GRAY COMMUNICATIONS SYSTEMS INC /GA/
Form S-3/A
July 15, 2002

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As filed with the Securities and Exchange Commission on July 15, 2002

Registration No. 333-88694

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

Form S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

Gray Communications Systems, Inc.

(Exact name of registrant as specified in its charter)

Georgia	**4833**	**52-0285030**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

4370 Peachtree Road, NE
Atlanta, Georgia 30319
(404) 504-9828
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

James C. Ryan
Gray Communications Systems, Inc.
4370 Peachtree Road
Atlanta, Georgia 30319
(404) 504-9828
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Robert A. Cantone, Esq.

Proskauer Rose LLP
1585 Broadway
New York, New York 10036-8299
(212) 969-3000

Approximate date of commencement of proposed sale to the public: From time to time or at one time after the effective date of this registration statement as determined by the registrant or the selling security holders named in a prospectus contained herein, as applicable.

If the only securities being registered on this Form are being offered pursuant to dividend or interest investment plans, please check the following box. o

If the only securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.o ______________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____________

If delivery of the prospectus is expected to be pursuant to Rule 434, please check the following box. o

(continued on next page)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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(continued from previous page)

TABLE OF ADDITIONAL REGISTRANTS

Each of the following subsidiaries of Gray Communications Systems, Inc., and each other subsidiary that becomes a guarantor of the securities registered hereby, is hereby deemed to be a registrant.

Name	State of Incorporation or Organization	Primary Standard Industrial Classification Code No.	I.R.S. Employer Identification No.
The Albany Herald Publishing Company, Inc.	Georgia	2711	58-1020695
Post Citizen Media, Inc.	Georgia	2711	58-2113856
Gray Communications of Indiana, Inc.	Georgia	2711	58-2443532
WEAU-TV, Inc.	Georgia	4833	58-1048743
WVLT-TV, Inc.	Georgia	4833	58-2256206
WRDW-TV, Inc.	Georgia	4833	58-2165671
WITN-TV, Inc.	Georgia	4833	58-2321711
Gray Kentucky Television, Inc.	Georgia	4833	61-1267738
Gray Communications of Texas, Inc.	Georgia	4833	58-2462154
Gray Communications of Texas Sherman, Inc.	Georgia	4833	58-2462155
Gray Transportation Company, Inc.	Georgia	7389	58-1162362
Gray Real Estate and Development Co.	Georgia	7389	58-1653626
Gray Florida Holdings, Inc.	Georgia	4833	58-2254140
KOLN/ KGIN, Inc.	Delaware	4833	31-1428060
WEAU Licensee Corp.	Delaware	4833	38-3259567
KOLN/ KGIN License, Inc.	Delaware	4833	38-3259566
WJHG Licensee Corp.	Delaware	4833	51-0376606
WCTV Licensee Corp.	Delaware	4833	51-0376604
WVLT Licensee Corp.	Delaware	4833	51-0376774
WRDW Licensee Corp.	Delaware	4833	51-0376822
WITN Licensee Corp.	Delaware	4833	52-2042287
WKYT Licensee Corp	Delaware	4833	51-0376629
WYMT Licensee Corp.	Delaware	4833	51-0377389
KWTX-KBTX Licensee Corp.	Delaware	4833	51-0390044
KXII Licensee Corp.	Delaware	4833	51-0390046
Gray Television Management, Inc.	Delaware	4833	51-0376607
Gray MidAmerica Holdings, Inc.	Delaware	4833	38-2750516
Gray Publishing, Inc.	Delaware	2711	51-0407061
Gray Digital, Inc.	Delaware	6799	51-0407051
KWTX-KBTX LP Corp.	Delaware	4833	51-0390045
KXII LP Corp.	Delaware	4833	51-0390237
Porta-Phone Paging Licensee Corp.	Delaware	4812	51-0376605
KXII L.P.	Delaware	4833	58-2486573
KWTX-KBTX L.P.	Delaware	4833	58-2486577
Lynqx Communications, Inc.	Louisiana	4899	72-1120956

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EXPLANATORY NOTE

This registration statement contains two forms of prospectus: (1) one to be used by us in connection with the offering and sale of common stock, preferred stock or debt securities, as the case may be, including any common stock or preferred stock into which the debt securities may be convertible or exchangeable and any common stock into which the preferred stock may be convertible or exchangeable and (2) one to be used by the selling security holders named in the prospectus in connection with the offering and sale of class B common stock issuable upon conversion of Series C convertible preferred stock owned by such security holders.

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Subject to Completion, Dated July 15, 2002

PROSPECTUS

$600,000,000

Gray Communications Systems, Inc.

Common Stock

Preferred Stock
Debt Securities

Gray Communications Systems, Inc. may offer from time to time common stock, preferred stock and debt securities separately or together. The specific terms and amounts of the securities will be fully described in supplements to this prospectus. Please read any prospectus supplements and this prospectus carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We have two classes of common stock: class A and class B. Our class A common stock is traded on the New York Stock Exchange under the symbol GCS. Our class B common stock is traded on the New York Stock Exchange under the symbol GCS.B. On July 11, 2002, the last reported sale price for our class A common stock was $17.29 per share and the last reported sale price for our class B common stock was $13.02 per share. We also have Series C convertible preferred stock which is not publicly traded.

We intend to change our name to Gray Television, Inc. We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to Gray Common Stock. We also intend to reserve the ticker symbols GTN for the redesignated Gray Common Stock and GTN.A for our class A common stock on the New York Stock Exchange.

Investing in our common stock, preferred stock or debt securities involves risks. See Risk Factors beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities may be sold directly by us to investors, through agents designated from time to time or to or through underwriters or dealers. See Plan of Distribution. If any underwriters are involved in the sale of any securities in respect of which this prospectus is being delivered, the names of these underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. The net proceeds we expect to receive from a sale also will be set forth in a prospectus supplement.

The date of this prospectus is , 2002

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we sometimes refer to as the SEC, utilizing a shelf registration process. Under this shelf process, we may, over the next two years, offer any combination of common stock, preferred stock or debt securities, or either common stock, preferred stock or debt securities only, described in this prospectus in one or more offerings up to a total amount of $600,000,000. This prospectus provides you with a general description of the securities we may issue and sell. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described in the section titled Where You Can Find More Information.

INDUSTRY, MARKET AND RANKING DATA

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

PROSPECTUS SUMMARY

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

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

The Company

We currently own and operate 13 network-affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Eleven of our 13 stations are ranked first in total viewing audience and news audience, with the remaining two stations ranked second in total viewing audience and third in news audience. Ten of the stations are affiliated with CBS Inc., or CBS, and three are affiliated with National Broadcasting Company, Inc., or NBC. We own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of over 126,000. We also own and operate a paging business located in the Southeast that had approximately 72,000 units in service at March 31, 2002. For the 12 months ended March 31, 2002, our total revenues and operating cash flow were $157.0 million and $51.2 million, respectively.

On June 4, 2002, we executed a merger agreement with Stations Holding Company, Inc., which we refer to as Stations, the parent company of Benedek Broadcasting Corporation, which we refer to as Benedek. The merger agreement provides that we will acquire Stations by merging our newly formed wholly-owned subsidiary, Gray MidAmerica Television, Inc., which we refer to as Gray MidAmerica Television, into Stations. In consideration for Stations, we will pay an estimated consideration of $502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations in accordance with a plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 1, 2002. We may pay additional cash consideration of $4.9 million for certain estimated net working capital, as specified in the merger agreement.

Benedek plans to sell or already has sold, prior to the effective time of the merger, a total of nine designated television stations. Upon completion of the merger, we will own a total of 28 stations serving 23 television markets. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced approximately $213.9 million of net revenue and $84.8 million of broadcast cash flow. Including our publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately $263.8 million of net revenue and $97.1 million of media cash flow. We expect the merger, if it closes, to be completed by the fourth quarter of 2002.

We were incorporated in 1891 to publish the Albany Herald in Albany, Georgia and entered the broadcasting industry in 1954. We have a dedicated and experienced senior management team, which has an average of over 18 years experience in the media industry.

Recent Developments

Series C Convertible Preferred Stock

On April 22, 2002, we issued a total of $40,000,000 of new Series C convertible preferred stock, which we refer to as Series C. We issued $31,400,000 of our Series C to a limited number of outside accredited investors, and $8,600,000 of our Series C to certain of our executive officers and directors and their affiliates in exchange for all of the outstanding shares of our series A preferred stock and series B preferred stock on a one-for-one basis. Our Series C is convertible into our class B common stock at an initial conversion price of $14.39 per share, subject to customary adjustments.

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Our Series C has not been registered under the Securities Act of 1933, as amended, or any other applicable state securities laws, and therefore are restricted securities. Under the terms of a registration rights agreement entered into between us and the investors in the Series C, we are required to:

- file with the Securities and Exchange Commission a shelf registration statement, of which this prospectus and the prospectus relating to the shares of our class B common stock constitute parts, with respect to the shares of our class B common stock into which the Series C is convertible;

- use our reasonable best efforts to cause the registration statement to be declared effective as soon as practicable after filing, but no later than November 8, 2002, otherwise we will be required to pay liquidated damages to the holders of the Series C; and

- cause the registration statement to remain effective until the earlier to occur of (1) April 22, 2004 and (2) the date as of which there no longer are any registrable securities in existence.

In addition, investors in the Series C were granted piggyback registration rights with respect to the underlying shares of class B common stock. See Description of Capital Stock Terms of Our Preferred Stock.

Our Offices and Additional Information

We are a Georgia corporation formed in 1891. Our principal offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia 30319, and our telephone number is (404) 504-9828. Additional information regarding Gray is set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002 (which are incorporated by reference in this prospectus).

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RISK FACTORS

You should carefully consider the following risk factors, as well as the other information contained in this prospectus or any supplemental prospectus hereto or incorporated herein by reference, before purchasing any of our common stock, preferred stock or debt securities.

Risks Related to Our Business

We have recorded net losses in the last three years and these losses may continue.

We have recorded net losses in the last three years. Our losses are primarily due to increased operating expenses, higher amortization and depreciation costs, increased interest expense relating to our acquisitions and, in 2001, declining advertising revenue caused, in large part, by the weaker economic environment and the cyclical decline in broadcast political revenue. Our net losses may continue for these reasons and also because of the phasing out of network compensation payments under certain of our network affiliation agreements.

We depend on advertising revenues, which have decreased recently as a result of a number of factors and also experience seasonal fluctuations.

Our main source of revenue is sales of advertising time at our television stations and advertising space within our newspapers. Our ability to sell advertising time and space depends on:

- the health of the economy in the areas where our stations and newspapers are located and in the nation as a whole;
- the popularity of our programming and newspapers;
- changes in the makeup of the population in the areas where our stations and newspapers are located;
- pricing fluctuations in local and national advertising;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television and the Internet; and
- other factors that may be beyond our control.

For example, a labor dispute or other disruption at a major national advertiser, or a recession in a particular market, would make it more difficult to sell advertising time and space and could reduce our revenue.

In addition, our results are subject to seasonal fluctuations, which typically result in fourth quarter broadcast operating income being greater than first, second and third quarter broadcast operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. Furthermore, revenues from political advertising are significantly lower in odd-numbered years.

We must purchase non-network television programming in advance but cannot predict if a particular show will be popular enough to cover its cost.

One of our most significant costs is non-network television programming. If a particular non-network program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we purchase non-network programming content from others, we also have little control over the costs of such programming. We usually must purchase non-network programming several years in advance, and may have to commit to purchase more than one year s worth of non-network programming. In addition, we may replace programs that are doing poorly before we have recaptured any

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significant portion of the costs we incurred, or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues.

We may lose a large amount of television programming if a network terminates its affiliation with us.

Our business depends in large part on the success of our network affiliations. Each of our stations and each of Stations television stations is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated.

The preliminary NBC affiliation agreements we recently entered into for WJHG, WITN and WEAU expire on December 31, 2011 and Stations affiliation agreements for WOWT, WTAP, WMTV and WILX expire on January 1, 2012. In addition, our CBS affiliation agreements expire as follows: (1) WVLT, WKYT, WYMT and WCTV, on December 31, 2004; (2) WRDW, on March 31, 2005; and (3) KWTX, KBTX, KOLN, KGIN and KXII, on December 31, 2005. Stations CBS affiliation agreements expire on June 30, 2005. In addition, Stations affiliation agreements with American Broadcasting Company, ABC, for KAKE, KLBY and KUPK expire on January 1, 2006 and for WHSV, WBKO and WTOK on November 1, 2004. If we do not enter into affiliation agreements to replace any expiring agreements, we may no longer be able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences. Furthermore, our concentration of CBS affiliates makes us sensitive to adverse changes in our business relationship with, and the general success of, CBS and its network programming.

We may lose a significant amount of compensation payments if affiliation agreements are renewed with lower or no compensation payments.

In exchange for every hour that a station elects to broadcast network programming, the network may pay the station a specific network compensation fee, which varies with the time of day. For the 12 months ended March 31, 2002, this network compensation comprised of approximately 6% of our broadcasting revenue.

Our CBS affiliation agreements for KWTX, KBTX and KXII were renegotiated during the fourth quarter of 2000 and the agreements were extended through December 31, 2005. As a result of these negotiations, network compensation for KWTX, KBTX and KXII is being phased out over 2001 and 2002. In addition, our new NBC affiliation agreement for WJHG does not provide for any network compensation payments by NBC after December 31, 2001. Furthermore, our recent extensions of the WITN and WEAU agreements through December 31, 2011 do not provide for any network compensation payments during the extended terms of those agreements, which begin after June 30, 2006 and December 31, 2005, respectively. Stations NBC affiliation agreements for WOWT, WMTV, WILX and WTAP were renegotiated effective as of January 1, 2002 and the agreements were extended to January 1, 2012. As a result of these negotiations compensation for WOWT, WMTV, WILX and WTAP continues, although at a reduced level through 2005. For the period from January 1, 2006 through the expiration of the contract on January 1, 2012 the agreements do not provide for any network compensation payments. Stations ABC affiliation agreements for WBKO, WHSV and WTOK expire on November 1, 2004 and provide for compensation that decreases throughout the term of the contract and reduces to zero by the expiration date of the contract.

As evidenced by these negotiations, we may not be able to enter into new affiliation agreements that provide us with as much compensation from the networks as our present agreements.

We operate in a highly competitive environment and competition from other media entities may cause our advertising sales to decrease or our costs to increase.

We face significant competitive pressures from the following:

Television Industry. Competition in the television industry exists on several levels: competition for audience; competition for programming, including news; and competition for advertisers. Additional factors that are material to a television station s competitive position include signal coverage and assigned frequency.

Audience. Stations compete for audience based on program popularity, which has a direct effect on advertising rates. A substantial portion of the daily programming on each of our stations is supplied by the network affiliate. During those periods, the stations are totally dependent upon the performance of the network programs to attract viewers. There can be no assurance that this programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only, and involve significant costs.

In addition, the development of methods of television transmission of video programming other than over-the-air broadcasting and, in particular, cable television have significantly altered competition for audiences in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise available to the station s audience and also by serving as a distribution system for non-broadcasting programming.

Technological innovation and the resulting proliferation of programming alternatives, such as home entertainment systems, wireless cable services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite, video distribution services, pay-per-view and the Internet, have fractionalized television viewing audiences and have subjected free over-the-air television broadcast stations to new types of competition.

Programming. Competition for programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Each station competes against the broadcast station competitors in its market for exclusive access to off-network reruns, such as *Seinfeld,* and first-run product, such as *Entertainment Tonight*. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Competition exists for exclusive news stories and features as well.

Advertising. Advertising rates are based upon the size of the market in which the station operates, a station s overall ratings, a program s popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and the development of projects, features and programs that tie advertiser messages to programming. Advertising revenues comprise the primary source of revenues for our stations. Our stations compete for advertising revenues with other television stations in their respective markets. The stations also compete for advertising revenues with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, Internet and local cable systems. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets. Technological advances and developments made by other media entities may result in increased competition and decreased advertising revenue.

Deregulation. Recent changes in law have also increased competition. The Telecommunications Act of 1996, the Telecommunications Act, created greater flexibility and removed some limits on station ownership. The prices for stations have risen as a result. Telephone, cable and some other content providers are also free to provide video services in competition with us. The Federal

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Communications Commission, FCC, is actively reviewing its ownership rules and further deregulation could lead to industry consolidation that could pose new competitive challenges in the markets in which we operate.

Future Technology Under Development. Cable providers and direct broadcast satellite companies are developing new techniques that allow them to transmit more channels on their existing equipment. These so-called video compression techniques will reduce the cost of creating channels, and may lead to the division of the television industry into ever more specialized niche markets. Video compression is available to us as well, but competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. Lowering the cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue.

Newspaper Industry. Our newspapers compete for advertisers with a number of other media outlets, including magazines, Internet, radio and television, as well as other newspapers, which also compete for readers with our publications. One of our newspaper competitors is significantly larger than us and operates in two of our newspaper markets. New technological media for the delivery of news and information, such as the Internet, have fragmented historical newspaper audiences and subjected newspaper companies to new types of competition.

Paging Industry. The paging industry is highly competitive. Companies in the industry compete on the basis of price, coverage area offered to subscribers, available services offered in addition to basic numeric or tone paging, transmission quality, system reliability and customer service.

Our primary competitors include those paging companies that provide wireless service in the same geographic areas in which we operate. We experience competition from one or more competitors in all locations in which we operate. Some of our competitors have greater financial and other resources than we have.

Our paging services also compete with other wireless communications services such as cellular service. The typical customer uses paging as a low-cost wireless communications alternative either on a stand-alone basis or in conjunction with cellular services. However, future technological developments in the wireless communications industry and enhancements of current technology could create new products and services, such as personal communications services and mobile satellite services, which are competitive with the paging services we currently offer. Recent and proposed regulatory changes by the FCC are aimed at encouraging these technological developments and new services and promoting competition. There can be no assurance that our paging business would not be adversely affected by these technological developments or regulatory changes.

The phased introduction of digital advanced television will increase our capital and operating costs and may expose us to increased competition.

The FCC has adopted rules and regulations that require television stations to implement digital advanced television service, including high definition, in the United States. Under current regulations, all commercial television stations in the United States were required to start broadcasting in digital format by May 1, 2002 and must abandon the present analog format by 2006, although the FCC may extend these dates. As of May 1, 2002, four of our stations and one of the television stations that we intend to acquire in the merger were broadcasting in digital format. Our remaining nine stations and the remaining 14 television stations that we intend to acquire in the merger have been granted six-month extensions to the May 2002 deadline. The extensions will need to be renewed if the stations are not broadcasting in digital format by the time they expire. These extension renewals may not be granted. The stations that do not begin broadcasting in digital format by their extended deadlines could be subject to fines. If the stations do not eventually begin broadcasting in digital format, the stations could lose their digital allocation and be required to cease broadcasting at the end of the transition period when the analog spectrum is reclaimed.

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There is considerable uncertainty about the final form of the FCC digital regulations. Even so, we believe that these new developments may have the following effects on us:

Signal Quality Issues. Certain industry tests have indicated that the digital standard mandated currently is unable to provide for reliable reception of a digital advanced television signal through a simple indoor antenna. It also appears likely that additional interference will occur to both analog and digital advanced television stations as new digital advanced television broadcast stations are constructed. We are unable to assess at this time the magnitude of such interference or the efficacy of possible remedies.

Because of this possible reception quality and coverage issue, we may be forced to rely on cable television or other alternative means of transmission to deliver our digital signals to all of the viewers we are able to reach with our current analog signals. While the FCC ruled that cable companies are required to carry the signals of digital-only television stations, the agency has tentatively concluded, subject to additional inquiry, that cable companies should not be required to carry both the analog and digital signals of stations during the transition period when stations will be broadcasting in both modes. If the FCC does not require cable companies to carry both analog and digital signals, cable customers in our broadcast markets may not receive our digital signal, which could negatively impact our business.

Capital and Operating Costs. We will incur substantial costs to replace equipment in our stations in order to provide digital advanced television. Even with the flexible operating requirements, our stations will also incur increased utilities costs as a result of converting to digital operations. We cannot be certain we will be able to increase revenues to offset these additional costs.

Conversion and Programming Costs. We expect to incur approximately $31.4 million in costs, of which we have incurred approximately $11.1 million through March 31, 2002, to convert our stations from the current analog format to digital format. This $31.4 million amount includes a capital lease of approximately $2.5 million for tower facilities at WVLT-TV, our station in Knoxville, Tennessee. However, our aggregate costs may be higher than this estimate. We also may incur additional costs to obtain programming for the additional channels made available by digital technology. Increased revenues from the additional channels may not make up for the conversion costs and additional programming expenses. Also, multiple channels programmed by other stations could increase competition in our markets. Stations expects to incur approximately $11.3 million in costs, of which it already has incurred approximately $4.5 million through March 31, 2002, to convert the stations that we plan to acquire in the merger from the current analog format to digital format.

Certain directors and officers may be subject to potential conflicts.

J. Mack Robinson, President, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, our principal stockholder, Bull Run, and the beneficial owner of approximately 24.9% of Bull Run s common stock. Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of Gray, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of approximately 8.7% of Bull Run s common stock. Hilton H. Howell, Jr., Executive Vice President and a director of Gray, is Vice President, Secretary and a director of Bull Run. Mr. Howell also is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our board of directors. Accordingly, each of these individuals may be subject to conflicts of interest in connection with, for example, the negotiation of agreements or the provision of services between Gray and Bull Run. Each of these individuals has other duties and responsibilities with Bull Run, or other businesses, that may conflict with the time that might otherwise be devoted to his duties with us.

Bull Run and certain of our directors and executive officers hold substantial equity in us and may use this influence in ways that are not consistent with the interests of other security holders.

Bull Run and the executive officers and directors mentioned above, and their affiliates, hold or have the right to vote in the aggregate approximately 49.9% in voting power of our currently outstanding common stock. Furthermore, if all options and warrants that are currently outstanding were exercised and all of their Series C was converted into class B common stock (although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to approximately 56.0%. Accordingly, these persons may have substantial influence on us in ways that might not be consistent with the interests of other security holders. These persons may also have significant influence and control over the outcome of any matters submitted to our shareholders for approval.

Pending litigation could adversely affect our ownership interest in Sarkes Tarzian, Inc.

On December 3, 2001, we acquired 301,119 shares of the outstanding common stock of Sarkes Tarzian, Inc., Tarzian, from Bull Run for $10 million plus $3.2 million of related costs which had previously been capitalized. Bull Run had previously acquired these shares from the Estate of Mary Tarzian. Subsequent to Bull Run s acquisition of these shares, Tarzian filed a complaint against Bull Run and the representative of the Estate claiming that Tarzian had a binding and enforceable contract to purchase these shares from the Estate prior to Bull Run s acquisition. Tarzian requested judgment to enforce its alleged contract. Although the action has since been dismissed without prejudice against Bull Run, the litigation between Tarzian and the Estate is ongoing. If Tarzian were to prevail in that litigation, that could ultimately lead to litigation against us, which might involve a claim for rescission of the acquisition of the Tarzian shares from the Estate and/or a claim for damages. The stock purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the Tarzian shares to a person or entity other than the purchaser, the stock purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest to the purchaser, the full $10 million purchase price paid to the Estate, plus interest.

Our success depends on our senior management.

Our success depends to a significant extent on the efforts of our senior management. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring and retaining qualified successors and could experience a loss in productivity while any successors gain the necessary experience.

A deficiency has been asserted by the Internal Revenue Service for 1996.

In connection with an audit of our 1996 federal income tax return, the Internal Revenue Service has asserted a deficiency in income taxes of approximately $12.1 million, plus related interest and penalties. The asserted deficiency relates principally to our acquisition in 1996 of certain assets of First American Media, Inc. On January 18, 2002, we filed a petition in the United States Tax Court to contest this deficiency, and we believe that we have a meritorious position with respect to the issues related to the deficiency. We cannot be certain when, and if, this matter will be resolved in our favor, and if it is not, we could incur negative consequences in future years.

We have a material amount of intangible assets, and if we are required to write-down intangible assets to comply with new accounting standards, it would reduce our net income, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Our intangible assets principally include FCC licenses, network affiliations and goodwill. In July 2001, the Financial Accounting Standards Board issued Statement No. 142, Goodwill and Other Intangible Assets, which generally is effective for us from January 1, 2002. The regulation requires, among other things, the discontinuance of the amortization of goodwill and FCC licenses and network affiliations, and the introduction of annual impairment testing in its place. In addition, the standard includes provisions for the reclassification under limited circumstances of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of identifiable intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The regulation also requires us to complete a transitional goodwill impairment test six months from the date of adoption. Potential writedown of intangible assets in

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compliance with these new accounting standards may reduce our net income in the future, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

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

Our assets consist primarily of intangible assets, including affiliation agreements with television networks such as NBC and CBS and FCC licenses, the value of which will depend significantly upon the success of our business and the financial prospects of the television broadcasting and paging industries in general. If we default on our indebtedness, or if we are liquidated, the value of these assets may not be sufficient to satisfy our obligations to our creditors and debtholders, including the holders of the debt securities that we may offer hereby, and to enable us to make any distribution to the holders of shares of our common stock or preferred stock. Furthermore, if our FCC licenses are not renewed, it could materially and adversely affect our results of operations and the trading prices of our common stock.

We may be unable to identify or integrate acquisitions successfully or on commercially acceptable terms.

We have made a number of acquisitions and in the future may make additional acquisitions. We cannot assure you that we will be able to identify suitable acquisition candidates in the future. Even if we do identify suitable candidates, we cannot assure you that we will be able to make acquisitions on commercially acceptable terms. The failure to acquire suitable candidates, or the consummation of a future acquisition, including the Stations acquisition, at a price or on other terms that prove to be unfavorable, could adversely affect our business and results of operations.

In order to integrate successfully these future acquisitions, including the Stations acquisition, into our business, we will need to coordinate the management and administrative functions and sales, marketing and development efforts of each company. Combining companies presents a number of challenges, including integrating the management of companies that may have different approaches to sales and service, and the integration of a number of geographically separated facilities. In addition, integrating acquisitions, including the Stations acquisition, requires substantial management time and attention, which may distract management from our day-to-day business, and could disrupt our ongoing business and increase our expenses. If we cannot successfully integrate our future acquisitions, including the Stations acquisition, our business and results of operations could be adversely affected.

We may need to incur debt or issue equity securities to pay for any future acquisitions and to pay for increased capital expenditures following any acquisitions, and will require such financing in connection with the Stations acquisition. However, debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all, and equity financing could be dilutive to our shareholders.

We may not be able to complete the merger.

Consummation of the merger is dependent upon, among other things, the bankruptcy court approving Stations plan of reorganization and such confirmation order becoming a final bankruptcy court order, the FCC approving the transactions contemplated by the merger agreement and our ability to obtain financing for the acquisition. For these or other reasons, the merger may not be consummated.

If we consummate the Stations acquisition, the risks related to our business likely will intensify.

