as our Chairman, Chief Executive Officer and President since June 2013. Mr Howell is a member of the Executive Committee of the Board, has been a director since 1993 and served as the Vice Chairman of the Board from 2002 until April 2016 when he was appointed as Chairman. He served as our Executive Vice President from September 2002 to August 2008. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995, and as Chairman of that company since February 2009. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire & Casualty Insurance Company since 1991. Mr. Howell also serves as a director of Atlantic American Corporation and of each of its subsidiaries, American Southern Insurance Company, American Safety Insurance Company and Bankers Fidelity Life Insurance Company, as well as a director of Delta Life Insurance Company and Delta Fire & Casualty Insurance Company. He is the husband of Mrs. Robin R. Howell, who is a member of our Board of Directors. Additionally, Mr. Howell has, until recently, served as a board member of the National Association of Broadcasters and the NBC Affiliate Board.

Donald P. ("Pat") LaPlatney. Mr. LaPlatney, age 59, has served as our President and Co-Chief Executive Officer since January 2, 2019. Before that he had been Chief Executive Officer and President of Raycom, from July 2016, and as a member of the board of directors of Raycom from 2016, until the closing of the Raycom Merger. Before that, he served as Chief Operating Officer of Raycom from April to July 2016, as Senior Vice President from 2012 until April 2016 and as Vice President, Digital Media from August 2007 to 2012. Before joining Raycom in 2007, Mr. LaPlatney held various executive positions at The Tube Media Corp., Westwood One and Raycom Sports. Additionally, Mr. LaPlatney currently serves as a board member of the National Association of Broadcasters and Vice-Chair of the NBC Affiliate Board.

James C. ("Jim") Ryan, age 58, has served as our Chief Financial Officer since October 1998 and as Executive Vice President since February 2016. Before that, he had been our Senior Vice President since September 2002 and our Vice President since October 1998.

Kevin P. Latek, age 48, has served as our Executive Vice President and Chief Legal and Development Officer since February 2016. Before that, he served as our Senior Vice President, Business Affairs, since July 2013 and as our Vice President for Law and Development since March 2012. Prior to joining us, Mr. Latek represented television and radio broadcasters as well as financial institutions in FCC regulatory and transactional matters with the law firm of Dow Lohnes, PLLC, in Washington, DC. He is a member of the National Association of Broadcasters Educational Foundation, the CBS Affiliates Board, the American Bar Association and the Federal Communications Bar Association. He is a past member of the FOX Affiliates Board of Governors.

Robert L. ("Bob") Smith, age 56, has served as our Chief Operating Officer since January 2019. Before that, he served as our Co-Chief Operating Officer since February 2016 and as our Senior Vice President since July 2013. He is a past member of the Wisconsin Broadcaster's Board, the Madison Chamber of Commerce and the Rockford Chamber of Commerce.

Kevin N. ("Nick") Waller, age 65, has served as our Chief Administrative Officer since January 2019. Before that, he served as our Co-Chief Operating Officer since February 2016 and as our Senior Vice President since July 2013. He is a member of the Florida Association of Broadcasters.

PART II

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

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

As of February 22, 2019, we had 94,131,367 outstanding shares of common stock held by approximately 9,670 stockholders and 6,892,233 outstanding shares of Class A common stock held by approximately 346 stockholders. The number of stockholders consists of stockholders of record and individual participants in security position listings as furnished to us pursuant to Rule 17Ad-8 under the Securities Exchange Act of 1934 (the "Exchange Act").

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

We have not paid dividends on either class of our common stock since October 15, 2008. The 2019 Senior Credit Facility and our indentures contain covenants that restrict our ability to pay cash dividends on our capital stock.

In addition, the declaration and payment of any dividends on our common stock or Class A common stock are subject to the discretion of our Board of Directors. Any future payments of dividends will depend on our earnings and financial position and such other factors as our Board of Directors deems relevant. See Note 4 "Long-term Debt" of our audited consolidated financial statements included elsewhere herein for a further discussion of restrictions on our ability to pay dividends.

On January 2, 2019, we issued 650,000 shares of Series A Perpetual Preferred Stock (the "Preferred Stock"), with a stated face value of $1,000 per share, as a portion of the consideration paid in the Raycom Merger. No placement or underwriting fees were paid in connection with the issuance of the Preferred Stock. The Preferred Stock was issued to legacy Raycom shareholders in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, as specified by the Rule 144A safe harbor, as the Preferred Stock was issued to Raycom shareholders in a privately negotiated transaction not involving any public offering or solicitation. Shares of the Preferred Stock accrue dividends on the face value of such shares (A) in cash at a rate of 8% per annum or, (B) at the Company's

option, in-kind at a rate of 8.5% per annum. The holders of the Preferred Stock do not have any right to exchange or convert such shares into any of our other securities. The shares of our common stock issued to certain legacy Raycom shareholders, upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, have been registered for resale with the SEC on a selling stockholder shelf registration statement on Form S-3, file no. 333-229162.

Stock Performance Graph

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

The following graphs compare the cumulative total return of the common stock and the Class A common stock from January 1, 2014 to December 31, 2018, as compared to the stock market total return indexes for (i) The New York Stock Exchange Composite Index (the "NYSE Composite Index") and (ii) The New York Stock Exchange Television Broadcasting Stations Index (the "TV Broadcasting Stations Index").

The graphs assume the investment of $100 in each of our common stock and the Class A common stock, respectively, the NYSE Composite Index and the TV Broadcasting Stations Index on January 1, 2014. Any dividends are assumed to have been reinvested as paid.

Company/Index/Market	As of 1/1/2014	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Gray Television, Inc. common stock	$100	$ 75	$ 110	$ 73	$ 113	$ 99
NYSE Composite Index	$100	$ 107	$ 102	$ 115	$ 136	$ 124
TV Broadcasting Stations Index	$100	$ 114	$ 125	$ 132	$ 137	$ 136

Company/Index/Market	As of 1/1/2014	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Gray Television, Inc. Class A common stock	$100	$ 71	$ 106	$ 81	$ 111	$ 95
NYSE Composite Index	$100	$ 107	$ 102	$ 115	$ 136	$ 124
TV Broadcasting Stations Index	$100	$ 114	$ 125	$ 131	$ 137	$ 136

Item 6. Selected Financial Data.

Set forth below is selected historical consolidated financial information for Gray for, and as of the end of, each of the years ended December 31, 2018, 2017, 2016, 2015 and 2014. The selected historical consolidated financial information presented below does not contain all of the information you should consider when evaluating Gray, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes included elsewhere herein. Various factors are expected to have an effect on our financial condition and results of operations in the future, including the ongoing integration of any acquired businesses. You should also read this selected historical consolidated financial information in conjunction with the information under "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except net income per share data)				
Statements of Operations Data (1):					
Revenue (less agency commissions)	$1,084,132	$882,728	$812,465	$597,356	$508,134
Operating income (2)	388,771	290,731	234,304	141,134	154,737
Loss from early extinguishment of debt (3)	-	(2,851)	(31,987)	-	(5,086)
Net income	210,803	261,952	62,273	39,301	48,061
Net income per common share:					
Basic	2.39	3.59	0.87	0.58	0.83
Diluted	2.37	3.55	0.86	0.57	0.82
Balance Sheet Data (at end of period):					
Total assets (4)	$4,213,445	$3,260,857	$2,752,505	$2,078,018	$1,834,074
Long-term debt (including current portion) (4)	2,549,224	1,837,428	1,756,747	1,220,084	1,217,750
Total stockholders' equity	1,187,189	992,897	492,861	429,274	216,192

(1) Our operating results fluctuate significantly between years, as a result of, among other things, our acquisition activity, and increased political advertising revenue in even-numbered years.

(2) Amounts in 2017, 2016, 2015 and 2014 have been reclassified to give effect to the implementation of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2017-07, Compensation—Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. We adopted these standards as of January 1, 2018. Upon the adoption of this standard, except for service costs of $3.1 million in 2015 and $5.2 million in 2014, we reclassified our net pension expense (benefit) from our operating expenses to our miscellaneous income, net. The amount was not material.

(3) In 2017, we recorded a loss from early extinguishment of debt related to the amendment and restatement of our 2017 Senior Credit Facility. In 2016, we recorded a loss on early extinguishment of debt related to the repurchase

and redemption of our then-outstanding 7½% senior notes due 2020. In 2014, we recorded a loss from early extinguishment of debt related to: (i) the amendment and restatement of our prior senior credit facility and (ii) the write off of unamortized deferred financing costs upon the extinguishment of debt of a variable interest entity and the termination of our guarantee of such debt.

(4) Amounts in 2015 and 2014 have been reclassified to give effect to the implementation of ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - *Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-15, Interest - Imputation of Interest (Subtopic 835-30) - *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements- Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*. We adopted these standards as of January 1, 2016. In accordance with these standards, we have reclassified our deferred loan costs as a reduction in the balance of our long-term debt in our balance sheets. Our deferred loan costs were previously presented as a non-current asset.

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

Executive Overview

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

Business Overview. We are a television broadcast company headquartered in Atlanta, Georgia, that is one of the largest owners of top-rated local television stations and digital assets in the United States. As of January 2, 2019, we owned and/or operated television stations and locally focused digital platforms in 91 television markets broadcasting almost 400 separate programming streams, including nearly 150 affiliates of the Big Four TV networks. Our television stations ranked first or second among all local television stations in 86 of our 91 markets between December 2017 and November 2018. Our station portfolio reaches approximately 24% of total United States television households. We also own video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content.

Our operating revenues are derived primarily from broadcast and internet advertising, retransmission consent fees and, to a lesser extent, other sources such as production of commercials, tower rentals and management fees. For the years ended December 31, 2018, 2017 and 2016 we generated revenue of $1,084.1 million, $882.7 million and $812.5 million, respectively.

Between December 2017 and November 2018, our owned and operated television stations achieved the #1 ranking in overall audience in 66 of our 91 markets. In addition, our stations achieved the #1 or #2 ranking in overall audience in 86 of our 91 markets.

Recent Acquisitions and Divestitures. Over the last several years, the television broadcasting industry has been characterized by a high number of transactions resulting in continued industry consolidation. We believe that there continues to be a number of television stations, and various station groups, that have attractive operating profiles and characteristics that share our commitment to local news coverage in the communities in which they operate and to creating high-quality and locally-driven content. On a highly selective basis, we may pursue other opportunities for the acquisition of additional television stations or station groups that fit our strategic and operational objectives, and where we believe that we can improve revenue, efficiencies and cash flow through active management and cost controls. As we consider potential acquisitions, we evaluate, among other things, potential station audience and revenue shares and the extent to which the acquisition target would positively impact our existing station operations.

Consistent with this strategy, from October 31, 2013 through December 31, 2018, we completed 23 acquisition transactions and four divestiture transactions. These transactions added a net total of 50 television stations in 31 television markets, including 28 new television markets, to our operations including eight stations acquired in 2017 (excluding certain television stations we began operating in 2016, and subsequently acquired in 2017, in the Clarksburg, West Virginia market, the “2017 Acquisitions”). We refer to the stations acquired and retained in 2016, as well as the Clarksburg Acquisition as the “2016 Acquisitions”. See Note 3 “Acquisitions and Dispositions” of our audited consolidated financial statements included elsewhere herein for additional information on our acquisitions and dispositions. Our total revenue and our broadcast operating expenses have increased significantly as a result of our recent acquisitions.

Recent Financing Transactions. In connection with the consummation of our recent acquisitions and our efforts to strengthen our balance sheet, we have undertaken several recent financing transactions. These transactions have included an underwritten offering of our common stock in December 2017; the repurchase and redemption of certain senior notes and the issuance of additional senior notes in 2016; and the refinancing of our senior credit facilities in 2016 and 2017. For a detailed description of these transactions please see Note 4 “Long-term Debt” and Note 6 “Stockholders’ Equity” of our audited consolidated financial statements included elsewhere herein. In addition, in connection with the Raycom Merger, we amended our senior credit facility and issued shares of our common stock and preferred stock. For a detailed description of these transactions please see “Raycom Merger” for more information.

Raycom Merger. On January 2, 2019, we completed the Raycom Merger. Net of station divestitures due to market overlaps, we now own and/or operate television stations and leading locally focused digital platforms serving 91 markets including nearly 150 affiliates of the Big Four networks. These stations were ranked #1 or #2 in 86 of the combined markets. In addition to high quality television stations, we acquired additional Raycom businesses that provide sports marketing and production services, which we believe has made us a more diversified media company. See “Business – Stations” elsewhere in this Annual Report on Form 10-K for a listing of our television stations and their markets.

In connection with the Raycom Merger, on January 2, 2019, we amended our senior credit facility (the “2019 Senior Credit Facility”) as follows: (1) we replaced our existing $100 million revolving credit facility under our prior senior credit facility with a new five year revolving credit facility (the “2019 Revolving Credit Facility”), the terms of which provide for up to $200 million in available borrowings and a maturity date of January 1, 2024, and (2) we incurred a $1.4 billion term loan (the “2019 Term Loan”), which matures on January 1, 2026. Since the Raycom Merger was not completed by December 15, 2018, we incurred a ticking fee of $0.8 million at a rate of 1.25% of the 2019 Term Loan amount, from December 16, 2018 to January 1, 2019. In addition, we assumed $750.0 million of the 7.0% 2027 Notes, which were issued by our special purpose, wholly-owned subsidiary on November 16, 2018. The proceeds of the 2019 Term Loan and the 2027 Notes were used to fund a portion of the cash consideration payable in the Raycom Merger.

Upon consummation of the Raycom Merger, all outstanding shares of Raycom capital stock, and options and warrants to purchase Raycom capital stock, were cancelled, and all outstanding indebtedness was repaid, in exchange for aggregate consideration consisting of: (i) 11,499,945 shares of the Company’s common stock, for which we filed a registration statement in January 2019, covering the resale of the shares issued; (ii) $2.84 billion in cash; and (iii) 650,000 shares of Series A Perpetual Preferred Stock (the “Preferred Stock”) of the Company, with a stated face value of $1,000 per share, issued to holders of warrants to purchase shares of Raycom. The Preferred Stock accrues dividends at 8% per annum payable in cash or 8.5% per annum payable in the form of additional Preferred Stock, at the election of Gray. The holders of Preferred Stock are not entitled to vote on any matter submitted to the stockholders of the Company for a vote, except as required by Georgia law. Upon a liquidation of the Company, holders of the Preferred Stock will be entitled to receive a liquidation preference equal to $1,000 per share plus all accrued and unpaid dividends.

The completion of the Raycom Merger will materially affect our operations, liquidity and capital expenditures. In addition to the effects on our balance sheets from the financing transactions described above, we expect that our results of operations and cash flows will increase substantially. We also expect that the Raycom Merger will create opportunities to reduce or eliminate redundancies in our combined operations, and that these synergies will be implemented in phases over several years. See Note 13 “Subsequent Events” of our audited consolidated financial statements included elsewhere herein for additional information on the transaction.

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

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

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

Our broadcast and internet advertising revenues are affected by several factors that we consider to be seasonal in nature. These factors include:

- Spending by political candidates, political parties and special interest groups increases during the even-numbered "on year" of the two-year election cycle. This political spending typically is heaviest during the fourth quarter of such years;

- Broadcast advertising revenue is generally highest in the second and fourth quarters each year. This seasonality results partly from increases in advertising in the spring and in the period leading up to and including the holiday season;

- Local and national advertising revenue on our NBC-affiliated stations increases in even numbered years as a result of broadcasts of the Olympic Games; and

- Because our stations and markets are not evenly divided among the Big 4 broadcast networks, our local and national advertising revenue can fluctuate between years related to which network broadcasts the Super Bowl.

Automotive advertisers have traditionally accounted for a significant portion of our revenue. During each of the years ended December 31, 2018 and 2017, we derived approximately 25% of our total broadcast advertising revenue from customers in the automotive industry. Strong demand for our advertising inventory from political advertisers can require significant use of available inventory, which in turn can lower our advertising revenue from our non-political advertising revenue categories in the even numbered "on-year" of the two year election cycle. These temporary declines are expected to reverse themselves in the odd numbered "off-year" of the two-year election cycle.

While our revenues have increased in recent years as a result of our acquisitions, they have also experienced a gradual improvement as a result of improvements in general economic conditions. However, revenue remains under pressure from the internet as a competitor for advertising spending. We continue to enhance and market our internet websites in an effort to generate additional revenue. Our aggregate internet revenue is derived from both advertising and sponsorship opportunities directly on our websites.

Our primary broadcasting operating expenses are employee compensation, related benefits and programming costs. In addition, the broadcasting operations incur overhead expenses, such as maintenance, supplies, insurance, rent and utilities. A large portion of the operating expenses of our broadcasting operations is fixed. We continue to monitor our operating expenses and seek opportunities to reduce them where possible.

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

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

Revenue

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

	Year Ended December 31,					
	2018		2017		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenue:						
Local (including internet /digital/mobile)	$442,728	40.8%	$451,261	51.1%	$403,336	49.6%
National	114,192	10.5%	118,817	13.5%	98,351	12.1%
Political	155,074	14.3%	16,498	1.9%	90,095	11.1%
Retransmission consent	355,423	32.8%	276,603	31.3%	200,879	24.7%
Other	16,715	1.6%	19,549	2.2%	19,804	2.5%
Total	$1,084,132	100.0%	$882,728	100.0%	$812,465	100.0%

Results of Operations

Year Ended December 31, 2018 (“2018”) Compared to Year Ended December 31, 2017 (“2017”)

Revenue. Total revenue increased $201.4 million, or 23%, to $1,084.1 million for 2018 compared to 2017. Local advertising revenue decreased approximately $8.5 million, or 2%, to $442.7 million. National advertising revenue decreased approximately $4.6 million, or 4%, to $114.2 million. Political advertising revenue increased approximately $138.6 million or 840% to $155.1 million due to 2018 being the on-year of the two-year election cycle. Retransmission consent revenue increased by approximately $78.8 million or 28% to $355.4 million primarily due to higher retransmission consent rates. The slight declines in local and national advertising revenue were caused in-part, by inventory displacement resulting from increased political advertising revenue. This decline in local and national

advertising revenue was partially offset by revenue from the broadcast of the 2018 Super Bowl on our NBC-affiliated stations of approximately $2.3 million, compared to $0.6 million that we earned from the broadcast of the 2017 Super Bowl on our FOX-affiliated stations. In addition, 2018 total local and national advertising revenue benefitted from the broadcast of the Winter Olympic Games on our NBC-affiliated stations by approximately $5.5 million. Because the television stations acquired in 2017 were acquired early in 2017, they did not have a significant impact on the comparison of revenues between 2018 and 2017.

Broadcast operating expenses. Broadcast operating expenses (before depreciation, amortization and loss on disposal of assets) increased $38.8 million, or 7%, to $596.4 million for 2018 compared to 2017. The primary reasons for the increase included retransmission expense that increased by $28.5 million, related to our increased retransmission consent revenue under our affiliation agreements; an increase of $2.1 million of programming expenses; and business and professional services fees that increased by $6.8 million, offset by decreases of $3.2 million of national sales commissions. Compensation expense increased $1.3 million, or less than 1% in 2018 compared to 2017, primarily as a result of $3.6 million in additional employee health insurance expenses. Non-cash share based compensation expenses were $1.9 million in 2018 compared to $3.9 million in 2017. Because the television stations acquired in 2017 were acquired early in 2017, they did not have a significant impact on the comparison of broadcast operating expenses between 2018 and 2017.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and loss on disposal of assets) increased $9.3 million, or 30%, to $40.9 million for 2018 compared to 2017. The increase was due primarily to increases of $7.3 million in legal and other professional fees associated with acquisition activity in 2018. Compensation expenses increased $1.8 million primarily as a result of increases in incentive compensation. Non-cash share based compensation expenses were $4.8 million in 2018 and $4.4 million in 2017.