If the merger is consummated, we will expand our broadcast operations from 13 stations in 11 markets to 28 stations serving 23 television markets. In addition, we intend to increase our indebtedness, through the issuance of additional debt securities and the amendment of our existing credit facility, in order to consummate the acquisition. Accordingly, if we consummate the Stations acquisition, the risks related to our broadcasting segment, the related regulatory environment and our indebtedness likely will intensify.

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Failure to complete the merger could negatively impact our operating results.

If the merger is not consummated because of a material default by us under the merger agreement, and Stations is not in material default under the merger agreement, then Stations may draw on the letter of credit that we have provided and receive shares of our class B common stock that we have placed in escrow. The aggregate proceeds to Stations from drawing on the letter of credit and from the escrow shares would total $25 million. If we are unable to raise sufficient financing, we would not be able to complete the merger. In addition, costs related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed. Therefore, if we do not consummate the merger, our operating results will be negatively affected.

Risks Related to Our Stock

The price of our common stock has experienced substantial volatility and may continue to do so in the future.

There has been significant volatility in the market prices for publicly traded shares of media companies, including ours.

In 2001, the price of our class A common stock fluctuated from a high of $19.05 to a low of $12.20. In addition, for the first two quarters of 2002, the price of our class A common stock fluctuated from a high of $18.10 to a low of $12.90. On July 11, 2002, our class A common stock closed at a price of $17.29 per share.

In 2001, the price of our class B common stock fluctuated from a high of $17.65 to a low of $9.60. In addition, for the first two quarters of 2002, the price of our class B common stock fluctuated from a high of $14.55 to a low of $10.24. On July 11, 2002, our class B common stock closed at a price of $13.02 per share.

The prices of our common stock may not remain at or exceed current levels. In the event that we issue preferred stock and it is publicly traded, our preferred stock may also experience substantial volatility. The following factors may have an adverse impact on the market prices of our stock:

- market conditions for media stocks, and particularly, broadcasting stocks;
- market conditions generally;
- governmental regulation;
- communications legislation;
- fluctuations in our operating results; and
- announcements of technical or product developments by our competitors.

There can be no assurance as to the liquidity of our common stock or preferred stock.

Currently our common stock is traded on the New York Stock Exchange. There can be no assurance as to the future liquidity of the market for our common stock. Any preferred stock that we may offer would be a new issue of securities for which there currently is no public market. There can be no assurance that an active market for our preferred stock would develop or as to the liquidity of any such market.

Purchasers of our common stock or preferred stock may experience immediate and substantial dilution of their investment.

In the event that common stock or preferred stock is offered pursuant to this prospectus and the registration statement of which this prospectus is a part, the public offering price of our common stock or preferred stock may be substantially higher than its book value immediately after the applicable offering.

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As a result, if you were to purchase shares of our common stock or preferred stock in the offering under such circumstances, you most likely would incur immediate and substantial dilution in the net tangible book value of the shares purchased from the public offering price.

In the event of a liquidation of our company, holders of our common stock and preferred stock may not receive a distribution of assets.

Our common stock ranks junior to our preferred stock and our debt as to dividends and distribution of assets upon liquidation. As a result, in the event of a liquidation of our company, holders of our common stock would receive distributions only after distributions are made in full to holders of our preferred stock and our debt. In addition, in the event of a liquidation, holders of our debt will be entitled to receive amounts owed to them prior to any distributions to holders of our preferred stock. There can be no assurance that we would have enough assets to make distributions to holders of our stock in a liquidation.

Risks Related to Our Existing Indebtedness and Debt Securities

Our indebtedness could materially and adversely affect our business and prevent us from fulfilling our obligations under our debt securities.

We are highly leveraged and have significant fixed debt service obligations in addition to our operating expenses. Our indebtedness could have significant adverse effects on our business. For example, it could:

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

If our indebtedness affects our operations in these ways, our business, financial condition and results of operations could suffer, making it more difficult for us to satisfy our obligations under our debt securities. Furthermore, our senior secured credit facility and the indenture governing our 9.25% notes permit, and the indenture related to the debt securities that we may offer hereby may permit, us to incur substantial amounts of additional debt in specified circumstances. If we incur additional debt in the future, the related risks could intensify.

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

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

- limitations on liens;
- limitations on additional debt;
- limitations on dividends and distributions;
- limitations on management and consulting fees;
- limitations on stock repurchases;
- limitations on transactions with affiliates;
- limitations on guarantees;

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limitations on asset sales;

limitations on sale-leaseback transactions;

limitations on acquisitions;

limitations on changes in our business;

limitations on mergers and other corporate reorganizations;

limitations on loans, investments and advances, including investments in joint ventures and foreign subsidiaries; and

financial ratio and condition tests.

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

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

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

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

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

Your right to receive payment on our debt securities and under any related guarantees may be junior to all of our and the guarantors senior debt.

All indebtedness under our senior secured credit facility is secured by substantially all of our assets, as well as the assets of our subsidiaries. Additionally, our debt securities and any related guarantees may be subordinated to the claims of the lenders under our senior secured credit facility.

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

At March 31, 2002, we and our subsidiaries had $212.5 million of senior debt and an additional $37.5 million of unused availability would have been available to borrow, subject to specified borrowing conditions, under our senior secured credit facility. In addition, our senior secured credit facility and the indenture governing the 9.25% notes permit, and the indenture related to the debt securities that we may offer hereby may permit, subject to specified limitations, the incurrence of additional indebtedness, which may be senior indebtedness. If we incur such additional indebtedness, the risks described above could intensify.

Covenant restrictions under our indentures may limit our ability to operate our business.

The indenture governing our 9.25% notes contains, and the indenture related to the debt securities that we may offer hereby may contain, covenants that restrict our ability and the guarantors ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing our 9.25% notes restricts, and the indenture related to the debt securities that we may offer hereby may restrict, among other things, our ability and the guarantors ability to:

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

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

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Any guarantees of our debt securities may not be enforceable because of fraudulent conveyance laws.

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

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

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

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

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

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

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

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

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

We may not be able to finance change of control payments required by our debt facilities.

If we were to experience a change of control, the indenture related to our 9.25% notes would require us to offer to purchase all of our 9.25% notes then outstanding at 101% of their principal amount, plus accrued interest to the date of purchase. Any new debt securities that we may offer under this prospectus

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may subject us to a similar requirement. If a change of control were to occur, we cannot assure you that we would have sufficient funds to purchase our debt securities. The purchase of our debt securities may require additional third-party financing and we cannot assure you that we would be able to obtain that financing on favorable terms or at all.

In addition, our senior secured credit facility restricts our ability to purchase our debt securities. Furthermore, similar change of control events will result in an event of default under our senior secured credit facility and could cause the acceleration of our debt under that facility. The inability to repay that debt, if accelerated, and to purchase all of the tendered notes in the event of a change of control, would constitute an event of default under the indenture governing the 9.25% notes and may constitute an event of default under the indenture governing any debt securities we may offer hereby.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that would not constitute a change of control under our senior secured credit facility, the indenture governing the 9.25% notes and any indenture governing new debt securities that we may issue. Any of these transactions may result in an increase in our debt or otherwise affect our capital structure, harm our credit ratings or have a material adverse effect on holders of our debt securities, our common stock and our preferred stock.

Guarantors of our debt securities may be released under certain circumstances.

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

Risks Related to Legal and Regulatory Matters

Certain regulatory agencies and the bankruptcy court must approve the merger and could delay or refuse to approve the merger.

We and Stations must obtain approvals or consents to the merger from certain federal regulatory commissions, including the FCC, and the United States bankruptcy court in Delaware. These agencies and the bankruptcy court may seek to impose conditions on us or Stations before giving their approval or consent, and meeting those conditions could have an adverse effect on our business and/or financial condition. In addition, a delay in obtaining the requisite regulatory and bankruptcy court approvals will delay the completion of the merger. We cannot be certain that we and Stations will obtain the required regulatory and bankruptcy court approvals, or obtain them within the time frame contemplated in the merger agreement.

Federal regulation of the broadcasting industry limits our operating flexibility.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC s approval whenever we need a new license, seek to renew or assign a license, purchase a new station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations; our broadcasting segment cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions.

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

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

The FCC s ownership rules generally prohibit us from owning or having attributable interests in television stations located in the same markets in which our stations are licensed. Accordingly, our ability to expand through acquisitions of additional stations in markets where we presently are operating is constrained by those rules. Under current FCC cross-ownership rules, we also are not allowed to own and operate a television station and a newspaper in the same market.

Our paging operations are subject to federal regulation.

Our paging operations, which we acquired in September 1996, are subject to regulation by the FCC under the Communications Act. The FCC has granted us licenses to use the radio frequencies necessary to conduct our paging operations.

The FCC paging licenses granted to us are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. We hold various FCC radio licenses which are used in connection with our paging operations. Paging licenses will expire during calendar year 2009. Licensees in the paging services normally enjoy a license renewal expectancy and the vast majority of license renewal applications are granted in the normal course. However, we cannot be certain that any of our licenses will be free of competing applications or will be renewed by the FCC. Furthermore, the FCC has the authority to restrict the operations of licensed facilities or to revoke or modify licenses. We cannot be certain that our licenses will not be revoked or modified involuntarily in the future.

Pursuant to Congressional mandate, the FCC has adopted rules regarding the award of license authorizations by competitive bidding. Pursuant to those rules, the FCC may award licenses for new or existing services by auction, as done with the 800 MHz band. The FCC began awarding geographic area and paging licenses by auction in February 2000. We cannot be certain that we will be able to procure additional spectrum or expand our existing paging network into new service areas, which would require us to make significant auction payments.

Recent proposals for campaign finance reform may limit political advertising, upon which we heavily rely.

Recent proposals for campaign finance reform seek to limit the amount of money that certain groups would be permitted to spend on political advertising, including television advertising, as well as limit the overall amounts that political candidates would be permitted to receive in campaign contributions. If any of these recent proposals is enacted, it could have an adverse effect on us by decreasing advertising revenue in connection with political campaigns.

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FORWARD-LOOKING STATEMENTS

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

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

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

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USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement, the net proceeds from the sale of securities offered by this prospectus are expected to be used for general corporate purposes, including capital expenditures, to meet working capital needs, to refinance our senior debt, to finance one or more acquisitions, including the Stations acquisition, or all or a combination of the above. We will file a prospectus supplement that will contain additional information about the use of the net proceeds from the sale of securities offered hereby.

RATIO OF EARNINGS TO FIXED CHARGES

	For the Year Ended December 31,					For the Quarter Ended March 31,
	1997	1998	1999	2000	2001	2002
	(Dollars in thousands)					
Ratio of earnings to combined fixed charges and preferred dividends	NA(a)	3.0x	NA(a)	NA(a)	NA(a)	NA(a)
Deficiency of earnings to cover combined fixed charges and preferred dividends(b)	$(3,066)	NA	$(9,906)	$(11,982)	$(20,097)	$(374)

(a) The ratio would be less than one and therefore is not shown.

(b) Earnings consist of loss from continuing operations before tax benefit plus fixed charges less capitalized interest. Fixed charges consist of interest expense, amortization of debt issuance costs and that portion of rental expense we believe is representative of interest.

THE MERGER

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

The Other Parties

Stations is the parent company of Benedek. Stations principal executive offices are located at 2895 Greenpoint Parkway, Hoffman Estates, Illinois 60195, telephone number (847) 585-3450. Gray MidAmerica Television is our newly-formed wholly-owned subsidiary, formed solely for the purpose of effecting the merger.

Our Reasons for the Merger

Our business strategy includes continued acquisitions of companies whose businesses are complementary to ours. We believe that Stations is an excellent strategic fit and that the acquisition of Stations will create significant benefits, including:

- the acquisition will create a stronger company and will diversify the geographic range of our television stations, broadening substantially our market presence in the television broadcasting market;

- the acquisition gives us access to additional operating cash flow for the purposes of funding debt service, as well as future acquisitions and investments;

- the acquisition presents an opportunity to increase revenue share and audience share;

- the acquisition presents an opportunity for cross-promotion and cross-selling; and

- the acquisition strengthens our management teams and local news operations.

Bankruptcy Court and Regulatory Filings and Approvals

Bankruptcy Court. Stations has filed a voluntary petition under Chapter 11 of the federal bankruptcy code. Consequently, the merger is subject to the bankruptcy court s approval of Stations plan of reorganization, and all of Stations obligations under the merger agreement are subject to the approval of the bankruptcy court. Stations filed the required information and materials with the bankruptcy court on July 1, 2002.

Federal Communications Commission. The merger is subject to approval by the FCC. Stations and its subsidiaries and we and our subsidiaries filed with the FCC the necessary application with respect to the change of control on June 10, 2002.

Antitrust. The merger is subject to the requirements of the Hart-Scott Rodino Antitrust Improvements Act of 1976, which provides that certain transactions may not be consummated until required information and materials have been furnished to the Department of Justice and the Federal Trade Commission and certain waiting periods have expired or been terminated. Stations and we filed the required information and materials with the Department of Justice and the Federal Trade Commission on June 20, 2002. Early termination of the statutory waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976 was granted on July 1, 2002.

The Department of Justice and the Federal Trade Commission frequently scrutinize the legality under the antitrust laws of transactions such as the merger. At any time before or after the effective time, either the Department of Justice or the Federal Trade Commission could take such action under the antitrust laws as it deems necessary or desirable in the public interest, or certain other persons could take action under the antitrust laws, including seeking to enjoin the merger.

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Sale of Certain Designated Benedek Stations Prior to the Merger

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

Accounting Treatment

The merger will be accounted for as a purchase for financial accounting purposes in accordance with accounting principles generally accepted in the United States. For purposes of preparing our consolidated financial statements, we will establish a new accounting basis for Stations assets and liabilities based upon their fair values, the merger consideration and the costs of the merger. Any excess of cost over the fair value of the net assets of Stations will be recorded as goodwill and other intangible assets. A final determination of the intangible asset values and required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. We will determine the fair value of Stations assets and liabilities and will make appropriate purchase accounting adjustments, including adjustments to the amortization period of the intangible assets, upon completion of that determination.

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THE MERGER AGREEMENT AND RELATED AGREEMENTS

This section of the registration statement and prospectus describes the material terms of the Agreement and Plan of Merger, dated as of June 4, 2002, among Stations, Gray MidAmerica Television and us and related agreements, including the Lock Up, Voting and Consent Agreements that Stations and we entered into with certain stockholders and creditors of Stations, an agreement regarding benefits to be provided to members of the Benedek family following consummation of the merger and an amendment to K. James Yager s employment agreement. Copies of the merger agreement and lock up agreements are attached as exhibits to the registration statement. You are urged to read the merger agreement in its entirety for a more complete description of the merger because it is the principal legal document that governs the merger.

The Merger

Subject to the terms and conditions of the merger agreement, we will acquire Stations through the merger of Gray MidAmerica Television with and into Stations. Stations will be the surviving corporation in the merger.

Effective Time

The merger will be consummated when a certificate of merger, that we will file with the State of Delaware, becomes effective. The merger agreement provides that the parties will use their reasonable efforts to cause the effective time to occur on the seventh business day after the satisfaction or waiver of all the conditions to the merger. See The Merger Agreement and Related Agreements Conditions to the Merger. However, the effective time may not occur prior to October 1, 2002.

The merger agreement further provides that we may, on one occasion, delay the effective time for up to 120 days if any of the following occurs: (1) any general suspension of trading in equity securities in the United States securities or financial markets for more than two consecutive trading days; (2) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States; (3) commencement of a war, armed hostilities or other national or international calamity directly involving the United States; (4) any limitation by any governmental authority on the extension of credit by banks or other lending institutions in the United States; or (5) if any of the foregoing exists on the date the merger agreement is signed, a material acceleration or worsening thereof.

Merger Consideration and Conversion of Gray MidAmerica Television and Stations Stock

At the effective time of the merger, the outstanding shares of Stations 11.5% Senior Exchangeable Preferred Stock, which we refer to as the senior preferred stock, and Junior Discount Preferred Stock, which we refer to as the junior preferred stock, will be converted into the right to receive a cash payment. No cash consideration will be paid to holders of outstanding shares of Stations class A common stock and class B common stock. The stock of Gray MidAmerica Television and Stations will be converted as described below:

Gray MidAmerica Television common stock. Each share of Gray MidAmerica Television common stock issued and outstanding immediately prior to the effective time will be converted into one share of Stations class B common stock.

Stations senior preferred stock. Each share of Stations senior preferred stock (excluding shares held by Stations or any of its subsidiaries, other than in a fiduciary capacity) issued and outstanding immediately prior to the effective time will be converted into the right to receive the senior preferred stock purchase price, equal to the quotient obtained by dividing (1) $500,000,000, *minus* (A) the amount outstanding at the effective time under Stations debt instruments plus accrued interest thereon through the effective time, determined in accordance with Stations plan of reorganization, *plus or minus* (B) working capital adjustments and adjustments relating to amounts incurred by Stations and its subsidiaries with respect to the conversion of their television stations to digital broadcasting by (2) 100,000 (the number of outstanding shares of Stations senior preferred stock at the effective time).

Stations junior preferred stock. Each share of Stations junior preferred stock (excluding shares held by Stations or any of the Stations subsidiaries, other than in a fiduciary capacity) issued and outstanding immediately prior to the effective time will be converted into the right to receive a cash payment equal to the quotient obtained by dividing (1) $2,500,000 by (2) 450,000 (the number of outstanding shares of Stations junior preferred stock at the effective time).

Stations class A common stock and class B common stock. Each share of Stations class A common stock and class B common stock and any options or warrants to acquire such shares issued and outstanding immediately prior to the effective time will be cancelled. We will not pay any cash consideration for such securities.

The Letter of Credit and the Escrow Shares

When the merger agreement was signed, we delivered to Stations a standby letter of credit in the amount of $12.5 million and deposited with SunTrust Bank, as escrow agent, 885,269 shares of our class B common stock. These escrow shares had an aggregate value of $12.5 million, based on the average price of our class B common stock for the 20 consecutive trading days on the New York Stock Exchange ending on June 2, 2002. The escrow shares are being held by the escrow agent in accordance with the terms of an escrow agreement that we executed on June 4, 2002. We will maintain the letter of credit in effect, and the escrow shares will remain in escrow, until the earlier of the effective time or 10 business days after the termination of the merger agreement. If the letter of credit or any replacement letter of credit expires before either of the dates described in the previous sentence, we will renew the letter of credit or obtain a replacement letter of credit, which we will deliver to Stations at least five business days before such expiration.

If the merger is not consummated because of a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. We have an obligation to deliver a letter of credit and escrow shares totaling $25 million, except that we may, in our sole discretion, replace some or all of the escrow shares with a cash payment, so long as any such cash payment is a whole number multiple of $500,000. Under specified circumstances, if Stations is entitled to receive the escrow shares and the value of the escrow shares decreases to below $12.5 million at the time Stations sells them, we may be required to pay to Stations the amount of such decrease. Likewise, if the value of the escrow shares increases, Stations may be required to pay to us the amount of such increase. At the effective time and subject to the conditions in the merger agreement and the escrow agreement, the letter of credit and the escrow shares will be returned to us.

Registration of the Escrow Shares

The escrow shares have not been registered under the Securities Act or any other applicable securities laws, and therefore are restricted securities. If the merger agreement is terminated and the escrow shares are delivered by the escrow agent to Stations, we are required to:

- file with the SEC a registration statement with respect to the resale or distribution of the escrow shares by Stations and/or an affiliate of Stations, within 30 days after such termination;

- use our best efforts to cause the registration statement to be declared effective at the earliest practicable time;

- keep the registration statement effective and current until the earlier of six months following the effectiveness of the registration statement or the date that all of the escrow shares covered by the registration statement have been sold or distributed;

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cause the escrow shares to be listed promptly with the New York Stock Exchange; and

indemnify, to the extent permitted by law, each person selling or distributing securities under this registration statement, and related parties, against all losses caused by any material misstatement or omission by us in the registration statement or any violation by us of the Securities Act, the Exchange Act, any state securities laws or any rules or regulations of the New York Stock Exchange.

Conditions to the Merger

The parties obligations to consummate the merger and related transactions generally are subject to the satisfaction or waiver of the following conditions:

the bankruptcy court approving the order confirming Stations plan of reorganization and such confirmation order becoming a final bankruptcy court order;

the FCC approving the transactions contemplated by the merger agreement, without any condition or qualification materially adverse to us or our subsidiaries or Stations or its subsidiaries, or materially adverse to our acquisition of control of Stations and its subsidiaries;

all regulatory waiting periods applicable to the merger agreement and the related transactions expiring or terminating;

no order being in effect enjoining, restraining or prohibiting the consummation of the merger and related transactions and no action or proceeding having been instituted by any regulatory authority seeking any such order that would reasonably be expected to have a material adverse effect on us or on Stations; and

the transactions related to the Chelsey purchase agreement being consummated, unless the failure to consummate such transactions is the result of either the wrongful refusal of Chelsey to consummate such transactions or the election by Chelsey not to consummate the transactions because Benedek failed to satisfy certain conditions set forth in the Chelsey purchase agreement. If the transactions contemplated by the Chelsey purchase agreement are not consummated as a result of FCC action or inaction, Stations and we each agree to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, everything reasonably necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by the merger agreement and the Chelsey purchase agreement at the earliest practicable date.

Our obligations to consummate the merger and related transactions are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties made by Stations in the merger agreement being, subject to limited exceptions, correct and complete in all material respects at the effective time;

each and all of the agreements and covenants of Stations and each of its subsidiaries under the merger agreement and related agreements being performed and complied with in all material respects prior to the effective time;

our receiving from Stations customary officer certificates and board of directors resolutions relating to the transactions contemplated by the merger agreement;

our receiving a legal opinion of FCC counsel to Stations;

Stations returning to us the letter of credit;

the FCC issuing a final FCC order approving the transfer of control of Benedek s television licenses to us;

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- Stations obtaining and delivering to us consents or waivers relating to the transactions contemplated by the merger agreement, as required by its network affiliation agreements; and

- no litigation being pending or threatened involving Stations or any its subsidiaries that would have, or reasonably be expected to have, a material adverse effect on Stations or its subsidiaries or their respective businesses or assets.

The obligations of Stations to consummate the merger and related transactions are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties made by us and Gray MidAmerica Television in the merger agreement being, subject to limited exceptions, correct and complete in all material respects at the effective time;

- each of our and Gray MidAmerica Television s agreements and covenants under the merger agreement and related agreements being performed and complied with in all material respects prior to the effective time; and

- Stations receiving from us and Gray MidAmerica Television customary officer certificates and board of directors resolutions relating to the transactions contemplated by the merger agreement.

Representations and Warranties

In the merger agreement, Stations makes customary representations and warranties about itself and its business, including representations and warranties about:

- organization, good standing and corporate power;

- authorization and enforceability of the merger agreement;

- capitalization and subsidiaries;

- financial statements and tax matters; and

- absence of undisclosed liabilities or material adverse changes.

In addition, Stations makes numerous representations and warranties with respect to its assets, real property, intellectual property, computer software and databases, accounts receivable, insurance, bonds, letters of credit and guarantees, compliance with law, environmental matters, litigation and claims, benefit plans, contracts, labor matters, brokers and finders, interested transactions, officers, directors and bank accounts and the absence of any material misstatement or omission by it in the merger agreement.

We and Gray MidAmerica Television, jointly and severally, also make customary representations and warranties in the merger agreement about ourselves and our business, including representations and warranties regarding organization, good standing and corporate power, authorization and enforceability of the merger agreement, brokers and finders, litigation, and the absence of any material misstatement or omission by us and Gray MidAmerica Television. We also make representations with respect to our qualification under the Communications Act to enter into and consummate the transactions contemplated by the merger agreement, our filings with the SEC and our issuance of the escrow shares.

Mutual Covenants of Gray and Stations

Subject to limited exceptions and except for the sale of the excluded stations by Benedek to Chelsey, from June 4, 2002 until the closing of the merger or the termination of the merger agreement, Stations and we will, and will cause each of our respective subsidiaries, to:

- operate our respective businesses only in the usual, regular, and ordinary course;

- use commercially reasonable efforts to preserve intact our respective business organizations and assets and maintain our respective rights and franchises; and

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take no action that would materially adversely affect the ability of any party to (1) obtain any consents required for the transactions contemplated in the merger agreement, or (2) perform its covenants and agreements under the merger agreement in all material respects and to consummate the merger and to satisfy the conditions to closing set forth in the merger agreement. However, the covenant described in clause (2) above will not prohibit us or any of our subsidiaries from discontinuing or disposing of any of our assets or businesses, or, provided that we do not materially adversely affect our ability to obtain an FCC order approving the transactions contemplated by the merger agreement, from acquiring or agreeing to acquire any other person or their assets if such action is, in our judgment, desirable in the conduct of our business or our subsidiaries business.

Additional Covenants. The merger agreement also contains other covenants made by us and Stations, including a covenant to file all necessary FCC applications for approval of the transactions contemplated by the merger agreement and a covenant to use reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate the merger as promptly as practicable but not before October 1, 2002.

Covenants of Stations

The merger agreement contains numerous covenants of Stations that are customary for this type of transaction. Among other things, subject to limited exceptions, Stations and its subsidiaries will not do or agree to do any of the following without our prior written consent, which we will not withhold unreasonably:

amend the organizational documents of Stations or of any of its subsidiaries;

incur, guarantee or otherwise become responsible for any new debt obligation or other obligation for borrowed money (other than indebtedness of Stations or any of its subsidiaries to Stations or any of its subsidiaries) or enter into or extend any capital leases, in excess of an aggregate of $500,000 for Stations and its subsidiaries on a consolidated basis;

acquire, sell or encumber any securities or assets of Stations or any of its subsidiaries, or declare or pay any dividend or make any other distribution in respect of any such securities;

increase the compensation or benefits of the employees or officers of Stations or any or its subsidiaries;

voluntarily accelerate the vesting of any stock options or other stock-based compensation or employee benefits;

adopt any new employee benefit plan or program of Stations or any of its subsidiaries or make any material change in or to any existing employee benefit plans or programs of Stations or any of its subsidiaries;

make any significant change in any accounting methods, principles, or practices or systems of internal accounting controls, except as may be necessary to conform to changes in regulatory accounting requirements or generally accepted accounting principles;

settle any material litigation other than in accordance with past practice or to the extent it is covered by insurance;

except in the ordinary course of business consistent with past practices, enter into or terminate any material contract or make any material change in any contract;

fail to promptly notify us of any inquiry, investigation, or proceeding related to any of Stations television stations that is initiated by the FCC; and

request the bankruptcy court to take any action or to grant any approval to any action or matter that is in any way inconsistent with the merger agreement.

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Indemnification

For a period of six years after the effective time of the merger, we will indemnify the pre-merger directors, officers, employees and agents of Stations and its subsidiaries against all liabilities arising out of acts or omissions occurring at or prior to the effective time arising out of their service as directors, officers, employees or agents of Stations, any of its subsidiaries or, at Stations or any of its subsidiaries request, another entity, to the fullest extent permitted under Delaware law, by Stations or its subsidiaries certificates of incorporation and bylaws and by any applicable indemnification agreements.