Depreciation. Depreciation of property and equipment totaled $53.9 million and $52.0 million for 2018 and 2017, respectively. Depreciation expense increased due to purchases of property and equipment at our existing stations and additional property and equipment placed in service related to the 2017 Acquisitions.

Amortization of intangible assets. Amortization of intangible assets totaled $20.6 million and $25.1 million for 2018 and 2017, respectively. Amortization expense decreased primarily due to the finite-lived intangible assets, acquired in prior years, becoming fully amortized.

Gain or loss on disposal of assets, net. We reported gains on disposals of assets of $16.4 million in 2018 and $74.2 million in 2017. During 2018, we recorded a gain of $4.8 million related to the divestiture of WSWG-TV to facilitate regulatory approval of the Raycom Merger. Also in 2018, we reported gains of $14.2 million related to assets disposed as required by the FCC's Repack process. On May 30, 2017, we tendered two of our broadcast licenses and made other modifications to our broadcast spectrum related to our participation in the FCC's broadcast spectrum auction. Our proceeds from this auction were $90.8 million and the cost of the assets disposed of was $13.1 million.

Interest expense. Interest expense increased $11.4 million, or 12%, to $106.6 million for 2018 compared to 2017. Interest expense increased by $6.6 million resulting from the issuance on November 16, 2018 of our 2027 Notes; by $0.8 million of ticking fees related to the $1.4 billion lending commitment for our 2019 Senior Credit facility; and the increase in the interest rate, from 3.6% to 4.6%, in the interest rate on the balance outstanding under our 2017 Term Loan.

Loss from early extinguishment of debt. In 2017, we recorded a loss from early extinguishment of debt of approximately $2.9 million, as a result of entering into our 2017 Senior Credit Facility.

Income tax expense. Our effective income tax rate increased to a net provision of 26.7% for 2018 from benefit of 35.5% for 2017. The primary reason for the increase was the impact of the enactment of the TCJA that was signed into law on December 22, 2017. The TCJA materially affected our income tax obligations in 2017 and in subsequent years. Among other things, the new law resulted in a positive effect on our net earnings and earnings per share. It also limits or eliminates certain deductions to which we have been entitled in past years. In 2017, the TCJA reduced the value of our deferred tax liabilities, with a credit to earnings for a reduction of those liabilities. Accordingly, we recorded an income tax benefit of $68.7 million in the year ended December 31, 2017. Our effective income tax rates differed from the statutory rate due to the following items:

	Year Ended December 31,	
	2018	**2017**
Statutory federal income tax rate	21.0 %	35.0 %
Current year permanent items	1.1 %	1.2 %
State and local taxes, net of federal taxes	4.9 %	4.1 %
Change in valuation allowance	0.0 %	(0.8)%
Reserve for uncertain tax positions	0.0 %	0.4 %
Rate change due to enactment of tax reform	0.0 %	(75.5)%
Other items, net	(0.3)%	0.1 %
Effective income tax expense (benefit) rate	26.7 %	(35.5)%

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016 ("2016")

Revenue. Total revenue increased $70.3 million, or 9%, to $882.7 million for 2017 compared to 2016. Local advertising revenue increased approximately $47.9 million, or 12%, to $451.3 million. National advertising revenue increased approximately $20.5 million, or 21%, to $118.8 million. The television stations we acquired in 2017 and 2016 had a significant impact on our revenues, together accounting for approximately $232.2 million of our total revenue in 2017, and the television stations we acquired in 2016 accounting for $130.4 million of our revenues in 2016.

Excluding the revenue contributed by the television stations we acquired in 2017 and 2016, our total revenue decreased by $31.6 million. This was primarily the result of a decrease in political advertising revenue of approximately $63.4 million due to 2017 being the off-year of the two-year election cycle. These decreases were partially offset by an increase in retransmission consent revenue of approximately $36.8 million primarily due to higher retransmission consent rates. Local and national advertising revenue declined as a result of the impact of the broadcast of the 2017 Super Bowl on our FOX-affiliated stations generating approximately $0.6 million of local and national advertising revenue, compared to $1.6 million that we earned from the broadcast of the 2016 Super Bowl on our CBS-affiliated stations. Local and national advertising also declined because the year ended December 31, 2016 included approximately $8.2 million of revenue from the 2016 Olympic Games.

Broadcast operating expenses. Broadcast operating expenses (before depreciation, amortization and loss on disposal of assets) increased $82.6 million, or 17%, to $557.6 million for 2017 compared to 2016, due to increases in compensation expense of $29.7 million and non-compensation expense of $52.9 million. The 2017 Acquisitions and the 2016 Acquisitions accounted for approximately $135.6 million of our total broadcast operating expenses in 2017, and with the 2016 Acquisitions accounting for $74.6 million of our broadcast operating expenses in 2016.

Compensation expense increased in 2017 compared to 2016, primarily as a result of $28.5 million in additional costs resulting primarily from the addition of employees at the stations acquired in 2017 and 2016. Non-cash share based compensation expenses were $3.9 million in 2017 compared to $1.2 million in 2016.

The 2017 Acquisitions and 2016 Acquisitions contributed $32.6 million to the increase in non-compensation expense when comparing 2017 to 2016. Excluding the impact of the 2017 Acquisitions and the 2016 Acquisitions, retransmission expense increased by $19.3 million related to our increased retransmission consent revenue under our affiliation agreements and business and professional services fees increased by $2.7 million, offset by service and other broadcast operating expense decreases of $3.7 million.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and loss on disposal of assets) decreased $8.7 million, or 22%, to $31.6 million for 2017 compared to 2016. The decrease was due primarily to decreases of $8.5 million in legal and other professional fees associated with decreases in acquisition activity in 2017. Compensation expenses decreased $1.4 million, or 9%, primarily as a result of decreases in incentive compensation. We recorded non-cash stock-based compensation expense during 2017 and 2016 of $4.4 million and $3.9 million, respectively.

Depreciation. Depreciation of property and equipment totaled $52.0 million and $45.9 million for 2017 and 2016, respectively. Depreciation expense increased due to purchases of property and equipment at our existing stations and additional property and equipment placed in service related to the 2017 Acquisitions and the full year impact of the assets acquired in the 2016 Acquisitions.

Amortization of intangible assets. Amortization of intangible assets totaled $25.1 million and $16.6 million for 2017 and 2016, respectively. Amortization expense increased primarily due to the amortization expense associated with the acquired finite-lived intangible assets in the 2017 Acquisitions and the full year impact of the assets acquired in the 2016 Acquisitions.

Gain or loss on disposal of assets, net. We reported gains on disposals of assets of $74.2 million and losses on disposals of assets of $0.3 million in the years ended December 31, 2017 and 2016, respectively. On May 30, 2017, we tendered two of our broadcast licenses and made other modifications to our broadcast spectrum related to our participation in the FCC's reverse auction for broadcast spectrum. Proceeds from this auction, which we received on August 7, 2017, were $90.8 million while the combined cost of the disposed assets was $13.1 million. We have deferred any related income tax obligations on a long-term basis.

Interest expense. Interest expense decreased $2.0 million, or 2%, to $95.3 million for 2017 compared to 2016. Interest expense decreased due to a decrease in our average interest rates offset, in part, by an increase in our average principal outstanding. The average interest rate on our debt balances was 4.9% and 5.5% for 2017 and 2016, respectively. Our average debt balance was $1.8 billion and $1.6 billion during 2017 and 2016, respectively. Our average debt balance increased as a result of increased borrowings used to finance our acquisitions.

Loss from early extinguishment of debt. In the year ended December 31, 2017, we recorded a loss from early extinguishment of debt of approximately $2.9 million, related to the amendment and restatement of our senior credit facility. In the year ended December 31, 2016, we recorded a loss from early extinguishment of debt of approximately $32.0 million, related to the tender offer and redemption of our 7½% senior notes due 2020.

Income tax expense. Our effective income tax rate decreased to a net benefit of 35.5% for 2017 from an expense of 41.1% for 2016. The primary reason for the decrease was the impact of the enactment of the TCJA that was signed into law on December 22, 2017. The TCJA will materially affect our income tax obligations in 2018 and subsequent years. Among other things, the new law should result in a positive effect on our net earnings and earnings per share. It will also limit or eliminate certain deductions to which we have been entitled in past years and, in 2017, reduced the value of our deferred tax liabilities, with a credit to earnings for a reduction of those liabilities. Accordingly, we recorded an income tax benefit of $68.7 million in the year ended December 31, 2017, compared to a tax provision of $43.4 million in the year ended December 31, 2016. Our effective income tax rates differed from the statutory rate due to the following items:

	Year Ended December 31,	
	2017	**2016**
Statutory federal income tax rate	35.0 %	35.0 %
Current year permanent items	1.2 %	1.7 %
State and local taxes, net of federal taxes	4.1 %	4.8 %
Change in valuation allowance	(0.8)%	(0.1)%
Reserve for uncertain tax positions	0.4 %	(0.7)%
Rate change due to enactment of tax reform	(75.5)%	0.0 %
Other items, net	0.1 %	0.4 %
Effective income tax (benefit) expense rate	(35.5)%	41.1 %

Liquidity and Capital Resources

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Net cash provided by operating activities	$323,316	$180,015	$210,085
Net cash used in investing activities	(47,377)	(349,799)	(479,334)
Net cash provided by financing activities	680,605	306,994	497,120
Net increase in cash and restricted cash	$956,544	$137,210	$227,871

	December 31,	
	2018	**2017**
Cash	$666,980	$462,399
Restricted cash	$751,963	-
Long-term debt including current portion	$2,549,224	$1,837,428
Borrowing availability under 2017 Senior Credit Facility	$100,000	$100,000

Recent Financing Transactions. In connection with the consummation of our recent acquisitions and our efforts to strengthen our balance sheet, we have undertaken several recent financing transactions. These transactions have included an underwritten offering of our common stock in December 2017; the repurchase and redemption of certain senior notes and the issuance of additional senior notes in 2016 and 2018; and the refinancing of our senior credit facilities in 2016 and 2017. For a detailed description of these transactions please see Note 4 “Long-term Debt” and Note 6 “Stockholders’ Equity” of our audited consolidated financial statements included elsewhere herein. In connection with the Raycom Merger, we refinanced our senior credit facility and issued shares of our common stock and preferred stock. For a detailed description of these transactions please see Note 13 “Subsequent Events” of our audited consolidated financial statements included elsewhere herein.

Income Taxes. We file a consolidated federal income tax return and such state or local tax returns as are required based on our current forecasts. We estimate that these income tax payments will be within a range of approximately $29.0 million to $31.0 million in 2019.

Liquidity – Significant Impacts of Raycom Merger

The Raycom Merger has had a significant impact on our future operations and balance sheet. In connection with the Raycom Merger, on January 2, 2019, we completed the following debt transactions: (1) replaced our existing $100 million revolving credit facility with the 2019 Revolving Credit Facility, the terms of which provide for up to $200 million in available borrowings and a maturity date extended until January 1, 2024; (2) incurred the $1.4 billion 2019 Term Loan, which has a maturity date of January 1, 2026; (3) because the Raycom Merger was not completed by December 15, 2018, we incured a ticking fee of $0.8 million at a rate of 1.25% of the 2019 Term Loan commitment amount, from December 16, 2018 to January 1, 2019; and (4) we assumed $750.0 million of the 7.0% 2027 Notes, which were issued on November 16, 2018 by Gray Escrow, Inc., a wholly owned subsidiary. The proceeds of the 2019 Term Loan and the 2027 Notes were used to fund a portion of the cash consideration payable in the Raycom Merger.

In connection with the Raycom Merger, on January 2, 2019, we completed the following equity transactions: (1) a portion of the consideration to complete the Raycom Merger included 11.5 million shares of our common stock valued at $169.5 million based upon our closing stock price on December 31, 2018; (2) filed a registration statement, following the effective time of the Raycom Merger, covering the resale of the shares of the common stock issuable in the Raycom Merger; and (3) issued 650,000 shares of our Preferred Stock to holders of warrants to purchase the shares of Raycom Media, Inc.'s capital stock outstanding immediately prior to the Raycom Merger. The Preferred Stock accrues dividends at 8% per annum payable in cash or 8.5% per annum payable in the form of additional Preferred Stock, at the election of Gray. The holders of Preferred Stock are not entitled to vote on any matter submitted to the stockholders of the Company for a vote, except as required by Georgia law. Upon a liquidation of the Company, holders of the Preferred Stock will be entitled to receive a liquidation preference equal to $1,000 per share plus all accrued and unpaid dividends.

The completion of the Raycom Merger will materially affect our operations, liquidity and capital expenditures. In addition to the effects on our balance sheet from the financing transactions described above, we expect that our results of operations and cash flows will increase substantially. We also expect that the Raycom Merger will create opportunities to reduce or eliminate redundancies in our combined operations, and that these synergies will be implemented in phases over several years. See Note 13 "Subsequent Events" of our audited consolidated financial statements included elsewhere herein for additional information on the transaction.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities – 2018 Compared to 2017

Net cash provided by operating activities increased $143.3 million to $323.3 million in 2018 compared to net cash provided by operating activities of $180.0 million in 2017. The increase in cash provided by operating activities was due primarily to the net impact of several factors including; a decrease in net income of $51.2 million, and an increase of $151.0 million in non-cash expenses and an increase of $43.5 million due to changes in working capital balances. The primary changes in our non-cash expenses were an increase in our deferred income taxes due to the impact of the TCJA of approximately $100.3 million and decrease in the a gain on disposal of assets of approximately $57.8 million.

Net cash used in investing activities decreased $302.4 million to $47.4 million for 2018 compared to $349.8 million for 2017. The net decrease was due primarily to a net decrease of $405.6 million in cash used to acquire television businesses and licenses in 2018, compared to 2017. Other significant changes in 2018 compared to 2017 included; the recieipt in 2018 of $8.5 million in proceeds from the divestiture of television station WSWG to facilitate regulatory approval of the Raycom Merger; offset by an increase in 2018 of $14.2 million in the proceeds received from the FCC's Repack process; an increase of $35.4 million of cash used to purchase property and equipment. In addition, during 2017 we received $90.8 million of proceeds from the FCC Spectrum Auction.

Net cash provided by financing activities was $680.6 million in 2018 compared to $307.0 million in 2017. This increase of $373.6 million was due primarily to the issuance of $750.0 million of our 7% 2027 Notes that were used in 2019 to finance a portion of the cash consideration of the Raycom Merger. During 2018, we paid $5.2 million of deferred loan costs related to the 2027 Notes and pre-payments of deferred loan costs for the 2019 Senior Credit Facility. During 2018, we made total payments of $40.2 million to reduce the balance outstanding of our 2017 Term Loan. Also during 2018, we used $19.6 million of cash to repurchase shares of our common stock and $4.4 million in payments for taxes related to net share settlements of equity awards. Net cash provided by financing activities in 2017 was primarily from our December 2017 underwritten public offering of 17.25 million shares of our common stock, at a price to the public of $14.50 per share that resulted in net proceeds of approximately $238.9 million. In 2017 we borrowed $85.0 million, reduced by $6.2 million of quarterly principal payments, under the 2017 Term Loan. We used $5.0 million of cash for deferred financing costs primarily related to the 2017 Senior Credit Facility. Also, in 2017 we used $4.0 million to repurchase shares of our common stock and made $1.8 million in payments for taxes related to net share settlements of equity awards.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities - 2017 Compared to 2016

Net cash provided by operating activities decreased $30.1 million to $180.0 million in 2017 compared to net cash provided by operating activities of $210.1 million in 2016. The decrease in cash provided by operating activities was due primarily to the net impact of several factors including; an increase in net income of $199.7 million, and a decrease of $206.5 million in non-cash expenses and a decrease of $23.3 million due to changes in working capital balances. The primary changes in our non-cash expenses included: a decrease in our deferred income taxes due to the impact of the TCJA of approximately $118.7 million; a decrease in the loss on extinguishment of debt of approximately $29.1 million; and a gain on disposal of assets of approximately $74.5 million.

Net cash used in investing activities decreased $129.5 million to $349.8 million for 2017 compared to $479.3 million for 2016. The net decrease was due primarily to a net decrease of $32.4 million in cash used to acquire television businesses and licenses and proceeds from the sale of television businesses and licenses, a decrease of $9.1 million in cash used for the purchase of property and equipment and $90.8 million of proceeds received from the FCC Spectrum Auction in 2017.

Net cash provided by financing activities was $307.0 million in 2017 compared to $497.1 million in 2016. This decrease of $190.1 million was due primarily to decreased borrowings to finance our acquisition activity in 2017 compared to 2016, partially offset by the impact of cash provided by our underwritten offering of 17.25 million shares of our common stock, at a price to the public of $14.50 per share, that resulted in net proceeds of approximately $238.9 million. Net cash provided by financing activities in 2017 was primarily from our December 2017 underwritten public offering and borrowings of $85.0 million, reduced by $6.2 million of quarterly principal payments under the 2017 Term Loan. We used $5.0 million of cash for deferred financing costs primarily related to the 2017 Senior Credit Facility. Also, in 2017 we used $4.0 million to repurchase shares of our common stock and made $1.8 million in payments for taxes related to net share settlements of equity awards. Cash provided by financing activities in 2016 was provided primarily from: $425.0 million of borrowings under the 2016 Term Loan, net of $8.7 million of deferred loan costs; the issuance of an aggregate of $700.0 million of 2026 Notes, net of $11.1 million of deferred loan costs, a portion of which was used to repay the outstanding balance of the 2016 Term Loan; and the issuance of $525.0 million of 2024 Notes at par, net of $8.1 million of deferred loan costs. A portion of the proceeds from the offering of the 2026 Notes and the 2024 Notes were used to fund the tender offer and redemption of the 2020 Notes, which included $27.5 million in premiums. Also in 2016 we used $2.0 million to repurchase shares of our common stock and made $1.5 million in payments for taxes related to net share settlements of equity awards.

Retirement Plans

We sponsor and contribute to defined benefit and defined contribution retirement plans. Our defined benefit pension plan is the Gray Television, Inc. Retirement Plan (the “Gray Pension Plan”). Monthly plan benefits under the Gray Pension Plan are frozen and can no longer increase, and no new participants can be added to the Gray Pension Plan.

Our funding policy is consistent with the funding requirements of existing federal laws and regulations under the Employee Retirement Income Security Act of 1974. A discount rate is selected annually to measure the present value of the benefit obligations. In determining the selection of a discount rate, we estimated the timing and amounts of expected future benefit payments and applied a yield curve developed to reflect yields available on high-quality bonds. The yield curve is based on an externally published index specifically designed to meet the criteria of United States Generally Accepted Accounting Principles (“U.S. GAAP”). The discount rate selected for determining benefit obligations as of December 31, 2018 was 4.16%, which reflects the results of this yield curve analysis. The discount rate used for determining benefit obligations as of December 31, 2017 was 3.55%. Our assumptions regarding expected return on plan assets reflects asset allocations, the investment strategy and the views of investment managers, as well as historical experience. We use an assumed rate of return of 6.50% for our assets invested in the Gray Pension Plan. The estimated asset returns for this plan, calculated on a mean market value assuming mid-year contributions and benefit payments, were a loss of 6.3% for the year ended December 31, 2018, and a gain of 9.6% for the year ended December 31, 2017. Other significant assumptions relate to inflation, retirement and mortality rates. Our inflation assumption is based on an evaluation of external market indicators. Retirement rates are based on actual plan experience and mortality rates are based on the *MP-2018* mortality improvement scale published by the Society of Actuaries.

During the years ended December 31, 2018 and 2017, we contributed an aggregate of $2.5 million and $3.1 million, respectively, to the Gray Pension Plan, and we anticipate making an aggregate contribution of approximately $2.5 million to the Gray Pension Plan in 2019. The use of significantly different assumptions, or if actual experienced results differ significantly from those assumed, could result in our funding obligations being materially different.

The Gray Television, Inc. Capital Accumulation Plan (the “Capital Accumulation Plan”) is a defined contribution plan intended to meet the requirements of section 401(k) of the Internal Revenue Code. Employer contributions under the Capital Accumulation Plan include matching cash contributions at a rate of 100% of the first 3% of each employee’s salary deferral, and 50% of the next 2% of each employee’s salary deferral. In addition, the Company, at its discretion, may make an additional profit sharing contribution, based on annual Company performance, to those employees who meet certain criteria. During the years ended December 31, 2018 and 2017, we contributed an aggregate of $10.5 million and $10.7 million, respectively, to the Capital Accumulation Plan.

See Note 9 “Retirement Plans” of our audited consolidated financial statements included elsewhere herein for further information concerning the retirement plans.

Capital Expenditures

In April 2017, the FCC began the process of requiring certain television stations to change channels and/or modify their transmission facilities (“Repack”). Congress passed legislation which provides the FCC with a $1.7 billion fund to reimburse all reasonable costs incurred by stations operating under a full power license and a portion of the costs incurred by stations operating under a low power license that are reassigned to new channels. Subsequent legislation in March 2018 appropriated an additional $1.0 billion for the Repack fund, of which up to $750.0 million may be made available to reimburse the Repack costs of full power and Class A television stations and multichannel video programming distributors. Other funds are earmarked to assist low power television stations and for other transition costs. The sufficiency of the FCC’s fund to reimburse for Repack costs is dependent upon a number of factors including the amounts to be reimbursed to other industry participants for Repack costs. Therefore, we cannot predict whether the fund will be sufficient to reimburse our Repack costs to the extent authorized under the legislation. Including the Stations acquired in the Raycom Merger, 26 of our full power stations and 36 of our current low power stations are affected by the Repack. The Repack process will take approximately three years to complete. We anticipate that the majority of our costs associated with Repack will qualify for capitalization, rather than expense. Upon receipt of funds reimbursing us for our Repack costs, we record those proceeds as a component of our (gain) loss on disposal of assets, net.

Capital expenditures, including Repack, for the years ended December 31, 2018 and 2017 were $70.0 million and $34.5 million, respectively. Excluding Repack, our capital expenditures were $41.0 million and $31.7 million, respectively. Our capitalized Repack costs and associated reimbursements were for the years ended December 31, 2018 and 2017 were $27.1 million and $2.8 million, respectively. As of December 31, 2018, excluding any amounts related to Raycom, the amount requested from the FCC for Repack, but not yet received, was approximately $11.3 million. Excluding Repack, but including Repack related expenditures, we expect that our capital expenditures will be approximately $75.0 million in the year ending December 31, 2019. In addition, capital expenditures for Repack during 2019 are expected to range between approximately $24.0 million and $28.0 million and we anticipate being reimbursed for the majority of these Repack costs. However, reimbursement may be received in periods subsequent to those in which they were expended.

Off-Balance Sheet Arrangements

Operating Commitments. We have various commitments for syndicated television programs.

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

The total license fee payable under a program license agreement allowing us to broadcast programs is recorded at the beginning of the license period and is charged to operating expense over the period that the programs are broadcast. The portion of the unamortized balance expected to be charged to operating expense in the succeeding year is classified as a current asset, with the remainder classified as a non-current asset. The liability for license fees payable under program license agreements is classified as current or long-term, in accordance with the payment terms of the various license agreements.

Tabular Disclosure of Contractual Obligations as of December 31, 2018. The following table aggregates our material expected contractual obligations and commitments as of December 31, 2018 (in thousands):

	Payment Due By Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Contractual obligations recorded on our balance sheet as of December 31, 2018:					
Long-term debt obligations (1)	$2,570,026	$-	$-	$-	$2,570,026
Accrued interest (2)	34,289	34,289	-	-	-
Programming obligations currently accrued (3)	20,370	15,188	5,182	-	-
Off-balance sheet arrangements as of December 31, 2018:					
Long term debt obligations (4):					
Cash interest on 2017 Senior Credit Facility	146,498	28,382	56,764	56,764	4,588
Cash interest on 2027 Notes	439,688	52,500	105,000	105,000	177,188
Cash interest on 2026 Notes	310,151	41,125	82,250	82,250	104,526
Cash interest on 2024 Notes	155,833	26,906	53,813	53,813	21,301
Operating lease obligations (5)	25,979	3,343	5,890	5,158	11,588
Purchase obligations not currently accrued (6)	1,375	1,375	-	-	-
Programming obligations not currently accrued (7)	20,706	6,241	14,191	274	-
Network affiliation agreements (8)	403,629	129,485	271,051	3,093	-
Service and other agreements (9)	1,897	1,324	573	-	-
Total	$4,130,441	$340,158	$594,714	$306,352	$2,889,217

(1) "Long-term debt obligations" represent current and long-term principal payment obligations under the 2017 Senior Credit Facility, the 2027 Notes, the 2026 Notes and the 2024 Notes at December 31, 2018. These amounts are recorded as liabilities as of the balance sheet date net of the $20.8 million of unamortized deferred loan costs and unamortized original issue premium on the 2026 Notes. As of December 31, 2018, the interest rate on the balance outstanding under the 2017 Senior Credit Facility was 4.6%. As of December 31, 2018, the coupon interest rate and the yield on the 2027 Notes were each 7%. As of December 31, 2018, the coupon interest rate and the yield on the 2026 Notes were 5.875% and 5.398%, respectively. As of December 31, 2018, the coupon interest rate and the yield on the 2024 Notes were each 5.125%. At December 31, 2018, under the 2017 Senior Credit Facility, the maturity date of the revolving credit facility was February 7, 2022 and the maturity date of the term loan facility is February 7, 2024. See Note 4 "Long-term Debt" to our audited consolidated financial statements included elsewhere herein for more information on the 2017 Senior Credit Facility.

(2) "Accrued interest" represents interest on long-term debt obligations accrued as of December 31, 2018.

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

(4) "Cash interest on long-term debt obligations" consists of estimated interest expense on long-term debt excluding interest expense accrued as of December 31, 2018 described in note (2) above. The estimate is based upon debt balances as of December 31, 2018 and required future principal repayments under those obligations. The 2027 Notes, the 2026 Notes and the 2024 Notes mature on May 15, 2027, July 15, 2026 and October 15, 2024, respectively. The maturity date of the term loan under the 2017 Senior Credit Facility is February 7, 2024. This estimate of cash interest on long-term debt obligations assumes that current interest rates will remain consistent and the principal obligations underlying these interest estimates will not be replaced by other long-term obligations prior to or upon their maturity. Please refer to Note 13 "Subsequent Events" for further information.

(5) "Operating lease obligations" represent payment obligations under non-cancelable lease agreements classified as operating leases. As of December 31, 2018, these amounts were not recorded as liabilities. Beginning on January 1, 2019, the Company adopted the provisions of ASU 2016-02 – *Leases* (Topic 842). At that time, our obligations under most of our lease transactions were recorded as liabilities in our balance sheets.

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

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

(8) "Network affiliation agreements" represent the fixed obligations under our current agreements with broadcast networks. Our network affiliation agreements expire at various dates primarily through December 2023.

(9) "Service and other agreements" represents minimum amounts payable for various non-cancelable contractual agreements for maintenance services and other professional services.

Estimates of the amount, timing and future funding obligations under our pension plan include assumptions concerning, among other things, actual and projected market performance of plan assets, investment yields, statutory requirements and demographic data for pension plan participants. Pension plan funding estimates are therefore not included in the table above because the timing and amounts of funding obligations for all future periods cannot be reasonably determined. We expect to contribute approximately $2.5 million in total to our defined benefit pension plans during 2019.

Inflation

The impact of inflation on operations has not been significant to date. However, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on operating results, particularly since amounts outstanding under the 2019 Senior Credit Facility incur interest at a variable rate.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires us to make judgments and estimations that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those reported amounts. We consider our accounting policies relating to intangible assets and income taxes to be critical policies that require judgments or estimations in their application where variances in those judgments or estimations could make a significant difference to future reported results. Our policies concerning intangible assets and income taxes are disclosed below.

Annual Impairment Testing of Broadcast Licenses and Goodwill. We evaluate broadcast licenses and goodwill for impairment on an annual basis, or more often when certain triggering events occur. Goodwill is evaluated at the reporting unit level.

In the performance of our annual broadcast license and reporting unit impairment assessments, we have the option of performing a qualitative assessment to determine if it is more likely than not that the respective asset has been impaired. Beginning in 2018, we elected to perform a qualitative assessment for 49 of our 55 broadcast licenses and 34 of our 47 reporting units. We performed a quantitative assessment for all broadcast licenses and reporting units in our annual tests in 2017 and 2016.

As part of this qualitative assessment we evaluate the relative impact of factors that are specific to the reporting units as well as industry, regulatory, and macroeconomic factors that could affect the significant inputs used to determine the fair value of the assets. We also consider the significance of the excess fair value over the carrying value reflected in prior quantitative assessments and the changes to the reporting units' carrying value since the last impairment test.

If we conclude that it is more likely than not that a broadcast license or reporting unit is impaired, or if we elect not to perform the optional qualitative assessment, we perform the quantitative assessment which involves comparing the estimated fair value of the broadcast license or reporting unit to its respective carrying value.

For our annual broadcast licenses impairment test in 2018, we concluded that it was more likely than not that 49 of our broadcast licenses that were evaluated were not impaired based upon our qualitative assessments. We elected to perform a quantitative assessment for our six remaining broadcast licenses and concluded that their fair values significantly exceeded their carrying values. To estimate the fair value of our broadcast licenses, we utilize a discounted cash flow model assuming an initial hypothetical start-up operation maturing into an average performing station in a specific television market and giving consideration to other relevant factors such as the technical qualities of the broadcast license and the number of competing broadcast licenses within that market.

For our annual goodwill impairment test in 2018, we concluded that it was more likely than not that goodwill was not impaired based upon our qualitative assessments for 34 of our reporting units. We elected to perform a quantitative assessment for our remaining 13 reporting units and concluded that their fair values significantly exceeded their carrying values. To estimate the fair value of our reporting units, we utilize a discounted cash flow model supported by a market multiple approach. We believe that a discounted cash flow analysis is the most appropriate methodology to test the recorded value of long-term assets with a demonstrated long-lived/enduring franchise value. We believe the results of the discounted cash flow and market multiple approaches provide reasonable estimates of the fair value of our reporting units because these approaches are based on our actual results and reasonable estimates of future performance, and also take into consideration a number of other factors deemed relevant by us including, but not limited to, expected future market revenue growth, market revenue shares and operating profit margins. We have historically used these approaches in determining the value of our reporting units. We also consider a market multiple approach to corroborate our discounted cash flow analysis. We believe that this methodology is consistent with the approach that a strategic market participant would utilize if they were to value one of our television stations.

We believe we have made reasonable estimates and utilized appropriate assumptions to evaluate whether the fair values of our broadcast licenses and reporting units were less than their carrying values. If future results are not consistent with our assumptions and estimates, including future events such as a deterioration of market conditions or significant increases in discount rates, we could be exposed to impairment charges in the future. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows.

As of December 31, 2018 and 2017, the recorded value of our broadcast licenses was $1.5 billion and $1.5 billion, respectively. As of December 31, 2018 and 2017, the recorded value of our goodwill was $612.4 million and $611.1 million, respectively. See Note 11 “Goodwill and Intangible Assets” of our audited consolidated financial statements included elsewhere herein, for the results of our annual impairment tests for the years ended December 31, 2018, 2017, and 2016.

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

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

The methodology we used to value these stations was based on our evaluation of the broadcast licenses acquired and the characteristics of the markets in which they operated. Given our assumptions and the specific attributes of the stations we acquired from 2002 through December 31, 2018, we generally ascribe no incremental value to the incumbent network affiliation relationship in each market beyond the cost of negotiating a new agreement with another network and the value of any terms of the affiliation agreement that were more favorable or unfavorable than those generally prevailing in the market.

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

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

The following table reflects the hypothetical impact of the reassignment of value from broadcast licenses to network affiliations for our historical acquisitions (the first acquisition being in 1994) and the resulting increase in amortization expense assuming a hypothetical 15-year amortization period as of our most recent impairment testing date of December 31, 2018 (in thousands, except per share data):

		Percentage of Total Value Reassigned to Network Affiliation Agreements	
	As Reported	**50%**	**25%**
Balance Sheet (As of December 31, 2018):			
Broadcast licenses	$ 1,529,574	$ 630,853	$ 1,080,213
Other intangible assets, net (including network affiliation agreements)	53,214	356,880	205,047
Statement of Operations (For the year ended December 31, 2018):			
Amortization of intangible assets	20,570	49,931	35,250
Operating income	388,771	359,410	374,091
Net income	210,803	188,900	199,852
per share - basic	$ 2.39	$ 2.14	$ 2.27
per share - diluted	$ 2.37	$ 2.13	$ 2.25

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

Income Taxes. We have an aggregate of approximately $51.9 million of various state operating loss carryforwards. We project to have taxable income in the carryforward periods. Therefore, we believe that it is more likely than not that the state operating loss carryforwards will be fully utilized.

The TCJA reduced the value of our deferred tax liabilities resulting in the recognition of a tax benefit of approximately $146.0 million in the fourth quarter of 2017 with a credit to earnings for a reduction of those liabilities. In addition, the TCJA contains significant changes to corporate taxes that materially affected the taxes owed by us in 2018 and subsequent years. Among other things, the new law reduced the maximum federal corporate income tax rate from 35% to 21%, which should have a positive effect on our net earnings and earnings per share. It also includes an option to claim accelerated depreciation deductions on qualified property but limits or eliminates certain deductions to which we have been entitled in past years.

Recent Accounting Pronouncements. See Note 1 “Description of Business and Summary of Significant Accounting Policies” of our audited consolidated financial statements included elsewhere herein for more information.

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

This annual report on Form 10-K contains and incorporates by reference "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are all statements other than those of historical fact. When used in this annual report, the words "believes," "expects," "anticipates," "estimates," "will," "may," "sho and similar words and expressions are generally intended to identify forward-looking statements. These forward-looking statements reflect our then-current expectations and are based upon data available to us at the time the statements are made. Forward-looking statements may relate to, among other things, statements about our strategies, expected results of operations, general and industry-specific economic conditions, future pension plan contributions, future capital expenditures, future income tax payments, future payments of interest and principal on our long-term debt, assumptions underlying various estimates and estimates of future obligations and commitments and should be considered in context with the various other disclosures made by us about our business. Readers are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our management, are not guarantees of future performance, results or events and involve significant risks and uncertainties, and that actual results and events may differ materially from those contained in the forward-looking statements as a result of various factors including, but not limited to, those listed in Item 1A. of this Annual Report and the other factors described from time to time in our SEC filings. The forward-looking statements included in this Annual Report are made only as of the date hereof. We undertake no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

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

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

- managing current and forecasted interest rate risk while maintaining financial flexibility and solvency;
- proactively managing our cost of capital to ensure that we can effectively manage operations and execute our business strategy, thereby maintaining a competitive advantage and enhancing shareholder value; and
- complying with covenant requirements in our financing agreements.

Under the 2019 Senior Credit Facility, we pay interest based on a floating interest rate on balances outstanding. We pay a fixed rate of interest on the 2027 Notes, 2026 Notes and the 2024 Notes. As of December 31, 2018, the majority of our outstanding debt bore interest at a fixed interest rate, which reduces our risk of potential increases in interest rates, but would not allow us to benefit from any reduction in market interest rates such as LIBOR or the prime rate. Also, as of that date, we were not a party to any interest rate swap agreements. See Note 4 “Long-term Debt” to our audited consolidated financial statements included elsewhere herein for more information on our long-term debt and associated interest rates.

Based on our floating rate debt outstanding at December 31, 2018, a 100 basis point increase or decrease in market interest rates would have increased or decreased our interest expense and decreased or increased our income before income taxes for the year ended December 31, 2018 by approximately $6.0 million. Including the debt incurred on January 2, 2019 to finance the Raycom Merger, a 100 basis point increase or decrease in market interest rates would increase or decrease our interest expense and decrease or increase our income before income taxes for the year ended December 31, 2019, by approximately $20.0 million.

At December 31, 2018 and 2017, the recorded amount of our long-term debt, including current portion, was $2.5 billion and $1.8 billion, respectively, and the fair value of our long-term debt, including current portion, was $2.4 billion and $1.9 billion, respectively, as of December 31, 2018 and 2017. Fair value of our long-term debt is based on estimates provided by third-party financial professionals as of the respective dates.

Item 8. Financial Statements and Supplementary Data.

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Management's Report on Internal Control Over Financial Reporting

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

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

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 framework"). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2018.

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

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Gray Television, Inc.

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Gray Television, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and schedules (collectively, the financial statements). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ RSM US LLP

We have served as the Company's auditor since 2006.

Atlanta, Georgia

February 28, 2019

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

	December 31, 2018	2017
Assets:		
Current assets:		
Cash	$666,980	$462,399
Accounts receivable, less allowance for doubtful accounts of $5,346 and $4,606, respectively	183,592	171,230
Current portion of program broadcast rights, net	14,862	14,656
Prepaid income taxes	-	13,791
Prepaid and other current assets	7,311	4,681
Total current assets	872,745	666,757
Property and equipment, net	363,142	350,658
Broadcast licenses	1,529,574	1,530,703
Goodwill	612,425	611,100
Other intangible assets, net	53,214	73,784
Investments in broadcasting and technology companies	16,599	16,599
Restricted cash	751,963	-
Other	13,783	11,256
Total assets	$4,213,445	$3,260,857

See accompanying notes.

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

	December 31, 2018	2017
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	$8,403	$7,840
Employee compensation and benefits	34,771	30,144
Accrued interest	34,289	26,624
Accrued network programming fees	22,328	20,317
Other accrued expenses	17,384	11,970
Federal and state income taxes	14,330	8,753
Current portion of program broadcast obligations	15,188	15,236
Deferred revenue	3,703	4,004
Current portion of long-term debt	-	6,417
Total current liabilities	150,396	131,305
Long-term debt, less current portion and deferred financing costs	2,549,224	1,831,011
Program broadcast obligations, less current portion	5,182	4,277
Deferred income taxes	284,890	261,690
Accrued pension costs	33,239	37,838
Other	3,325	1,839
Total liabilities	3,026,256	2,267,960
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, no par value; authorized 200,000,000 shares and 100,000,000 shares, issued 89,298,943 shares and 88,788,664 shares, respectively outstanding 82,022,500 shares and 83,253,588 shares, respectively	907,137	902,518
Class A common stock, no par value; authorized 25,000,000 shares and 15,000,000 shares, issued 8,569,149 shares and 8,349,069 shares, respectively outstanding 6,729,035 shares and 6,598,377 shares, respectively	26,686	24,644
Retained earnings	372,497	161,694
Accumulated other comprehensive loss, net of income tax benefit	(21,377)	(22,165)
	1,284,943	1,066,691
Treasury stock at cost, common stock, 7,276,443 shares and 5,535,076 shares, respectively	(72,270)	(49,562)
Treasury stock at cost, Class A common stock, 1,840,114 shares and 1,750,692 shares, respectively	(25,484)	(24,232)

Total stockholders' equity	1,187,189	992,897
Total liabilities and stockholders' equity	$4,213,445	$3,260,857

See accompanying notes.

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Revenue (less agency commissions)	$1,084,132	$882,728	$812,465
Operating expenses before depreciation, amortization, and (gain) loss on disposals of assets, net:			
Broadcast	596,403	557,563	474,994
Corporate and administrative	40,910	31,589	40,319
Depreciation	53,883	51,973	45,923
Amortization of intangible assets	20,570	25,072	16,596
(Gain) loss on disposals of assets, net	(16,405)	(74,200)	329
Operating expenses	695,361	591,997	578,161
Operating income	388,771	290,731	234,304
Other income (expense):			
Miscellaneous income, net	5,507	657	610
Interest expense	(106,628)	(95,259)	(97,236)
Loss from early extinguishment of debt	-	(2,851)	(31,987)
Income before income taxes	287,650	193,278	105,691
Income tax expense (benefit)	76,847	(68,674)	43,418
Net income	$210,803	$261,952	$62,273
Basic per share information:			
Net income	$2.39	$3.59	$0.87
Weighted average shares outstanding	88,084	73,061	71,848
Diluted per share information:			
Net income	$2.37	$3.55	$0.86
Weighted average shares outstanding	88,778	73,836	72,764
Dividends declared per common share	$-	$-	$-

See accompanying notes.