Termination of the Merger Agreement

The merger agreement generally may be terminated at any time prior to the effective time by the mutual consent of Gray and Stations or by us or Stations:

if the terminating party is not then in material breach of any of its representations or warranties or any of its covenants contained in the merger agreement, in the event of the inaccuracy of any representation or warranty of the non-terminating party contained in the merger agreement which would reasonably be expected to have or result in a material adverse effect on the non-terminating party and cannot be or has not been cured within 30 days after written notice of such inaccuracy is given to the non-terminating party;

if the terminating party is not then in material breach of any of its representations or warranties or any of its covenants contained in the merger agreement, in the event of a material breach by the non-terminating party of any covenant or agreement contained in the merger agreement that cannot be or has not been cured within 30 days after written notice of such breach is given to the non-terminating party, except that we may not cure any breach of our obligation to pay the merger consideration;

if the merger is not consummated by March 31, 2003, in each case only if the failure to consummate the transactions contemplated by the merger agreement on or before such date is not caused by any material breach of the merger agreement by the terminating party, except that the March 31, 2003 termination date automatically will be extended by one day for each day that the closing does not occur because, subject to certain exceptions, the transactions contemplated by the Chelsey purchase agreement are not consummated; or

if it is reasonably anticipated that any of the conditions precedent to the obligations of the terminating party to consummate the merger, other than the condition that, subject to certain exceptions, the transactions contemplated by the Chelsey purchase agreement are consummated, cannot be satisfied or fulfilled by March 31, 2003 and such failure was not the fault of the terminating party.

Effects of Termination

If the merger agreement is terminated, as described above, it will become void and have no effect. However, certain provisions of the merger agreement will survive termination, including provisions relating to the letter of credit and the escrow shares, confidentiality and expenses. In addition, in the event that the merger agreement is terminated by us or by Stations in connection with any material breach of any representation or warranty or any covenant or other agreement of the other party contained in the merger agreement or because the merger is not consummated prior to the applicable termination date, the breaching party will remain liable for any uncured breach of a representation, warranty, covenant or agreement giving rise to such termination.

If the closing does not occur due to a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. The aggregate proceeds of the drawing on the letter of credit and the escrow shares will total $25 million, but we may replace some or all of the

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escrow shares with a cash payment so long as any such cash payment is a whole number multiple of $500,000.

If the closing does not occur due to the non-fulfillment of any of the conditions precedent to each party s obligation to consummate the merger, and we are not in material default in the performance of any of our representations or warranties or any of our covenants or agreements under the merger agreement, Stations will not be entitled to the letter of credit or the escrow shares and, after termination of the merger agreement, the letter of credit and the escrow shares will be returned to us.

Waivers

Prior to or at the effective time, we and Stations may waive any material default in the performance of any term of the merger agreement by the other party or any of its subsidiaries, waive or extend the time for the compliance or fulfillment by the other party and its subsidiaries of any and all of their obligations under the merger agreement, and waive any or all of the conditions precedent to the obligations of the other party and its subsidiaries under the merger agreement. However, neither we nor Stations may waive any condition which, if not satisfied, would result in the material violation of any law.

Fees and Expenses

Generally, regardless of whether the merger is consummated, Stations will be responsible for all expenses and fees incurred by it and its subsidiaries in connection with the merger and we will be responsible for all expenses and costs incurred by us in connection with the merger. However, we will pay all the fees related to the filings with the FTC. Also, Stations and we will each pay one-half of the processing fees related to the filing with the FCC of applications regarding the transfer of control of Benedek s television licenses to us.

Lock Up Agreements

On June 4, 2002, in connection with the transactions contemplated by the merger agreement, Stations and we entered into the lock up agreements with certain stockholders and creditors of Stations, whom we refer to as the consenting stockholders and creditors. Under these lock up agreements, the consenting stockholders and creditors agreed to, among other things, support and vote their shares in favor of a Stations bankruptcy plan that will give effect to the transactions contemplated by the merger agreement. Stations has received executed lock up agreements from holders of 97.9% of the outstanding senior preferred stock, 98.8% of the outstanding junior preferred stock, 100% of the outstanding class B common stock, and 94.6% of the outstanding aggregate principal amount of the senior subordinated discount notes.

In addition, consenting stockholders that hold Stations senior preferred stock have agreed to pay to us, if Stations receives certain superior proposals relating to an acquisition of Stations by a third party and such superior proposal is approved by the bankruptcy court, contemporaneously with the transaction contemplated by such superior proposal, a termination fee of $15 million. The liability of each consenting stockholder that holds Stations senior preferred stock is limited to an amount determined by multiplying $15 million by a fraction, the numerator of which is the number of shares of senior preferred stock owned by such consenting stockholder and the denominator of which is the number of shares of Stations senior preferred stock owned by all consenting stockholders.

Benedek Family Benefits Agreement

On May 29, 2002, in connection with the transactions contemplated by the merger agreement, we entered into a letter agreement with A. Richard Benedek, Chairman of the Board and Chief Executive Officer of Stations, Laura Benedek, Richard Benedek s wife, and Stephen D. Benedek, a Vice President of Stations and Richard Benedek s son, in which we agreed to provide to them, following consummation of the merger, certain health and welfare benefits, use of office space in New York City until no later than August 31, 2005, and severance benefits of up to $275,000. In addition, we may be required to forgive certain indebtedness owed by Richard Benedek to Stations. Upon the closing of the merger, we will cease

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the use of the name Benedek Broadcasting, the Benedek.com URL and the name Benedek Interactive Media. The right to use the Benedek Broadcasting name will be conveyed, at no cost, to Richard Benedek and the right to use the Benedek.com URL and the name Benedek Interactive Media will be conveyed, at no cost, to Stephen Benedek.

K. James Yager Employment Agreement

On June 4, 2002, Benedek and K. James Yager, Benedek s President and Chief Operating Officer, entered into a second amendment to K. James Yager s employment agreement, which will become effective only upon consummation of the merger. In addition, we entered into a letter agreement with K. James Yager relating to this amendment.

K. James Yager s employment agreement is for a term of four years commencing on January 1, 2001 and ending on December 31, 2004, the expiration date. K. James Yager s base salary is $630,000 for 2001 and $680,000 for 2002 and thereafter increases to a per annum rate not less than 105% of his base salary during the preceding year. K. James Yager is eligible to receive a bonus in respect of each fiscal year during the term of the agreement in such amount as Benedek may determine. The agreement also entitles K. James Yager to specified fringe benefits and to participation in employee benefit plans generally available to Benedek s executives. In addition, Benedek has agreed to pay to K. James Yager the amount necessary, on an after-tax basis, to discharge all amounts, including accrued interest, owed by him to Benedek under his $555,000 promissory note.

If Benedek terminates K. James Yager s employment without cause, or if K. James Yager terminates his employment by reason of a constructive discharge, which includes the assignment to K. James Yager of duties or reporting responsibilities inconsistent in any material respect with his status, title, position or duties or any breach by Benedek of his employment agreement, K. James Yager will be entitled to receive his base salary, and to participate, at no cost to him, in all employee benefits, through the expiration date and his non-competition obligations will be terminated. In our letter agreement with K. James Yager, we agreed that our failure to employ him as President and Chief Operating Officer of our broadcast division or subsidiary within 12 months after the consummation of the merger would constitute a constructive discharge, entitling him to the above benefits.

Our letter agreement with K. James Yager also provides that, after consummation of the merger, we will grant to him nonqualified options to purchase shares of our class B common stock pursuant to the terms of our long term incentive plan. The number of shares subject to the option award will be determined by our board of directors, and the exercise price of the option shares will be the market price of our class B common stock at the time the award is granted. The options will vest ratably over the term of K. James Yager s employment agreement, with vesting to be accelerated in the event of a constructive discharge.

Bull Run Advisory Fee

For advisory services rendered by Bull Run in connection with the merger, we paid to Bull Run an advisory fee of $5,000,000 on June 10, 2002. This advisory fee must be repaid to us if the merger is not completed.

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INFORMATION REGARDING GRAY

Selected Historical Consolidated Financial Data

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

	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
	(Dollars in thousands except per share data)						
Statements of Operations Data:							
Revenues:							
Broadcast (less agency commissions)	$ 72,300	$ 91,007	$ 97,015	$ 120,640	$ 106,430	$ 25,042	$ 25,453
Publishing	24,536	29,330	37,808	41,499	41,189	9,740	10,143
Paging	6,712	8,553	9,130	9,074	8,725	2,147	2,009
Total revenues	103,548	128,890	143,953	171,213	156,344	36,929	37,605
Operating expenses:							
Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	25,646	24,515
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	944	1,000
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	7,851	3,733
Total operating expenses	82,818	103,963	121,893	140,115	138,464	34,441	29,248
Operating income	20,730	24,927	22,060	31,098	17,880	2,488	8,357
Gain on disposition of television stations		72,646					
Valuation adjustments of goodwill and other assets		(2,074)					
Depreciation in value of derivative, net					(1,581)	(786)	389
Miscellaneous income (expense), net	(31)	(242)	336	780	194	71	38
	20,699	95,257	22,396	31,878	16,493	1,773	8,784
Interest expense	21,861	25,454	31,021	39,957	35,783	9,251	8,965
Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change	(1,162)	69,803	(8,625)	(8,079)	(19,290)	(7,478)	(181)
Income tax expense (benefit)	240	28,144	(2,310)	(1,867)	(5,972)	(2,450)	(46)

Income (loss) before extraordinary charge and cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(135)
Extraordinary charge on extinguishment of debt							(7,318)
Income (loss) before cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(7,453)
Cumulative effect of accounting change, net							(30,592)
Net income (loss)	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(38,045)
Preferred dividends	1,410	1,318	1,010	1,012	616	154	154
Non-cash preferred dividends associated with preferred stock redemption		3,360		2,160			
Net income (loss) available to common stockholders	$ (2,812)	$ 36,981	$ (7,325)	$ (9,384)	$ (13,934)	$ (5,182)	$ (38,199)

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	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
	(Dollars in thousands except per share data)						
Basic earnings per common share(d):							
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net							(0.47)
Cumulative effect of accounting change, net							(1.95)
Preferred dividends	(0.12)	(0.39)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 3.10	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Diluted earnings per common share(d):							
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.36	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net							(0.47)
Cumulative effect of accounting change, net							(1.95)
Preferred dividends	(0.12)	(0.38)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 2.98	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Other Financial Data:							
Media cash flow(e)	$ 38,061	$ 46,624	$ 50,944	$ 66,247	$ 53,074	$ 11,475	$ 13,274
Media cash flow margin(e)	36.8%	36.2%	35.4%	38.7%	33.9%	31.1%	35.3%
Operating cash flow(f)	$ 35,533	$ 43,561	$ 47,496	$ 62,653	$ 49,459	$ 10,531	$ 12,274
Operating cash flow margin(f)	34.3%	33.8%	33.0%	36.6%	31.6%	28.5%	32.6%
Cash flows provided by (used in):							
Operating activities	$ 9,744	$ 20,074	$ 20,842	$ 22,765	$ 16,823	$ 6,356	$ 266
Investing activities	(57,498)	(55,299)	(126,780)	(8,276)	(186,165)	(646)	163,253
Financing activities	49,071	34,744	105,839	(14,061)	167,685	(6,820)	(160,910)
Capital expenditures	10,372	9,271	11,712	5,702	7,593	676	5,244
Cash dividends per common share(g)	$ 0.05	$ 0.06	$ 0.08	$ 0.08	$ 0.08	$ 0.02	$ 0.02
Ratio of total debt to operating cash flow	6.4x	6.2x	8.0x	6.0x	8.0x(h)	6.0x(i)	7.7x(i)
	1.6	1.7	1.5	1.6	1.4	1.1(i)	1.4(i)

Ratio of operating cash flow to interest expense							
Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 2,367	$ 1,887	$ 1,787	$ 2,215	$ 169,115(h)	$ 1,105	$ 3,165
Total intangible assets, net	263,425	376,015	526,434	511,616	497,311	508,036	457,740
Total assets	345,051	468,974	658,157	636,772	794,337(h)	621,175	578,601
Long-term debt (including current portion)	227,076	270,655	381,702	374,887	551,444(h)	367,846	391,448
Preferred stock	11,111	7,371	7,371	4,637	4,637	4,637	4,637
Total stockholders equity	92,295	126,703	168,188	155,961	142,196	151,240	103,878

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

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

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

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(d) On August 20, 1998, our board of directors declared a 50% stock dividend, payable on September 30, 1998, to stockholders of record of our class A common stock and class B common stock on September 16, 1998. This stock dividend effected a three-for-two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.

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

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

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

(g) Cash dividends were $0.08 per common share for all five annual periods and $0.02 per common share for both quarterly periods; however, the amounts for 1997 and 1998 have been adjusted for the three-for-two stock split in 1998, which is discussed in Note (d) above.

(h) On December 21, 2001, the Company deposited $168.6 million with the trustee of the Company s 10 5/8% Senior Subordinated Notes due 2006 to redeem those notes, including payment of principal, the applicable premium costs and accrued interest through the redemption date of January 22, 2002. Total assets include the $168.6 million reflected as restricted cash for redemption of long-term debt and long-term debt (including portion) includes the related $155.2 million of our 10 5/8% notes that were extinguished on January 22, 2002. The ratio of total debt to operating cash flow of 8.0x is calculated on a pro forma basis, which excludes the $155.2 million of our 10 5/8% notes. If the $155.2 million of our 10 5/8% notes were included in the total debt amount used to calculate the ratio of total debt to operating cash flow, the ratio would be 11.1x.

(i) Represents ratios for the 12 months ended March 31, 2001 and 2002.

(j) The following table presents the transitional disclosures regarding the adoption of SFAS No. 142:

	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	**1998(b)**	**1999(c)**	**2000**	**2001**	**2001**	**2002**
	(Dollars in thousands except per share data)						
Reported net income (loss) before extraordinary charge and cumulative effect of accounting	$(1,402)	$41,659	$(6,315)	$ (6,212)	$(13,318)	$(5,028)	$ (135)
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	2,627	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 2,773	$47,356	$ 2,184	$ 4,810	$ (2,285)	$(2,401)	$ (135)
Basic earnings per common share(d):							
Reported net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$(0.01)
	0.35	0.48	0.66	0.71	0.71	0.17	

Add back: amortization of goodwill and intangible assets with indefinite lives, net or tax							
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 0.23	$ 3.97	$ 0.17	$ 0.31	$ (0.14)	$ (0.15)	$ (0.01)
Diluted earnings per common share(d):							
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 0.23	$ 3.82	$ 0.16	$ 0.30	$ (0.14)	$ (0.15)	$ (0.01)

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Business, Management and Other Information

Information relating to our business, principal shareholders, directors and officers, executive compensation and share ownership, related party transactions, financial statements and other related matters, as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, is incorporated herein by reference. If you would like to receive a copy of such documents you may contact us at our address or telephone number indicated under Where You Can Find More Information.

Operating & Growth Strategy

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

Focus on Local News and Programming to Maintain a Strong Local Franchise. We operate, or will operate after completion of the merger with Stations, 28 network affiliated television stations serving 23 markets, with 24 of our 28 stations ranked first or second in local news. We endeavor to make each of our television stations a highly recognizable, local brand through the depth, quality and focus of its local news, programming and community involvement. We believe that providing the leading source for local news and programming in our markets enables us to strengthen audience loyalty and increase viewership among attractive demographic audiences. As a result, we believe that the strength of our local franchises enables us to maximize advertising revenues from local, regional and national accounts. We believe that our commitment to local news, programming and community involvement is essential to our ability to serve each of the communities in which we operate and provides us with a strong competitive advantage.

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

Capitalize on Leading Network Brands in Markets with Limited Competition. We have, or will have after completion of the merger with Stations, a broad and diverse portfolio of 28 affiliated television stations located in 23 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC affiliates, representing approximately 56%, 29%, and 15% of our total pro forma net television revenue in 2001, respectively. Additionally, we will be the largest independent owner of CBS affiliated television stations. Our network affiliations provide our television stations with top-rated programming, which complements and enhances our leading local brand. We believe that our markets are less competitive than larger designated market areas, DMAs. Of our 24 markets (including Hazard, Kentucky as a separate market), 16 markets are served by four TV stations or fewer, and seven markets are served by three or fewer television stations. Our markets also typically have fewer radio stations than larger DMAs.

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

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

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

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

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SELECTED STATION AND MARKET INFORMATION REGARDING GRAY AND STATIONS

Gray Television Stations Pro Forma Following the Merger

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

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

* Denotes a television station currently owned by Gray.

(a) Based on data published by Nielsen.

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

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

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

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

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

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

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

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Our Markets

Below is a brief description of the market for each of our stations. All statements as to station ranking in this prospectus are based on Nielsen data for the 6:00 a.m. to 2:00 a.m. Sunday through Saturday time period, except that data in the tables titled Competitive Landscape, is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period. The news ranking information is based on our management s review of the Nielsen Station Index, Viewers in Profile, dated May 2002. As NBC affiliate stations broadcasted the Olympic games during February 2002, their ratings for this period reflect a higher than normal viewership. CAGR refers to compound annual growth rate and EBI refers to effective buying income. EBI statistics reflect data for 2000 and 2005. In the Competitive Landscape tables below, we have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.

Knoxville, Tennessee

WVLT, a CBS affiliate, was acquired by us in September 1996 and began operations in 1988. It is the second ranked station, with the third ranked news program, in the Knoxville, Tennessee market. The Knoxville area is a center for education, manufacturing, healthcare and tourism. The University of Tennessee s main campus with approximately 26,000 students is located within the city of Knoxville. Leading manufacturing employers in the area include: Lockheed Martin Energy Systems, Inc., DeRoyal Industries, Aluminum Company of North America, Phillips Consumer Electronics North America Corp., Clayton Homes and Sea Ray Boats, Inc.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	1,208	1,277	1.12%
Retail Sales	$17,255	$22,109	5.08
EBI	19,317	25,203	5.46
Gross Market Revenue	68,700	77,600	2.47
Average Household Income	40.3	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WBIR-TV	NBC	VHF	Gannett Company, Inc.	18	23	19	17
WVLT-TV	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**12**	**10**	**14**	**11**
WATE-TV	ABC	VHF	Young Broadcasting Inc.	11	8	10	11
WTNZ	FOX	UHF	Raycom Media, Inc.	3	4	4	2
WBXX-TV	WB	UHF	Acme Communications, Inc.	3	3	3	3

Lexington and Hazard, Kentucky

WKYT, a CBS affiliate, was acquired by us in September 1994 and began operations in 1957. It is ranked first in total viewers and in news programming in the Lexington, Kentucky market. The Lexington area is a regional hub for shopping, business, healthcare, education, and cultural activities. Major employers in the Lexington area include Toyota Motor Corp., Lexmark International, Inc., ALLTEL Corporation, Square D Company, Ashland, Inc., the University of Kentucky and International Business Machines Corporation. Eight hospitals are located in Lexington, reinforcing Lexington s position as a regional medical center. The University of Kentucky s main campus with approximately 25,000 students is located in Lexington. Frankfort, the capital of Kentucky is located within WKYT s service area. WYMT, WKYT s sister station is located in the Lexington DMA. In addition, the Lexington market is adjacent to the Bowling Green, Kentucky market where we intend to acquire WBKO in the merger.

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WYMT, a CBS affiliate, was acquired by us in September 1994 and began operations in 1985. It is ranked first in total viewers and in news programming in the Hazard, Kentucky market, a special 16 county trading area defined by Nielsen. The mountain region of eastern and southeastern Kentucky where Hazard is located is on the outer edges of four separate markets: Bristol-Kingsport-Johnson City, Charleston-Huntington, Knoxville and Lexington. Prior to the start of WYMT s operations in 1985, mountain residents relied primarily on satellite dishes and cable television carrying distant signals for their television entertainment and news. WYMT is the only commercial television station in this 16-county trading area and we generally consider it to be a distinct television market even though WYMT is technically included in the Lexington market. WYMT is the sister station of WKYT and shares many resources and simulcasts some local programming with WKYT. The trading area s economy is primarily centered around coal and related industries, such as natural gas and oil.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	1,153	1,210	0.97%
Retail Sales	$13,381	$15,738	3.30
EBI	17,241	22,236	5.22
Gross Market Revenue	55,300	67,600	4.10
Average Household Income	39.2	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WKYT-TV	**CBS**	**UHF**	**Gray Communications Systems, Inc.**	**16**	**17**	**16**	**15**
WLEX-TV	NBC	UHF	Evening Post Publishing Company	12	15	10	9
WTVQ-TV	ABC	UHF	Media General Broadcast Group	8	7	8	9
WDKY-TV	FOX	UHF	Sinclair Broadcast Group, Inc.	4	5	5	4
WYMT-TV	**CBS**	**UHF**	**Gray Communications Systems, Inc.**	**2**	**2**	**3**	**2**

Waco-Temple-Bryan, Texas

KWTX and KBTX, both CBS affiliates, were acquired by us in October 1999 and began operations in 1955 and 1957, respectively. They collectively are ranked first in total viewers and in news programming in the Waco-Temple-Bryan, Texas market. KBTX is a satellite station under FCC rules and is used to enhance our ability to effectively serve the entire market. Waco, Temple, Killeen, Bryan and College Station are the primary economic centers of the region. College Station, Texas is the home of Texas A&M University with approximately 45,000 students and Baylor University is located in Waco, Texas with approximately 13,000 students. The Waco-Temple-Bryan economy centers on education, medical services and U.S. military installations. Leading employers in the area include: Texas A&M University, Raytheon, Baylor University, St. Joseph s Regional Medical Center, Killeen ISD, Scott and White Hospital and the U.S. Army base at Fort Hood, Texas.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	843	869	0.61%
Retail Sales	$ 9,433	$11,698	4.40
EBI	11,824	14,508	4.18
Gross Market Revenue	29,500	36,400	4.29

Average Household Income	39.2	NA

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Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KWTX-TV & KBTX-TV	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**19**	**18**	**19**	**17**
KCEN-TV	NBC	VHF	Channel 6, Inc.	12	17	11	9
KWKT & KYLE	FOX	UHF	Communications Corp of America	7	7	8	6
KXXV & KRHD-LP	ABC, WB	UHF	Drewry Communications Group	7	6	9	7
KAKW	UNI	UHF	Univision Communications, Inc.		2	3	3

Lincoln-Hastings-Kearney, Nebraska

KOLN and KGIN, both CBS affiliates, were acquired by us in July 1998 and began operations in 1953 and 1961, respectively. They are ranked first in total viewers and in news programming in the Lincoln-Hastings-Kearney, Nebraska market. KGIN is a satellite station under FCC rules and is used to enhance our ability to serve the entire market effectively. The city of Lincoln is the primary economic center of the region, the capital of Nebraska and home to the University of Nebraska with approximately 23,000 students. The Lincoln-Hastings-Kearney economy centers around state government, education, medical services and agriculture. Leading employers in the area include: the State of Nebraska, the University of Nebraska, Gallup Inc., the Lincoln Public School System and several area hospitals. The Lincoln market is adjacent to the Omaha, Nebraska market where we intend to acquire WOWT in the merger.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	684	696	0.35%
Retail Sales	$ 7,766	$ 8,680	2.25
EBI	12,081	15,140	4.62
Gross Market Revenue	21,200	25,900	4.09
Average Household Income	44.6	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KOLN & KGIN	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**19**	**18**	**18**	**20**
KHGI-TV	ABC	VHF	Pappas Telecasting Companies	6	6	9	7
KLKN & KLKE	ABC	VHF	Citadel Communications Company, Ltd.	4	4	6	4
KHAS-TV	NBC	VHF	Greater Nebraska Television, Inc.	4	6	4	3
KTVG	FOX	UHF	Hill Broadcasting Company, Inc.	2	3	3	2

Greenville-New Bern-Washington, North Carolina

WITN, an NBC affiliate, was acquired by us in August 1997 and began operations in 1955. Based on the February and May 2002 ratings, WITN is currently tied for the first position in total viewers and in news programming in the Greenville-New Bern-Washington, North Carolina market. Greenville, North Carolina is the primary economic center of the region and home to East Carolina University with approximately

19,000 students. The Greenville-New Bern-Washington economy centers around education, manufacturing and agriculture. Leading employers in the area include: Pitt County Memorial Hospital, NADEP (Naval Rework Facility), East Carolina University, Catalytica Pharmaceuticals, Inc., PCS Phosphate, Rubber Maid Cleaning Products, Inc. and Weyerhaeuser Co.

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Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	705	731	0.73%
Retail Sales	$ 7,271	$ 8,116	2.22
EBI	10,060	12,647	4.68
Gross Market Revenue	29,200	36,400	4.51
Average Household Income	40.0	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WNCT-TV	CBS	VHF	Media General Broadcast Group	20	17	17	18
WITN-TV	**NBC**	**VHF**	**Gray Communications Systems, Inc.**	**14**	**18**	**14**	**12**
WCTI	ABC	VHF	Lamco Communications Incorporated	9	9	10	9
WFXI & WYDO	FOX	VHF	GOCOM Holdings LLC	5	5	6	4

Tallahassee, Florida - Thomasville, Georgia

WCTV, a CBS affiliate, was acquired by us in September 1996 and began operations in 1955. It is ranked first in total viewers and in news programming in the Tallahassee, Florida - Thomasville, Georgia market. The Tallahassee-Thomasville economy centers around state and local government as well as state and local universities which include Florida State University with approximately 33,000 students, Florida A&M University with approximately 12,000 students, Tallahassee Community College, Thomas College and Valdosta State University. Florida State University and Florida A&M University each have their main campus located within the city of Tallahassee.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	649	678	0.88%
Retail Sales	$ 7,217	$ 8,880	4.23
EBI	9,439	11,780	4.53
Gross Market Revenue	23,900	30,500	5.00
Average Household Income	39.4	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WCTV	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**23**	**20**	**24**	**22**
WTWC-TV	NBC	UHF	Sinclair Broadcast Group, Inc.	6	8	5	5
WTXL-TV	ABC	UHF	Media Venture Management, Inc.	5	5	7	5
WTLH	FOX	UHF	Pegasus Communications Corporation	4	5	6	3

Augusta, Georgia

WRDW, a CBS affiliate, was acquired by us in January 1997 and began operations in 1954. It is ranked first in total viewers and in news programming in the Augusta, Georgia market. The Augusta, Georgia area is one of Georgia s major metropolitan/regional centers, with a particular emphasis on health services, manufacturing and the military. The federal government employs military and civilian personnel at the Department of Energy s Savannah River Site, a nuclear processing plant, and Fort Gordon, a U.S. Army military installation. Augusta has eight large hospitals, which collectively employ approximately

20,000 and reinforce Augusta s status as a regional healthcare center. Augusta is also home to the Masters Golf Tournament, which has been broadcast by CBS for 46 years.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	644	661	0.52%
Retail Sales	$ 6,736	$ 7,902	3.24
EBI	8,668	10,153	3.21
Gross Market Revenue	30,000	36,200	3.83
Average Household Income	36.8	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WRDW-TV	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**18**	**17**	**18**	**16**
WJBF	ABC	VHF	Media General Broadcast Group	14	13	15	16
WAGT	NBC	UHF	Schurz Communications, Inc.	11	13	9	6
WFXG	FOX	UHF	Fisher Broadcasting Company	8	7	9	8

La Crosse-Eau Claire, Wisconsin

WEAU, an NBC affiliate, was acquired by us in July 1998 and began operations in 1953. It is the first ranked station in total viewers and in news programming in the La Crosse-Eau Claire, Wisconsin market. The La Crosse and Eau Claire economy centers around medical services, agriculture, education and retail business. The University of Wisconsin maintains an 11,000-student campus in Eau Claire. Leading employers include Menard, Inc., the University of Wisconsin at Eau Claire and several area hospitals. The La Crosse-Eau Claire market is adjacent to both the Madison, Wisconsin market where we intend to acquire WMTV in the merger and the Wausau-Rhinelander, Wisconsin market where we intend to acquire WSAW in the merger.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	530	541	0.41%
Retail Sales	$ 7,160	$ 8,793	4.19
EBI	7,779	9,415	3.89
Gross Market Revenue	22,800	30,200	5.78
Average Household Income	39.1	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01

WEAU-TV	**NBC**	**VHF**	**Gray Communications Systems, Inc.**	**18**	**24**	**16**	**17**
WKBT	CBS	VHF	Morgan Murphy Stations	15	12	14	13
WXOW-TV & WQOW-TV	ABC	UHF	Quincy Newspapers, Inc.	10	10	12	12
WLAX & WEUX	FOX	UHF	Grant Media, Inc.	6	9	11	5

Panama City, Florida

WJHG, an NBC affiliate, was acquired by us in 1960 and began operations in 1953. It is the first ranked station in total viewers and in news programming in the Panama City, Florida market. It has a secondary affiliation agreement with United Paramount Network, UPN . The Panama City economy centers around tourism, military bases, manufacturing, education and financial services. Panama City is the county seat and principal city of Bay County. Leading employers in the area include: Tyndall Air Force Base, the U.S. Navy Coastal Systems Station, Sallie Mae Servicing Corp., Stone Container Corporation, Arizona Chemical Corporation and Gulf Coast Community College. The Panama City market is adjacent to the Dothan, Alabama market where we intend to acquire WTVY, a CBS affiliate, in the merger.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	324	346	1.32%
Retail Sales	$ 3,508	$ 4,265	3.99
EBI	4,525	5,792	5.06
Gross Market Revenue	12,300	14,900	3.91
Average Household Income	37.4	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WJHG-TV	**NBC, UPN**	**VHF**	**Gray Communications Systems, Inc.**	**17**	**22**	**18**	**14**
WMBB	ABC	VHF	Media General Broadcast Group	12	10	14	12
WPGX	FOX	UHF	Waitt Broadcasting, Inc.	4	4	5	4

Sherman, Texas-Ada, Oklahoma

KXII, a CBS affiliate, was acquired by us in October 1999 and began operations in 1956. It is ranked first in total viewers and in news programming in the Sherman, Texas-Ada, Oklahoma market. The Sherman, Texas-Ada, Oklahoma economy centers around medical services, manufacturing and distribution services. Leading employers include Michelin, MEMC Southwest, Globitech, Raytheon, CIGNA, Johnson & Johnson and Texas Instruments.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	310	322	0.76%
Retail Sales	$3,815	$4,806	4.73
EBI	4,265	5,383	4.77
Gross Market Revenue	7,700	9,200	3.62
Average Household Income	35.4	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KXII	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**20**	**17**	**17**	**17**
KTEN	NBC	VHF	Lockwood Broadcasting, Inc.	7	8	8	5

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Stations Markets

Below is a brief description of the market for each of the stations that we intend to acquire in the merger. All statements as to station ranking in this prospectus are based on Nielsen data for the 6:00 a.m. to 2:00 a.m. Sunday through Saturday time period, except that data in the tables titled Competitive Landscape is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period. The news ranking information is based on our management s review of the Nielsen Station Index, Viewers in Profile, dated May 2002. As NBC affiliate stations broadcasted the Olympic games, during February 2002, their ratings for this period reflect a higher-than-normal viewership. CAGR refers to compound annual growth rate and EBI refers to effective buying income. EBI statistics reflect data for 2000 and 2005. In the Competitive Landscape tables below, we have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.

Wichita Hutchinson, Kansas

KAKE, KLBY and KUPK, all ABC affiliates, began operations in 1953. They collectively are ranked third in total viewers and in news programming in the Wichita-Hutchinson, Kansas market. KLBY and KUPK are satellite stations under FCC rules and are used to enhance Stations ability to effectively serve the entire market. The area is well known for its involvement in the aviation industry, with the top three companies in the region, Boeing Company, Cessna Aircraft Company and Raytheon Aircraft Company representing that industry. The Wichita area also serves as a regional banking and medical center, as well as home to the McConnell Air Force Base. Other leading employers in the region are Wichita Public Schools and the State of Kansas. Wichita is also the home to Wichita State University, which has an enrollment of 14,000 students.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	1,175	1,212	0.62%
Retail Sales	$15,293	$18,877	4.30
EBI	19,659	23,850	3.94
Gross Market Revenue	57,200	71,200	4.48
Average Household Income	43.0	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KWCH-TV, KBSD-TV, KBSH-TV & KBSL-TV	CBS	VHF	Media General Broadcast Group	18	15	18	17
KSNW, KSNC, KSNG & KSNK	NBC	VHF	Emmis Communications Corp.	16	22	15	14
KAKE-TV, KLBY & KUPK-TV	**ABC**	**VHF**	**Stations Holding Company, Inc.**	**10**	**8**	**11**	**10**
KSAS-TV, KAAS-TV & KBDK	FOX	UHF	Clear Channel Television, Inc.	4	6	6	4
KSCC	UPN	UHF	Mercury Broadcasting Company, Inc.	2	2	2	2
KWCV	WB	UHF	Banks Broadcasting, Inc.	2	2	2	

Omaha, Nebraska

WOWT, an NBC affiliate, began operations in 1949. It is ranked first in total viewers and second in news programming in the Omaha, Nebraska market. The Omaha DMA is home to five Fortune 100 companies, the U.S. Strategic Command Headquarters at Offutt Air Force Base, the University of Nebraska Medical Center and Creighton Medical Center. The University of Nebraska-Omaha has an enrollment of nearly 14,000, and Creighton University has an enrollment of 6,300. Major employers in the area include: the United States military, Union Pacific Railroad, ConAgra, Omaha Public Schools and

First Data Resources. The Omaha market is adjacent to the Lincoln, Nebraska market where we own and operate television stations KOLN and KGIN.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	1,008	1,048	0.78%
Retail Sales	$13,687	$16,275	3.52
EBI	20,452	27,141	5.82
Gross Market Revenue	62,100	72,200	3.06
Average Household Income	52.9	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WOWT	**NBC**	**VHF**	**Stations Holding Company, Inc.**	**18**	**24**	**14**	**13**
KETV	ABC	VHF	Hearst-Argyle Television, Inc.	14	12	17	16
KMTV	CBS	VHF	Emmis Communications Corp.	14	10	15	12
KPTM	FOX	UHF	Pappas Telecasting Companies	7	9	9	7
KXVO	WB	UHF	Mitts Telecasting Company	3	3	3	4

Madison, Wisconsin

WMTV, an NBC affiliate, began operations in 1953. It is the first ranked station, with the second ranked news program, in the Madison, Wisconsin market. The Madison area hosts the international headquarters for American Family Insurance, Oscar Meyer, Ray-O-Vac and Lands End. In addition to being the state capital, the University of Wisconsin has a major campus in Madison and has an enrollment of over 41,000 students. Major employers in the area are: University of Wisconsin Hospital and Clinics, General Motors Corporation, American Family Insurance, Meritor Health and Wisconsin Physicians Insurance Corporation. The Madison market is adjacent to the Wausau-Rhinelander market and La Crosse-Eau Claire, Wisconsin market where we own and operate television station WEAU.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	874	920	1.03%
Retail Sales	$15,394	$19,812	5.18
EBI	16,101	20,418	4.87
Gross Market Revenue	47,200	57,700	4.10
Average Household Income	47.3	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01

WISC-TV	CBS	VHF	Morgan Murphy Stations	18	14	16	16
WMTV	**NBC**	**UHF**	**Stations Holding Company, Inc.**	**15**	**22**	**12**	**12**
WKOW	ABC	UHF	Quincy Newspapers, Inc.	10	8	11	11
WMSN-TV	FOX	UHF	Sinclair Broadcast Group, Inc.	7	7	12	5

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Colorado Springs, Colorado

KKTV, a CBS affiliate, began operations in 1952. It is ranked first in total viewers and in news programming in the Colorado Springs, Colorado market. The Colorado Springs market is home to five major military installations: the Air Force Academy, Peterson Air Force Base, Fort Carson Army Base, Cheyenne Mountain Complex (NORAD), and Shriever Air Force Base. Major employers in the area in addition to the United States military include: The City of Colorado Springs, WorldCom, Inc., Intel Corporation and various non-profit organizations.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	799	870	1.72%
Retail Sales	$10,439	$13,172	4.76
EBI	12,591	16,149	5.10
Gross Market Revenue	42,300	49,700	3.28
Average Household Income	41.3	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KKTV	**CBS**	**VHF**	**Stations Holding Company, Inc.**	**17**	**14**	**16**	**15**
KOAA-TV	NBC	VHF	Evening Post Publishing Company	13	21	10	12
KRDO-TV	ABC	VHF	Pikes Peak Broadcasting Company, Inc.	11	11	12	11
KXRM	FOX	UHF	Raycom Media, Inc.	7	8	9	6
KXTU-LP	UPN	UHF	Raycom Media, Inc.	2	2	2	3

Lansing, Michigan

WILX, an NBC affiliate, began operations in 1957. It is ranked first in total viewers and in news programming in the Lansing, Michigan market. Lansing, the state capital, derives much of its economic base from state agencies, the automotive sector, and the Michigan State University which has over 43,000 students. Some of the top employers in the region include: the State of Michigan, Michigan State University, General Motors Corporation, Sparrow Health Systems and Meijer Grocery Stores.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	655	669	0.42%
Retail Sales	$ 7,561	$ 8,408	2.15
EBI	10,823	12,728	3.30
Gross Market Revenue	31,900	39,700	4.47
Average Household Income	45.1	NA	

Competitive Landscape

Share Summary

				9AM to Midnight			
Station	**Network**	**VHF or UHF**	**Owner**	**May-02**	**Feb-02**	**Nov-01**	**Jul-01**
WLNS	CBS	VHF	Young Broadcasting Inc.	17	14	16	15
WILX-TV	**NBC**	**VHF**	**Stations Holding Company, Inc.**	**15**	**20**	**13**	**12**
WSYM-TV	FOX	UHF	Journal Broadcast Group, Inc.	5	6	9	5
WLAJ	ABC	UHF	Freedom Communications, Inc.	5	4	8	6

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Rockford, Illinois

WIFR, a CBS affiliate, began operations in 1965. It is ranked first in total viewers and in news programming in the Rockford, Illinois market. Currently, Rockford s economy is based on the fastener business, as well as the manufacturing of machine parts and aerospace parts. Rockford is emerging as a growing regional education center, having the well respected, small liberal arts school Rockford College in its vicinity. Major employers in the region include: United Parcel Service, Rockford School District, Rockford Health Systems, DaimlerChrysler Corporation, Swedish American Health Systems and Hamilton Sundstrand Corporation.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	460	472	0.52%
Retail Sales	$ 5,341	$ 5,965	2.23
EBI	8,178	9,590	3.24
Gross Market Revenue	26,600	33,100	4.47
Average Household Income	46.3	NA	

Competitive Landscape

				Share Summary 9AM to Midnight			
Station	Network	VHF or UHF	Owner	May-02	Feb-02	Nov-01	Jul-01
WREX-TV	NBC	VHF	Quincy Newspapers, Inc.	16	23	16	13
WIFR	**CBS**	**UHF**	**Stations Holding Company, Inc.**	**15**	**13**	**16**	**15**
WTVO	ABC	UHF	Young Broadcasting Inc.	10	9	11	10
WQRF-TV	FOX	UHF	Quorum Broadcasting Company	8	8	10	7

Wausau-Rhinelander, Wisconsin

WSAW, a CBS affiliate, began operations in 1954. It is ranked first in total viewers and in news programming in the Wausau-Rhinelander, Wisconsin market. In addition to being a regional medical center, Wausau and the surrounding communities are known as a major capital of paper products and insurance. The University of Wisconsin-Stevens Point has over 10,000 students and is located in the DMA. Major employers in the region include: Wausau Insurance, Marshfield Clinics, Wausau Hospital, Wausau-Mosinee Paper Corporation and the City of Wausau. The Wausau-Rheinlander market is adjacent to the Madison, Wisconsin market and the La Crosse-Ean Claire, Wisconsin market where we own and operate television station WEAU.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	444	456	0.53%
Retail Sales	$ 6,323	$ 7,707	4.04
EBI	6,984	8,558	4.15
Gross Market Revenue	18,100	22,000	3.98
Average Household Income	41.4	NA	

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Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WSAW-TV	**CBS**	**VHF**	**Stations Holding Company, Inc.**	**21**	**18**	**19**	**19**
WAOW-TV & WYOW	ABC	VHF	Quincy Newspapers, Inc.	15	16	17	14
WJFW-TV	NBC	VHF	Rockfleet Broadcasting, Inc.	8	13	8	7
WFXS	FOX	UHF	Davis Television, LLC	4	5	9	3

Topeka, Kansas

WIBW, a CBS affiliate, began operations in 1953. It is ranked first in total viewers and in news programming in the Topeka, Kansas market. The Topeka DMA has an agricultural base which is augmented by production and manufacturing. In addition to being the state capital, Topeka is home to Forbes Air Force Base, Kansas State University with an enrollment of 22,400 and Washburn University with an enrollment of 6,300 students. Major employers in the area include: Goodyear Tire and Rubber Corporation, Payless ShoeSource, Blue Cross Blue Shield of Kansas and Burlington Northern Santa Fe Railroad.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	443	442	(0.05)%
Retail Sales	$ 5,537	$ 6,723	3.96
EBI	6,708	7,631	2.61
Gross Market Revenue	16,200	19,900	4.20
Average Household Income	39.8	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WIBW	**CBS**	**VHF**	**Stations Holding Company, Inc.**	**22**	**18**	**20**	**20**
KSNT	NBC	UHF	Emmis Communications Corp.	14	20	12	12
KTKA-TV	ABC	UHF	Brechner Management Company	5	5	8	7
KTMJ-CA	FOX, UPN	VHF	Montgomery Communications, Inc.	2	3	3	2

Dothan, Alabama

WTVY, a CBS affiliate, began operations in 1954. It is ranked first in total viewers and in news programming in the Dothan, Alabama market. Dothan serves as the regional economic, retail, and medical center. It houses Ft. Rucker Army Base, the Southeast Alabama Medical Center, and serves as an important agricultural center. Major employers in the area include: Southeast Alabama Medical Center, Collins Signs, Dothan and Houston Counties School System, Perdue Farms, Inc. and Flowers Hospital. The Dothan market is adjacent to the Panama City, Florida market where we own and operate WJHG.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	246	249	0.24%
Retail Sales	$ 2,963	$ 3,288	2.10
EBI	3,481	4,187	3.76
Gross Market Revenue	11,900	14,500	4.03
Average Household Income	36.6	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WTVY	**CBS**	**VHF**	**Stations Holding Company, Inc.**	**22**	**21**	**23**	**22**
WDHN	ABC	UHF	Morris Multimedia, Inc.	6	6	7	6
WDFX-TV	FOX	UHF	Waitt Broadcasting, Inc.	4	6	5	3

Harrisonburg, Virginia

WHSV, an ABC affiliate, began operations in 1953. It is the only commercial television station broadcasting in the Harrisonburg, Virginia market and is ranked first in total viewers and in news programming. The Harrisonburg market derives much of its economic base from poultry products, book manufacturing and the pharmaceutical industry. James Madison University, with an enrollment of over 16,000, is located in the DMA. Major employers in the area include: James Madison University, Pilgrims Pride, Cargill, Rockingham Memorial Hospital and R.R. Donnelley & Sons Company.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	228	236	0.69%
Retail Sales	$2,953	$ 3,512	3.53
EBI	3,493	4,174	3.63
Gross Market Revenue	9,800	11,800	3.78
Average Household Income	40.7	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WHSV-TV	**ABC**	**VHF**	**Stations Holding Company, Inc.**	**16**	**15**	**18**	**18**

Bowling Green, Kentucky

WBKO, an ABC affiliate, began operations in 1962. It is ranked first in total viewers and in news programming in the Bowling Green, Kentucky market. Bowling Green is located approximately 65 miles outside of Nashville, Tennessee and benefits from its proximity to this major city. Bowling Green is home to Western Kentucky University which has an enrollment of almost 15,000 students. Some of the major employers in the region include: Commonwealth Health Corp., Warren County Board of Education, Western Kentucky University, General Motors Corvette Plant and DESA International. The Bowling Green market is adjacent to the Lexington, Kentucky market where we own and operate WKYT and WYMT.

Market Overview

	2001	2006	CAGR
	(In Thousands)		

DMA Population	209	220	1.03%
Retail Sales	$2,475	$2,865	2.97
EBI	3,039	4,006	5.68
Gross Market Revenue	7,500	8,800	3.25
Average Household Income	37.5	NA	

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Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WBKO	**ABC**	**VHF**	**Stations Holding Company, Inc.**	**21**	**22**	**22**	**22**
WNKY	NBC	UHF	Northwest Broadcasting, L.P.	5	7	4	2

Meridian, Mississippi

WTOK, an ABC affiliate, began operations in 1953. It is ranked first in total viewers and in news programming in the Meridian, Mississippi market. Meridian Naval Air Station is located in the DMA of Meridian, which also is a regional medical and economic center. Major industries in the area include tourism, timber processing, paper products and electronics manufacturing. Top employers in the area include: Peavey Electronics, Mississippi Band of Choctaw Indians, Meridian Naval Air Station, Jeff Anderson Regional Medical Center and the Meridian School System.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	189	190	0.11%
Retail Sales	$1,883	$2,245	3.58
EBI	2,469	3,048	4.30
Gross Market Revenue	7,900	9,800	4.40
Average Household Income	34.7	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WTOK-TV	**ABC**	**VHF**	**Stations Holding Company, Inc.**	**21**	**21**	**23**	**21**
WMDN	CBS	UHF	Spain, Frank & Family	7	9	9	5
WGBC	NBC	UHF	Global Communications, Inc.	6	7	5	4

Parkersburg, West Virginia

WTAP, an NBC affiliate, began operations in 1953. It is the only commercial television station broadcasting in the Parkersburg, West Virginia market and is ranked first in total viewers and in news programming. The Parkersburg DMA is a major chemical and petroleum center, with such employers as Dupont, Eramet, General Electric Company, Chevron, Globe Metallurgical and Krayton. Other significant employers include Coldwater Creek Clothiers and Ames Hardware. The Parkersburg DMA also plays host to Marietta College with an enrollment of nearly 23,500.

Market Overview

	2001	2006	CAGR
	(In Thousands)		

DMA Population	159	157	(0.25)%
Retail Sales	$1,911	$2,025	1.17
EBI	2,539	3,051	3.74
Gross Market Revenue	5,600	6,600	3.34
Average Household Income	39.9	NA	

Competitive Landscape

				Share Summary 9AM to Midnight			
Station	**Network**	**VHF or UHF**	**Owner**	**May-02**	**Feb-02**	**Nov-01**	**Jul-01**
WTAP-TV	**NBC**	**UHF**	**Stations Holding Company, Inc.**	**21**	**27**	**19**	**21**

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BUSINESS OF STATIONS HOLDING COMPANY, INC.

Overview of Stations

We plan to acquire in the merger 15 of Stations television stations. These television stations are geographically diverse and serve small to medium-sized markets in 11 states. Five of the stations are affiliated with CBS, six are affiliated with ABC, and four are affiliated with NBC. All of the data included in this section relates solely to the stations that we plan to acquire in the merger.

The stations are located in DMAs ranked in size from 65 to 186 out of the 210 DMAs surveyed by A. C. Nielsen Company. The broadcast signals for these stations that we intend to acquire in the merger reach approximately 2.6 million television households, representing approximately 2.5% of all television households in the United States. Stations believes that broadcast television stations in small to medium-sized markets offer an opportunity to generate attractive and stable broadcasting cash flow due to limited competition from:

- other television stations for viewers;
- other media soliciting advertising expenditures; and
- other television stations purchasing syndicated programming.

Stations operates in markets that typically have stable employment and a diverse base of employers. Stations generally targets markets that have population centers that share common community interests and are receptive to local programming. Stations local programming and news content coupled with its network affiliations provide each of its stations with an established audience and reputation for news, sports and entertainment programming.

Stations senior management team, led by K. James Yager, President and Chief Operating Officer, has extensive experience in acquiring and improving the operations of television stations. In addition, Stations stations are supported by a team of senior vice presidents who directly oversee the day-to-day operations of the business. Louis S. Wall and Christopher H. Cornelius manage seven and six of the stations, respectively. These executives have an average of 22 years of experience operating and managing broadcast television stations.

Stations selectively purchases first run and off-network syndicated programming designed to reach specific demographic groups attractive to advertisers. Currently, Stations broadcasts on many of its stations the five most highly-rated syndicated programs. These programs and the number of stations on which they are broadcast are:

- Wheel of Fortune on nine of its stations;
- Jeopardy on seven of its stations;
- Seinfeld on seven of its stations; and
- Entertainment Tonight on seven of its stations.

Additionally, Stations broadcasts other highly-rated first run and off-network syndicated programs on its stations including:

- Judge Judy;
- The Oprah Winfrey Show;
- Everybody Loves Raymond;
- Live! with Regis and Kelly; and
- Frasier.

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Stations seeks to acquire syndicated programs that:

- have wide audience appeal;
- are available on a cost-effective basis for limited licensing periods;
- allow scheduling flexibility;
- complement each station s overall programming mix; and
- counter competitive programming.

Stations has been able to purchase syndicated programming at attractive rates because of the limited competition from other television broadcasters for such programming in its markets. As a result, Stations cash program expense as a percentage of net revenues for its stations was 4.4% in 1999, 4.7% in 2000 and 5.5% in 2001. In comparison, according to the 2001 Television Financial Report published by the National Association of Broadcasters, the percentage of net revenues spent for programming by all network affiliated stations was 8.8% in 1999 and 8.2% in 2000.

Background

Stations was incorporated under the laws of the State of Delaware on April 10, 1996. Stations corporate name was changed from Benedek Communications Corporation to Stations Holding Company, Inc. effective February 1, 2002. Benedek was incorporated under the laws of the State of Delaware on January 22, 1979. The principal executive offices of Stations is located at 2895 Greenspoint Parkway, Suite 250, Hoffman Estates, Illinois 60195. The telephone number at the executive offices is (847) 585-3450.

Network Affiliation of Stations Television Stations

Each of the television stations we are acquiring is affiliated with either CBS, ABC or NBC. Each affiliation agreement provides the station with the right to broadcast all programs transmitted by the network. In return, the network has the right to sell a substantial majority of the advertising time during network programming. In exchange for every hour that a station elects to broadcast network programming, CBS, ABC and NBC have historically paid the station a specified fee. This fee varies with the time of day. Typically, prime-time programming generates the highest hourly rates. Fees are subject to increase or decrease by the network during the term of an affiliation agreement, with provisions for advance notices and the right of termination by the station in the event of a reduction of rates.

During 1999, each of the major networks publicly indicated that it was reviewing the economic and other terms under which it provides programming to network affiliates like our stations. Proposed changes that have been publicly discussed include:

- reducing the period of exclusivity with respect to popular programming;
- changing the amount and placement of advertising time made available for sale by affiliates during network programming; and
- requiring affiliates to share part of the costs of producing sports or special programming.

These changes may be implemented during the term of existing affiliation agreements or upon their renewal. Additionally, the major networks have proposed reducing or eliminating the cash payments paid by networks to affiliates at the time of renewal of existing affiliation agreements.

Stations NBC affiliation agreements for WOWT, WMTV, WILX and WTAP were renegotiated effective as of January 1, 2002 and the agreements were extended to January 1, 2012. As a result of these negotiations compensation for WOWT, WMTV, WILX and WTAP continues although at a reduced level through 2005. For the period from January 1, 2006 through the expiration of the contract on January 1, 2012, the agreements do not provide for any network compensation payments.

Stations ABC affiliation agreements for WBKO, WHSV and WTOK expire on November 1, 2004 and provide for compensation that decreases throughout the term of the contract and reduces to zero by the expiration date of the contract.

In response to declining revenues, some networks have suggested that they may search for alternative methods of distribution for their programming, such as cable channels.

Advertising Sales

Television station revenues are derived primarily from local, regional and national advertising. Stations seeks to manage its spot inventory efficiently to maximize advertising rates. Advertising rates are based upon numerous factors including:

- a program s popularity among the audience;
- the number of advertisers competing for the available time allotted to commercials;
- the size and demographic make-up of the audience; and
- the availability of alternative advertising media in the market area.

In March 2000, Stations restructured the organization of its local sales departments to place a greater emphasis on local and regional advertising sales. Stations shifted certain local advertising accounts to national representatives to better reflect the actual source of revenues. As a result of the restructuring and its new philosophy, period-to-period comparisons of trends in Stations local/regional and national sales will be difficult for you to make.

Local Sales. Approximately 60% of Stations gross revenues in 2001 came from local and regional advertisers. Local and regional advertising is sold primarily by each station s professional sales staff. Typical local and regional advertisers include:

- automobile dealerships;
- restaurants;
- retailers;
- communications companies;
- grocery chains;
- soft drink bottlers;
- health and medical services; and
- state lotteries.

Stations seeks to establish long term relationships with local advertisers by selling its advertising time through dedicated local sales teams. Stations goal is to provide local customers the opportunity to communicate their longer term advertising goals so it can develop strategic advertising campaigns for them. In addition to increasing revenues from existing advertisers, Stations seeks to identify new sources of local advertising revenues. In particular, Stations seeks potential advertisers who have not previously advertised on broadcast television, but whose businesses would benefit from the identity of Stations local news and programming. Stations sales personnel are required to meet minimum weekly and monthly performance standards with respect to client activity, including new customer identification. Stations also offers commercial production services at each of its stations.

National Sales. Approximately 31% of Stations gross revenues in 2001 came from national advertisers. Typical national advertisers include:

automobile manufacturers;

consumer goods manufacturers;

- communications companies;
- fast food franchisers;
- national retailers; and
- direct marketers.