GRAY TELEVISION, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Net income	$210,803	$261,952	$62,273
Other comprehensive income (loss):			
Adjustment to pension liability	1,056	(7,410)	(592)
Income tax expense (benefit)	268	(2,890)	(231)
Other comprehensive income (loss)	788	(4,520)	(361)
Comprehensive income	$211,591	$257,432	$61,912

See accompanying notes.

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

	Class A Common Stock		Common Stock		Retained Earnings	Class A Treasury Stock		Common Treasury Stock	
	Shares	Amount	Shares	Amount	(Deficit)	Shares	Amount	Shares	Amount
Balance at December 31, 2015	7,855,381	$19,325	70,989,426	$655,446	$(163,638)	(1,611,371)	$(22,685)	(4,882,705)	$(41,890)
Net income	-	-	-	-	62,273	-	-	-	-
Adjustment to pension liability, net of income tax	-	-	-	-	-	-	-	-	-
Issuance of common stock:									
401(k) plan	-	-	2,571	29	-	-	-	-	-
2007 Long Term Incentive Plan: Restricted stock awards	218,612	-	237,500	-	-	(57,760)	(655)	(60,518)	(798)
Repurchase of common stock	-	-	-	-	-	-	-	(192,183)	(2,000)
Share-based compensation	-	2,439	-	2,660	-	-	-	-	-
Balance at December 31, 2016	8,073,993	$21,764	71,229,497	$658,135	$(101,365)	(1,669,131)	$(23,340)	(5,135,406)	$(44,688)

Adoption of ASU 2016-09 excess tax benefit for stock-based compensation	-	-	-	-	1,107	-	-	-	-
Net income	-	-	-	-	261,952	-	-	-	-
Adjustment to pension liability, net of income tax	-	-	-	-	-	-	-	-	-
Issuance of common stock:									
Underwritten public offering	-	-	17,250,000	238,945	-	-	-	-	-
401(k) plan	-	-	1,224	15	-	-	-	-	-
2007 Long Term Incentive Plan - restricted stock awards	198,220	-	307,943	-	-	(81,561)	(892)	(77,632)	(874)
2017 Equity and Incentive Compensation Plan - restricted stock awards	76,856	-	-	-	-	-	-	-	-
Repurchase of common stock	-	-	-	-	-	-	-	(322,038)	(4,000)
Share-based compensation	-	2,880	-	5,423	-	-	-	-	-
Balance at December 31, 2017	8,349,069	$24,644	88,788,664	$902,518	$161,694	(1,750,692)	$(24,232)	(5,535,076)	$(49,562)

See accompanying notes.

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

	Class A Common Stock		Common Stock		Retained Earnings	Class A Treasury Stock		Common Treasury Stock		A C C (E
	Shares	Amount	Shares	Amount	(Deficit)	Shares	Amount	Shares	Amount	
Balance at December 31, 2017	8,349,069	$24,644	88,788,664	$902,518	$161,694	(1,750,692)	$(24,232)	(5,535,076)	$(49,562)	$
Net income	-	-	-	-	210,803	-	-	-	-	
Adjustment to pension liability, net of income tax	-	-	-	-	-	-	-	-	-	
Issuance of common stock:										
Restricted stock awards	220,080	-	391,836	-	-	(89,422)	(1,252)	(107,456)	(1,757)	
Restricted stock unit awards	-	-	209,500	-	-	-	-	(82,201)	(1,344)	
Forefiture of restricted stock awards	-	-	(91,057)	(528)	-	-	-	-	-	
Repurchase of common stock	-	-	-	-	-	-	-	(1,551,710)	(19,607)	
Share-based compensation	-	2,042	-	5,147	-	-	-	-	-	

Balance at December 31, 2018	8,569,149	$26,686	89,298,943	$907,137	$372,497	(1,840,114)	$(25,484)	(7,276,443)	$(72,270)	$

See accompanying notes.

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Operating activities			
Net income	$210,803	$261,952	$62,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	53,883	51,973	45,923
Amortization of intangible assets	20,570	25,072	16,596
Amortization of deferred loan costs	4,630	4,624	4,884
Accretion of original issue discount and premium related to long-term debt, net	(610)	(610)	(779)
Amortization of restricted stock and stock option awards	6,661	8,303	5,099
Amortization of program broadcast rights	21,416	21,033	19,001
Payments on program broadcast obligations	(21,789)	(21,055)	(18,786)
Deferred income taxes	22,932	(77,325)	41,386
(Gain) loss on disposals of assets, net	(16,405)	(74,200)	329
Loss from early extinguishment of debt	-	2,851	31,987
Other	(2,888)	(3,343)	(1,788)
Changes in operating assets and liabilities:			
Accounts receivable	(12,362)	(23,744)	(6,107)
Prepaid income taxes	13,791	851	(14,642)
Other current assets	(2,901)	806	2,032
Accounts payable	563	2,116	518
Employee compensation, benefits and pension costs	4,636	(1,899)	871
Accrued network fees and other expenses	7,444	3,306	(1,723)
Accrued interest	7,665	(5,829)	19,736
Income taxes payable	5,578	5,836	2,145
Deferred revenue	(301)	(703)	1,130
Net cash provided by operating activities	323,316	180,015	210,085
Investing activities			
Acquisitions of television businesses and licenses	(425)	(416,018)	(431,846)
Proceeds from sale of television station	8,500	-	11,200
Proceeds from FCC spectrum auction	-	90,824	-
Purchases of property and equipment	(69,975)	(34,516)	(43,604)
Proceeds from Repack (Note 1)	14,217	84	-
Proceeds from other asset sales	467	103	2,979
Net (increase) decrease in acquisition prepayments and other	(161)	9,724	(18,063)

Net cash used in investing activities	(47,377)	(349,799)	(479,334)
Financing activities			
Proceeds from borrowings on long-term debt	750,000	641,438	1,656,000
Repayments of borrowings on long-term debt	(40,208)	(562,641)	(1,100,000)
Payments for the repurchase of common stock	(19,607)	(4,000)	(2,000)
Tender and redemption premiums for 2020 Notes	-	-	(27,502)
Proceeds from issuance of common stock	-	238,945	-
Deferred and other loan costs	(5,227)	(4,981)	(27,926)
Payments for taxes related to net share settlement of equity awards	(4,353)	(1,767)	(1,452)
Net cash provided by financing activities	680,605	306,994	497,120
Net increase in cash	204,581	137,210	227,871
Net increase in restricted cash, included in non-current assets	751,963	-	-
Cash and restricted cash at beginning of period	462,399	325,189	97,318
Cash and restricted cash at end of period	$1,418,943	$462,399	$325,189

See accompanying notes.

GRAY TELEVISION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business. We are a television broadcast company headquartered in Atlanta, Georgia. Upon the completion of the Raycom Merger on January 2, 2019, we have become one of the largest owners of top-rated local television stations and digital assets in the United States. Currently, we own and operate television stations in 91 television markets broadcasting almost 400 separate program streams including nearly 150 affiliates of the ABC Network (“ABC”), the NBC Network (“NBC”), the CBS Network (“CBS”) and the FOX Network (“FOX”). We refer to these major broadcast networks collectively as the “Big Four” networks. Our television stations ranked first or second among all local television stations in 86 of our 91 markets between December 2017 and November 2018. Our station portfolio reaches approximately 24% of total United States television households. We also own video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content.

Restricted Cash. As of December 31, 2018 our wholly owned subsidiary, Gray Escrow, Inc., held the cash proceeds from and interest earned on the proceeds of our 2027 Notes offering in escrow. We presented this escrow account as restricted cash on our balance sheets. On January 2, 2019, these proceeds were released from escrow and used to fund a portion of the cash consideration paid to complete the Raycom Merger.

Investments in Broadcasting and Technology Companies. We have an investment in Sarkes Tarzian, Inc. (“Tarzian”) whose principal business is the ownership and operation of two television stations. As of June 30, 2018, the most recent period for which we have Tarzian’s financial statements, our investment represented 32.4% of the total outstanding common stock of Tarzian (both in terms of the number of shares of common stock outstanding and in terms of voting rights), but such investment represented 67.9% of the equity of Tarzian for purposes of dividends, if paid, as well as distributions in the event of any liquidation, dissolution or other sale of Tarzian. We have no commitment to fund the operations of Tarzian nor do we have any representation on Tarzian’s board of directors or any other influence over Tarzian’s management.

In 2016, we made a $3.0 million strategic equity investment in Syncbak, a technology company that replicates over-the-air broadcasts for delivery over-the-top of the Internet. This investment does not represent a controlling interest in Syncbak, nor are we committed to fund Syncbak’s operations. One member of our senior management holds a seat on Syncbak’s board of directors. We do not believe that we have significant influence over management or operations.

Each of these equity investments do not have readily determinable fair values. We have applied the measurement alternative as defined in the FASB's ASU 2016-01 – *Financial Instruments - Overall* (Subtopic 825-10), *Recognition and Measurement of Financial Assets and Financial Liabilities*. These investments are reported together as a non-current asset on our balance sheets.

Trade and Barter Transactions. We account for trade transactions involving the exchange of tangible goods or services with our customers as revenue. The revenue is recorded at the time the advertisement is broadcast and the expense is recorded at the time the goods or services are used. The revenue and expense associated with these transactions is based on the fair value of the assets or services involved in the transaction. Trade revenue and expense recognized for the years ended December 31, 2018, 2017 and 2016 were as follows (amounts in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Trade revenue	$2,897	$1,832	$2,069
Trade expense	(3,012)	(1,863)	(1,997)
Net trade (loss) income	$(115)	$(31)	$72

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

Advertising Expense. Our advertising expense was $1.2 million, $1.6 million and $1.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. We record as expense all advertising expenditures as they are incurred.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Our actual results could differ materially from these estimated amounts. Our most significant estimates are our allowance for doubtful accounts in receivables, valuation of goodwill and intangible assets, amortization of program rights and intangible assets, pension costs, income taxes, employee medical insurance claims, useful lives of property and equipment and contingencies.

Allowance for Doubtful Accounts. Our allowance for doubtful accounts is equal to a portion of our receivable balances that are 120 days old or older. We may provide allowances for certain receivable balances that are less than 120 days old when warranted by specific facts and circumstances. We recorded expenses for this allowance of $2.2 million, $2.4 million and $1.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. We generally write off accounts receivable balances when the customer files for bankruptcy or when all commonly used methods of collection have been exhausted.

Program Broadcast Rights. We have two types of syndicated television program contracts: first run programs and off network reruns. First run programs are programs such as *Wheel of Fortune* and off network reruns are programs such

as *Seinfeld*. First run programs have not been produced at the time the contract to air such programming is signed, and off network rerun programs have already been produced. We record an asset and corresponding liability for payments to be made only for the current year of first run programming and for the entire contract period for off network programming. Only an estimate of the payments anticipated to be made in the year following the balance sheet date of first run program contracts are recorded on the current balance sheet, because the programs for the later years of the contract period have not been produced or delivered.

The total license fee payable under a program license agreement allowing us to broadcast programs is recorded at the beginning of the license period and is charged to operating expense over the period that the programs are broadcast. The portion of the unamortized balance expected to be charged to operating expense in the succeeding year is classified as a current asset, with the remainder classified as a non-current asset. The liability for license fees payable under program license agreements is classified as current or long-term, in accordance with the payment terms of the various license agreements.

Property and Equipment. Property and equipment are carried at cost. Depreciation is computed principally by the straight-line method. The following table lists the components of property and equipment by major category (dollars in thousands):

	December 31,		Estimated Useful Lives
	2018	**2017**	**(in years)**
Property and equipment:			
Land	$52,511	$50,458	
Buildings and improvements	166,200	156,924	7 to 40
Equipment	547,707	511,878	3 to 20
	766,418	719,260	
Accumulated depreciation	(403,276)	(368,602)	
Total property and equipment, net	$363,142	$350,658	

Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of any assets divested, sold or retired and the related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting gain or loss is reflected in income or expense for the period.

In April 2017, the Federal Communications Commission (the “FCC”) began a process of reallocating the broadcast spectrum (the “Repack”). Specifically, the FCC is requiring certain television stations to change channels and/or modify their transmission facilities. The U.S. Congress passed legislation which provides the FCC with a $1.75 billion fund to reimburse all reasonable costs incurred by stations operating under a full power license and a portion of the costs incurred by stations operating under a low power license that are reassigned to new channels. Subsequent legislation in March 2018 appropriated an additional $1.0 billion for the Repack fund, of which up to $750.0 million may be made available to reimburse the Repack costs of full power, Class A television stations and multichannel video programming distributors. Other funds are earmarked to assist low power television stations and for other transition costs. The sufficiency of the FCC’s fund to reimburse for Repack costs is dependent upon a number of factors including the amounts to be reimbursed to other industry participants for Repack costs. Therefore, we cannot predict whether the fund will be sufficient to reimburse our Repack costs to the extent authorized under the legislation. As of December 31, 2018, 26 of our current full power stations and 36 of our current low power stations are affected by the Repack. The Repack process began in the summer of 2017 and will take approximately three years to complete. The

majority of our costs associated with the Repack qualify for capitalization, rather than expense. Upon receipt of funds reimbursing us for our Repack costs, we record those proceeds as a component of our (gain) loss on disposal of assets, net.

The following tables provide additional information related to gain on disposal of assets, net included in our consolidated statements of operations and purchases of property and equipment included in our consolidated statements of cash flows (in thousands):

	Year ended December 31,		
	2018	**2017**	**2016**
Gain (loss) on disposal of assets, net:			
Proceeds from sale of assets	$8,967	$90,927	$44,234
Proceeds from Repack	14,217	84	-
Net book value of assets disposed	(6,779)	(16,811)	(44,563)
Total	$16,405	$74,200	$(329)
Purchase of property and equipment:			
Recurring purchases - operations	$40,983	$31,692	$43,604
Repack	27,081	2,824	-
Repack related	1,911	-	-
Total	$69,975	$34,516	$43,604

Deferred Loan Costs. Loan acquisition costs are amortized over the life of the applicable indebtedness using a straight-line method that approximates the effective interest method. These debt issuance costs related to a recognized debt liability are presented in our balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Debt issuance costs associated with line-of-credit arrangements are presented as an asset, and amortized over the life of the line-of-credit arrangement.

Asset Retirement Obligations. We own office equipment, broadcasting equipment, leasehold improvements and transmission towers, some of which are located on, or are housed in, leased property or facilities. At the conclusion of several of these leases we are obligated to dismantle, remove and otherwise properly dispose of and remediate the facility or property. We estimate our asset retirement obligations based upon the net present value of the cash flows of the costs expected to be incurred. Asset retirement obligations are recognized as a non-current liability and as a component of the cost of the related asset. Changes to our asset retirement obligations resulting from revisions to the timing or the amount of the original undiscounted cash flow estimates are recognized as an increase or decrease in the carrying amount of the asset retirement obligation and the related asset retirement cost is capitalized as part of the related property, plant or equipment. Changes in asset retirement obligations resulting from accretion of the net present value of the estimated cash flows are recognized as operating expenses. We recognize depreciation expense of the capitalized cost over the estimated life of the lease. Our estimated obligations are due at varying times through 2062. The liability recognized for our asset retirement obligations was approximately $1.0 million and $1.1 million as of December 31, 2018 and 2017, respectively. During the years ended December 31, 2018, 2017 and 2016, we recorded expenses of $54,000, $71,000 and $15,000, respectively, related to our asset retirement obligations.

Concentration of Credit Risk. We sell advertising air-time on our broadcasts and advertising space on our websites to national and local advertisers within the geographic areas in which we operate. Credit is extended based on an evaluation of the customer's financial condition, and generally advance payment is not required, except for political advertising. Credit losses are provided for in the financial statements and consistently have been within our expectations that are based upon our prior experience.

Excluding political advertising revenue, which is cyclical based on election cycles, our most significant category of customer is automotive. During the years ended December 31, 2018 and 2017 and 2016 approximately 25%, 25% and 22%, respectively, of our broadcast advertising revenue was obtained from advertising sales to automotive customers. Although our revenues can be affected by changes within in our customer base, we believe this risk is in part mitigated due to the fact that no one customer accounted for in excess of 5% of our broadcast advertising revenue in any of these periods. Furthermore, we believe that our large geographic operating area partially mitigates the potential effect of regional economic impacts.

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

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Weighted-average shares outstanding, basic	88,084	73,061	71,848
Weighted-average shares underlying stock options and restricted shares	694	775	916
Weighted-average shares outstanding, diluted	88,778	73,836	72,764

Valuation of Broadcast Licenses, Goodwill and Other Intangible Assets. We have acquired a significant portion of our assets in acquisition transactions. Among the assets acquired in these transactions were broadcast licenses issued by the FCC, goodwill and other intangible assets.

For broadcast licenses acquired prior to January 1, 2002, we recorded their respective values using a residual method (analogous to “goodwill”) where the excess of the purchase price paid in the acquisition over the fair value of all identified tangible and intangible assets acquired was attributed to the broadcast license. This residual basis approach generally produces higher valuations of broadcast licenses when compared to applying an income method as discussed below.

For broadcast licenses acquired after December 31, 2001, we record their respective values using an income approach. Under this approach, a broadcast license is valued based on analyzing the estimated after-tax discounted future cash flows of the acquired station, assuming an initial hypothetical start-up operation maturing into an average performing station in a specific television market and giving consideration to other relevant factors such as the technical qualities of the broadcast license and the number of competing broadcast licenses within that market. For television stations acquired after December 31, 2001, we allocate the residual value of the station to goodwill.

When renewing broadcast licenses, we incur regulatory filing fees and legal fees. We expense these fees as they are incurred.

Other intangible assets that we have acquired include network affiliation agreements, retransmission agreements, advertising contracts, client lists, talent contracts and leases. Although each of our stations is affiliated with at least one broadcast network, we believe that the value of a television station is derived primarily from the attributes of its broadcast license rather than its network affiliation agreement. As a result, we allocate only minimal values to our network affiliation agreements. We classify our other intangible assets as finite-lived intangible assets. The amortization period of our other intangible assets is equal to the shorter of their estimated useful life or contract period, including expected extensions thereof. When renewing other intangible asset contracts, we incur legal fees that are expensed as incurred.

Impairment Testing of Indefinite-Lived Intangible Assets. We test for impairment of our indefinite-lived intangible assets on an annual basis on December 31. However, if certain triggering events occur, we test for impairment when such events occur.

For purposes of testing goodwill for impairment, each of our individual television markets is considered a separate reporting unit. In the performance of our annual assessment of goodwill for impairment, we have the option to qualitatively assess whether it is more likely than not a reporting unit has been impaired. As part of this qualitative assessment we evaluate the relative impact of factors that are specific to the reporting units as well as industry, regulatory, and macroeconomic factors that could affect the significant inputs used to determine the fair value of the assets. We also consider the significance of the excess fair value over the carrying value reflected in prior quantitative assessments and the changes to the reporting units' carrying value since the last impairment test.

If we conclude that it is more likely than not that a reporting unit is impaired, or if we elect not to perform the optional qualitative assessment, we will determine the fair value of the reporting unit and compare to the net book value of the reporting unit. If the fair value is less than the net book value, we will record an impairment to goodwill for the amount of the difference. If the estimated fair value of the reporting unit does not exceed the recorded value of that reporting unit's net assets, we then perform, on a notional basis, a purchase price allocation by allocating the reporting unit's fair value to the fair value of all tangible and identifiable intangible assets with residual fair value representing the implied fair value of goodwill of that reporting unit. The recorded value of goodwill for the reporting unit is then written down to this implied value.