National advertising time is sold through representative agencies retained by Stations. Two of the television stations we are acquiring are represented by Petry Television, Inc., ten are represented by Katz Television Sales, and one is represented by Blair Television. These stations national sales coordinators actively assist their national sales representatives to induce national advertisers to increase their national spot expenditures designated to our markets.

Political Sales. Political advertising revenues are a significant factor in Stations business during election years. Local and regional elections, which can include gubernatorial, U.S. senatorial and congressional races, generally occur every even numbered year. National presidential elections occur every four years. In 2000 and 1998, Stations had political advertising revenues of $13.3 million and $8.6 million, respectively, at its stations we are acquiring pursuant to the merger representing approximately 10% and 7% of such stations gross revenues during such years.

Implementation of the Cable Act of 1992

The Cable Television Consumer Protection and Competition Act of 1992, the Cable Act, was enacted on October 5, 1992. The Cable Act:

- imposes cable rate regulation;
- establishes cable ownership limitations;
- regulates the relationships between cable operators and their program suppliers;
- regulates signal carriage and retransmission consent; and
- regulates numerous other aspects of the cable television business.

Stations has entered into agreements for its stations with substantially all of the cable system operators that carry our stations signals. All of these agreements grant such cable system operators consent to retransmit Stations broadcast signals. These retransmission arrangements do not represent a significant source of revenues for Stations. Stations expects to be able to renew its current retransmission agreements when such agreements expire. However, there can be no assurance that such renewals will be obtained.

Digital Operations

The FCC had required that all of the stations owned by Stations commence digital operations by May 1, 2002. Stations has incurred approximately $4.5 million in capital expenditures towards its digital conversion of the stations we are acquiring as a result of the merger, and it anticipates incurring additional capital expenditures of $6.8 million in the balance of 2002 and thereafter with respect to such stations. In order to accommodate the conversion to digital and maintain our historical capital expenditure levels, Stations has reduced its plans for the other non-essential capital expenditures in 2002. Stations anticipates that such expenditures will be paid for through cash generated from operations.

One of the stations owned by Stations had commenced digital operations by May 1, 2002. The FCC had implemented a process to allow broadcast companies to request an extension of time to complete the build-out to digital. On March 4, 2002, Stations filed extension requests with respect to its stations that have not been converted to digital. Stations was granted extensions covering the period May 1, 2002 through various dates in November 2002. We cannot assure you that Stations will be able to complete the construction of all of its DTV stations by the applicable FCC deadlines. If Stations is unable to meet

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applicable build-out deadlines or obtain additional extensions, Stations may be subject to FCC sanctions, including the loss of the authorization to construct the DTV station.

Employees

As of May 31, 2002, Stations had 807 full-time employees at the stations we are acquiring as a result of the merger. Approximately 172 of such employees located at three of such stations are represented by labor unions under collective bargaining agreements. The collective bargaining agreements expire at various times from June 2003 through December 2003. At WIFR-TV, Rockford, Illinois, 23 employees have certified a union and negotiations for a collective bargaining agreement are scheduled to occur shortly. There are no unionized employees at the other stations we are acquiring as a result of the merger. Stations believes that its relationship with all of its employees, including those represented by labor unions, is satisfactory.

Properties

The principal executive offices of Stations is located in leased premises in Hoffman Estates, Illinois. Stations also has executive offices in New York City.

The types of properties required to support the television stations which Gray is acquiring as a result of the merger include offices, studios, and tower and transmitter sites. A station s studio and office are generally located in business districts while tower and transmitter sites are generally located so as to provide maximum signal coverage to each market. The following table contains certain information describing the general character of our properties.

Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease expiration date
Wichita-Hutchinson, Kansas KAKE-TV				
Office and Studio	Owned	46,762		
Tower/ Transmitter Site	Owned	2,176	1,000/316 kw	
Colby, Kansas KLBY-TV				
Office and Studio	Leased	2,850		04/30/2004
Tower/ Transmitter Site	Leased	1,000	768/100 kw	04/30/2007
Garden City, Kansas KUPK-TV				
Office and Studio	Owned	1,831		
Tower/ Transmitter Site	Owned	4,655	880/224 kw	
Omaha, Nebraska WOWT-TV				
Office and Studio	Owned	58,829		
Tower/ Transmitter Site	Owned	2,500	1,342/100 kw	
Madison, Wisconsin WMTV-TV				
Office and Studio	Owned(b)	16,485(c)		
Tower/ Transmitter Site	Owned(b)		1,040/955 kw	
Colorado Springs-Pueblo, Colorado KKTV				
Office and Studio	Owned(b)	30,465		
Tower/ Transmitter Site	Leased	800	350/234 kw	02/01/2059
Lansing, Michigan WILX-TV				
Office and Studio	Owned(b)	13,700		
Tower/ Transmitter Site	Leased	5,000	994/309 kw	10/18/2003

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Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease expiration date
Rockford, Illinois WIFR-TV				
Office and Studio	Owned(b)	13,500(c)		
Tower/ Transmitter Site	Owned(b)		674/562 kw	
Wausau-Rhinelander, Wisconsin WSAW-TV				
Office and Studio	Owned(b)	24,400		
Tower/ Transmitter Site	Leased(d)	432	650/316 kw	08/01/2017
Topeka, Kansas WIBW-TV				
Office and Studio	Owned(b)	19,800		
Tower/ Transmitter Site	Leased	2,338	1,249/316 kw	02/14/2062
Dothan, Alabama and Panama City, Florida WTVY-TV				
Office and Studio	Leased	20,440		12/31/2003
Tower/ Transmitter Site	Owned(b)	2,500	1,880/100 kw	
Harrisonburg, Virginia WHSV-TV				
Office and Studio	Leased(b)	18,000		04/27/2018(e)
Tower/ Transmitter Site	Leased	2,016	337/8.32 kw	12/31/2001(f)
Bowling Green, Kentucky WBKO-TV				
Office and Studio	Owned(b)	17,598		
Tower/ Transmitter Site	Owned(b)	1,175	603/316 kw	
Meridian, Mississippi WTOK-TV				
Office and Studio	Owned(b)	13,188		
Tower/ Transmitter Site	Owned(b)	1,504	316/316 kw	
Parkersburg, West Virginia WTAP-TV				
Office and Studio	Owned(g)	17,500		
Tower/ Transmitter Site	Owned(b)	3,600	439/208 kw	

(a) Approximate size is for building space only and does not include the land on which the facilities are located.

(b) Stations has mortgaged its interest in this property to the collateral agent under its credit facility, which mortgage will be released at the time of the merger.

(c) The tower/transmitter is located at and included within the size of the office and studio premises.

(d) Stations leases this space with Shockley Communications Corporation and the Wisconsin Educational Communications Board from the State of Wisconsin Department of Natural Resources.

(e) Stations has an option to purchase this property during the term of the lease. The purchase price is subject to adjustment depending upon the date the option is exercised. If Stations had exercised the option on December 31, 2001, the purchase price would have been approximately $1.4 million.

(f) The United States Department of Agriculture Forest Service granted us a Special Use Permit to occupy this land. Stations has applied for and is currently awaiting renewal of this permit.

(g) In May 2000, Stations exercised a purchase option on this property. Stations mortgaged its interest in this property in connection with the purchase. Stations had previously leased this property and had mortgaged its leasehold interest to the collateral agent under its credit facility, which leasehold mortgage will be released at the time of the merger.

Legal Proceedings

On March 22, 2002, Stations filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Benedek and its subsidiaries are not party to the bankruptcy action. On July 1,

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2002, Stations filed its proposed plan of reorganization and related disclosure statement with respect to its bankruptcy case for approval by the court. The plan of reorganization contemplates completion of the merger of Gray MidAmerica Television with and into Stations. In conjunction with the execution of the merger agreement, Stations and Gray entered into Lock up, Voting and Consent Agreements with certain stockholders and creditors of Stations. Under the lock up, voting and consent agreements, these stockholders and creditors agreed to, among other things, support and vote their shares or interests, as applicable, in favor of Stations plan of reorganization that will give effect to the transactions contemplated by the merger agreement. As of the date of this prospectus, lock up, voting and consent agreements have been received from holders of 97.9% of the outstanding Stations senior preferred stock, 98.8% of the outstanding Stations junior preferred stock, 100.0% of the outstanding Stations class B common stock and 94.6% of the outstanding Stations senior notes.

Stations is currently and from time to time involved in litigation incidental to the conduct of its business. Stations is not currently a party to any such lawsuit or proceeding that, in its opinion, is likely to have a material adverse effect on us.

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STATIONS SELECTED FINANCIAL DATA

The table below sets forth the selected consolidated financial data of Stations for the five years ended December 31, 2001 and the three month periods ended March 31, 2001 and 2002. The selected consolidated financial data for the years ended December 31, 1999, 2000 and 2001 have been derived from Stations audited consolidated financial statements included elsewhere in this prospectus. The data for the three month periods ended March 31, 2001 and 2002 are unaudited, but have been prepared on the same basis as the audited financial statements. In Stations opinion, they reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly Stations results of operation for the period then ended and its financial position as of such dates. Operating results for the three month period ended March 31, 2002 are not necessarily indicative of the results that may be expected in the future. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this prospectus and Stations Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,					Three Months Ended March 31,	
	1997(a)	1998(a)	1999(b)	2000(b)	2001	2001	2002
	(Dollars in thousands, except share and per share data)						
Statement of Operations Data:							
Net revenues(c)	$ 84,392	$ 94,525	$ 99,432	$ 116,687	$ 107,561	$ 23,587	$ 25,584
Operating expenses:							
Station operating expenses	48,891	52,446	55,154	63,935	64,007	16,664	16,258
Depreciation and amortization	21,794	20,660	17,442	19,711	21,901	5,368	6,309
Station operating income	13,707	21,419	26,836	33,041	21,653	1,555	3,017
Corporate expenses	3,787	4,643	4,510	5,590	5,946	1,664	1,543
	9,920	16,776	22,326	27,451	15,707	(109)	1,474
Gain on sale of stations, net(d)			6,403	61,406			
Operating income (loss)	9,920	16,776	28,729	88,857	15,707	(109)	1,474
Financial expenses, net:							
Interest expense, net(e):							
Cash interest, net	(23,358)	(21,943)	(20,701)	(23,000)	(33,191)	(5,002)	(10,559)
Other interest	(19,374)	(17,043)	(19,040)	(20,943)	(10,011)	(5,661)	(192)
	(42,732)	(38,986)	(39,741)	(43,943)	(43,202)	(10,663)	(10,751)
Reorganization items							(931)
Income (loss) before income tax benefit and extraordinary item	(32,812)	(22,210)	(11,012)	44,914	(27,495)	(10,772)	(10,208)
Income tax benefit (expense)	11,243	7,646	(406)	(29,199)	10,165	4,064	3,931
Income (loss) from continuing operations	(21,569)	(14,564)	(11,418)	15,715	(17,330)	(6,708)	(6,277)
	(2,741)	(2,061)	(4,359)	(881)	(28,085)	(1,646)	(22,028)

Income (loss) from discontinued operations							
Income (loss) before extraordinary item	(24,310)	(16,625)	(15,777)	14,834	(45,415)	(8,354)	(28,305)
Extraordinary item(f)			(12,510)	942			
Net income (loss)	(24,310)	(16,625)	(28,287)	15,776	(45,415)	(8,354)	(28,305)
Preferred stock dividends and accretion	(19,037)	(30,855)	(18,987)	(23,933)	(31,186)	(7,480)	(7,849)
Net (loss) applicable to common stock	$ (43,347)	$ (47,480)	$ (47,274)	$ (8,157)	$ (76,601)	$ (15,834)	$ (36,154)
Basic and diluted (loss) per common share(g):							
(Loss) from continuing operations	$ (5.78)	$ (6.14)	$ (4.11)	$ (1.11)	$ (6.56)	$ (1.92)	$ (1.91)
(Loss) from discontinued operations	(0.39)	(0.28)	(0.59)	(0.12)	(3.79)	(0.22)	(2.98)
Extraordinary item			(1.69)	0.13			
(Loss) per common share	$ (6.17)	$ (6.42)	$ (6.39)	$ (1.10)	$ (10.35)	$ (2.14)	$ (4.89)
Weighted-average common shares outstanding	7,030,000	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000

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	Year Ended December 31,					Three Months Ended March 31,	
	1997(a)	1998(a)	1999(b)	2000(b)	2001	2001	2002
	(Dollars in thousands, except share and per share data)						
Other Financial Data							
Broadcast cash flow(h)	$ 35,678	$ 42,333	$ 44,681	$ 53,220	$ 43,934	$ 6,939	$ 9,036
Broadcast cash flow margin(i)	42.3%	44.8%	44.9%	45.6%	40.8%	29.4%	35.3%
Operating cash flow(j)	$ 31,891	$ 37,690	$ 40,171	$ 47,630	37,988	$ 5,275	$ 7,493
Operating cash flow margin(k)	37.8%	39.9%	40.4%	40.8%	35.3%	22.4%	29.3%
Cash flow provided by (used in):							
Operating activities	$ 8,471	$ 20,016	$ 19,302	$ 26,209	$ 15,244	$ 5,401	$ 6,466
Investing activities	(6,282)	(6,582)	(28,291)	(11,259)	(10,835)	(1,973)	(1,659)
Financing activities	(7,632)	(11,791)	7,976	(14,245)	(4,889)	(5,016)	(945)
Capital expenditures	10,833	10,147	12,784	12,157	13,690	2,637	1,720
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 2,648	$ 4,291	$ 3,278	$ 3,983	$ 3,503	$ 2,395	$ 7,365
Total assets	468,495	447,462	457,776	508,262	468,237	494,018	428,439
Total intangible assets, net	345,588	335,634	335,348	381,914	346,352(m)	379,210	311,402(m)
Long-term debt(l)	370,917	374,816	427,579	432,942	437,372	433,398	435,928
Redeemable preferred stock	124,556	162,644	181,631	205,564	236,750	213,045	244,559
Stockholders (deficit)	(94,908)	(147,263)	(197,494)	(205,731)	(282,490)	(221,723)	(318,599)

(a) The selected consolidated financial data of Stations for the years ended December 31, 1997 and 1998 have been derived from Stations audited consolidated financial statements included elsewhere in this prospectus with reclassification to reflect the application of Statement of Financial Accounting Standards No. 144.

(b) In January 1999, Stations entered into a time brokerage agreement in anticipation of the station exchange of KKTV, Colorado Springs-Pueblo, Colorado and KCOY-TV, Santa Maria, California. The statement of operations and other data for the year ended December 31, 1999 includes information with respect to the time brokerage agreement. In March 2000, Stations exchanged WWLP-TV, its station in Springfield, Massachusetts, and $18.0 million for KAKE-TV, Wichita, Kansas and WOWT-TV, Omaha, Nebraska. The statement of operations does not reflect the exchange prior to March 2000.

(c) Net revenues reflect deductions from gross revenues for agency and national sales representative commissions.

(d) Net gain on sale of stations for 1999 includes $13.3 million as a result of the 1999 station exchange netted against a $6.9 million loss on the sale of KOSA-TV, Odessa, Texas. In 2000, net gain on sale of stations includes a $61.1 million gain on the exchange of WWLP-TV, Springfield, Massachusetts, for KAKE-TV, Wichita, Kansas and WOWT-TV, Omaha, Nebraska, and a $0.3 million gain on the sale of KOSA-TV, Odessa, Texas.

(e) Cash interest expense, net, includes cash interest paid and normal adjustments to accrued interest. Other interest expense includes accrued interest added to long-term debt balances, deferred loan cost amortization and write- offs, except deferred loan cost write-offs related to extraordinary debt extinguishments, financing costs not consummated, and accretion of discounts.

(f) In 1999, Stations recorded an extraordinary loss of $12.5 million net of applicable taxes of $8.3 million as a result of the early extinguishment of debt associated with the completion of the tender offer for $135.0 million of outstanding senior secured notes. In 2000, Stations redeemed a portion of its 13 1/4% senior subordinated discount notes with an aggregate face value of $12.3 million. The discount notes had an accreted value of $11.4 million and were purchased for $9.8 million. A total of $0.9 million, net of taxes, was recorded as a gain on the early extinguishment of debt.

(g) Earnings (loss) per common share is computed by dividing income (loss) after the deduction of preferred dividends and accretion of the redemption prepayment premium and amortization of our initial warrants, by the weighted average number of common shares outstanding. The effect of the stock options and initial warrants has not been reflected in the computation since their inclusion as common stock equivalents for both basic and fully-diluted earnings (loss) per share was anti-dilutive.

(h) Broadcast cash flow is defined as operating income before financial income as derived from the consolidated statements of operations plus depreciation and amortization, amortization of program broadcast rights, corporate expenses and noncash compensation less payments on program broadcast liabilities and net gain on sale of stations. Broadcast cash flow data is included in this prospectus because the information is a measurement:

(1) used by lenders to measure a borrower s ability to service its debt and pay for capital expenditures;

(2) used by industry analysts to determine a market value of television stations; and

(3) used by industry analysts when evaluating and comparing operating performance of different companies.

Broadcast cash flow does not purport to represent cash provided by operating activities as reflected in Stations consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Broadcast cash flow is also not reflected in Stations consolidated statements of cash flows; but it is a common and meaningful measure for comparison to other companies in the broadcast industry. The amounts excluded from broadcast cash flow are significant components in understanding and assessing Stations results of operations and cash flows. The term broadcast cash flow may not be the same terminology utilized by other companies in the presentation of similar information.

(i) Broadcast cash flow margin is defined as broadcast cash flow divided by net revenues.

(j) Operating cash flow is defined as operating income before financial income as derived from the consolidated statements of operations plus depreciation and amortization, amortization of program broadcast rights and noncash compensation less payments on program broadcast liabilities and net gain on sale of stations. Operating cash flow data is included in this prospectus because the information is a measurement:

(1) used by lenders to measure a borrower s ability to service its debt and pay for capital expenditures;

(2) used by industry analysts to determine a market value of television stations; and

(3) used by industry analysts when evaluating and comparing operating performance of different companies.

Operating cash flow does not purport to represent cash provided by operating activities as reflected in Stations consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with generally accepted accounting principles. Operating cash flow is also not reflected in Stations consolidated statements of cash flows; but it is a common and meaningful measure for comparison to other companies in the broadcast industry. The amounts excluded from operating cash flow are significant components in understanding and assessing Stations results of operations and cash flows. The term Operating cash flow may not be the same terminology utilized by other companies in the presentation of similar information.

(k) Operating cash flow margin is defined as operating cash flow divided by net revenues.

(l) Long-term debt is defined as notes payable, including the current portion thereof, net of discount. At March 31, 2002, long-term debt includes the balance of Stations credit facility of $276.0 million and the discount notes of $154.7 million, which are classified as Liabilities subject to compromise on the March 31, 2002 balance sheet.

(m) Intangible assets at December 31, 2001 and March 31, 2002 include balances of $15.5 million and $20.2 million, respectively, which are classified as Assets of Stations held for sale on the respective balance sheets.

STATIONS MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

On April 1, 2002, Stations signed a letter of intent with Gray and subsequently executed a merger agreement on June 4, 2002 whereby Stations will become a wholly-owned subsidiary of Gray. Gray will pay an estimated $502.5 million in cash consideration in connection with the merger and the transaction is expected to close during the fourth quarter of 2002.

Pursuant to the letter of intent with Gray, Stations agreed to sell all of the television broadcasting assets of eight television stations (the Station Group) to a third party prior to its merger with Gray. On June 4, 2002, Stations signed an agreement with Chelsey Broadcasting, LLC to sell the Station Group for $30.0 million.

On November 16, 2001, Stations entered into an Asset Purchase agreement with West Virginia Media Holdings, LLC (West Virginia Media) pursuant to which, on April 30, 2002, Stations sold the television broadcast assets of WTRF-TV, in Wheeling, West Virginia for $18.5 million.

Stations elected to early adopt Statement of Financial Accounting Standards No. 144 (SFAS No. 144) Accounting for the Impairment or Disposal of Long-Lived Assets for its 2001 financial statements. As a result of the adoption of SFAS No. 144, the Station Group and WTRF-TV have been classified as assets held for sale at March 31, 2002 and accordingly the carrying value of the assets were adjusted to their fair value and the operations of these portions of Stations have been reported in discontinued operations.

Stations revenues are derived primarily from the sale of advertising time and, to a modest extent, from compensation paid by the networks for broadcasting network programming and barter transactions for goods and services. Revenues depend on Stations ability to provide programming that attracts audiences in the demographic groups targeted by advertisers. Stations revenues also depend significantly on factors such as the national and local economy and the level of local competition.

In March 2000, Stations restructured the organization of its local sales departments to place a greater emphasis on local and regional advertising sales. Stations shifted certain local advertising accounts to national representatives to better reflect the actual source of revenues. As a result of the restructuring and its new philosophy, year-to-year comparisons of trends in Stations local/regional and national sales for the years 2000 and 2001 will be difficult for you to make.

On March 31, 2000, Stations completed a transaction with WGRC, Inc., whereby it exchanged the television station assets of WWLP-TV, in Springfield, Massachusetts formerly owned by it plus $18.0 million for the television station assets of KAKE-TV, in Wichita, Kansas, together with its two satellite stations, and WOWT-TV in Omaha, Nebraska. The acquired stations were owned by The Chronicle Publishing Company and were acquired in a like-kind exchange transaction through WGRC, Inc. The transaction was recorded under the purchase method of accounting.

On March 21, 2000, Stations sold the television broadcast assets of KOSA-TV, in Odessa, Texas to ICA Broadcasting I, Ltd. for a cash payment of $8.0 million. Stations recorded a lower of cost or market adjustment of approximately $6.9 million in 1999 to write down the assets of KOSA-TV to the sales price less estimated selling costs. The exchange of WWLP-TV and the sale of KOSA-TV resulted in a gain on sale of stations before taxes of $61.4 million in 2000.

During October 1998, stations transferred WMTV-TV, its station in Madison, Wisconsin to The WMTV Trust due to the Grade A broadcast signal overlap between WMTV-TV and WIFR-TV, Stations station in Rockford, Illinois. Under the trust arrangement, Stations relinquished control of WMTV-TV to a trustee while retaining the economic risks and benefits of ownership. On August 5, 1999, the FCC approved new duopoly rules that enabled Stations to own both WMTV-TV and WIFR-TV. As a result of

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the new rules, The WMTV Trust was dissolved on February 29, 2000 and all assets and liabilities were transferred to Stations.

Local and national non-political advertising sales constitute the largest concentration of Stations revenues and represent approximately 90% of gross revenues in 2001 compared to approximately 82% in 2000. Excluding political advertising revenues from our gross revenues, the percentage of gross revenues attributable to Stations local/regional advertising and national advertising in 1999, 2000 and 2001 was approximately 90%, 91% and 91%, respectively. Approximately 60% of Stations gross revenues in 2001 were generated from local and regional advertising, which is sold primarily by each station s sales staffs. The remainder of Stations advertising revenues is comprised primarily of national advertising, which is sold by national sales representatives retained by Stations. Stations generally pay commissions to advertising agencies on local, regional and national advertising and to national sales representatives on national advertising. Net revenues reflect deductions from gross revenues for commissions payable to advertising agencies and national sales representatives.

Stations primary operating expenses are employee compensation, programming expense, and depreciation and amortization. Changes in compensation expense result primarily from adjustments to fixed salaries based on employee performance and, to a lesser extent, from changes in sales commissions paid based on levels of advertising revenues. Programming expense consists primarily of amortization of program rights. Stations purchases first run and off-network syndicated programming on an ongoing basis. Under Stations contracts with the networks, a network affiliated station receives more than half of its daily programming from its network and in turn is compensated, in most cases, by the network for carrying such programming with the network s commercial content intact. Barter expense generally offsets barter revenues and reflects the fair market value of goods and services received. Stations operating expenses, excluding depreciation and amortization, represent approximately 65% of net revenues from continuing operations for 2001 compared to 60% of net revenues in both 2000 and 1999.

Results of Operations

The following table sets forth certain of Stations historical results of operations and operating data for the periods indicated in order to reconcile its broadcast cash flow and operating cash flow.

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
	(Dollars in thousands)				
Operating income (loss)	$28,729	$ 88,857	$15,707	$ (109)	$ 1,475
Add:					
Amortization of program broadcast rights	4,740	5,907	6,341	1,566	1,543
Depreciation and amortization	17,442	19,711	21,901	5,368	6,309
Corporate expenses	4,510	5,590	5,946	1,664	1,543
Less:					
Payments on program broadcast liabilities	(4,337)	(5,439)	(5,961)	(1,550)	(1,833)
Gain on sale of stations, net	(6,403)	(61,406)			
Broadcast cash flow	$44,681	$ 53,220	$43,934	$ 6,939	$ 9,036
Less corporate expenses	$ 4,510	$ 5,590	$ 5,946	$ 1,664	$ 1,543
Operating cash flow	$40,171	$ 47,630	$37,988	$ 5,275	$ 7,493

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Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

The following table provides historical information for the three months ended March 31, 2001 and 2002.

	Three Months Ended March 31,		
	2001	2002	% Change
	(Dollars in thousands)		
Local/regional	$15,894	$18,160	14.3%
National	8,440	8,407	
Political	302	529	75.2
Other	2,606	2,425	(6.9)
	27,242	29,521	8.4
Direct costs	3,655	3,937	7.7
Net revenues	$23,587	$25,584	8.5%
Operating expenses:			
Selling, technical and program expenses	12,526	12,191	(2.7)
General and administrative	4,138	4,067	(1.7)
Depreciation and amortization	5,368	6,309	17.5
Corporate	1,664	1,543	(7.3)
	23,696	24,110	1.7
Operating income (loss)	$ (109)	$ 1,474	N/A
Broadcast cash flow	$ 6,939	$ 9,036	30.2%
Broadcast cash flow margin	29.4%	35.3%	
Operating cash flow	$ 5,275	$ 7,493	42.0%
Operating cash flow margin	22.4%	29.3%	

Net revenues. Stations had net revenues from continuing operations in the first quarter of 2002 of $25.6 million compared to $23.6 million for the same period in 2001. The increase in net revenues was $2.0 million or 8.5%. The improvement in net revenues from continuing operations in 2002 is a result of political advertising revenues, the winter Olympics on Stations four NBC affiliated stations and a significant increase in local advertising revenues due to the successful efforts toward increasing this portion of Stations advertising base. National advertising revenues in the first quarter of 2002 remained constant at $8.4 million as compared to the same period in 2001. Local/ regional revenues increased and were $18.2 million in the three months ended March 31, 2002 compared to $15.9 million for the same period in 2001, an increase of $2.3 million or 14.3%. Political advertising revenues were $0.5 million in the first quarter of 2002 as compared to $0.3 million in the same period in 2001.

Operating expenses. Stations had operating expenses in the first quarter of 2002 of $24.1 million, an increase of $0.4 million or 1.7% compared to $23.7 million in the same period in 2001. Depreciation and amortization increased by $0.9 million or 17.5% to $6.3 million as compared to $5.4 million in the same period in 2001 due to the shorter amortization period used for network affiliation intangible assets as a result of the adoption of Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets (SFAS No. 142) on January 1, 2002. The effect of the shorter amortization period used for network affiliation intangible assets more than offset the effect caused by the discontinuance of amortization on Stations intangibles related to its FCC licenses and goodwill. Amortization was discontinued on FCC intangible assets and goodwill in the first quarter of 2002 due to the requirement of SFAS No. 142 that specifies that intangible assets with indefinite useful lives are no longer subject to amortization.

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Operating income (loss). Stations operating income for the first quarter of 2002 increased by $1.6 million to $1.5 million from an operating loss of $(0.1) million for the same period in 2001.

Financial income (expense). Stations financial expense for the first quarter of 2002 was relatively constant with the first quarter of 2001 and was $10.8 million as compared to $10.7 million for the three months ended March 31, 2001.

Reorganization items. Stations had reorganization items of $1.0 million in the first quarter of 2002 which consisted primarily of professional fees associated with its Chapter 11 bankruptcy filing on March 22, 2002.

Income tax benefit (expense). Stations income tax benefit in the first quarter of 2002 was $3.9 million compared to $4.1 million for the first quarter of 2001, a decrease of $0.2 million or 3.3%. Stations effective tax rate for the first quarter 2002 was 38.5% as compared to 37.7% in the first quarter 2001.

Loss from continuing operations. Stations loss from continuing operations was $(6.3) million for the first quarter of 2002 compared to $(6.7) million for the corresponding period in 2001.

Discontinued operations. Stations loss from operations of discontinued stations was $(22.0) million for the first quarter 2002 as compared to $(1.6) million for the comparable period in 2001. Before income taxes, the loss on the operations of discontinued stations was $(33.5) million for the first quarter of 2002 as compared to $(2.4) million in the first quarter of 2001. Included in the first quarter 2002 was a $31.3 million writedown to the expected sales price of the assets of the Station Group.

Broadcast cash flow. Broadcast cash flow for the first quarter of 2002 increased $2.1 million or 30.2% to $9.0 million from $6.9 million for the first quarter of 2001. As a percentage of net revenues, broadcast cash flow margin increased to 35.3% for the first quarter of 2002 from 29.4% for the first quarter of 2001.

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Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

The following table provides historical information for the year ended December 31, 2000 and 2001.

	Year Ended December 31,		
	2000	2001	% Change
	(Dollars in thousands)		
Local/regional	$ 70,732	$ 73,501	3.9%
National	41,153	37,624	(8.6)
Political	13,238	1,367	(89.7)
Other	10,935	10,557	(3.5)
	136,058	123,049	(9.6)
Direct costs	19,371	15,488	(20.0)
Net revenues	$116,687	$107,561	(7.8)%
Operating expenses:			
Selling technical and program expenses	48,078	48,696	1.3
General and administrative	15,857	15,311	(3.4)
Depreciation and amortization	19,711	21,901	11.1
Corporate	5,590	5,946	6.4
	89,236	91,854	2.9
Gain on sale of stations, net	61,406		(100.0)
Operating income	$ 88,857	$ 15,707	(82.3)%
Broadcast cash flow	$ 53,220	$ 43,934	(17.4)%
Broadcast cash flow margin	45.6%	40.8%	
Operating cash flow	$ 47,630	$ 37,988	(20.2)%
Operating cash flow margin	40.8%	35.3%	

Net revenues. Stations net revenues in 2001 decreased by $9.1 million or 7.8% to $107.6 million from $116.7 million in 2000. Stations net revenues were negatively impacted by the absence of political revenues in 2001 which were $1.4 million as compared to $13.2 million in 2000. Excluding political advertising revenues and before direct costs, Stations gross revenues decreased by $1.1 million or 0.9% to $121.7 million for 2001 from $122.8 million for 2000 due to a protracted softening of the advertising market and the negative effects on the advertising market and the economy in general as a result of the attacks of September 11, 2001.

Operating expenses. Stations operating expenses in 2001 increased by $2.7 million or 2.9% to $91.9 million from $89.2 million in 2000. The increase in operating expenses was caused by the change in the mix of stations owned by Stations, with the March 2000 addition of KAKE-TV and WOWT-TV and the disposition of WWLP-TV and KOSA-TV. The effect of the change of stations was greatest on depreciation and amortization expenses which increased $2.2 million or 11.1% to $21.9 million for 2001 as compared to $19.7 million for 2000. As a percentage of net revenues, operating expenses increased to 85.4% for 2001 compared to 76.5% for 2000.

Gain on sale of stations, net. In 2000, Stations recognized a gain of $61.1 million as a result of the exchange of the assets of WWLP-TV with a fair market value of $123.0 million and $18.0 million in cash for the assets of KAKE-TV and WOWT-TV. Stations also realized a $0.3 million gain on the sale of KOSA-TV in 2000. KOSA-TV was sold for $8.0 million.

Operating income. Stations operating income for 2001 decreased $73.2 million or 82.3% to $15.7 million from $88.9 million for 2000. The change in operating income was primarily caused by the gain on sale of stations in March 2000 and increased depreciation and amortization expense.

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Financial income (expense). Stations financial expense for 2001 decreased $0.7 million or 1.7% to $43.2 million from $43.9 million in 2000 as a result of declining interest rates.

Income tax benefit (expense). Stations income tax benefit in 2001 was $10.2 million compared to an income tax expense of $29.2 million for 2000. The decrease in income tax expense in 2001 from 2000 was primarily due to the tax effect of the sale of WWLP-TV and KOSA-TV in March 2000. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the Internal Revenue Service like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes.

Discontinued operations. Stations loss from discontinued operations was $(28.1) million in 2001 as compared to $(0.9) million in 2000. Before income taxes, Stations loss from discontinued operations was $(29.8) million in 2001 as compared to $(0.2) million in 2000. Discontinued operations consist of the operating results and valuation adjustments related to WTRF-TV and the Station Group. Included in discontinued operations for 2001 was a write-down to fair value on the sale of WTRF-TV of $6.9 million as well as $17.7 million of valuation adjustments on certain other stations goodwill and network affiliation intangible assets that were determined to have been impaired based on estimated discounted future cash flows. During 2002, these certain stations were held for sale and the valuation adjustments have been reclassified to discontinued operations consistent with the restatement provisions of SFAS No. 144.

Net income (loss). Stations had a net loss of $(45.4) million for 2001 as compared to net income of $15.8 million for 2000.

Broadcast cash flow. Broadcast cash flow for 2001 decreased $9.3 million or 17.4% to $43.9 million from $53.2 million for 2000. As a percentage of net revenues, broadcast cash flow margin decreased to 40.8% for 2001 from 45.6% for 2000.

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Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

The following table provides historical information for the year ended December 31, 1999 and 2000.

	Year Ended December 31,		
	1999	2000	% Change
	(Dollars in thousands)		
Local/regional	$ 66,146	$ 70,732	6.9%
National	35,535	41,153	15.8
Political	1,329	13,238	96.1
Other	11,756	10,935	(7.0)
	114,766	136,058	18.6
Direct costs	15,334	19,371	26.3
Net revenues	99,432	116,687	17.4%
Operating expenses:			
Selling, technical and program expenses	40,247	48,078	19.5
General and administrative	14,907	15,857	6.4
Depreciation and amortization	17,442	19,711	13.0
Corporate	4,510	5,590	23.9
	77,106	89,236	15.7
Gain on sale of stations, net	6,403	61,406	859.0
Operating income	$ 28,729	$ 88,857	209.3%
Broadcast cash flow	$ 44,681	53,220	19.1%
Broadcast cash flow margin	44.9%	45.6%	
Operating cash flow	$ 40,171	$ 47,630	18.6%
Operating cash flow margin	40.4%	40.8%	

Net revenues. Stations net revenues in 2000 increased by $17.3 million or 17.4% to $116.7 million from $99.4 million in 1999. Stations net revenues were positively impacted by political revenues in 2000 which were $13.2 million compared to $1.3 million in 1999. Excluding political advertising revenues and before direct costs, Stations gross revenues increased by $9.4 million or 8.3% to $122.8 million for 2000 from $113.4 million for 1999 due to the exchange of WWLP for KAKE-TV and WOWT-TV which was offset in part by a softening advertising market and the displacement of commercial advertisers by political advertisers.

Operating expenses. Stations operating expenses in 2000 increased by $12.1 million or 15.7% to $89.2 million from $77.1 million in 1999. The increase in operating expenses was caused by the change in the mix of stations owned by Stations, with the March 2000 addition of KAKE-TV and WOWT-TV and the disposition of WWLP-TV and KOSA-TV. As a percentage of net revenues, operating expenses decreased to 76.5% for 2000 compared to 77.6% for 1999.

Gain on sale of stations, net. Stations recognized a gain of $61.1 million in 2000 as a result of the exchange of the assets of WWLP-TV with a fair market value of $123.0 million and $18.0 million in cash for the assets of KAKE-TV and WOWT-TV. The book value of the WWLP-TV assets was $61.4 million and related fees were $0.4 million. Stations also realized a $0.3 million gain on the sale of KOSA-TV in 2000. KOSA-TV was sold for $8.0 million and fees related to the sale were $0.1 million.

Operating income. Stations operating income for 2000 increased $60.2 million or 209.3% to $88.9 million from $28.7 million for 1999 primarily from the gain on the sale of stations.

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Financial income (expense). Stations financial expense, net, for 2000 increased $4.2 million or 10.6% to $43.9 million from $39.7 million in 1999 as a result of higher interest rates and to a lesser extent to greater accretion on the 13 1/4% senior subordinated discount notes.

Discontinued operations. Stations loss from discontinued operations was $(0.9) million in 2000 as compared to $(4.4) million in 1999. Before income taxes, Stations loss from discontinued operations was $(0.2) million in 2000 as compared to $(6.1) million in 1999. Discontinued operations consist of the operating results and valuation adjustments related to the Station Group. Included in discontinued operations for 1999 was $2.8 million of valuation adjustments on certain stations goodwill and network affiliation intangible assets that were determined to have been impaired based on estimated discounted future cash flows. During 2002, these certain stations were held for sale and the valuation adjustments have been reclassified to discontinued operations consistent with SFAS No. 144.

Income tax expense. Stations income tax expense in 2000 was $29.2 million compared to $0.4 million for 1999. The increase in income tax expense in 2000 was due in part to the $61.1 million gain on the sale of WWLP-TV. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the IRS like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes compared with the book gain of $61.1 million.

Extraordinary gain (loss). Extraordinary gain was $0.9 million for 2000, net of $0.6 million in income taxes and consisted of an early extinguishment of debt. The gain was recognized when Stations purchased its 13 1/4% senior subordinated discount notes with a face amount of $12.3 million for $9.8 million. The notes Stations purchased had an accreted value of $11.4 million. In 1999, Stations recorded an extraordinary loss of $(12.5) million, net of $8.3 million in income taxes. The loss was a result of the early extinguishment of debt associated with the completion of the tender offer for $135.0 million of Benedek s senior secured notes.

Net income (loss). Stations net income was $15.8 million for 2000 compared to a net loss of $(28.3) million for 1999.

Broadcast cash flow. Broadcast cash flow for 2000 increased $8.5 million or 19.1% to $53.2 million from $44.7 million for 1999. As a percentage of net revenues, broadcast cash flow margin increased to 45.6% for 2000 from 44.9% for 1999.

Income Taxes

For the year ended December 31, 2001, Stations had an income tax benefit of $10.2 million compared to an income tax expense of $29.2 million for the year ended December 31, 2000. The change in income taxes is due primarily to the $61.1 million gain on the sale of WWLP-TV in 2000. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the Internal Revenue Service like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes. At March 31, 2002, Stations has approximately $35.7 million of actual net operating loss carryforwards available to offset future tax liabilities. These net operating loss carryforwards expire in the years 2020 through 2023. Stations also has approximately $0.5 million of tax credit carryforwards with no expiration.

Seasonality

Stations net revenues and operating cash flow are generally highest during the fourth quarter of each year. This is primarily due to increased expenditures by advertisers in anticipation of holiday season consumer spending and an increase in viewership during this period. Generally, the second quarter of each year produces net revenues and operating cash flow greater than the first and third quarters due to higher viewership in this period.

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Quantitative and Qualitative Disclosures About Market Risk

During September 2001, in accordance with certain covenants of Benedek s credit facility, Benedek entered into an interest rate cap agreement, which matures in September 2003. The agreement reduces the impact of changes in interest rates on Benedek s floating-rate long-term debt. That agreement effectively entitles Benedek to receive from a financial institution the amount, if any, by which the British Bankers Association interest settlement rates for U.S. dollar deposits exceeds 6.00% on a notional amount totaling $60.0 million subject to an amortization schedule. As of March 31, 2002, the settlement rate was 1.90%.

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UNAUDITED PRO FORMA FINANCIAL DATA

The unaudited pro forma financial data presented below is for illustrative purposes only and is not necessarily indicative of the operating results that would have actually occurred, nor is it necessarily indicative of future operating results. The unaudited pro forma financial data should be read in conjunction with the Gray consolidated financial statements and notes thereto incorporated by reference into this prospectus, and in conjunction with Stations consolidated financial statements and notes thereto included elsewhere in this prospectus.

Stations historical consolidated financial statements reflect the nine television stations to be sold prior to our acquisition of Stations as discontinued operations. Accordingly, the operating results of those stations are excluded from continuing operations and the related assets and liabilities are segregated in the balance sheet. Those stations are:

WTRF Wheeling, WV which was sold in April 2002
WYTV Youngstown, OH
WHOI Peoria - Bloomington, IL
KDLH Duluth, MN - Superior, WI
KMIZ, K02NQ, K11TB Columbia - Jefferson City, MO
KAUZ Wichita Falls, TX - Lawton, OK
KHQA Quincy, IL - Hannibal, MO - Keokuk, IA
KGWN, KSTF Cheyenne, WY - Scottsbluff, NE
KGWC, KGWL, KGWR Casper - Riverton, WY

The unaudited pro forma combined condensed financial statements reflect the following transactions:

Our acquisition of Stations in a merger transaction for total estimated consideration of $513.4 million which includes a base price of $502.5 million, additional cash consideration of $4.9 million for certain estimated net working capital, as specified in the merger agreement, and related fees and expenses of $6.0 million.

Our financing the acquisition of Stations which included (1) revising or replacing our senior credit facility to provide additional revolving credit borrowing ability of $50 million, and additional term loan borrowings of $175 million, (2) the issuance of $100 million of senior subordinated notes and (3) the sale of $225 million of our class B common stock for an estimated $14.49 per share, the closing price at March 31, 2002.

The incurrence of an estimated $22.8 million in fees related to the financing transactions described above. The estimated costs include (1) revising our current senior credit facility and the issuance of additional senior subordinated notes for aggregate fees of $7.8 million and (2) the sale of additional shares our class B common stock for a fee of $15.0 million. The estimated fees and expenses have been paid or will be payable to various underwriters, advisors, and professional service providers, including lawyers and accountants.

The issuance in April 2002 of $40.0 million liquidation value of a Series C preferred stock with an 8% annual dividend rate. The Series C preferred stock has a mandatory redemption in April 2012 and is exchangeable into our class B common stock at a current conversion rate of $14.39 per share. We received net cash proceeds of approximately $30.6 million after paying fees and expenses of $767,000. $8.6 million liquidation value of the Series C preferred stock was used to exchange our existing series A and series B preferred stock with an aggregate liquidation value of $8.6 million into the Series C preferred stock using a one for one exchange ratio.

The unaudited pro forma combined condensed statement of operations for the three months ended March 31, 2002 reflect these transactions as if they had been completed on January 1, 2001. The unaudited pro forma combined condensed statement of operations for the year ended December 31, 2001 reflect these transactions as if they had been completed on January 1, 2001. The March 31, 2002

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unaudited pro forma combined condensed balance sheet reflects these transactions as if they had been completed on March 31, 2002.

The pro forma adjustments are based on the preliminary estimates of the number of shares of our class B common stock to be issued and their related value, indebtedness to be incurred and related financing terms, the amount of the specified net working capital and certain other payments as of the closing date, and the transaction costs all determined as of the closing date. Accordingly, the actual amounts of these transactions are expected to differ from the pro forma financial statements.

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UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
		(Dollars in thousands except per share data)		
Operating revenues:				
Broadcasting (net of agency commissions)	$25,453	$ 25,584	$	$51,037
Publishing	10,143			10,143
Paging	2,009			2,009
	37,605	25,584		63,189
Expenses:				
Broadcasting	15,481	16,258		31,739
Publishing	7,651			7,651
Paging	1,383			1,383
Corporate and administrative	1,000	1,543	(536)(a)	2,007
Depreciation and amortization	3,733	6,309	(3,864)(b)	6,178
	29,248	24,110	(4,400)	48,958
Operating income	8,357	1,474	4,400	14,231
Other (income) expense:				
Interest expense	8,965	10,783	(5,915)(c)(d)	13,833
Miscellaneous income, net	(38)	(32)		(70)
Appreciation (depreciation) in value of derivatives, net	(389)			(389)
Reorganization fees and expenses		931	(931)(a)	
Total other (income) expense, net	8,538	11,682	(6,846)	13,374
Income (loss) from continuing operations before provision for (benefit from) income taxes	(181)	(10,208)	11,246	857
Provision for (benefit from) income taxes	(46)	(3,931)	4,273(e)	296
Income (loss) from continuing operations	$ (135)	$ (6,277)	$ 6,973	$ 561
Preferred dividends	$ 154	$ 7,849	$ (7,203)(f)(g)	$ 800
Basic and diluted earnings per common share:				
Loss from continuing operations	$ (289)			$ (239)
Weighted average outstanding common shares:				
Basic and diluted	15,647			31,175(h)
Basic and diluted loss per share available to common stockholders from continuing operations	$ (0.02)			$ (0.01)

(a) Reflects the elimination of certain historical expenses of Stations that Gray will not, or does not expect, to incur subsequent to the acquisition including compensation paid to certain persons who will resign concurrent with the closing of the merger, certain professional fees and other overhead costs.

(b) Reflects adjustment to the depreciation and amortization charges to reflect the allocation of the total consideration paid by Gray among the assets acquired and the liabilities assumed. The adjustment is primarily the result of eliminating Stations amortization of amounts assigned to network affiliation agreements. Of our consideration estimated to be paid, $7.6 million was assigned to network

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affiliation agreements, thereby increasing the amount of indefinite lived intangible assets which are not amortized.

(c) Reflects the elimination of certain historical interest expense of Stations reflecting the repayment, in full, of certain senior and subordinated debt as part of Stations Plan of Reorganization.

(d) Reflects adjustments to include (1) interest charges of $2.4 million on the estimated $175.5 million of newly issued senior debt with an assumed effective interest rate of 5.55%, (2) interest charges of $2.3 million on the estimated $100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of $0.2 million of the estimated $7.8 million aggregate of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination $0.2 million of historical amortization expense for deferred financing charges associated with our prior senior credit facility.

(e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.

(f) Preferred dividends have been adjusted to reflect our issuance of $40.0 million liquidation value Series C preferred stock with an annual dividend rate of 8% and the application of the $30.6 million net cash proceeds toward our merger consideration, thereby reducing our senior debt borrowing requirements and related interest expense and the exchange of an aggregate of $8.6 million liquidation value of our existing series A and series B preferred stock into the Series C preferred stock.

(g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.

(h) Reflects our issuance of an additional 15,527,950 shares of our class B common stock at an assumed price of $14.49 per share, the closing price at March 31, 2002.

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UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2001

	Gray	Stations	Pro Forma Adjustments	Pro Forma
		(Dollars in thousands except per share data)		
Operating revenues:				
Broadcasting (less agency commissions)	$106,430	$107,561	$	$213,991
Publishing	41,189			41,189
Paging	8,724			8,724
	156,343	107,561		263,904
Expenses:				
Broadcasting	66,232	64,007		130,239
Publishing	31,915			31,915
Paging	5,877			5,877
Corporate and administrative	3,615	5,946	(2,284)(a)	7,277
Depreciation and Amortization	30,824	21,901	(12,120)(b)	40,605
	138,463	91,854	(14,404)	215,913
Operating income	17,880	15,707	14,404	47,991
Other (income) expense:				
Interest expense	35,783	43,361	(24,031)(c)(d)	55,113
Depreciation in value of derivatives, net	1,581			1,581
Miscellaneous income, net	(194)	(159)		(353)
Total other (income) expense, net	37,170	43,202	(24,031)	56,341
Income (loss) from continuing operations before provision for (benefit from) income taxes	(19,290)	(27,495)	38,435	(8,350)
Provision for (benefit from) income taxes	(5,972)	(10,165)	14,605(e)	(1,532)
Income (loss) from continuing operations	$ (13,318)	$ (17,330)	$ 23,830	$ (6,818)
Preferred dividends	$ 616	$ 31,186	$(28,602)(f)(g)	$ 3,200
Basic and diluted earnings per common share:				
Loss from continuing operations	$ (13,934)			$ (10,018)
Weighted average outstanding common shares:				
Basic and diluted	15,605			31,133(h)
Basic and diluted net loss per share available to common stockholders from continuing operations	$ (0.89)			$ (0.32)

(a) Reflects the elimination of certain historical expenses of Stations that Gray will not, or does not expect, to incur subsequent to the acquisition including compensation paid to certain persons who will resign concurrent with the closing of the merger, certain professional fees and other overhead costs.

(b) Includes adjustment to the depreciation and amortization charges to reflect the allocation of the total consideration estimated to be paid by Gray among the assets acquired and the liabilities assumed. However, the adjustment is primarily the result of eliminating Stations amortization of FCC licenses and goodwill which are no longer amortized on acquisitions occurring after July 1, 2001.

(c) Reflects the elimination of certain historical interest expense of Stations reflecting the repayment, in full, of certain senior and subordinated debt as part of Stations Plan of Reorganization.

(d) Reflects adjustments to include (1) interest charges of $9.7 million on the estimated $175.5 million of newly issued senior debt with an assumed effective interest rate of 5.55%, (2) interest charges of $9.2 million on the estimated $100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of $0.9 million of the estimated $7.8 million of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination of $0.9 million of the historical amortization expense for deferred financing charges associated with our prior senior credit facility.

(e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.

(f) Preferred dividends have been adjusted to reflect our issuance of $40.0 million liquidation value Series C preferred stock with an annual dividend rate of 8% and the application of the $30.6 million net cash proceeds toward our merger consideration, thereby reducing our senior debt borrowing requirements and related interest expense and the exchange of an aggregate of $8.6 million liquidation value of our existing series A and series B preferred stock into the Series C preferred stock.

(g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.

(h) Reflects our issuance of an additional 15,527,950 shares of our class B common stock at an assumed price of $14.49 per share, the closing price at March 31, 2002.

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UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

AS OF MARCH 31, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
			(Dollars in thousands)	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,165	$ 7,365	$ (5,000)(a)	$ 5,530
Trade accounts receivable, less allowance for doubtful accounts	24,927	21,092	(1,702)(b)	44,317
Recoverable income taxes	987			987
Inventories	970			970
Current portion of program broadcast rights, net	2,565	2,947		5,512
Other current assets	992	3,009		4,001
Assets of stations held for sale		47,841	(47,841)(c)	
Total current assets	33,606	82,254	(54,543)	61,317
Property and equipment, net	61,372	49,967		111,339
Deferred loan costs, net	11,334	3,714	(2,026)(b)(d)	13,022
FCC licenses and network affiliation agreements	403,794	213,123	234,491 (b)	851,408
Goodwill	53,151	78,099	2,652 (b)	133,902
Consulting, noncompete and other definite lived intangible assets	795		3,000 (b)	3,795
Other	14,549	1,282		15,831
Total assets	$578,601	$ 428,439	$ 183,574	$1,190,614
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Trade accounts payable and accrued expenses	$ 11,641	$ 9,935	$	$ 21,576
Accrued interest	7,670			7,670
Current portion of program broadcast obligations	2,393	4,819		7,212
Deferred revenue	3,278	276		3,554
Unrealized loss on derivatives	1,192			1,192
Current portion of long-term debt	456	2,283		2,739
Liabilities of stations held for sale		8,967	(8,967)(c)	
Total current liabilities	26,630	26,280	(8,967)	43,943
Long-term debt, less current portion	390,992	2,975	275,471 (d)	669,438
Program broadcast obligations, less current portion	576	1,121		1,697
Supplemental employee benefits	472			472
Deferred income taxes	54,358	23,326	54,370 (b)(d)	132,054
Other	1,695	562		2,257
Liabilities subject to compromise		448,175	(448,175)(e)	
Total liabilities	474,723	502,439	(127,301)	849,861
Senior exchangeable preferred stock		162,163	(162,163)(f)	
Seller junior discount preferred stock		82,436	(82,436)(f)	
Series C preferred stock, redeemable, exchangeable, 4,000 shares, liquidation value $10,000 per share			39,233 (g)	39,233
Stockholders equity				
Serial preferred stock, 861 shares, liquidation value $10,000 per share	4,637		(4,637)(g)	

Class A common stock	20,173			20,173
Class B common stock	117,829	74	209,926 (f)(h)	327,829
Additional paid-in capital		(68,595)	68,595 (f)(h)	
Retained earnings (accumulated deficit)	(30,422)	(249,414)	241,693 (d)(f)(g)	(38,143)
Stockholder s note receivable		(664)	664 (f)	
	112,217	(318,599)	516,241	309,859
Treasury stock at cost, class A common	(8,339)			(8,339)
Treasury stock at cost, class B common				
Total stockholders equity	103,878	(318,599)	516,241	301,520
Total liabilities and stockholders equity	$578,601	$ 428,439	$ 183,574	$1,190,614

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(a) Assumes $5.0 million of the aggregate cash on hand upon concluding the merger is utilized to pay certain fees and expenses incurred with the merger.

(b) Reflects the acquisition of Stations for total estimated consideration of $513.4 million which includes a base price of $502.5 million, additional cash consideration of $4.9 million for certain estimated net working capital, as specified in the merger agreement, fees and expenses of $6.0 million and the allocation of the estimated consideration among the assets acquired and the liabilities assumed as of March 31, 2002. The allocation of the consideration paid is as follows:

Description	SHC	Disposition Of Designated Stations	Fair Value Adjustments	Opening Balance Sheet
		(in thousands)		
Cash	$ 7,365			$ 7,365
Accounts receivable	21,092		$ (1,702)	19,390
Assets of stations held for sale	47,841	$(47,841)		
Current portion of program broadcast rights	2,947			2,947
Other current assets	3,009			3,009
Property and equipment	49,967			49,967
Other long term assets	1,282			1,282
Deferred loan costs	3,714		(3,714)	
FCC licenses, network affiliation agreements and other indefinite lived intangible assets	213,123		234,491	447,614
Consulting, noncompete and other definite lived intangible assets			3,000	3,000
Goodwill	78,099		2,652	80,751
Trade payables and accrued expenses	(9,935)			(9,935)
Current portion of notes payable	(2,283)			(2,283)
Current portion of program broadcast obligations	(4,819)			(4,819)
Liabilities of stations held for sale	(8,967)	8,967		
Deferred revenue	(276)			(276)
Deferred tax liabilities	(23,326)		(56,674)	(80,000)
Long term portion of program broadcast obligations	(1,121)			(1,121)
Long term portion of notes payable	(2,975)			(2,975)
Other long term liabilities	(562)			(562)
Total purchase price including expenses	$374,175	$(38,874)	$178,053	$513,354

The allocation of the consideration to the assets and liabilities of Stations acquired by Gray will remain preliminary until we have finalized our assessment of these assets and liabilities following the acquisition. Such assessment will be based in part upon third party evaluations which we will not receive until after the acquisition is completed.