To estimate the fair value of our reporting units for a quantitative assessment, we utilize a discounted cash flow model supported by a market multiple approach. We believe that a discounted cash flow analysis is the most appropriate methodology to test the recorded value of long-term assets with a demonstrated long-lived/enduring franchise value. We believe the results of the discounted cash flow and market multiple approaches provide reasonable estimates of the fair value of our reporting units because these approaches are based on our actual results and reasonable estimates of

future performance, and also take into consideration a number of other factors deemed relevant by us including, but not limited to, expected future market revenue growth, market revenue shares and operating profit margins. We have historically used these approaches in determining the value of our reporting units. We also consider a market multiple approach to corroborate our discounted cash flow analysis. We believe that this methodology is consistent with the approach that a strategic market participant would utilize if they were to value one of our television stations.

In the performance of our annual assessment of broadcast licenses for impairment we have the option to qualitatively assess whether it is more likely than not that these assets are impaired. When evaluating our broadcast licenses for impairment, the qualitative assessment is done at the individual television station level. If we conclude that it is more likely than not that one of our broadcast licenses is impaired, we will perform a quantitative assessment by comparing the fair value of the broadcast license to its carrying value. If the fair value is greater than the asset's recorded value, no impairment expense is recorded. If the fair value does not exceed the asset's recorded value, we record an impairment expense equal to the amount that the asset's recorded value exceeded the asset's fair value. We use the income method to estimate the fair value of all broadcast licenses irrespective of whether they were initially recorded using the residual or income methods.

For further discussion of our goodwill, broadcast licenses and other intangible assets, see Note 11 "Goodwill and Intangible Assets."

Accumulated Other Comprehensive Loss. Our accumulated other comprehensive loss balances as of December 31, 2018 and 2017 consist of adjustments to our pension liabilities net of related income tax benefits as follows (in thousands):

	December 31,	
	2018	**2017**
Accumulated balances of items included in accumulated other comprehensive loss:		
Increase in pension liability	$(35,280)	$(36,336)
Income tax benefit	(13,903)	(14,171)
Accumulated other comprehensive loss	$(21,377)	$(22,165)

Recent Accounting Pronouncements. In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, *Income Statement - Reporting Comprehensive Income* (Topic 220) – *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 ("TCJA"). Consequently, the amendments eliminate the stranded tax effects resulting from the TCJA and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the TCJA, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We do not expect that the adoption of this standard will have a material impact on our financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other* (Topic 350) – *Simplifying the Test for Goodwill Impairment*. ASU 2017-04 amends the guidance of U.S. GAAP with the intent of simplifying how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2

measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. After adoption of the standard, the annual, or interim, goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized will not exceed the total amount of goodwill allocated to that reporting unit. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The standard allows for early adoption, but we have not yet made a determination as to whether to early-adopt this standard. We do not expect that the adoption of this standard will have a material impact on our financial statements.

Adoption of Accounting Standards and Reclassifications. In January 2016, the FASB issued ASU 2016-01 – *Financial Instruments - Overall* (Subtopic 825-10), *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 amends the guidance in U.S. GAAP regarding the classification and measurement of financial instruments. This ASU significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 requires equity investments previously measured at cost to be measured at fair value with changes in fair value recognized in net income. However, equity investments without a readily determinable fair value may be measured using a prescribed measurement alternative that reflects current fair value with changes in the current fair value recognized in net income and includes a qualitative evaluation of impairment. In February 2018, the FASB issued ASU 2018-03 – *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2018-03 clarifies certain aspects of the guidance issued in ASU 2016-01. ASU 2018-03 is effective for interim periods beginning after June 15, 2018. We adopted the amendments in both updates concurrently beginning in the first quarter of 2018. We currently have equity investments in the television broadcasting industry that do not have readily determinable fair values. We have applied the measurement alternative as defined in the amendments. These investments are reported together as a non-current asset on our balance sheets. Accordingly, the adoption of this standard did not have a material impact on our financial statements. We evaluate these investments on an interim basis for impairment.

In February 2016, the FASB issued ASU 2016-02 – *Leases* (Topic 842). ASU 2016-02 superseded existing lease guidance by requiring the reclassification of lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) – Targeted Improvements*, which provides the option of applying the requirements of the new lease standard in the period of adoption with no restatement of comparative periods. Under this method, the cumulative effect, if any, of applying the guidance will be recorded in the opening balance of retained earnings. We intend to use this transition method in the adoption of this standard. We have completed the review of our contractual obligations and assessed our internal controls to comply with the requirements of this standard. On January 1, 2019, we adopted this standard and our total assets and liabilities as presented in our financial statements increased by approximately $19.9 million. In addition, we are currently in the process of applying this standard to the contractual obligations that we acquired through our recent Raycom Merger transaction. Due to the proximity of the closing dates of the Raycom Merger to the the filing date of this annual report, we are unable to present a preliminary estimate of the impact on our total assets and liabilities that will result from the implementation of this standard to those acquired contractual obligations.

2. Revenue

Adoption of New Accounting Standard: ASC Topic 606, Revenue from Contracts with Customers. On January 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606 - *Revenue from Contracts with Customers, as amended*. We adopted this ASC using the modified retrospective method and as a result, comparative information has not been restated and continues to be presented as prescribed by the accounting standards in effect during the periods presented. This transition method was applied to all open contracts with customers at the time of adoption. The adoption of this ASC did not result in a material impact on our current or historical results.

Revenue Recognition. We recognize revenue when we have completed a specified service and effectively transferred the control of that service to a customer in return for an amount of consideration we expect to be entitled to receive. The amount of revenue recognized is determined by the amount of consideration specified in a contract with our customers. We have elected to exclude taxes assessed by a governmental authority on transactions with our customers from our revenue. Any unremitted balance is included in current liabilities on our balance sheets.

Seasonality and Cyclicality. Broadcast advertising revenues are generally highest in the second and fourth quarters each year. This seasonality results partly from increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. Broadcast advertising revenues are also typically higher in even-numbered years due to increased spending by political candidates, political parties and special interest groups during the "on-year" of the two year election cycle. This political spending typically is heaviest during the fourth quarter. In addition, the broadcast of Olympic Games by our NBC affiliated stations during even-numbered years generally leads to increased viewership and revenue during those years.

Disaggregation of Revenue. The following table presents our revenue from contracts with customers disaggregated by type of service and sales channel (in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Market and service type:			
Advertising:			
Local	$442,728	$451,261	$403,336
National	114,192	118,817	98,351
Political	155,074	16,498	90,095
Total advertising	711,994	586,576	591,782
Retransmission consent	355,423	276,603	200,879
Other	16,715	19,549	19,804
Total revenue	$1,084,132	$882,728	$812,465
Sales channel:			
Direct	$551,883	$473,649	$373,363
Advertising agency intermediary	532,249	409,079	439,102
Total revenue	$1,084,132	$882,728	$812,465

Advertising Revenue. Broadcast advertising revenue is generated primarily from the broadcast of television advertising time to local, national and political advertisers. Most advertising contracts are short-term, and generally run only for a few weeks. Our performance obligation is satisfied when the advertisement is broadcast or appears on our stations' websites or mobile applications. Advertising revenue is recognized when the performance obligation is satisfied and then billed to the customer in the period the revenue is recognized. We have an unconditional right to receive payment of the amount billed generally within 30 days of the invoice date. Payment terms are expressly stated in our standard terms and conditions. The invoiced amount to be received is recorded in accounts receivable on our

balance sheets.

We broadcast the customer's advertisement either preceding or following a television station's network programming and within local and syndicated programming. Broadcast advertising is sold in time increments and is priced primarily on the basis of a program's popularity among the specific audience an advertiser desires to reach. In addition, broadcast advertising rates are affected by the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Broadcast advertising rates are generally the highest during the most desirable viewing hours, with corresponding reductions during other hours. The ratings of a local station affiliated with a major network can be affected by ratings of network programming. Internet advertising is placed on our stations' websites and mobile applications. These advertisements may be in the form of banner advertisements, pre-roll advertisements or video and other types of advertisements or sponsorships.

We generate advertising revenue either by the efforts of our direct sales employees or through third party advertising agency intermediaries. Third party advertising intermediaries represent the customer and contract with us to deliver broadcast or internet advertising for the customer.

Retransmission Consent Revenue. We enter into license agreements with cable, satellite, multichannel video programming distributors and digital delivery system (or "OTT") customers (collectively "MVPD") that provide them the right to use our broadcast signal for retransmission across the MVPD system for an agreed period of time. These agreements represent a sales and usage based functional intellectual property license based on the number of subscribers to the licensee's delivery systems. Our performance obligation is to provide the licensee with access to our intellectual property when it is broadcast. The duration of the typical retransmission consent contract is three years. Retransmission consent revenue is recognized continuously during the period of the contract as we transmit our broadcast signal to the MVPD. The amount of revenue recognized is determined based upon a fixed rate per subscriber multiplied by the number of active subscribers to our MVPD customer systems for the given month. We bill our MVPD customers monthly over the life of the retransmission consent contract. We have an unconditional right to receive payment of the amount billed generally within 30 days from the invoice date. Payment terms are expressly stated in our retransmission consent contracts as well as in the standard terms and conditions. The invoiced amount to be received is recorded in accounts receivable on our balance sheets.

Subscriber data necessary to calculate the amount of retransmission consent revenue to be recognized for the current month is not received until subsequent to that month. We estimate the current month retransmission consent revenue based upon the subscriber data from the most recent subscriber report by the MVPD. We record the estimate in the current month as retransmission consent revenue and then adjust the amount recorded in that month when we receive the actual subscriber data. We typically have monthly adjustments to our revenue to account for changes in MVPD subscribers on a monthly basis, however, the number of MVPD subscribers does not change materially on a monthly basis and this adjustment does not materially impact our recorded retransmission consent revenue on a quarterly or annual basis.

Other Revenues. Other revenues consist of production, tower rental and other miscellaneous items. Production revenue is derived from the production of programming. Production revenue is recognized as the programming is

produced. Tower rental income is recognized monthly over the life of the lease. All of our leases under which we are the lessor are considered operating leases. Other revenue is comprised of one-time or infrequently occurring special projects, dubbing, fees and other miscellaneous items. Other revenue is recognized as the services are performed. Other revenue is generated by our direct sales employees.

Accounts Receivable and Deposit Liability. When we invoice our customers for completed performance obligations, we are unconditionally entitled to receive payment of the invoiced amounts. Therefore, we record invoiced amounts in accounts receivable on our balance sheets. We generally require amounts due to us under advertising contracts with our political advertising and certain other customers to be paid for in advance. We record the receipt of this cash as deposit liabilities. Once the advertisements have been broadcast, the revenues are earned, and we record these revenues and reduce the balance in these deposit liabilities. Our deposit liabilities of $3.8 million as of January 1, 2018 have been recognized in revenue in 2018. We believe that our deposit liabilities of $3.4 million as of December 31, 2018 will be recognized as revenue in 2019.

Expedients. We expense direct and agency commissions when incurred because our advertising contracts are one year or less in duration and the amortization period for capitalized expenses would be less than one year. Direct commissions are included in broadcast operating expense and agency commissions are netted against gross revenue in our consolidated statements of operations.

The nature of our contracts with advertising customers is such that our performance obligations arise and are satisfied concurrent with the broadcast or web placement of the advertisement. We did not have incomplete or unsatisfied performance obligations at the end of any period presented.

3. Acquisitions and Dispositions

On December 31, 2018, in order to facilitate regulatory approval of the Raycom Merger we sold the assets of WSWG-TV (CBS) (DMA 154) in the Albany, Georgia television market to Marquee Broadcasting Georgia, Inc. for $8.5 million in cash. In connection with the divestiture of WSWG-TV's assets, we recorded a gain of approximately $4.8 million.

During 2017 and 2016, we completed a number of acquisition and disposition transactions. The acquisition transactions were and are expected to, among other things, increase our revenues and cash flows from operating activities, and allow us to operate more efficiently and effectively by increasing our scale and providing us, among other things, with the ability to negotiate more favorable terms in our agreements with third parties.

2017 Acquisitions. On January 13, 2017, we acquired the assets of KTVF-TV (NBC), KXDF-TV (CBS), and KFXF-TV (FOX) in the Fairbanks, Alaska television market (DMA 202), from Tanana Valley Television Company and Tanana Valley Holdings, LLC for an adjusted purchase price of $8.0 million (the "Fairbanks Acquisition"), using cash on hand.

On January 17, 2017, we acquired the assets of two television stations that were divested by Nexstar Broadcasting, Inc. upon its merger with Media General, Inc. ("Media General"): WBAY-TV (ABC), in the Green Bay, Wisconsin television market (DMA 69), and KWQC-TV (NBC), in the Davenport, Iowa, Rock Island, Illinois, and Moline, Illinois or "Quad Cities" television market (DMA 102), for an adjusted purchase price of $269.9 million (the "Media General Acquisition") using cash on hand. The Media General Acquisition was completed, in part, through a transaction with a VIE known as Gray Midwest EAT, LLC ("GME"), pursuant to which GME acquired the broadcast licenses of the stations. On May 30, 2017, we exercised an option to acquire the licenses held by GME pending receipt of proceeds from the FCC's reverse auction for broadcast spectrum (the "FCC Spectrum Auction"). Upon receipt of the auction proceeds from the FCC on August 7, 2017, we completed the acquisition of the broadcast licenses from GME.

During the period that GME held those broadcast licenses we believe we were the primary beneficiary of GME because, subject to the ultimate control of the licensees, we had the power to direct the activities that significantly impact the economic performance of GME through the services we provided, and our obligation to absorb losses and right to earn returns that would be considered significant to GME. As a result, we included the assets, liabilities and results of operations of GME in our consolidated financial statements beginning on January 17, 2017 and continuing through August 7, 2017, the date that we were no longer deemed to be the primary beneficiary of GME.

On May 1, 2017, we acquired the assets of WDTV-TV (CBS) and WVFX-TV (FOX/CW) in the Clarksburg-Weston, West Virginia television market (DMA 169) from Withers Broadcasting Company of West Virginia (the "Clarksburg Acquisition") for a total purchase price of $26.5 million with cash on hand. On May 13, 2016, we announced that we agreed to enter into the Clarksburg Acquisition. On June 1, 2016, we made a partial payment of $16.5 million and acquired the non-license assets of these stations. Also, on that date we began operating these stations, subject to the control of the seller, under a local marketing agreement ("LMA") that terminated upon completion of the acquisition.

On May 1, 2017, we acquired the assets of WABI-TV (CBS/CW) in the Bangor, Maine television market (DMA 156) and WCJB-TV (ABC/CW) in the Gainesville, Florida television market (DMA 159) from Community Broadcasting Service and Diversified Broadcasting, Inc. (collectively, the "Diversified Acquisition") for a total purchase price of $85.0 million with cash on hand. On April 1, 2017, we began operating these stations, subject to the control of the seller, under an LMA that terminated upon completion of the acquisition.

On August 1, 2017, we acquired the assets of WCAX-TV (CBS) in the Burlington, Vermont – Plattsburgh, New York television markets (DMA 97) from Mt. Mansfield Television, Inc., for an adjusted purchase price of $29.0 million in cash (the "Vermont Acquisition"). On June 1, 2017, we advanced $23.2 million of the purchase price to the seller and began to operate the station under an LMA, subject to the control of the seller. At closing, we paid the remaining $5.8 million of the purchase price with cash on hand and the LMA was terminated.

We refer to the eight stations that we began operating and acquired (excluding the stations acquired in the Clarksburg Acquisition, which we began operating under an LMA in 2016) during 2017 as the "2017 Acquisitions." The following table summarizes fair value estimates of the assets acquired, liabilities assumed and resulting goodwill of the 2017 Acquisitions and the Clarksburg Acquisition (in thousands):

	Acquisition					
	Fairbanks	**Media General**	**Clarksburg**	**Diversified**	**Vermont**	**Total**
Current assets	$122	$666	$ 462	$ 361	$ 312	$1,923
Property and equipment	2,650	20,181	4,133	12,329	9,513	48,806
Goodwill	471	86,287	3,222	35,486	3,393	128,859
Broadcast licenses	2,228	149,846	17,003	26,219	7,592	202,888
Other intangible assets	2,702	13,398	2,234	11,051	5,191	34,576
Other non-current assets	71	282	51	27	3,310	3,741
Current liabilities	(140)	(695)	(554)	(423)	(311)	(2,123)
Other long-term liabilities	(84)	-	(51)	(50)	-	(185)
Total	$8,020	$269,965	$ 26,500	$ 85,000	$ 29,000	$418,485

These amounts are based upon management's determination of the fair values using valuation techniques including income, cost and market approaches. In determining the preliminary fair value of the acquired assets and assumed liabilities, the fair values were determined based on, among other factors, expected future revenue and cash flows, expected future growth rates, and estimated discount rates.

Property and equipment are recorded at their fair value and are being depreciated over their estimated useful lives ranging from three years to 40 years.

Amounts related to other intangible assets represent primarily the estimated fair values of retransmission agreements of $27.9 million; advertising client relationships of $5.3 million; and favorable income leases of $3.0 million. These intangible assets are being amortized over their estimated useful lives of approximately 5.1 years for retransmission agreements; approximately 10.7 years for advertising client relationships; and approximately 11.9 years for favorable income leases.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, as well as future synergies that we expect to generate from each acquisition. We recorded $128.9 million of goodwill related to stations acquired in 2017. The goodwill recognized related to these acquisitions is deductible for income tax purposes.

The Company's consolidated results of operations for year ended December 31, 2017 include the results of the 2017 Acquisitions from the date of each transaction. Revenues attributable thereto and included in our consolidated statement of operations for the year ended December 31, 2017 were $79.8 million. Operating income attributable thereto and included in our consolidated statement of operations for year ended December 31, 2017 was $33.7 million.

In connection with acquiring the 2017 Acquisitions, we incurred $1.1 million of transaction related costs during the year ended December 31, 2017, primarily related to legal, consulting and other professional services.

2016 Acquisitions and Dispositions. On February 16, 2016, we completed the acquisition of the television and radio broadcast assets of Schurz Communications, Inc. ("Schurz") for an adjusted purchase price of $443.1 million plus transaction related expenses (the "Schurz Acquisition").

To facilitate regulatory approval for the Schurz Acquistion, on February 1, 2016, we exchanged the assets of KAKE-TV (ABC) (and its satellite stations) in the Wichita, Kansas television market, for the assets of Lockwood Broadcasting, Inc.'s television station WBXX-TV (CW) in the Knoxville, Tennessee television market and $11.2 million of cash (the "WBXX Acquisition"). In connection with the divestiture of KAKE-TV's assets, we recorded a gain of approximately $2.0 million, excluding transaction related expenses.

To further faciliate regulatory approvals for the Schurz Acquisition, on February 16, 2016, we exchanged the assets of WSBT-TV for the assets of Sinclair Broadcast Group, Inc.'s television station WLUC-TV (NBC/FOX) in the Marquette, Michigan television market (the "WLUC Acquisition"), and we sold the Schurz radio broadcast assets (the "Schurz Radio Stations") for $16.0 million to three third-party radio broadcasters. We did not record a gain or loss related to the WLUC Acquisition or related to the divestiture of the Schurz Radio Stations because the fair value of the assets given were determined to be equal to the assets received.

The Schurz Acquisition, the WBXX Acquisition, the WLUC Acquisition, and the sale of the Schurz Radio Stations are referred to collectively as the “Schurz Acquisition and Related Transactions.” We used borrowings of $425.0 million (the “2016 Term Loan”) under our then-existing senior credit facility, as amended (the “2014 Senior Credit Facility”), to fund a portion of the purchase price to complete the Schurz Acquisition and to pay a portion of the related fees and expenses, the remainder of which were paid from cash on hand. See Note 4 “Long-term Debt” for further information regarding our financing activities.