(c) Reflects the elimination of assets sold or to be sold and the liabilities assumed, or to be assumed, for the nine television stations which have been or will be sold by Stations prior to our merger.

(d) Reflects (1) our issuance of an estimated $175.5 million of senior debt with a variable interest rate based on LIBOR plus a premium which we have assumed to be 3.25% and we have further assumed for the pro forma adjustments that the effective interest rate on this debt is 5.55% and that it will have an assumed average life to maturity of 8.25 years, (2) our offering of $100 million of senior subordinated indebtedness with an assumed effective interest rate of 9.25% and an assumed average life to maturity of 9.2 years, (3) our incurring $7.8 million of deferred financing fees in connection

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with revising or replacing our senior credit facility and our offering of senior subordinated notes and (4) the elimination of Gray s historical deferred financing charges of $6.0 million associated with its prior senior credit facility net of an income tax benefit assuming an effective tax rate of 38%.

(e) Reflects the elimination of certain senior and subordinated debt and related accrued interest of Stations reflecting the repayment, in full, of such debt as part of Stations Plan of Reorganization. The cash used to make such debt repayments is a portion of the cash provided from our proposed issuance of senior debt, subordinated debt and class B common stock as discussed below.

(f) Reflects the elimination of the historical stockholders equity of Stations including all preferred stock, common stock, additional paid-in capital and accumulated deficits.

(g) Reflects our issuance in April 2002 of $40.0 million liquidation value of a Series C preferred stock with an 8% annual dividend rate. The Series C preferred stock has a mandatory redemption in April 2012 and is exchangeable into our class B common stock at a current conversion rate of $14.39 per share. We received net cash proceeds of approximately $30.6 million after paying fees and expenses of $767,000. $8.6 million liquidation value of the Series C preferred stock was used to exchange our existing series A and series B preferred stock with an aggregate liquidation value of $8.6 million into the Series C preferred stock using a one for one exchange ratio. Also includes as a charge to our accumulated deficit a $4.0 million non-cash constructive dividend resulting from the exchange of the series A and series B preferred stock into the Series C preferred stock.

(h) Reflects the assumed issuance of 15,527,590 shares of our class B common stock at an assumed price of $14.49 per share, the closing price of such stock on March 31, 2002, net of issuance costs of $15.0 million.

DESCRIPTION OF OUTSTANDING INDEBTEDNESS

Senior Secured Credit Facility

We amended and restated our senior secured credit facility on September 25, 2001. The facility provides us with a $200 million term facility and a $50 million reducing revolving credit facility. In addition, the agreement provides us with the ability to access, through December 31, 2003, up to $100 million of incremental senior secured term loans upon the consent of the lenders.

Under the revolving and term facilities, at our option, we can borrow funds at an interest rate equal to LIBOR plus a margin or at the lenders base rate plus a margin. The base rate will generally be equal to the lenders prime rate. Interest rates under the revolving facility are base rate plus a margin ranging from 0.25% to 1.75% or LIBOR plus a margin ranging from 1.5% to 3.0%. Interest rates under the term facility are base rate plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. Our applicable margin will be determined by our operating leverage ratio which is calculated quarterly. As of March 31, 2002, the interest rate for the revolving credit facility was the lenders base rate plus 1.75% or LIBOR plus 3.0% at our option. As of March 31, 2002, the interest rate for the term facility was the lenders base rate plus 2.0% or LIBOR plus 3.25% at our option.

The lenders commitments for the revolving facility will reduce quarterly, as specified in the credit agreement, beginning March 31, 2004, and final repayment of any outstanding amounts under the revolving facility is due December 31, 2008. The term facility commences amortization in quarterly installments of $500,000 beginning March 31, 2003 through December 31, 2008, with the remaining outstanding balance payable in three equal quarterly installments beginning March 31, 2009. The final maturity date for any outstanding amounts under the term facility is September 30, 2009.

The facilities are collateralized by substantially all of the assets, excluding real estate, of our subsidiaries and us. In addition, our subsidiaries are joint and several guarantors of the obligations and our ownership interests in our subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include, but are not limited to, requiring us to maintain certain financial ratios and limits upon our ability to incur additional indebtedness, make certain acquisitions or investments, sell assets and make other restricted payments.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were $212.5 million and $37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%.

The 9.25% Notes

The 9.25% notes are our general unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness, including all of our obligations under our senior secured credit facility. The interest rate on the 9.25% notes is 9.25% per year (calculated using a 360-day year) payable on June 15 and December 15 of each year, beginning on June 15, 2002.

The 9.25% notes are guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by each of the guarantors, which consist of all of our subsidiaries. The obligations of a guarantor under its guarantee of the notes are subordinated in right of payment, to the same extent as our obligations under the 9.25% notes, to all existing and future senior indebtedness of such guarantor, which includes any guarantee by it of our indebtedness under our senior secured credit facility.

The indenture governing the 9.25% notes contains certain covenants that, among other things, limit our ability to (1) transfer or issue shares of capital stock of subsidiaries to third parties, (2) pay dividends or make certain other payments, (3) incur additional indebtedness, (4) issue preferred stock, (5) incur liens to secure our indebtedness, (6) apply net proceeds from certain asset sales, (7) enter into certain transactions with affiliates or (8) merge with or into any other person.

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We may redeem:

- all or part of the original principal amount of the 9.25% notes beginning on December 15, 2006, at redemption prices based on the year of redemption, plus accrued and unpaid interest;
- up to 35% of the original principal amount of the 9.25% notes at any time prior to December 15, 2004 at a price of 109.250% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company; and
- all but not part of the 9.25% notes at any time prior to December 15, 2006 at a price equal to 100% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, if any, to the date of redemption plus a make-whole premium based upon the present value of the remaining payments on the 9.25% notes.

Upon a change in control, defined as the acquisition by any persons of beneficial ownership of more than 35% of the voting power of the outstanding shares of our common stock, transfers of substantially all of our assets, certain substantial changes in our board of directors, certain consolidations or mergers of our company involving a significant change in shareholdings or the liquidation of our company, we will be required to make an offer to repurchase all of the outstanding 9.25% notes at 101 % of their aggregate principal amount plus accrued and unpaid interest to the date of purchase. Under certain circumstances, we may not be required to make such a change of control offer.

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DESCRIPTION OF CAPITAL STOCK

We are authorized to issue 50,000,000 shares of all classes of stock, of which 15,000,000 shares are designated class A common stock, 15,000,000 shares are designated class B common stock and 20,000,000 shares are designated preferred stock for which our board of directors has the authority to determine the rights, powers, limitations and restrictions.

We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to Gray Common Stock. We also intend to reserve the ticker symbols GTN for the redesignated Gray Common Stock and GTN.A for our class A common stock on the New York Stock Exchange.

Terms of Our Common Stock

As of June 30, 2002, 6,848,467 shares of class A common stock were issued and outstanding and 8,882,841 shares of class B common stock were issued and outstanding (excluding 885,269 shares of class B common stock held in escrow under the merger agreement). The rights of our class A and class B common stock are identical, except that our class A common stock entitles the holder to ten votes on all matters on which shareholders are permitted to vote and our class B common stock entitles the holder to one vote on all matters on which shareholders are permitted to vote. The holders of our common stock are entitled to dividends when, as and if declared by our board of directors out of funds legally available therefor and, upon liquidation, to a pro rata share in any distribution to shareholders. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our class A and class B common stock are fully paid and nonassessable.

Terms of Our Preferred Stock

As of June 30, 2002, 4,000 shares of Series C were issued and outstanding. The following is a description of our Series C:

Our Series C is preferred stock and ranks senior to our class A and class B common stock as to payment of dividends and distribution of assets upon liquidation.

Our Series C has a liquidation value equal to $10,000 per share plus accrued and unpaid dividends to the date of final distribution. There are no sinking fund provisions applicable to our Series C.

Our Series C has a cumulative annual dividend of $800 per share, and beginning on April 22, 2009, $850 per share, payable, at our option, in cash or in additional shares of Series C on a quarterly basis beginning on June 30, 2002.

Our Series C is convertible, at the option of the holder, into shares of our class B common stock at an initial conversion price of $14.39 per share, subject to certain adjustments, except that our affiliates may not convert their shares of Series C unless and until the issuance of the Series C to them has been approved by our shareholders or otherwise permitted by the New York Stock Exchange.

Our Series C is redeemable, in whole or in part, at our option, on or after April 22, 2007, at a redemption price equal to $10,000 per share plus accrued and unpaid dividends. We must redeem all of the then outstanding shares of Series C on April 22, 2012 at a redemption price equal to $10,000 per share plus accrued and unpaid dividends.

Holders of our Series C will not have any voting rights except as set forth below or as otherwise required by law. Holders of our Series C: (1) will be entitled to elect two additional directors of our company in the event of a default of the equivalent of six quarterly dividends on our Series C and (2) have approval rights over (A) the authorization or issuance of any shares of, or the reclassification of any shares of our capital stock into shares of, our capital stock ranking senior to our Series C, (B) the authorization or issuance of any additional shares of Series C and (C) any

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amendment of our restated articles of incorporation that adversely affects the powers, preferences or special rights of our Series C.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services LLC. It is located at One Mellon Bank Center, 500 Grant Street, Room 2122, Pittsburgh, PA 15258-0001 and its telephone number is (412) 236-8172.

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DESCRIPTION OF DEBT SECURITIES

The following is a summary description of the general terms of the debt securities covered by this prospectus. We will file a prospectus supplement that may contain additional terms when we issue debt securities under one or more senior or subordinated indentures. The terms presented here, together with the terms in a related prospectus supplement, which could be different from the terms described below, will be a description of the material terms of the debt securities. You should also read the applicable indenture. We are filing forms of indentures with the SEC as exhibits to the registration statement of which this prospectus is a part. All capitalized terms have the meanings specified in the indentures. The indentures are substantially identical except for the subordination provisions described below under Subordinated Debt Securities. The terms and provisions of the debt securities below most likely will be modified by the documents that set forth the specific terms of the debt securities issued.

We may issue, from time to time, debt securities, in one or more series, that will consist of either our senior or subordinated debt. The debt securities we offer will be issued under an indenture or indentures between us and a trustee. Debt securities, whether senior or subordinated, may be issued as convertible debt securities or exchangeable debt securities.

General

Debt securities may be issued in separate series without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the debt securities of any series.

We are not limited as to the amount of debt securities we may issue under the indentures. The prospectus supplement will set forth:

- whether the debt securities will be senior or subordinated,
- the offering price,
- the title,
- any limit on the aggregate principal amount,
- the person who shall be entitled to receive interest, if other than the record holder on the record date,
- the date the principal will be payable,
- the interest rate, if any, the date interest will accrue, the interest payment dates and the regular record dates,
- the place where payments may be made,
- any mandatory or optional redemption provisions,
- any obligation to redeem or purchase the debt securities pursuant to a sinking fund,
- if applicable, the method for determining how the principal, premium, if any, or interest will be calculated by reference to an index or formula,
- conversion or exchange provisions, if any, including conversion or exchange prices or rates and adjustments thereto,
- if other than U.S. currency, the currency or currency units in which principal, premium, if any, or interest will be payable and whether we or the holder may elect payment to be made in a different currency,
- the portion of the principal amount that will be payable upon acceleration of stated maturity, if other than the entire principal amount,

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- if the principal amount payable at stated maturity will not be determinable as of any date prior to stated maturity, the amount which will be deemed to be the principal amount,
- any defeasance provisions if different from those described below under Satisfaction and Discharge; Defeasance,
- any conversion or exchange provisions,
- whether the debt securities will be issuable in the form of a global security,
- any subordination provisions, if different than those described below under Subordinated Debt Securities,
- any deletions of, or changes or additions to, the events of default or covenants, and
- any other specific terms of such debt securities.

Unless otherwise specified in a prospectus supplement:

- the debt securities will be registered debt securities, and
- registered debt securities denominated in U.S. dollars will be issued in denominations of $1,000 or an integral multiple of $1,000.

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at time of issuance is below market rates.

Exchange and Transfer

Debt securities may be transferred or exchanged at the office of the security registrar or at the office of any transfer agent designated by us.

We will not impose a service charge for any transfer or exchange, but we may require holders to pay any tax or other governmental charges associated with any transfer or exchange.

In the event of any potential redemption of debt securities of any series, we will not be required to:

- issue, register the transfer of, or exchange, any debt security of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption and ending at the close of business on the day of the mailing, or
- register the transfer of or exchange any debt security of that series selected for redemption, in whole or in part, except the unredeemed portion being redeemed in part.

We may initially appoint the trustee as the security registrar. Any transfer agent, in addition to the security registrar, initially designated by us will be named in a prospectus supplement. We may designate additional transfer agents or change transfer agents or change the office of the transfer agent. However, we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

Global Securities

The debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depositary that we will identify in a prospectus supplement,
- be deposited with the depositary or nominee or custodian, and
- bear any required legends.

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No global security may be exchanged in whole or in part for debt securities registered in the name of any person other than the depositary or any nominee unless:

the depositary has notified us that it is unwilling or unable to continue as depositary or has ceased to be qualified to act as depositary,

an event of default is continuing, or

any other circumstances described in a prospectus supplement.

As long as the depositary, or its nominee, is the registered owner of a global security, the depositary or nominee will be considered the sole owner and holder of the debt securities represented by the global security for all purposes under the indenture. Except in the above limited circumstances, owners of beneficial interests in a global security:

will not be entitled to have the debt securities registered in their names,

will not be entitled to physical delivery of certificated debt securities, and

will not be considered to be holders of those debt securities under the indentures.

Payments on a global security will be made to the depositary or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depositary or its nominee are referred to as participants. Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depositary, with respect to participants interests, or any participant, with respect to interests of persons held by participants on their behalf.

Payments, transfers and exchanges relating to beneficial interests in a global security will be subject to policies and procedures of the depositary.

The depositary policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depositary s or any participant s records with respect to beneficial interests in a global security.

Payment and Paying Agents

The provisions of this paragraph will apply to the debt securities unless otherwise indicated in a prospectus supplement. Payment of interest on a debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date. Payment on debt securities of a particular series will be payable at the office of a paying agent or paying agents designated by us. However, at our option, we may pay interest by mailing a check to the record holder. The corporate trust office will be designated as our sole paying agent.

We may also name any other paying agents in a prospectus supplement. We may designate additional paying agents, change paying agents or change the office of any paying agent. However, we will be required to maintain a paying agent in each place of payment for the debt securities of a particular series.

All moneys paid by us to a paying agent for payment on any debt security which remain unclaimed at the end of two years after such payment was due will be repaid to us. Thereafter, the holder may look only to us for such payment.

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Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, in a transaction in which we are not the surviving corporation, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, unless:

the successor, if any, is a U.S. corporation, limited liability company, partnership, trust or other entity,

the successor assumes all of our obligations under the debt securities and the indenture,

immediately after giving effect to the transaction, no default or event of default shall have occurred and be continuing, and

certain other conditions are met.

Events of Default

Unless we inform you otherwise in a prospectus supplement, the indenture will define an event of default with respect to any series of debt securities as one or more of the following events:

(1) failure to pay principal of or any premium on any debt security of that series when due,

(2) failure to pay any interest on any debt security of that series for 30 days when due,

(3) failure to deposit any sinking fund payment when due,

(4) failure to perform any other covenant in the indenture continued for 60 days after being given the notice required in the indenture,

(5) our bankruptcy, insolvency or reorganization, and

(6) any other event of default specified in a prospectus supplement.

An event of default of one series of debt securities is not necessarily an event of default for any other series of debt securities. If an event of default, other than an event of default described in clause (5) above, shall occur and be continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding securities of that series may declare the principal amount of the debt securities of that series to be due and payable immediately.

If an event of default described in clause (5) above shall occur, the principal amount of all the debt securities of that series will automatically become immediately due and payable. Any payment by us on the subordinated debt securities following any such acceleration will be subject to the subordination provisions described below under Subordinated Debt Securities.

After acceleration the holders of a majority in aggregate principal amount of the outstanding securities of that series may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, or other specified amount, have been cured or waived.

Other than the duty to act with the required care during an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders unless the holders shall have offered to the trustee reasonable indemnity. Generally, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

A holder will not have any right to institute any proceeding under the indentures, or for the appointment of a receiver or a trustee, or for any other remedy under the indentures, unless:

(1) the holder has previously given to the trustee written notice of a continuing event of default with respect to the debt securities of that series,

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(2) the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made a written request and have offered reasonable indemnity to the trustee to institute the proceeding, and

(3) the trustee has failed to institute the proceeding and has not received direction inconsistent with the original request from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series within 60 days after the original request.

Holders may, however, sue to enforce the payment of principal, premium or interest on any debt security on or after the due date or to enforce the right, if any, to convert any debt security without following the procedures listed in (1) through (3) above.

We will furnish the trustee an annual statement by our officers as to whether or not we are in default in the performance of the indenture and, if so, specifying all known defaults.

Modification and Waiver

We and the trustee may make modifications and amendments to the indentures with the consent of the holders of a majority in aggregate principal amount of the outstanding securities of each series affected by the modification or amendment.

However, neither we nor the trustee may make any modification or amendment without the consent of the holder of each outstanding security of that series affected by the modification or amendment if such modification or amendment would:

- change the stated maturity of any debt security,
- reduce the principal, premium, if any, or interest on any debt security,
- reduce the principal of an original issue discount security or any other debt security payable on acceleration of maturity,
- reduce the rate of interest on any debt security,
- change the currency in which any debt security is payable,
- impair the right to enforce any payment after the stated maturity or redemption date,
- waive any default or event of default in payment of the principal of, premium or interest on any debt security,
- waive a redemption payment or modify any of the redemption provisions of any debt security,
- adversely affect the right to convert any debt security, or
- change the provisions in the indenture that relate to modifying or amending the indenture.

Satisfaction and Discharge; Defeasance

We may be discharged from our obligations on the debt securities of any series that have matured or will mature or be redeemed within one year if we deposit with the trustee enough cash to pay all the principal, interest and any premium due to the stated maturity date or redemption date of the debt securities.

Each indenture contains a provision that permits us to elect:

- to be discharged from all of our obligations, subject to limited exceptions, with respect to any series of debt securities then outstanding, and/or to be released from our obligations under the following covenants and from the consequences of an event of default resulting from a breach of these covenants:

- the subordination provisions under the subordinated indenture, and
- covenants as to payment of taxes and maintenance of corporate existence.

To make either of the above elections, we must deposit in trust with the trustee enough money to pay in full the principal, interest and premium on the debt securities. This amount may be made in cash and/or U.S. government obligations. As a condition to either of the above elections, we must deliver to the trustee an opinion of counsel that the holders of the debt securities will not recognize income, gain or loss for Federal income tax purposes as a result of the action.

If any of the above events occurs, the holders of the debt securities of the series will not be entitled to the benefits of the indenture, except for the rights of holders to receive payments on debt securities or the registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities.

Notices

Notices to holders will be given by mail to the addresses of the holders in the security register.

Governing Law

The indentures and the debt securities will be governed by, and construed under, the laws of the State of New York.

Regarding the Trustee

The indenture limits the right of the trustee, should it become our creditor, to obtain payment of claims or secure its claims.

The trustee is permitted to engage in certain other transactions. However, if the trustee acquires any conflicting interest, and there is a default under the debt securities of any series for which they are trustee, the trustee must eliminate the conflict or resign.

Subordinated Debt Securities

Payment on the subordinated debt securities will, to the extent provided in the indenture, be subordinated in right of payment to the prior payment in full of all our senior indebtedness.

Upon any distribution of our assets upon any dissolution, winding up, liquidation or reorganization, the payment of the principal of and interest on the subordinated debt securities will be subordinated in right of payment to the prior payment in full in cash or other payment satisfactory to the holders of senior indebtedness of all senior indebtedness. In the event of any acceleration of the subordinated debt securities because of an event of default, the holders of any senior indebtedness would be entitled to payment in full in cash or other payment satisfactory to such holders of all senior indebtedness obligations before the holders of the subordinated debt securities are entitled to receive any payment or distribution. The indenture requires us or the trustee to promptly notify holders of designated senior indebtedness if payment of the subordinated debt securities is accelerated because of an event of default.

We may not make any payment on the subordinated debt securities, including upon redemption at the option of the holder of any subordinated debt securities or at our option, if:

- a default in the payment of the principal, premium, if any, interest, rent or other obligations in respect of designated senior indebtedness occurs and is continuing beyond any applicable period of grace (called a payment default), or

- a default other than a payment default on any designated senior indebtedness occurs and is continuing that permits holders of designated senior indebtedness to accelerate its maturity, and the trustee receives a notice of such default (called a payment blockage notice) from us or any other person permitted to give such notice under the indenture (called a non-payment default).

We may resume payments and distributions on the subordinated debt securities:

- in the case of a payment default, upon the date on which such default is cured or waived or ceases to exist, and

- in the case of a nonpayment default, upon the earlier of the date on which such nonpayment default is cured or waived or ceases to exist and 179 days after the date on which the payment blockage notice is received by the trustee, if the maturity of the designated senior indebtedness has not been accelerated.

No new period of payment blockage may be commenced pursuant to a payment blockage notice unless 365 days have elapsed since the initial effectiveness of the immediately prior payment blockage notice and all scheduled payments of principal, premium and interest, including any liquidated damages, on the debt securities that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any payment blockage notice shall be the basis for any later payment blockage notice unless the non-payment default is based upon facts or events arising after the date of delivery of such payment blockage notice.

If the trustee or any holder of the notes receives any payment or distribution of our assets in contravention of the subordination provisions on the subordinated debt securities before all senior indebtedness is paid in full in cash, property or securities, including by way of set-off, or other payment satisfactory to holders of senior indebtedness, then such payment or distribution will be held in trust for the benefit of holders of senior indebtedness or their representatives to the extent necessary to make payment in full in cash or payment satisfactory to the holders of senior indebtedness of all unpaid senior indebtedness.

In the event of our bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of the subordinated debt securities may receive less, ratably, than our other creditors (including our trade creditors). This subordination will not prevent the occurrence of any event of default under the indenture.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were $212.5 million and $37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%. We are not prohibited from incurring debt, including senior indebtedness, under the indenture. We may from time to time incur additional debt, including senior indebtedness.

We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by the trustee in connection with its duties relating to the subordinated debt securities. The trustee s claims for these payments will generally be senior to those of noteholders in respect of all funds collected or held by the trustee.

Conversion or Exchange Rights

Debt securities may be convertible into or exchangeable for shares of our common stock. The terms and conditions of conversion or exchange will be stated in the applicable prospectus supplement. The terms will include, among others, the following:

- the conversion or exchange price,

- the conversion or exchange period,

- provisions regarding the convertibility or exchangeability of the debt securities, including who may convert or exchange,

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- events requiring adjustment to the conversion or exchange price,
- provisions affecting conversion or exchange in the event of our redemption of the debt securities, and
- any anti-dilution provisions, if applicable.

No Individual Liability of Stockholders, Officers or Directors

The indentures provide that none of our past, present or future stockholders, officers or directors, or stockholders, officers or directors of any successor corporation, in their capacity as such shall have any individual liability for any of our obligations, covenants or agreements under the debt securities or the applicable indenture.

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PLAN OF DISTRIBUTION

We may sell the securities separately or together:

- through one or more underwriters or dealers in a public offering and sale by them,
- directly to investors, or
- through agents.

We may sell the securities from time to time in one or more transactions:

- at a fixed price or prices, which may be changed from time to time,
- at market prices prevailing at the time of sale,
- at prices related to such prevailing market prices, or
- at negotiated prices.

We will describe the method of distribution of the securities in the applicable prospectus supplement.

Underwriters, dealers or agents may receive compensation in the form of discounts, concessions or commissions from us or our purchasers (as their agents in connection with the sale of securities). These underwriters, dealers or agents may be considered to be underwriters under the Securities Act. As a result, discounts, commissions or profits on resale received by the underwriters, dealers or agents may be treated as underwriting discounts and commissions. The applicable prospectus supplement will identify any such underwriter, dealer or agent, and describe any compensation received by them from us.

Underwriters, dealers and agents may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments made by the underwriters, dealers and agents.

We may grant underwriters who participate in the distribution of securities an option to purchase additional securities to cover over-allotments, if any, in connection with the distribution.

All debt securities will be new issues of securities with no established trading market. Underwriters involved in the public offering and sale of debt securities may make a market in the debt securities. However, they are not obligated to make a market and may discontinue market making activity at any time. No assurance can be given as to the liquidity of the trading market for any debt securities.

Underwriters or agents and their associates may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

LEGAL MATTERS

Proskauer Rose LLP, New York, New York, and Troutman Sanders LLP, Atlanta, Georgia, will pass on the validity of the issuance of the securities offered in this prospectus.

EXPERTS

The consolidated financial statements and schedule of Gray Communications Systems, Inc. as of December 31, 2000, and for each of the two years in the period ended December 31, 2000, incorporated by reference in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon also incorporated by reference herein and in the registration statement. Such consolidated financial statements have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Gray Communications Systems, Inc. as of December 31, 2001, and for the year then ended, incorporated into this prospectus by reference to the Gray Communications Systems, Inc. Annual Report on Form 10-K for the year ended December 31, 2001 have

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been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Stations Holding Company, Inc. and subsidiaries as of December 31, 2000 and 2001, and for each of the three years in the period ended December 31, 2001 included in this prospectus have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in their report appearing herein and are included in reliance upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the SEC s public reference rooms at 450 Fifth Street, N.W., Washington, D.C., 20549 and also at its locations in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at the SEC s web site at http://www.sec.gov. Our class A common stock and class B common stock are listed on the New York Stock Exchange. Our reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, our Current Report on Form 8-K filed on June 21, 2002 and any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended. You may request a copy of those filings, at no cost, by writing or telephoning us at the following:

Gray Communications Systems, Inc.

4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: James C. Ryan
Telephone: (404) 504-9828

This prospectus is part of a registration statement we filed with the SEC. You should rely on only the information or representations provided in this prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

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Subject to Completion, Dated July 15, 2002

PROSPECTUS

3,000,000 Shares

Gray Communications Systems, Inc.