The net consideration to complete the Schurz Acquisition and Related Transactions was as follows (in thousands):

	Divestiture of KAKE-TV	Acquisition of WBXX-TV	Acquisition and the Acquisition of WLUC-TV	Total
Base purchase price	$ -	$ 30,000	$ 442,500	$472,500
Purchase price adjustment	-	-	574	574
Adjusted purchase price	-	30,000	443,074	473,074
Cash consideration received from sale of Schurz Radio Stations	-	-	(16,000)	(16,000)
Net adjusted purchase price allocated to assets acquired and liabilities assumed	-	30,000	427,074	457,074
Non-cash consideration received	(30,000)	-	-	(30,000)
Cash consideration received	(11,200)	-	-	(11,200)
Net consideration - the Schurz Acquisition and Related Transactions	$ (41,200)	$ 30,000	$ 427,074	$415,874

On June 27, 2016, we completed the acquisition of KYES-TV (MY, Ant.), a television station serving the Anchorage, Alaska television market, from Fireweed Communications, LLC (the “KYES-TV Acquisition”). The purchase price of $0.5 million, plus transaction related expenses, was paid with cash on hand.

We refer to the stations acquired and retained in 2016, as well as the Clarksburg Acquisition, whose stations we began operating under an LMA in June 2016, as the “2016 Acquisitions.” The fair values of the assets acquired, liabilities assumed and resulting goodwill of the television station acquisitions we completed in 2016 are summarized as follows (in thousands):

	Acquisition of KYES-TV	Acquisition of WBXX-TV	Schurz Acquisition and the Acquisition of WLUC-TV	Total
Accounts receivable	$ -	$ -	$ 19,226	$19,226
Other current assets	-	429	4,606	5,035
Property and equipment	176	1,633	97,814	99,623
Goodwill	28	10,288	61,981	72,297
Broadcast licenses	254	18,199	231,391	249,844

Other intangible assets	42	-	19,523	19,565
Other non-current assets	-	408	3,028	3,436
Current liabilities	-	(460)	(8,903)	(9,363)
Other long-term liabilities	-	(497)	(1,592)	(2,089)
Total	$ 500	$ 30,000	$ 427,074	$457,574

These amounts are based upon management's determination of the fair values using valuation techniques including income, cost and market approaches. In determining the fair value of the acquired assets and assumed liabilities, the fair values were determined based on, among other factors, expected future revenue and cash flows, expected future growth rates, and estimated discount rates.

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

Property and equipment are recorded at their fair value and are being depreciated over their estimated useful lives ranging from three years to 40 years.

Amounts related to other intangible assets represent primarily the estimated fair values of retransmission agreements of $14.9 million; advertising client relationships of $1.6 million; and favorable income leases of $2.6 million. These intangible assets are being amortized over their estimated useful lives of approximately 4.9 years for retransmission agreements; approximately 5.5 years for advertising client relationships; and approximately 9.5 years for favorable income leases.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, as well as future synergies that we expect to generate from each acquisition. We recorded $72.3 million of goodwill related to stations acquired in 2016. The goodwill recognized related to these acquisitions is deductible for income tax purposes.

The Company's consolidated results of operations for year ended December 31, 2016 include the results of the 2016 Acquisitions from the date of each transaction. Revenues attributable thereto and included in our consolidated statement of operations for the year ended December 31, 2016 were $130.4 million. Operating income attributable thereto and included in our consolidated statement of operations for year ended December 31, 2016 was $55.8 million.

In connection with acquiring the 2016 Acquisitions, we incurred $7.4 million of transaction related costs during the year ended December 31, 2016, primarily related to legal, consulting and other professional services.

Unaudited Pro Forma Financial Information.

Pro Forma Data – Acquisitions Completed in 2017. The following table sets forth certain unaudited pro forma information for the years ended December 31, 2017 and 2016 assuming that the acquisitions completed in 2017 occurred on January 1, 2016 (in thousands, except per share data):

	Years Ended December 31,	
	2017	**2016**
Revenue (less agency commissions)	$895,081	$926,799
Net income	$260,909	$88,679
Basic net income per share	$3.57	$1.23
Diluted net income per share	$3.53	$1.22

This pro forma financial information is based on Gray's historical results of operations and the historical results of operations of the acquisitions completed in 2017, adjusted for the effect of fair value estimates and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we acquired each of the stations acquired in 2017 on January 1, 2016 or on any other historical date, nor is it reflective of our expected results of operations for any future period. The pro forma adjustments for the years ended December 31, 2017 and 2016 reflect depreciation expense and amortization of finite-lived intangible assets related to the fair value of the assets acquired, and the related tax effects of the adjustments. This pro forma financial information has been prepared based on estimates and assumptions that we believe are reasonable as of the date hereof, and are subject to change based on, among other things, changes in the fair value estimates or underlying assumptions.

Pro Forma Data – Acquisitions Completed in 2016. The following table sets forth certain unaudited pro forma information for the years ended December 31, 2016 assuming that the acquisitions completed in 2016 occurred on January 1, 2016 (in thousands, except per share data):

	Years Ended December 31, 2016
Revenue (less agency commissions)	$ 825,787
Net income	$ 57,795
Basic net income per share	$ 0.80
Diluted net income per share	$ 0.79

This pro forma financial information is based on Gray's historical results of operations and the historical results of operations of the stations acquired in 2016, adjusted for the effect of fair value estimates and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we acquired each of the stations acquired in 2016 on January 1, 2016 or on any other historical date, nor is it reflective of our expected results of operations for any future period. The pro forma adjustments for the year ended December 31, 2016 reflects depreciation expense and amortization of finite-lived intangible assets related to the fair value of the assets acquired, and the related tax effects of the adjustments. This pro forma financial information has been prepared based on estimates and assumptions that we believe are reasonable as of the date hereof, and are subject to change based on, among other things, changes in the underlying assumptions.

4. Long-term Debt

As of December 31, 2018 and 2017, long-term debt consisted of obligations under our 2017 Senior Credit Facility (as defined below), our 5.125% senior notes due 2024 (the "2024 Notes") and our 5.875% senior notes due 2026 (the "2026 Notes") and our 7.0% senior notes due 2027 (the "2027 Notes") as follows (in thousands):

	December 31,	
	2018	**2017**
Long-term debt including current portion:		
2017 Senior Credit Facility	$595,026	$635,234
2024 Notes	525,000	525,000
2026 Notes	700,000	700,000
2027 Notes	750,000	-
Total outstanding principal	2,570,026	1,860,234
Unamortized deferred loan costs - 2017 Senior Credit Facility	(9,261)	(11,777)
Unamortized deferred loan costs - 2024 Notes	(5,744)	(6,743)
Unamortized deferred loan costs - 2026 Notes	(8,359)	(9,473)
Unamortized deferred loan costs - 2027 Notes	(2,014)	-
Unamortized premium - 2026 Notes	4,576	5,187
Less current portion	-	(6,417)
Net carrying value	$2,549,224	$1,831,011
Borrowing availability under the Revolving Credit Facility	$100,000	$100,000

On February 7, 2017, we entered into a Third Amended and Restated Credit Agreement (the "2017 Senior Credit Facility"), consisting of a $556.4 million term loan facility (the "2017 Initial Term Loan") and a $100.0 million revolving credit facility (the "2017 Revolving Credit Facility"). Amounts outstanding under the 2017 Initial Term Loan were used to repay amounts outstanding under our prior credit agreement (the "2014 Senior Credit Facility"). On April 3, 2017, we borrowed $85.0 million under an incremental term loan (the "2017 Incremental Term Loan" and, together with the 2017 Initial Term Loan, the "2017 Term Loan") under the 2017 Senior Credit Facility to fund the Diversified Acquisition. As of December 31, 2018, the 2017 Senior Credit Facility provided total commitments and outstanding loans of $695.0 million, consisting of the $595.0 million outstanding principal balance of the 2017 Term Loan and the $100.0 million 2017 Revolving Credit Facility. As a result of our July 2018 pre-payment of a portion of the 2017 Term Loan, we have satisfied all principal payment obligations under the 2017 Term loan until it matures on February 7, 2024.

Borrowings under the 2017 Term Loan bear interest, at our option, at either the London Interbank Offered Rate ("LIBOR") or the Base Rate (as defined below), in each case, plus an applicable margin. As of December 31, 2018, the applicable margin was 2.25% for LIBOR borrowings and 1.25% for Base Rate borrowings. The applicable margin is determined quarterly based on our leverage ratio as set forth in the 2017 Senior Credit Facility (the "Leverage Ratio"). If our Leverage Ratio is less than or equal to 5.25 to 1.00, the applicable margin is 2.25% for all LIBOR borrowings and

1.25% for all Base Rate borrowings, and if the Leverage Ratio is greater than 5.25 to 1.00, the applicable margin is 2.5% for all LIBOR borrowings and 1.5% for all Base Rate borrowings. As of December 31, 2018, the interest rate on the balance outstanding under the 2017 Term Loan was 4.6%.

Borrowings under the 2017 Revolving Credit Facility currently bear interest, at our option, at either LIBOR plus 1.50% or Base Rate plus 0.50%, in each case based on a first lien leverage ratio test as set forth in the 2017 Senior Credit Facility (the "First Lien Leverage Ratio"). Base Rate is defined as the greatest of (i) the administrative agent's prime rate, (ii) the overnight federal funds rate plus 0.50% and (iii) LIBOR plus 1.00%. We are required to pay a commitment fee on the average daily unused portion of the 2017 Revolving Credit Facility, which rate may range from 0.375% to 0.50% on an annual basis, based on the First Lien Leverage Ratio. The maturity date of the 2017 Term Loan is February 7, 2024. Please refer to Note 13 "Subsequent Events" for information relating to the 2019 Senior Credit Facility that revised and extended the terms of our revolving credit facility.

As a result of entering into the 2017 Senior Credit Facility, we recorded a loss on extinguishment of debt of approximately $2.9 million in the year ended December 31, 2017, and we incurred approximately $5.0 million in deferred financing costs that will be amortized over the life of the 2017 Senior Credit Facility.

As of December 31, 2018 and 2017, we had $525.0 million of 2024 Notes outstanding. The interest rate and yield on the 2024 Notes were 5.125%. The 2024 Notes mature on October 15, 2024. Interest is payable semiannually, on April 15 and October 15 of each year.

As of December 31, 2018 and 2017, we had $700.0 million of 2026 Notes outstanding. On June 14, 2016, we completed the private placement of $500.0 million of our 2026 Notes (the "Original 2026 Notes") at par. On September 14, 2016, we completed the private placement of an additional $200.0 million of our 2026 Notes (the "Additional 2026 Notes"). The Additional 2026 Notes were issued at a price of 103.0%, resulting in aggregate gross proceeds of approximately $206.0 million, plus accrued and unpaid interest from and including June 14, 2016. The interest rate and yield on the Original 2026 Notes were 5.875%. The interest rate and yield on the Additional 2026 Notes were 5.875% and 5.398%, respectively. The Additional 2026 Notes are an additional issuance of, rank equally with and form a single series with the Original 2026 Notes. The 2026 Notes mature on July 15, 2026. Interest is payable semiannually, on January 15 and July 15 of each year.

On November 16, 2018, in preparation for the Raycom Merger, our subsidiary, Gray Escrow, Inc., issued $750.0 million of 2027 Notes at 100.0% of par. The interest rate and yield on the 2027 Notes is 7.0%. The 2027 Notes mature on May 15, 2027. Interest is payable semiannually, on May 15 and November 15 of each year. The obligations under the 2027 Notes were assumed by Gray Television, Inc. concurrent with the closing of the Raycom Merger. Please refer to Note 13 "Subsequent Events" for further information.

Collateral, Covenants and Restrictions. Our obligations under the 2017 Senior Credit Facility are secured by substantially all of our consolidated assets, excluding real estate. In addition, substantially all of our subsidiaries are joint and several guarantors of, and our ownership interests in those subsidiaries are pledged to collateralize, our obligations under the 2017 Senior Credit Facility. Gray Television, Inc. is a holding company, and has no material independent assets or operations. For all applicable periods through December 31, 2018, the 2024 Notes and the 2026

Notes were fully and unconditionally guaranteed, on a joint and several, senior unsecured basis, by substantially all of Gray Television, Inc.'s subsidiaries. Any subsidiaries of Gray Television, Inc. that do not gurantee the 2024 Notes and the 2026 Notes are minor. As of December 31, 2018, there were no significant restrictions on the ability of Gray Television, Inc.'s subsidiaries to distribute cash to Gray or to the guarantor subsidaries.

The 2017 Senior Credit Facility contained affirmative and restrictive covenants with which we were required to comply, including: (a) limitations on additional indebtedness, (b) limitations on liens, (c) limitations on the sale of assets, (d) limitations on guarantees, (e) limitations on investments and acquisitions, (f) limitations on the payment of dividends and share repurchases, (g) limitations on mergers and (h) maintenance of the First Lien Leverage Ratio while any amount is outstanding under the revolving credit facility, as well as other customary covenants for credit facilities of this type. The 2024 Notes, 2026 Notes and the 2027 Notes also include covenants with which we must comply which are typical for borrowing transactions of their nature. As of December 31, 2018 and 2017, we were in compliance with all required covenants under all our debt obligations.

Maturities

Aggregate minimum principal maturities on long-term debt as of December 31, 2018 were as follows (in thousands):

	Minimum Principal Maturities				
Year	**2017 Senior Credit Facility**	**2024 Notes**	**2026 Notes**	**2027 Notes**	**Total**
2019	$-	$-	$-	$-	$-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
Thereafter	595,026	525,000	700,000	750,000	2,570,026
Total	$595,026	$525,000	$700,000	$750,000	$2,570,026

Interest Payments. For all of our interest bearing obligations, we made interest payments of approximately $94.5 million, $97.0 million and $76.2 million during 2018, 2017 and 2016, respectively. We did not capitalize any interest payments during the years ended December 31, 2018, 2017 or 2016.

Financing Transactions related to the Raycom Merger. Please refer to Note 13 “Subsequent Events” for further information related to the debt financing transactions for the Raycom Merger completed on January 2, 2019.

5. Fair Value Measurement

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

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

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

As of December 31, 2018, the carrying amount of our long-term debt was $2.5 billion and the fair value was $2.4 billion. As of December 31, 2017 the carrying amount of our long-term debt was $1.8 billion and the fair value was $1.9 million. Fair value of our long-term debt is based on observable estimates provided by third-party financial professionals and as such is classified within Level 2 of the fair value hierarchy.

6. Stockholders' Equity

We are authorized to issue 245 million shares of all classes of stock, of which 25 million shares are designated Class A common stock, 200 million shares are designated common stock, and 20 million shares are designated "blank check" preferred stock for which our Board of Directors has the authority to determine the rights, powers, limitations and restrictions. The rights of our common stock and Class A common stock are identical, except that our Class A common stock has 10 votes per share and our common stock has one vote per share. Our common stock and Class A common stock are entitled to receive cash dividends if declared, on an equal per-share basis. For the years ended December 31, 2018, 2017 and 2016, we did not declare or pay any common stock or Class A common stock dividends.

In December 2017, we completed an underwritten public offering of 17.25 million shares of our common stock at a price to the public of $14.50 per share. The net proceeds from the offering were $238.9 million, after deducting underwriting discounts of $10.6 million and expenses of $0.6 million. The proceeds of this offering are currently being held in our corporate treasury.

In each of March and November 2004, the Board of Directors of the Company authorized the Company to repurchase up to 2.0 million shares of the Company's common stock and Class A common stock. In March 2006, this authorization was increased to an aggregate of 5.0 million shares (the "2004-2006 Repurchase Authorization"). As of December 31, 2018, 279,200 shares remain available for repurchase under this authorization, which has no expiration date.

On November 6, 2016, the Board of Directors of the Company authorized the Company to purchase up to an additional $75.0 million of our outstanding common stock prior to December 31, 2019 (the "2016 Repurchase Authorization"). The 2016 Repurchase Authorization prohibits the Company from purchasing shares directly from the Company's officers, directors, or the Gray Television, Inc. Capital Accumulation Plan (the "401k Plan"). During the year ended December 31, 2018, we purchased 1,551,710 shares of our common stock at an average purchase price of

$12.64 per share under the 2016 Repurchase Authorization, for a total cost of $19.6 million. As of December 31, 2018, $49.5 million remains available to purchase shares of our common stock under the 2016 Repurchase Authorization.

The extent to which the Company repurchases any of its shares, the number of shares and the timing of any repurchases will depend on general market conditions, regulatory requirements, alternative investment opportunities and other considerations. The Company is not required to repurchase a minimum number of shares, and the repurchase authorizations may be modified, suspended or terminated at any time without prior notice.

Under our various employee benefit plans, we may, at our discretion, issue authorized and unissued shares, or previously issued shares held in treasury, of our Class A common stock or common stock. As of December 31, 2018, we had reserved 7,078,916 shares and 1,703,064 shares of our common stock and Class A common stock, respectively, for future issuance under various employee benefit plans. As of December 31, 2017, we had reserved 7,422,965 shares and 1,923,144 shares of our common stock and Class A common stock, respectively, for future issuance under various employee benefit plans.

Financing Transactions related to the Raycom Merger. Please refer to Note 13 “Subsequent Events” for further information related to the equity financing transactions for the Raycom Merger completed on January 2, 2019.

7. Stock-Based Compensation

We recognize compensation expense for share-based payment awards made to our employees, consultants and directors. Our active stock-based compensation plans include our 2017 Equity and Incentive Compensation Plan (the “2017 EICP”); our 2007 Long-Term Incentive Plan, as amended (the “2007 Incentive Plan”); and our Directors’ Restricted Stock Plan. The following table presents our stock-based compensation expense and related income tax benefits for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Stock-based compensation expense, gross	$6,661	$8,303	$5,099
Income tax benefit at our statutory rate associated with stock-based compensation	(1,692)	(3,238)	(1,989)
Stock-based compensation expense, net	$4,969	$5,065	$3,110

Currently, the 2017 EICP provides for, and, while awards were available for grant thereunder the 2007 Incentive Plan provided for, the grant of incentive stock options, nonqualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, and performance awards to acquire shares of our Class A common stock or common stock, or other awards based on our performance. Under the Directors’ Restricted Stock Plan, each director can be awarded up to 10,000 shares of restricted common stock or Class A common stock each calendar year. During the years ended December 31, 2018, 2017 and 2016, we did not grant any awards under the Directors’ Restricted Stock Plan. All shares of common stock and Class A common stock underlying outstanding options, restricted stock units and performance awards are counted as issued under the 2017 EICP, the 2007 Incentive Plan and the Directors’ Restricted Stock Plan for purposes of determining the number of shares available for future issuance.

During 2018, we granted:

110,040 shares of restricted Class A common stock with a grant date fair value per share of $12.65 to an employee, of which 36,680 shares vested on February 28, 2019, and 36,680 shares will vest on each of February 28, 2020 and 2021;

110,040 shares of restricted Class A common stock with a grant date fair value per share of $12.65 to an employee, subject to the achievement of certain performance measures, which will vest on February 28, 2021;

318,196 shares of restricted common stock with a grant date fair value per share of $15.25 to certain employees; net of forfeitures, 131,106 shares vested on February 28, 2019; 69,651 shares will vest on February 28, 2020; and 69,652 shares will vest on February 28, 2021; and

73,640 shares of restricted common stock to our non-employee directors, all of which will vest on May 31, 2019.

During 2017, we granted:

Under the 2007 Incentive Plan, 307,943 shares of restricted common stock to certain employees, of which 102,648 shares vested on January 31, 2018; 102,648 shares vested on January 31, 2019; and 102,647 shares will vest on January 31, 2020;

Under the 2007 Incentive Plan, 198,220 shares of restricted Class A common stock to an employee, of which 66,073 shares vested on January 31, 2018; 66,073 shares vested on of January 31, 2019; and 66,074 shares will vest on January 31, 2020;

Under the 2017 EICP, 76,856 shares of restricted Class A common stock to our non-employee directors, all of which vested on January 31, 2018; and

Under the 2017 EICP, restricted stock units representing 215,500 shares of our common stock, of which 209,500 shares vested on January 31, 2018.

During 2016, we granted, under the 2007 Incentive Plan:

218,452 shares of restricted common stock to certain employees, of which 72,816 shares vested on each of January 31, 2017 and 2018; and 72,820 shares vested on January 31, 2019;

166,677 shares of restricted Class A common stock to an employee, of which 55,559 shares vested on each of January 31, 2017 and 2018; and 55,559 shares vested on January 31, 2019; and

19,048 shares of restricted common stock and 51,935 shares of restricted Class A common stock to certain non-employee directors, all of which vested on January 31, 2017.

As of December 31, 2018, we had 4.4 million shares of our common stock and 1.7 million shares of our Class A common stock available for issuance under the 2017 EICP.

As of December 31, 2018 and 2017, we had outstanding options to acquire 274,746 shares of our common stock, all of which were vested and exercisable under the 2007 Incentive Plan. All outstanding options were granted with exercise prices equal to the market value of the underlying stock at the close of business on the date of the grant. The exercise price of all our outstanding stock options is $1.99 per share. The aggregate intrinsic value of outstanding stock options was $3.5 million based on the closing market price of our common stock on December 31, 2018. There are no shares available for future awards under this plan.

As of December 31, 2018, under the Directors Restricted Stock Plan there were 770,000 shares available for future award.

As of December 31, 2018, we had $4.2 million of total unrecognized compensation expense related to all non-vested share based compensation arrangements. This expense is expected to be recognized over a period of 1.5 years.

A summary of activity for the years ended December 31, 2018, 2017 and 2016 under our stock based compensation plans is as follows:

	Year Ended December 31,					
	2018		2017		2016	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Restricted stock - common:						
Outstanding - beginning of period	503,685	$ 11.14	396,033	$ 12.06	337,506	$ 9.57
Granted	391,836	14.63	307,943	10.40	237,500	12.88
Vested	(225,570)	11.21	(200,291)	11.82	(178,973)	8.46
Forfeited	(91,057)	13.27	-	-	-	-
Outstanding - end of period	578,894	$ 13.14	503,685	$ 11.14	396,033	$ 12.06
Restricted stock - Class A common:						
Outstanding - beginning of period	462,632	$ 10.63	415,082	$ 10.15	374,693	$ 9.46
Granted	220,080	12.65	275,076	10.84	218,612	11.25
Vested	(274,926)	10.48	(227,526)	10.00	(178,223)	10.04
Outstanding - end of period	407,786	$ 11.82	462,632	$ 10.63	415,082	$ 10.15
Restricted stock units - common:						
Outstanding - beginning of period	209,500	$ 15.70	-	$ -		
Granted	-	-	215,500	15.70		
Vested	(209,500)	$ 15.70	-	-		
Forfeited	-	-	(6,000)	15.70		
Outstanding - end of period	-	$ -	209,500	$ 15.70		

Subsequent Event. On January 2, 2019, under the 2017 EICP, we granted restricted stock awards for 340,993 shares of our common stock, with a total grant date fair value of approximately $5.1 million, to certain employees, all of which will vest on January 2, 2021. On February 1, 2019, under the 2017 EICP, we granted restricted stock awards for 199,810 shares of our Class A common stock, with a total grant date fair value of approximately $3.1 million, and 336,609 shares of our common stock, with a grant date fair value of approximately $5.6 million, to certain employees that will vest in varying amounts over the periods ending January 31, 2020, 2021, and 2022.

8. Income Taxes

We recognize deferred tax assets and liabilities for future tax consequences attributable to differences between our financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. We recognize the effect on deferred tax assets and liabilities resulting from a change in tax rates in income in the period that includes the date of the change.

Under certain circumstances, we recognize liabilities in our financial statements for positions taken on uncertain tax issues. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, we believe it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits on the balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as income tax expense in the statement of operations.

Federal and state and local income tax expense (benefit) is summarized as follows (in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Current:			
Federal	$42,531	$4,633	$-
State and local	11,447	3,261	2,730
State and local - reserve for uncertain tax positions	(63)	757	(698)
Current income tax expense	53,915	8,651	2,032
Deferred:			
Federal[1]	17,385	(81,666)	38,214
State and local	5,547	4,341	3,172
Deferred income tax expense (benefit)	22,932	(77,325)	41,386
Total income tax expense (benefit)	$76,847	$(68,674)	$43,418

(1) Includes a federal tax benefit of $146.0 million in 2017 from the restatement of deferred taxes resulting from the reduction of the corporate tax rate due to the enactment of the TCJA.

Significant components of our deferred tax liabilities and assets are as follows (in thousands):

	December 31,	
	2018	**2017**
Deferred tax liabilities:		
Net book value of property and equipment	$21,097	$18,131
Broadcast licenses, goodwill and other intangibles	286,299	272,330
Total deferred tax liabilities	307,396	290,461
Deferred tax assets:		
Liability for accrued vacation	1,461	1,438
Liability for accrued bonus	3,993	2,391
Allowance for doubtful accounts	1,358	1,170
Liability under health and welfare plan	639	608
Liability for pension plan	8,437	9,611
State and local operating loss carryforwards	2,358	4,719
Alternative minimum tax carryforwards	-	3,925
Acquisition costs	1,946	2,104
Restricted stock	2,083	2,636
Other	231	244
Total deferred tax assets	22,506	28,846
Valuation allowance for deferred tax assets	-	(75)
Net deferred tax assets	22,506	28,771
Deferred tax liabilities, net of deferred tax assets	$284,890	$261,690

We have an aggregate of approximately $51.9 million of various state operating loss carryforwards. We project to have taxable income in the carryforward periods. Therefore, we believe that it is more likely than not that our state net operating loss carryforwards will be fully utilized.

A reconciliation of income tax expense at the statutory federal income tax rate and income taxes as reflected in the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 is as follows (in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Statutory federal rate applied to income before income tax expense	$60,406	$67,647	$36,992
Current year permanent items	3,065	2,408	1,830
State and local taxes, net of federal tax benefit	14,004	7,889	5,056
Change in valuation allowance	(75)	(1,457)	(151)
Reserve for uncertain tax positions	(63)	757	(698)
Rate change due to enactment of tax reform	-	(145,997)	-

Other items, net	(490)	79	389
Income tax expense (benefit) as recorded	$76,847	$(68,674)	$43,418
Effective income tax rate	26.7%	35.5%	41.1%

As of each year end, we are required to adjust our pension liability to an amount equal to the funded status of our pension plans with a corresponding adjustment to other comprehensive income on a net of tax basis. During 2018, we decreased our recorded non-current pension liability by $1.1 million and recognized other comprehensive income of $0.8 million, net of a $0.3 million tax expense. During 2017, we increased our recorded non-current pension liability by $7.4 million and recognized other comprehensive loss of $4.5 million, net of a $2.9 million tax benefit. During 2016, we increased our recorded non-current pension liability by $0.6 million and recognized other comprehensive loss of $0.4 million, net of a $0.2 million tax benefit.

In 2018, 2017 and 2016, we made income tax payments (net of refunds) of $34.2 million, $2.0 million and $14.6 million, respectively. At December 31, 2018 and 2017, we had current prepaid income taxes of approximately $0.0 million and $13.8 million, respectively.

We prescribe a recognition threshold and measurement attribution for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

We file income tax returns in the U.S. federal and multiple state jurisdictions. With few exceptions, we are no longer subject to U.S. federal, or state and local tax examinations by tax authorities for years prior to 2011. This extended open adjustment period is due to material amounts of net operating loss carryforwards, which exist at the federal level and in multiple-state jurisdictions arising from the 2009 and 2011 tax years.

9. Retirement Plans

We sponsor and contribute to defined benefit and defined contribution retirement plans. Our defined benefit pension plan is the Gray Television, Inc. Retirement Plan (the “Gray Pension Plan”). Monthly plan benefits under the Gray Pension Plan are frozen and can no longer increase, and no new participants can be added to the Gray Pension Plan.

The Gray Pension Plan's funding policy is consistent with the funding requirements of existing federal laws and regulations under the Employee Retirement Income Security Act of 1974. The measurement dates used to determine the benefit information for the Gray Pension Plan were December 31, 2018 and 2017, respectively. The following summarizes the Gray Pension Plan's funded status and amounts recognized on our consolidated balance sheets at December 31, 2018 and 2017, respectively (dollars in thousands):

	December 31,	
	2018	**2017**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$126,086	$114,976
Interest cost	4,424	4,669
Actuarial gains	(10,940)	-
Benefits paid	(2,916)	(3,529)
Merger of assumed plans	-	9,970
Projected benefit obligation at end of year	$116,654	$126,086
Change in plan assets:		
Fair value of pension plan assets at beginning of year	$88,248	$80,929
Actual return on plan assets	(4,417)	7,724
Company contributions	2,500	3,124
Benefits paid	(2,916)	(3,529)
Fair value of pension plan assets at end of year	83,415	88,248
Funded status of pension plan	$(33,239)	$(37,838)
Amounts recognized on our balance sheets consist of:		
Accrued benefit cost	$2,041	$(1,502)
Accumulated other comprehensive loss	(35,280)	(36,336)
Net liability recognized	$(33,239)	$(37,838)

Because the Gray Pension Plan is a frozen plan, the projected benefit obligation and the accumulated benefit obligation are the same. The accumulated benefit obligation was $116.7 million and $126.1 million at December 31, 2018 and 2017, respectively. The long-term rate of return on assets assumption was chosen from a best estimate range based upon the anticipated long-term returns for asset categories in which the Gray Pension Plan is invested. An estimate of the rate of increase in compensation levels used to calculate the net periodic benefit cost is not required because of the Plan's frozen status:

	Year Ended December 31,	
	2018	**2017**
Weighted-average assumptions used to determine net periodic benefit cost for the Gray Pension Plan:		
Discount rate	3.55%	4.11%
Expected long-term rate of return on pension plan assets	7.00%	7.00%

Estimated rate of increase in compensation levels	N/A	N/A

	As of December 31, 2018	2017
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.16%	3.55%

Pension expense is computed using the projected unit credit actuarial cost method. The net periodic pension cost for the Gray Pension Plan includes the following components (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Components of net periodic pension cost:			
Service cost	$-	$-	$-
Interest cost	4,424	4,670	4,398
Expected return on plan assets	(6,145)	(5,648)	(4,836)
Recognized net actuarial loss	678	484	406
Net periodic pension benefit	$(1,043)	$(494)	$(32)

For the Gray Pension Plan, the estimated future benefit payments are as follows (in thousands):

Years	Amount
2019	$3,371
2020	3,845
2021	4,102
2022	4,383
2023	4,648
2024 - 2028	28,479

The Gray Pension Plan’s weighted-average asset allocations by asset category were as follows:

	As of December 31, 2018	2017
Asset category:		
Insurance general account	19 %	19 %
Cash management accounts	1 %	4 %
Equity accounts	47 %	42 %

Fixed income accounts	31 %	31 %
Real estate accounts	2 %	4 %
Total	100 %	100 %

The investment objective is to achieve a consistent total rate of return (income, appreciation, and reinvested funds) that will equal or exceed the actuarial assumption with aversion to significant volatility. The following is the target asset allocation:

Asset class:	Target Range		
	Strategic Allocation	**Lower Limit**	**Upper Limit**
Equities:			
Large cap value	5%	0%	50%
Large cap blend	5%	0%	50%
Large cap growth	5%	0%	50%
Mid cap blend	15%	0%	40%
Small cap core	5%	0%	25%
Foreign large blend	10%	0%	40%
Emerging markets	10%	0%	25%
Real estate	5%	0%	20%
Fixed Income:			
U.S. Treasury inflation protected	5%	0%	25%
Intermediate term bond	10%	0%	50%
Long term government bond	5%	0%	40%
High yield bond	10%	0%	25%
Emerging markets bond	10%	0%	20%
Money market taxable	0%	0%	100%

Our equity portfolio contains securities of companies necessary to build a diversified portfolio, and that we believe are financially sound. Our fixed income portfolio contains obligations generally rated A or better with no maturity restrictions and an actively managed duration. The cash equivalents strategy uses securities of the highest credit quality.

Fair Value of Gray Pension Plan Assets. We calculate the fair value of the Gray Pension Plan's assets based upon the observable and unobservable net asset value of its underlying investments. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized by the fair value hierarchy proscribed by ASU Topic 820, described in Note 5 "Fair Value Measurement."

The following table presents the fair value of the Gray Pension Plan's assets and classifies them by level within the fair value hierarchy as of December 31, 2018 and 2017, respectively (in thousands):

Gray Pension Plan Fair Value Measurements

	As of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Insurance general account	$-	$16,458	$ -	$16,458
Cash management accounts	721	-	-	721
Equity accounts	39,047	-	-	39,047
Fixed income accounts	25,878	-	-	25,878
Real estate accounts	1,311	-	-	1,311
Total	$66,957	$16,458	$ -	$83,415

	As of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Insurance general account	$-	$16,873	$ -	$16,873
Cash management accounts	3,229	-	-	3,229
Equity accounts	37,536	-	-	37,536
Fixed income account	27,146	-	-	27,146
Real estate accounts	3,464	-	-	3,464
Total	$71,375	$16,873	$ -	$88,248

Expected Pension Contributions. We expect to contribute a combined total of approximately $2.5 million to our frozen defined benefit pension plan during the year ending December 31, 2019.

Capital Accumulation Plan. The Gray Television, Inc. Capital Accumulation Plan (the "Capital Accumulation Plan") is a defined contribution plan intended to meet the requirements of Section 401(k) of the Internal Revenue Code. Employer contributions under the Capital Accumulation Plan include matching cash contributions at a rate of 100% of the first 3% of each employee's salary deferral, and 50% of the next 2% of each employee's salary deferral. For the years ended December 31, 2018, 2017 and 2016, our matching contributions to our Capital Accumulation Plan were $6.4 million, $6.6 million and $5.4 million, respectively. We estimate that our matching cash contributions to the Capital Accumulation Plan for year ending December 31, 2019 will be approximately $12.5 million.

In addition, the Company, at its discretion, may make an additional profit sharing contribution, based on annual Company performance, to those employees who meet certain criteria. For the years ended December 31, 2018, 2017 and 2016, the Company accrued contributions of $4.3 million, $4.1 million and $3.4 million, respectively, as discretionary profit sharing contributions.

We may also make matching and discretionary contributions of our common stock under the Capital Accumulation Plan. As of December 31, 2018, we had 1,587,719 shares of common stock reserved for issuance under this plan.

10. Commitments and Contingencies

From time to time we may have various contractual and other commitments requiring future payments. These commitments may include amounts required to be paid for: the acquisition of television stations; the purchase of property and equipment; service and other agreements; operating lease commitments for equipment, land and office space; commitments for various syndicated television programs; and commitments under affiliation agreements with networks. Future minimum payments for these commitments, in addition to the liabilities accrued for on our consolidated balance sheets as of December 31, 2018, were as follows (in thousands):

Year	Property and Equipment	Service and Other Agreements	Operating Leases	Syndicated Television Programming	Network Affiliation Agreements	Total
2019	$ 1,375	$ 1,324	$ 3,343	$ 6,241	$ 129,485	$ 141,768
2020	-	573	3,039	13,034	140,627	157,273
2021	-	-	2,851	1,157	130,424	134,432
2022	-	-	2,618	163	3,026	5,807
2023	-	-	2,540	111	67	2,718
Thereafter	-	-	11,588	-	-	11,588
Total	$ 1,375	$ 1,897	$ 25,979	$ 20,706	$ 403,629	$ 453,586

Leases. We have no material capital leases. Where leases include rent holidays, rent escalations, rent concessions and leasehold improvement incentives, the value of these incentives are amortized over the lease term including anticipated renewal periods. Leasehold improvements are depreciated over the associated lease term including anticipated renewal periods. Rent expense resulting from operating leases for the years ended December 31, 2018, 2017 and 2016 were $4.2 million, $4.0 million and $3.5 million, respectively. On January 1, 2019 we adopted ASC 842 – *Leases*, that requires us to record lease assets and liabilities related to these contractual obligations on our balance sheets.

Legal Proceedings and Claims. We are and expect to continue to be subject to legal actions, proceedings and claims that arise in the normal course of our business. In the opinion of management, the amount of ultimate liability, if any, with respect to these known actions, proceedings and claims will not materially affect our financial position, results of operations or cash flows, although legal proceedings are subject to inherent uncertainties, and unfavorable rulings or events could occur that could negatively affect us, possibly materially.

11. Goodwill and Intangible Assets

During the years ended December 31, 2018 and 2017, we acquired, adjusted and disposed of various television broadcast stations and broadcast licenses. As a result of these transactions, our goodwill and intangible balances changed during each of these years. See Note 3 “Acquisitions and Dispositions” for more information regarding these transactions. A summary of changes in our goodwill and other intangible assets, on a net basis, for the years ended December 31, 2018 and 2017 is as follows (in thousands):

	Net Balance at December 31, 2017	Acquisitions And Adjustments	Dispositions	Impairment	Amortization	Net Balance at December 31, 2018
Goodwill	$611,100	$ 3,077	$ (1,752)	$ -	$ -	$612,425
Broadcast licenses	1,530,703	$ 425	(1,554)	-	-	1,529,574
Finite-lived intangible assets	73,784	-	-	-	(20,570)	53,214
Total intangible assets net of accumulated amortization	$2,215,587	$ 3,502	$ (3,306)	$ -	$ (20,570)	$2,195,213

	Net Balance at December 31, 2016	Acquisitions And Adjustments	Dispositions	Impairment	Amortization	Net Balance at December 31, 2017
Goodwill	$485,318	$ 125,782	$ -	$ -	$ -	$611,100
Broadcast licenses	1,340,305	203,503	(13,105)	-	-	1,530,703
Finite-lived intangible assets	56,250	42,606	-	-	(25,072)	73,784
Total intangible assets net of accumulated amortization	$1,881,873	$ 371,891	$ (13,105)	$ -	$ (25,072)	$2,215,587

A summary of changes in our goodwill, on a gross basis, for the years ended December 31, 2018 and 2017 is as follows (in thousands):

	As of December 31, 2017	Acquisitions And Adjustments	Dispositions	Impairment	As of December 31, 2018
Goodwill, gross	$709,696	$ 3,077	$ (1,752)	$ -	$711,021
Accumulated goodwill impairment	(98,596)	-	-	-	(98,596)
Goodwill, net	$611,100	$ 3,077	$ (1,752)	$ -	$612,425

	As of December 31, 2016	Acquisitions And Adjustments	Dispositions	Impairment	As of December 31, 2017
Goodwill, gross	$583,914	$ 125,782	$ -	$ -	$709,696
Accumulated goodwill impairment	(98,596)	-	-	-	(98,596)
Goodwill, net	$485,318	$ 125,782	$ -	$ -	$611,100

As of December 31, 2018 and 2017, our intangible assets and related accumulated amortization consisted of the following (in thousands):

	As of December 31, 2018			As of December 31, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets not currently subject to amortization:						
Broadcast licenses	$1,583,273	$ (53,699)	$1,529,574	$1,584,402	$ (53,699)	$1,530,703
Goodwill	612,425	-	612,425	611,100	-	611,100
	$2,195,698	$ (53,699)	$2,141,999	$2,195,502	$ (53,699)	$2,141,803
Intangible assets subject to amortization:						
Network affiliation agreements	$6,134	$ (6,134)	$-	$6,134	$ (3,551)	$2,583
Other finite-lived intangible assets	143,419	(90,205)	53,214	143,446	(72,245)	71,201
	$149,553	$ (96,339)	$53,214	$149,580	$ (75,796)	$73,784
Total intangibles	$2,345,251	$ (150,038)	$2,195,213	$2,345,082	$ (129,495)	$2,215,587

Amortization expense for the years ended December 31, 2018, 2017 and 2016 was $20.6 million, $25.1 million and $16.6 million, respectively. Based on our intangible assets subject to amortization as of December 31, 2018, we expect that amortization expense for the succeeding five years will be as follows: 2019, $15.4 million; 2020, $12.4 million; 2021, $8.3 million; 2022, $4.8 million; and 2023, $2.9 million. If and when acquisitions and dispositions occur in the future, actual amounts may vary from these estimates.

Impairment of goodwill and broadcast license. As of December 31, 2018 and 2017, we tested our goodwill, broadcast licenses and other intangible asset recorded values for potential impairment and concluded that the balances were reasonably stated. As a result, we did not record an impairment expense for our goodwill, broadcast licenses or other intangible assets during 2018, 2017 or 2016.

Completion of FCC Spectrum Auction. On August 7, 2017, we received $90.8 million resulting from our relinquishment of two licenses in the FCC's Spectrum Auction. In connection with this transaction we tendered two of our broadcast licenses and made other modifications to our broadcast spectrum related to our participation in the FCC Spectrum Auction. The cost of the assets disposed of was $13.1 million. The income tax obligations related to this gain have been deferred on a long-term basis.

See Note 1 “Description of Business and Summary of Significant Accounting Policies” for further discussion of our accounting policies regarding goodwill, broadcast licenses and other intangible assets.

12. Selected Quarterly Financial Data (Unaudited)

	Fiscal Quarter			
	First	Second	Third	Fourth
	(In thousands, except for per share data)			
Year Ended December 31, 2018:				
Revenue (less agency commissions)	$226,258	$250,344	$279,310	$328,220
Operating income	50,035	79,690	108,402	150,644
Net income	19,945	40,705	61,886	88,267
Basic net income per share	$0.22	$0.46	$0.71	$1.01
Diluted net income per share	$0.22	$0.46	$0.70	$1.00
Year Ended December 31, 2017:				
Revenue (less agency commissions)	$203,461	$226,681	$218,977	$233,609
Operating income	43,472	142,394	49,900	54,965
Net income (loss)	10,505	70,561	15,316	165,570
Basic net income (loss) per share	$0.15	$0.98	$0.21	$2.15
Diluted net income (loss) per share	$0.14	$0.97	$0.21	$2.13

Because of the method used in calculating per share data, the sum of the quarterly per share data will not necessarily equal the per share data as computed for the year.

13. Subsequent Events

Raycom Merger

Stations acquired and divested. On January 2, 2019, we completed the Raycom Merger for an adjusted purchase price of approximately $3.66 billion plus transaction related expenses. Upon completion of the transaction we acquired television stations in 34 television markets as well as various production operations and general and administrative offices.

As described in Note 3 “Acquisitions and Divestitures” above, to facilitate regulatory approval of the Raycom Merger on December 31, 2018, we sold the assets of WSWG-TV (DMA-154) in the Albany, Georgia television market. Also to facilitate regulatory approval of the Raycom Merger, on January 2, 2019, we sold the assets of the following television stations in eight markets that we acquired in the Raycom Merger (dollars in millions):

Purchaser	Total Cash Consideration	Television Station	Location	DMA
Lockwood Broadcasting, Inc.	$ 67.0	WTNZ-TV	Knoxville, TN	61
		WFXG-TV	Augusta, GA	112
		WPGX-TV	Panama City, FL	151
		WDFX-TV	Dothan, AL	173
Scripps Media, Inc.	$ 55.0	KXXV-TV	Waco-Temple-Bryan, TX	86
		KRHD-CD	Waco-Temple-Bryan, TX	86
		WTXL-TV	Tallahassee, FL	108
TEGNA, Inc.	$ 105.0	WTOL-TV	Toledo, OH	78
		KWES-TV	Odessa - Midland, TX	144
Total	$ 227.0			

The net consideration to complete the Raycom Merger consisted of $2.84 billion of cash, 11.5 million shares of our common stock, valued at $169.5 million and $650.0 million of a new series of preferred stock, for a total of $3.66 billion.

Due to the proximity of the closing dates of the Raycom Merger to the the filing date of this annual report, we are unable to present a preliminary purchase price allocation for the acquired businesses. Fair value estimates of assets acquired, liabilities assumed and resulting goodwill will be based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the acquired assets and liabilities assumed, the fair value estimates will be based on, among other factors, expected future revenue and cash flows, expected future growth rates, and estimated discount rates.

Debt Financing Transactions. On January 2, 2019, we entered into a Fourth Amended and Restated Credit Agreement (the "2019 Senior Credit Facility"). The 2019 Senior Credit Facility provides total commitments and outstanding loans of $2.2 billion, consisting of a $1.4 billion term loan facility (the "2019 Term Loan"), a $595.0 million outstanding principal balance under the existing 2017 Term Loan and a $200.0 million revolving credit facility (the "2019 Revolving Credit Facility").

Borrowings under the 2019 Term Loan bear interest, at our option, at either the London Interbank Offered Rate ("LIBOR") or the Base Rate (as defined below), in each case, plus an applicable margin. The applicable margin is 2.5% for LIBOR borrowings and 1.5% for Base Rate borrowings. As of February 22, 2019, the interest rate on the balance outstanding under the 2019 Term Loan was 5.0%.

Borrowings under the 2019 Revolving Credit Facility currently bear interest, at our option, at either LIBOR plus 2.50% or Base Rate plus 1.50%, in each case based on a first lien leverage ratio test as set forth in the 2019 Senior Credit Facility (the "First Lien Leverage Ratio"). Base Rate is defined as the greatest of (i) the administrative agent's prime rate, (ii) the overnight federal funds rate plus 0.50% and (iii) LIBOR plus 1.00%. We are required to pay a commitment fee on the average daily unused portion of the 2019 Revolving Credit Facility, which rate may range from 0.375% to 0.50% on an annual basis, based on the First Lien Leverage Ratio. The 2019 Revolving Credit Facility matures on January 2, 2024, and the 2019 Term Loan matures on January 2, 2026. As of December 31, 2018 we incurred $3.2 million of transaction fees and expenses related to the 2019 Senior Credit Facility. At December 31, 2018 these were recorded as other long-term assets. In 2019 these were reclassified as a reduction of the balance of the outstanding debt and are amortized over the life of the 2019 Senior Credit Facility. The amortization of these fees will be included in our interest expense. Please refer to Note 4 "Long Term Debt" for information related to the issuance of the 2027 Notes.

Effective upon the completion of these debt transactions, the aggregate minimum principal maturities of our long-term debt were as follows (in thousands):

	Minimum Principal Maturities				
Year	**2019 Senior Credit Facility**	**2024 Notes**	**2026 Notes**	**2027 Notes**	**Total**
2019	$14,000	$-	$-	$-	$14,000
2020	14,000	-	-	-	14,000
2021	14,000	-	-	-	14,000
2022	14,000	-	-	-	14,000
2023	14,000	-	-	-	14,000
Thereafter	1,925,026	525,000	700,000	750,000	3,900,026
Total	$1,995,026	$525,000	$700,000	$750,000	$3,970,026

Our obligations under the 2019 Senior Credit Facility are secured by substantially all of our consolidated assets, excluding real estate. In addition, substantially all of our subsidiaries are joint and several guarantors of, and our ownership interests in those subsidiaries are pledged to collateralize, our obligations under the 2019 Senior Credit Facility.

The 2019 Senior Credit Facility contains affirmative and restrictive covenants with which we must comply, including: (a) limitations on additional indebtedness, (b) limitations on liens, (c) limitations on the sale of assets, (d) limitations on guarantees, (e) limitations on investments and acquisitions, (f) limitations on the payment of dividends and share repurchases, (g) limitations on mergers and (h) maintenance of the First Lien Leverage Ratio while any amount is outstanding under the 2019 Revolving Credit Facility, as well as other customary covenants for credit facilities of this type.

Gray Television, Inc. is a holding company, and has no material independent assets or operations. Upon completion of the Raycom Merger financing transactions, the 2024 Notes, 2026 Notes and 2027 Notes are fully and unconditionally guaranteed, on a joint and several, senior unsecured basis, by substantially all of Gray Television, Inc.'s subsidiaries. Any subsidiaries of Gray Television, Inc. that do not guarantee the 2024 Notes, 2026 Notes and 2027 Notes are minor. As of February 22, 2019, there were no significant restrictions on the ability of Gray Television, Inc.'s subsidiaries to distribute cash to Gray or to the guarantor subsidiaries. The 2024 Notes, 2026 Notes and 2027 Notes include covenants with which we must comply which are typical for borrowing transactions of their nature.

Equity Financing Transactions. Effective on January 2, 2019, we issued 11.5 million shares of our common stock at a price of $14.74 per share to the certain former shareholders of Raycom Media, Inc. as part of the total consideration paid for the Raycom Merger. We incurred transaction fees and expenses related to the issuance of these shares that will be recorded as a reduction of the balance outstanding of our common stock in our balance sheets.

Effective on January 2, 2019, we issued 650,000 shares of Preferred Stock to holders of warrants to purchase shares of Raycom Media, Inc.'s capital stock that were outstanding immediately prior to the Raycom Merger. The Preferred Stock was designated as "Series A Perpetual Preferred Stock" and had a liquidation value of $1,000 per share. The issuance of the Preferred Stock was issued as partial consideration for the Raycom Merger. Because the Preferred Stock is perpetual and not convertible into shares of our common stock or Class A common stock we have recorded the balance outstanding as mezzanine equity. The Preferred Stock accrues dividends at 8% per annum payable in cash or 8.5% per annum payable in the form of additional Preferred Stock, at the election of Gray. Cash preferred stock dividends are due quarterly on January 15, April 15, July 15 and October 15 each year. The holders of the Preferred Stock will not be entitled to vote on any matter submitted to the stockholders of the Company for a vote, except as required by Georgia law. Upon a liquidation of the Company, holders of the Preferred Stock will be entitled to receive a liquidation preference equal to $1,000 per share plus all accrued and unpaid dividends.

United Communications Acquisition

On February 8, 2019, we announced that we have entered into an agreement to acquire WWNY-TV (CBS) and WNYF-CD (FOX) in the Watertown, New York market (DMA 178) and KEYC-TV (CBS/FOX) in the Mankato, Minnesota market (DMA 199) from United Communications Corporation for a purchase price of $45.0 million using cash on hand. We expect to complete this transaction following receipt of regulatory and other approvals in the second quarter of 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on that evaluation, the CEO and the CFO have concluded that as of the end of such period our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that we file or furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the CEO and the CFO, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. Judgments in decision-making can be faulty and breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2018 identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report on Internal Control Over Financial Reporting

Our report, "Management's Report on Internal Control Over Financial Reporting" and the attestation report of our independent registered public accounting firm, included in "Report of Independent Registered Public Accounting Firm," are set forth in Item 8 of this Annual Report on Form 10-K.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information to be set forth under the headings “Election of Directors,” “Corporate Governance - Board Committees and Membership,” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive Proxy Statement for the 2019 Annual Meeting of Stockholders (to be filed within 120 days after December 31, 2018) is incorporated herein by reference. In addition, the information set forth under "Executive Officers of the Registrant" in Part I of this Report is incorporated herein by reference.

Item 11. Executive Compensation.

The information to be set forth under the headings “Executive Compensation,” “Report of Compensation Committee” and “Compensation Committee Interlocks and Insider Participation” in our definitive Proxy Statement for the 2019 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information to be set forth under the heading "Stock Ownership" in our definitive Proxy Statement for the 2019 Annual Meeting of Stockholders is incorporated herein by reference.

Equity Compensation Plan Information

The following table gives information about the common stock and Class A common stock that may be issued upon the exercise of options, warrants and rights under all existing equity compensation plans as of December 31, 2018:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in 1st column)	
Common Stock:					
Equity compensation plans approved by security holders	274,746	(1)	$ 1.99	5,216,451	(2)
Equity compensation plans not approved by security holders	-		$ -	-	
Total	274,746			5,216,451	
Class A Common Stock:					
Equity compensation plans approved by security holders	-		$ -	1,703,064	(3)

Equity compensation plans not approved by security holders	-	$ -	-
Total	-		1,703,064

(1) Consists of shares of common stock that are issuable under our 2007 Incentive Plan upon exercise of outstanding stock options.

(2) Consists of 4,446,451 shares of common stock issuable under our 2017 EICP and 770,000 shares of common stock that are issuable under our Directors' Restricted Stock Plan.

(3) Consists of shares of our Class A common stock that are issuable under our 2017 EICP.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information to be set forth under the headings "Certain Relationships and Related Party Transactions" and "Corporate Governance" in our definitive Proxy Statement for the 2019 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information to be set forth under the heading “Ratification of the Company’s Independent Registered Public Accounting Firm for 2019” in our definitive Proxy Statement for the 2019 Annual Meeting of Stockholders concerning principal accountant fees and services is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) List of Financial Statements and Financial Statement Schedules:

(1) Financial Statements. See Part II, Item 8 for the index to financial statements.

(2) Financial statement schedules: The following financial statement schedule of Gray Television, Inc. is included in Item 15(c): Schedule II – Valuation and qualifying accounts.

All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable and therefore have been omitted.

(b) Exhibits:

Exhibit **Description of Documents**

Number	
3.1	Restated Articles of Incorporation of Gray Television, Inc. (incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K (File No. 001-13796) for the year ended December 31, 2009)
3.2	Articles of Amendment to the Restated Articles of Incorporation of Gray Television, Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
3.3	Bylaws of Gray Television, Inc. as amended through June 5, 2013 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on June 6, 2013)
4.1	Indenture, dated as of June 14, 2016, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 15, 2016)

Exhibit Number	Description of Documents
4.2	First Supplemental Indenture, dated as of September 14, 2016, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on September 14, 2016)
4.3	Second Supplemental Indenture, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee to the Indenture dated as of June 14, 2016 (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
4.4	Form of 5.875% Senior Note due 2026 (incorporated by reference to Exhibit A to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 15, 2016)
4.5	Indenture, dated as of September 14, 2016, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on September 14, 2016)
4.6	First Supplemental Indenture, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee to the Indenture dated as of September 14, 2016 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
4.7	Form of 5.125% Senior Note due 2024 (incorporated by reference to Exhibit A to Exhibit 4.1 to our current report on form 8-K filed with the SEC on September 14, 2016)
4.8	Indenture, dated as of November 16, 2018, by and among Gray Escrow, Inc., Gray Television, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on November 16, 2018)
4.9	First Supplemental Indenture, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee to the Indenture dated as of November 16, 2018 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)

Exhibit Number	Description of Documents
4.10	Form of 7.000% Senior Note due 2027 (incorporated by reference to Exhibit A to Exhibit 4.1 to our Current Report on form 8-K filed with the SEC on November 16, 2018)
10.1	Restatement Agreement, dated as of February 7, 2017, by and among Gray Television, Inc., as Borrower, the guarantors party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on February 10, 2017)
10.2	Third Amended and Restated Credit Agreement, dated as of February 7, 2017, by and among Gray Television, Inc., as Borrower, the lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Bank, Bank of America, N.A. and Royal Bank of Canada, as Syndication Agent, Deutsche Bank AG New York Branch, as Documentation Agent and Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets and Deutsche Bank Securities Inc., as Joint Lead Arrangers and Bookrunners (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on February 10, 2017)
10.3	First Amendment and Incremental Facility Agreement dated as of April 3, 2017, to the Third Amended and Restated Credit Agreement, dated as of February 7, 2017, by and among Gray Television, Inc., and the lenders and agents thereto. (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017)
10.4	Registration Rights Agreement, dated as of June 23, 2018 by and between Gray Television, Inc. and the entities or individuals listed on the signature pages thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 3, 2019
10.5	Second Restatement, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other lenders and agents party thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
10.6	Fourth Amended and Restated Credit Agreement, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other agents and lenders party thereto (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
10.7	Director Restricted Stock Plan (incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K (File No. 001-13796) for the year ended December 31, 2002)*
10.8	Form of Nonqualified Stock Option Award Agreement Pursuant to 2007 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)*

Exhibit Number	Description of Documents
10.9	Form of Restricted Stock Award Agreement Pursuant to 2007 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)*
10.10	2007 Long Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012)*
10.11	Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form S-8 filed with the SEC on May 3, 2017)*
10.12	Form of Director Restricted Stock Award Agreement pursuant to the Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017)*
10.13	Executive and Key Employee Change in Control Severance Plan (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017)*
10.14	Form of Employee Restricted Stock Award Agreement pursuant to the Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017)*
10.15	Form of Employee Restricted Stock Units Award Agreement pursuant to the Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017)*
10.16	Offer letter, dated June 22, 2018 (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)*
21.1	Subsidiaries of the Registrant
23.1	Consent of RSM US LLP
31.1	Rule 13a-14(a) Certificate of Chief Executive Officer
31.2	Rule 13a-14(a) Certificate of Chief Financial Officer
32.1	Section 1350 Certificate of Chief Executive Officer
32.2	Section 1350 Certificate of Chief Financial Officer

Exhibit Number	**Description of Documents**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

(c) **Financial Statement Schedules –** The response to this section is submitted as a part of Item 15 (a) (1) and (2).

GRAY TELEVISION, INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Col. A	Col. B	Col. C Additions		Col. D	Col. E
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (a)	Deductions (b)	Balance at End of Period
Year Ended December 31, 2018:					
Allowance for doubtful accounts	$ 4,606	$2,171	$ -	$ (1,431)	$ 5,346
Valuation allowance for deferred tax assets	$ 75	$(75)	$ -	$ -	$ -
Year Ended December 31, 2017:					
Allowance for doubtful accounts	$ 3,163	$2,400	$ -	$ (957)	$ 4,606
Valuation allowance for deferred tax assets	$ 1,532	$(1,457)	$ -	$ -	$ 75
Year Ended December 31, 2016:					
Allowance for doubtful accounts	$ 1,794	$1,917	$ 167	$ (715)	$ 3,163
Valuation allowance for deferred tax assets	$ 1,683	$-	$ -	$ (151)	$ 1,532

(a) In 2016, the change in the allowance for doubtful accounts represents the fair value of balances assumed in acquisition transactions. See Note 3 “Acquisitions and Dispositions” of the notes to our audited consolidated financial statements included elsewhere herein for further information.

(b) Deductions from allowance for doubtful accounts represent write-offs of receivable balances not considered collectible. The deduction from the valuation allowance for deferred tax assets represents changes in estimates of our future taxable income and our estimated future usage of certain net operating loss carryforwards, as well as expiration of certain net operating loss carryforwards.

Item 16. Form 10-K Summary.

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Gray Television, Inc.

Date: February 28, 2019 By: /s/ Hilton H. Howell, Jr.
Hilton H. Howell, Jr.,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 28, 2019 By: /s/ Hilton H. Howell, Jr.
Hilton H. Howell, Jr., *Executive Chairman and*

Chief Executive Officer

Date: February 28, 2019 By */s/* Donald P. LaPlatney
Donald P. LaPlatney, *Director and*

Co-Chief Executive Officer

Date: February 28, 2019 By: /s/ Richard L. Boger
Richard L. Boger, *Director*

Date: February 28, 2019 By: /s/ T. L. Elder
T. L. Elder*, Director*

Date: February 28, 2019 By: /s/ Luis A. Garcia
Luis A. Garcia, *Director*

Date: February 28, 2019 By: /s/ Richard B. Hare
Richard B. Hare, *Director*

Date: February 28, 2019 By: /s/ Robin R. Howell
Robin R. Howell, *Director*

Date: February 28, 2019 By: */s/ Paul H. McTear*
Paul H. McTear. Director

Date: February 28, 2019 By: /s/ Elizabeth R. Neuhoff
Elizabeth R. Neuhoff, *Director*

Date: February 28, 2019 By: /s/ Howell W. Newton
Howell W. Newton, *Director*

Date: February 28, 2019 By: /s/ Hugh E. Norton
Hugh E. Norton, *Director*

By: /s/ James C. Ryan
Date: February 28, 2019 James C. Ryan, *Executive Vice President and Chief Financial Officer*

By: /s/ Jackson S. Cowart, IV
Jackson S. Cowart, IV, *Vice President and*
Date: February 28, 2019
Chief Accounting Officer