Class B Common Stock

This prospectus relates to resales of shares of class B common stock of Gray Communications Systems, Inc. that are issuable upon conversion of shares of our Series C convertible preferred stock. The number of shares of class B common stock issuable upon conversion of shares of Series C convertible preferred stock will be determined based upon the conversion rate applicable to such shares at the time of conversion. The selling security holders identified in this prospectus, or their pledgees, donees, transferees or other successors-in-interest, may offer the shares from time to time through public or private transactions at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices.

We have two classes of common stock: class A and class B. Our class A common stock is traded on the New York Stock Exchange under the symbol GCS. Our class B common stock is traded on the New York Stock Exchange under the symbol GCS.B. On July 11, 2002, the last reported sale price for our class B common stock was $13.02 per share. We also have Series C convertible preferred stock which is not publicly traded.

We intend to change our name to Gray Television, Inc. We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to Gray Common Stock. We also intend to reserve the ticker symbol GTN for the redesignated Gray Common Stock on the New York Stock Exchange.

Investing in our class B common stock involves risks. See Risk Factors beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities may be sold directly by the selling security holders to investors, through agents designated from time to time or to or through underwriters or dealers. See Plan of Distribution. If any underwriters are involved in the sale of any securities in respect of which this prospectus is being delivered, the names of these underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. We are not offering or selling any shares of our class B common stock pursuant to this prospectus. We will not receive any proceeds from the sale of shares by the selling security holders.

The date of this prospectus is , 2002

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we sometimes refer to as the SEC, utilizing a shelf registration process. Under this shelf process, we may, over the next two years, offer any combination of common stock, preferred stock or debt securities, or either common stock, preferred stock or debt securities only, described in this prospectus in one or more offerings up to a total amount of $600,000,000. This prospectus provides you with a general description of the securities we may issue and sell. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described in the section titled Where You Can Find More Information.

INDUSTRY, MARKET AND RANKING DATA

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

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PROSPECTUS SUMMARY

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

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

The Company

We currently own and operate 13 network-affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Eleven of our 13 stations are ranked first in total viewing audience and news audience, with the remaining two stations ranked second in total viewing audience and third in news audience. Ten of the stations are affiliated with CBS Inc., or CBS, and three are affiliated with National Broadcasting Company, Inc., or NBC. We own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of over 126,000. We also own and operate a paging business located in the Southeast that had approximately 72,000 units in service at March 31, 2002. For the 12 months ended March 31, 2002, our total revenues and operating cash flow were $157.0 million and $51.2 million, respectively.

On June 4, 2002, we executed a merger agreement with Stations Holding Company, Inc., which we refer to as Stations, the parent company of Benedek Broadcasting Corporation, which we refer to as Benedek. The merger agreement provides that we will acquire Stations by merging our newly formed wholly-owned subsidiary, Gray MidAmerica Television, Inc., which we refer to as Gray MidAmerica Television, into Stations. In consideration for Stations, we will pay an estimated consideration of $502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations in accordance with a plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 1, 2002. We may pay additional cash consideration of $4.9 million for certain estimated net working capital, as specified in the merger agreement.

Benedek plans to sell or already has sold, prior to the effective time of the merger, a total of nine designated television stations. Upon completion of the merger, we will own a total of 28 stations serving 23 television markets. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced approximately $213.9 million of net revenue and $84.8 million of broadcast cash flow. Including our publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately $263.8 million of net revenue and $97.1 million of media cash flow. We expect the merger, if it closes, to be completed by the fourth quarter of 2002.

We were incorporated in 1891 to publish the Albany Herald in Albany, Georgia and entered the broadcasting industry in 1954. We have a dedicated and experienced senior management team, which has an average of over 18 years experience in the media industry.

Recent Developments

Series C Convertible Preferred Stock

On April 22, 2002, we issued a total of $40,000,000 of new Series C convertible preferred stock, which we refer to as Series C. We issued $31,400,000 of our Series C to a limited number of outside accredited investors, and $8,600,000 of our Series C to certain of our executive officers and directors and their affiliates in exchange for all of the outstanding shares of our series A preferred stock and series B preferred stock on a one-for-one basis. Our Series C is convertible into our class B common stock at an initial conversion price of $14.39 per share, subject to customary adjustments.

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Our Series C has not been registered under the Securities Act of 1933, as amended, or any other applicable state securities laws, and therefore are restricted securities. Under the terms of a registration rights agreement entered into between us and the investors in the Series C, we are required to:

- file with the Securities and Exchange Commission a shelf registration statement, of which this prospectus and the prospectus relating to the shares of our class B common stock constitute parts, with respect to the shares of our class B common stock into which the Series C is convertible;

- use our reasonable best efforts to cause the registration statement to be declared effective as soon as practicable after filing, but no later than November 8, 2002, otherwise we will be required to pay liquidated damages to the holders of the Series C; and

- cause the registration statement to remain effective until the earlier to occur of (1) April 22, 2004 and (2) the date as of which there no longer are any registrable securities in existence.

In addition, investors in the Series C were granted piggyback registration rights with respect to the underlying shares of class B common stock. See Description of Capital Stock Terms of Our Preferred Stock.

Our Offices and Additional Information

We are a Georgia corporation formed in 1891. Our principal offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia 30319, and our telephone number is (404) 504-9828. Additional information regarding Gray is set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002 (which are incorporated by reference in this prospectus).

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RISK FACTORS

You should carefully consider the following risk factors, as well as the other information contained in this prospectus or any supplemental prospectus hereto or incorporated herein by reference, before purchasing any of our common stock, preferred stock or debt securities.

Risks Related to Our Business

We have recorded net losses in the last three years and these losses may continue.

We have recorded net losses in the last three years. Our losses are primarily due to increased operating expenses, higher amortization and depreciation costs, increased interest expense relating to our acquisitions and, in 2001, declining advertising revenue caused, in large part, by the weaker economic environment and the cyclical decline in broadcast political revenue. Our net losses may continue for these reasons and also because of the phasing out of network compensation payments under certain of our network affiliation agreements.

We depend on advertising revenues, which have decreased recently as a result of a number of factors and also experience seasonal fluctuations.

Our main source of revenue is sales of advertising time at our television stations and advertising space within our newspapers. Our ability to sell advertising time and space depends on:

- the health of the economy in the areas where our stations and newspapers are located and in the nation as a whole;
- the popularity of our programming and newspapers;
- changes in the makeup of the population in the areas where our stations and newspapers are located;
- pricing fluctuations in local and national advertising;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television and the Internet; and
- other factors that may be beyond our control.

For example, a labor dispute or other disruption at a major national advertiser, or a recession in a particular market, would make it more difficult to sell advertising time and space and could reduce our revenue.

In addition, our results are subject to seasonal fluctuations, which typically result in fourth quarter broadcast operating income being greater than first, second and third quarter broadcast operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. Furthermore, revenues from political advertising are significantly lower in odd-numbered years.

We must purchase non-network television programming in advance but cannot predict if a particular show will be popular enough to cover its cost.

One of our most significant costs is non-network television programming. If a particular non-network program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we purchase non-network programming content from others, we also have little control over the costs of such programming. We usually must purchase non-network programming several years in advance, and may have to commit to purchase more than one year s worth of non-network programming. In addition, we may replace programs that are doing poorly before we have recaptured any

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significant portion of the costs we incurred, or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues.

We may lose a large amount of television programming if a network terminates its affiliation with us

Our business depends in large part on the success of our network affiliations. Each of our stations and each of Stations television stations is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated.

The preliminary NBC affiliation agreements we recently entered into for WJHG, WITN and WEAU expire on December 31, 2011 and Stations affiliation agreements for WOWT, WTAP, WMTV and WILX expire on January 1, 2012. In addition, our CBS affiliation agreements expire as follows: (1) WVLT, WKYT, WYMT and WCTV, on December 31, 2004; (2) WRDW, on March 31, 2005; and (3) KWTX, KBTX, KOLN, KGIN and KXII, on December 31, 2005. Stations CBS affiliation agreements expire on June 30, 2005. In addition, Stations affiliation agreements with American Broadcasting Company, ABC, for KAKE, KLBY and KUPK expire on January 1, 2006 and for WHSV, WBKO and WTOK on November 1, 2004. If we do not enter into affiliation agreements to replace any expiring agreements, we may no longer be able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences. Furthermore, our concentration of CBS affiliates makes us sensitive to adverse changes in our business relationship with, and the general success of, CBS and its network programming.

We may lose a significant amount of compensation payments if affiliation agreements are renewed with lower or no compensation payments.

In exchange for every hour that a station elects to broadcast network programming, the network may pay the station a specific network compensation fee, which varies with the time of day. For the 12 months ended March 31, 2002, this network compensation comprised of approximately 6% of our broadcasting revenue.

Our CBS affiliation agreements for KWTX, KBTX and KXII were renegotiated during the fourth quarter of 2000 and the agreements were extended through December 31, 2005. As a result of these negotiations, network compensation for KWTX, KBTX and KXII is being phased out over 2001 and 2002. In addition, our new NBC affiliation agreement for WJHG does not provide for any network compensation payments by NBC after December 31, 2001. Furthermore, our recent extensions of the WITN and WEAU agreements through December 31, 2011 do not provide for any network compensation payments during the extended terms of those agreements, which begin after June 30, 2006 and December 31, 2005, respectively. Stations NBC affiliation agreements for WOWT, WMTV, WILX and WTAP were renegotiated effective as of January 1, 2002 and the agreements were extended to January 1, 2012. As a result of these negotiations compensation for WOWT, WMTV, WILX and WTAP continues, although at a reduced level through 2005. For the period from January 1, 2006 through the expiration of the contract on January 1, 2012 the agreements do not provide for any network compensation payments. Stations ABC affiliation agreements for WBKO, WHSV and WTOK expire on November 1, 2004 and provide for compensation that decreases throughout the term of the contract and reduces to zero by the expiration date of the contract.

As evidenced by these negotiations, we may not be able to enter into new affiliation agreements that provide us with as much compensation from the networks as our present agreements.

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We operate in a highly competitive environment and competition from other media entities may cause our advertising sales to decrease or our costs to increase.

We face significant competitive pressures from the following:

Television Industry. Competition in the television industry exists on several levels: competition for audience; competition for programming, including news; and competition for advertisers. Additional factors that are material to a television station s competitive position include signal coverage and assigned frequency.

Audience. Stations compete for audience based on program popularity, which has a direct effect on advertising rates. A substantial portion of the daily programming on each of our stations is supplied by the network affiliate. During those periods, the stations are totally dependent upon the performance of the network programs to attract viewers. There can be no assurance that this programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only, and involve significant costs.

In addition, the development of methods of television transmission of video programming other than over-the-air broadcasting and, in particular, cable television have significantly altered competition for audiences in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise available to the station s audience and also by serving as a distribution system for non-broadcasting programming.

Technological innovation and the resulting proliferation of programming alternatives, such as home entertainment systems, wireless cable services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite, video distribution services, pay-per-view and the Internet, have fractionalized television viewing audiences and have subjected free over-the-air television broadcast stations to new types of competition.

Programming. Competition for programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Each station competes against the broadcast station competitors in its market for exclusive access to off-network reruns, such as *Seinfeld*, and first-run product, such as *Entertainment Tonight*. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Competition exists for exclusive news stories and features as well.

Advertising. Advertising rates are based upon the size of the market in which the station operates, a station s overall ratings, a program s popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and the development of projects, features and programs that tie advertiser messages to programming. Advertising revenues comprise the primary source of revenues for our stations. Our stations compete for advertising revenues with other television stations in their respective markets. The stations also compete for advertising revenues with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, Internet and local cable systems. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets. Technological advances and developments made by other media entities may result in increased competition and decreased advertising revenue.

Deregulation. Recent changes in law have also increased competition. The Telecommunications Act of 1996, the Telecommunications Act, created greater flexibility and removed some limits on station ownership. The prices for stations have risen as a result. Telephone, cable and some other content providers are also free to provide video services in competition with us. The Federal

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Communications Commission, FCC, is actively reviewing its ownership rules and further deregulation could lead to industry consolidation that could pose new competitive challenges in the markets in which we operate.

Future Technology Under Development. Cable providers and direct broadcast satellite companies are developing new techniques that allow them to transmit more channels on their existing equipment. These so-called video compression techniques will reduce the cost of creating channels, and may lead to the division of the television industry into ever more specialized niche markets. Video compression is available to us as well, but competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. Lowering the cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue.

Newspaper Industry. Our newspapers compete for advertisers with a number of other media outlets, including magazines, Internet, radio and television, as well as other newspapers, which also compete for readers with our publications. One of our newspaper competitors is significantly larger than us and operates in two of our newspaper markets. New technological media for the delivery of news and information, such as the Internet, have fragmented historical newspaper audiences and subjected newspaper companies to new types of competition.

Paging Industry. The paging industry is highly competitive. Companies in the industry compete on the basis of price, coverage area offered to subscribers, available services offered in addition to basic numeric or tone paging, transmission quality, system reliability and customer service.

Our primary competitors include those paging companies that provide wireless service in the same geographic areas in which we operate. We experience competition from one or more competitors in all locations in which we operate. Some of our competitors have greater financial and other resources than we have.

Our paging services also compete with other wireless communications services such as cellular service. The typical customer uses paging as a low-cost wireless communications alternative either on a stand-alone basis or in conjunction with cellular services. However, future technological developments in the wireless communications industry and enhancements of current technology could create new products and services, such as personal communications services and mobile satellite services, which are competitive with the paging services we currently offer. Recent and proposed regulatory changes by the FCC are aimed at encouraging these technological developments and new services and promoting competition. There can be no assurance that our paging business would not be adversely affected by these technological developments or regulatory changes.

The phased introduction of digital advanced television will increase our capital and operating costs and may expose us to increased competition.

The FCC has adopted rules and regulations that require television stations to implement digital advanced television service, including high definition, in the United States. Under current regulations, all commercial television stations in the United States were required to start broadcasting in digital format by May 1, 2002 and must abandon the present analog format by 2006, although the FCC may extend these dates. As of May 1, 2002, four of our stations and one of the television stations that we intend to acquire in the merger were broadcasting in digital format. Our remaining nine stations and the remaining 14 television stations that we intend to acquire in the merger have been granted six-month extensions to the May 2002 deadline. The extensions will need to be renewed if the stations are not broadcasting in digital format by the time they expire. These extension renewals may not be granted. The stations that do not begin broadcasting in digital format by their extended deadlines could be subject to fines. If the stations do not eventually begin broadcasting in digital format, the stations could lose their digital allocation and be required to cease broadcasting at the end of the transition period when the analog spectrum is reclaimed.

There is considerable uncertainty about the final form of the FCC digital regulations. Even so, we believe that these new developments may have the following effects on us:

Signal Quality Issues. Certain industry tests have indicated that the digital standard mandated currently is unable to provide for reliable reception of a digital advanced television signal through a simple indoor antenna. It also appears likely that additional interference will occur to both analog and digital advanced television stations as new digital advanced television broadcast stations are constructed. We are unable to assess at this time the magnitude of such interference or the efficacy of possible remedies.

Because of this possible reception quality and coverage issue, we may be forced to rely on cable television or other alternative means of transmission to deliver our digital signals to all of the viewers we are able to reach with our current analog signals. While the FCC ruled that cable companies are required to carry the signals of digital-only television stations, the agency has tentatively concluded, subject to additional inquiry, that cable companies should not be required to carry both the analog and digital signals of stations during the transition period when stations will be broadcasting in both modes. If the FCC does not require cable companies to carry both analog and digital signals, cable customers in our broadcast markets may not receive our digital signal, which could negatively impact our business.

Capital and Operating Costs. We will incur substantial costs to replace equipment in our stations in order to provide digital advanced television. Even with the flexible operating requirements, our stations will also incur increased utilities costs as a result of converting to digital operations. We cannot be certain we will be able to increase revenues to offset these additional costs.

Conversion and Programming Costs. We expect to incur approximately $31.4 million in costs, of which we have incurred approximately $11.1 million through March 31, 2002, to convert our stations from the current analog format to digital format. This $31.4 million amount includes a capital lease of approximately $2.5 million for tower facilities at WVLT-TV, our station in Knoxville, Tennessee. However, our aggregate costs may be higher than this estimate. We also may incur additional costs to obtain programming for the additional channels made available by digital technology. Increased revenues from the additional channels may not make up for the conversion costs and additional programming expenses. Also, multiple channels programmed by other stations could increase competition in our markets. Stations expects to incur approximately $11.3 million in costs, of which it already has incurred approximately $4.5 million through March 31, 2002, to convert the stations that we plan to acquire in the merger from the current analog format to digital format.

Certain directors and officers may be subject to potential conflicts.

J. Mack Robinson, President, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, our principal stockholder, Bull Run, and the beneficial owner of approximately 24.9% of Bull Run s common stock. Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of Gray, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of approximately 8.7% of Bull Run s common stock. Hilton H. Howell, Jr., Executive Vice President and a director of Gray, is Vice President, Secretary and a director of Bull Run. Mr. Howell also is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our board of directors. Accordingly, each of these individuals may be subject to conflicts of interest in connection with, for example, the negotiation of agreements or the provision of services between Gray and Bull Run. Each of these individuals has other duties and responsibilities with Bull Run, or other businesses, that may conflict with the time that might otherwise be devoted to his duties with us.

Bull Run and certain of our directors and executive officers hold substantial equity in us and may use this influence in ways that are not consistent with the interests of other security holders.

Bull Run and the executive officers and directors mentioned above, and their affiliates, hold or have the right to vote in the aggregate approximately 49.9% in voting power of our currently outstanding

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common stock. Furthermore, if all options and warrants that are currently outstanding were exercised and all of their Series C was converted into class B common stock (although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to approximately 56.0%. Accordingly, these persons may have substantial influence on us in ways that might not be consistent with the interests of other security holders. These persons may also have significant influence and control over the outcome of any matters submitted to our shareholders for approval.

Pending litigation could adversely affect our ownership interest in Sarkes Tarzian, Inc.

On December 3, 2001, we acquired 301,119 shares of the outstanding common stock of Sarkes Tarzian, Inc., Tarzian, from Bull Run for $10 million plus $3.2 million of related costs which had previously been capitalized. Bull Run had previously acquired these shares from the Estate of Mary Tarzian. Subsequent to Bull Run s acquisition of these shares, Tarzian filed a complaint against Bull Run and the representative of the Estate claiming that Tarzian had a binding and enforceable contract to purchase these shares from the Estate prior to Bull Run s acquisition. Tarzian requested judgment to enforce its alleged contract. Although the action has since been dismissed without prejudice against Bull Run, the litigation between Tarzian and the Estate is ongoing. If Tarzian were to prevail in that litigation, that could ultimately lead to litigation against us, which might involve a claim for rescission of the acquisition of the Tarzian shares from the Estate and/or a claim for damages. The stock purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the Tarzian shares to a person or entity other than the purchaser, the stock purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest to the purchaser, the full $10 million purchase price paid to the estate, plus interest.

Our success depends on our senior management.

Our success depends to a significant extent on the efforts of our senior management. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring and retaining qualified successors and could experience a loss in productivity while any successors gain the necessary experience.

A deficiency has been asserted by the Internal Revenue Service for 1996.

In connection with an audit of our 1996 federal income tax return, the Internal Revenue Service has asserted a deficiency in income taxes of approximately $12.1 million, plus related interest and penalties. The asserted deficiency relates principally to our acquisition in 1996 of certain assets of First American Media, Inc. On January 18, 2002, we filed a petition in the United States Tax Court to contest this deficiency, and we believe that we have a meritorious position with respect to the issues related to the deficiency. We cannot be certain when, and if, this matter will be resolved in our favor, and if it is not, we could incur negative consequences in future years.

We have a material amount of intangible assets, and if we are required to write-down intangible assets to comply with new accounting standards, it would reduce our net income, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Our intangible assets principally include FCC licenses, network affiliations and goodwill. In July 2001, the Financial Accounting Standards Board issued Statement No. 142, Goodwill and Other Intangible Assets, which generally is effective for us from January 1, 2002. The regulation requires, among other things, the discontinuance of the amortization of goodwill and FCC licenses and network affiliations, and the introduction of annual impairment testing in its place. In addition, the standard includes provisions for the reclassification under limited circumstances of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of identifiable intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The regulation also requires us to complete a transitional goodwill impairment test six months from the date of adoption. Potential writedowns of intangible assets in compliance with these new accounting standards may reduce our net income in the future, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

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

Our assets consist primarily of intangible assets, including affiliation agreements with television networks such as NBC and CBS and FCC licenses, the value of which will depend significantly upon the success of our business and the financial prospects of the television broadcasting and paging industries in general. If we default on our indebtedness, or if we are liquidated, the value of these assets may not be sufficient to satisfy our obligations to our creditors and debtholders and to enable us to make any distributions to the holders of shares of our class B common stock. Furthermore, if our FCC licenses are not renewed, it could materially and adversely affect our results of operations and the trading price of our class B common stock.

We may be unable to identify or integrate acquisitions successfully or on commercially acceptable terms.

We have made a number of acquisitions and in the future may make additional acquisitions. We cannot assure you that we will be able to identify suitable acquisition candidates in the future. Even if we do identify suitable candidates, we cannot assure you that we will be able to make acquisitions on commercially acceptable terms. The failure to acquire suitable candidates, or the consummation of a future acquisition, including the Stations acquisition, at a price or on other terms that prove to be unfavorable, could adversely affect our business and results of operations.

In order to integrate successfully these future acquisitions, including the Stations acquisition, into our business, we will need to coordinate the management and administrative functions and sales, marketing and development efforts of each company. Combining companies presents a number of challenges, including integrating the management of companies that may have different approaches to sales and service, and the integration of a number of geographically separated facilities. In addition, integrating acquisitions, including the Stations acquisition, requires substantial management time and attention, which may distract management from our day-to-day business, and could disrupt our ongoing business and increase our expenses. If we cannot successfully integrate our future acquisitions, including the Stations acquisition, our business and results of operations could be adversely affected.

We may need to incur debt or issue equity securities to pay for any future acquisitions and to pay for increased capital expenditures following any acquisitions, and will require such financing in connection with the Stations acquisition. However, debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all, and equity financing could be dilutive to our shareholders.

We may not be able to complete the merger.

Consummation of the merger is dependent upon, among other things, the bankruptcy court approving Stations plan of reorganization and such affirmation order becoming a final bankruptcy court order, the FCC approving the transaction contemplated by the merger agreement and our ability to obtain financing for the acquisition. For these or other reasons, the merger may not be consummated.

If we consummate the Stations acquisition, the risks related to our business likely will intensify.

If the merger is consummated, we will expand our broadcast operations from 13 stations in 11 markets to 28 stations serving 23 television markets. In addition, we intend to increase our indebtedness, through the issuance of additional debt securities and the amendment of our existing credit facility, in order to consummate the acquisition. Accordingly, if we consummate the Stations acquisition, the risks related to our broadcasting segment, the related regulatory environment and our indebtedness likely will intensify.

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Failure to complete the merger could negatively impact our operating results.

If the merger is not consummated because of a material default by us under the merger agreement, and Stations is not in material default under the merger agreement, then Stations may draw on the letter of credit that we have provided and receive shares of our class B common stock that we have placed in escrow. The aggregate proceeds to Stations from drawing on the letter of credit and from the escrow shares would total $25 million. If we are unable to raise sufficient financing, we would not be able to complete the merger. In addition, costs related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed. Therefore, if we do not consummate the merger, our operating results will be negatively affected.

Risks Related to Our Class B Common Stock

The price of our class B common stock has experienced substantial volatility and may continue to do so in the future.

There has been significant volatility in the market prices for publicly traded shares of media companies, including ours.

In 2001, the price of our class B common stock fluctuated from a high of $17.65 to a low of $9.60. In addition, for the first two quarters of 2002, the price of our class B common stock fluctuated from a high of $14.55 to a low of $10.24. On July 11, 2002, our class B common stock closed at a price of $13.02 per share.

The price of our class B common stock may not remain at or exceed current levels. The following factors may have an adverse impact on the market price of our class B common stock:

- market conditions for media stocks, and particularly, broadcasting stocks;
- market conditions generally;
- governmental regulation;
- communications legislation;
- fluctuations in our operating results; and
- announcements of technical or product developments by our competitors.

There can be no assurance as to the liquidity of our class B common stock.

Currently our class B common stock is traded on the New York Stock Exchange. There can be no assurance as to the future liquidity of the market for our class B common stock.

Purchasers of our class B common stock may experience immediate and substantial dilution of their investment.

The public offering price of our class B common stock may be substantially higher than its book value immediately after its offering. As a result, if you were to purchase shares of our class B common stock in the offering under such circumstances, you most likely would incur immediate and substantial dilution in the net tangible book value of the shares purchased from the public offering price.

In the event of a liquidation of our company, holders of our class B common stock may not receive a distribution of assets.

Our class B common stock ranks junior to our preferred stock and our debt as to dividends and distribution of assets upon liquidation. As a result, in the event of a liquidation of our company, holders of our class B common stock would receive distributions only after distributions are made in full to holders of our preferred stock and our debt. There can be no assurance that we would have enough assets to make distributions to holders of our class B common stock in a liquidation.

Risks Related to Our Existing Indebtedness

Our indebtedness could materially and adversely affect our business.

We are highly leveraged and have significant fixed debt service obligations in addition to our operating expenses. Our indebtedness could have significant adverse effects on our business. For example, it could:

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

If our indebtedness affects our operations in these ways, our business, financial condition and results of operations could suffer. Furthermore, our senior secured credit facility and the indenture governing our 9.25% senior subordinated notes permit, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may permit, us to incur substantial amounts of additional debt in specified circumstances. If we incur additional debt in the future, the related risks could intensify.

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

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

- limitations on liens;
- limitations on additional debt;
- limitations on dividends and distributions;
- limitations on management and consulting fees;
- limitations on stock repurchases;
- limitations on transactions with affiliates;
- limitations on guarantees;
- limitations on asset sales;
- limitations on sale-leaseback transactions;
- limitations on acquisitions;
- limitations on changes in our business;

limitations on mergers and other corporate reorganizations;

limitations on loans, investments and advances, including investments in joint ventures and foreign subsidiaries; and

financial ratio and condition tests.

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

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

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

Covenant restrictions under our indentures may limit our ability to operate our business.

The indenture governing our 9.25% notes contains, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may contain, covenants that restrict our and our subsidiaries ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing our 9.25% notes restricts, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may restrict, among other things, our ability and our subsidiary guarantors ability to:

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

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

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We may not be able to finance change of control payments required by our debt facilities.

If we were to experience a change of control, the indenture related to our 9.25% notes would require us to offer to purchase all of our 9.25% notes then outstanding at 101% of their principal amount, plus accrued interest to the date of purchase. Any new debt securities that we may offer may subject us to a similar requirement. The purchase of our debt securities may require additional third-party financing and we cannot assure you that we would be able to obtain that financing on favorable terms or at all.

Furthermore, similar change of control events will result in an event of default under our senior secured credit facility and could cause the acceleration of our debt under that facility. The inability to repay that debt, if accelerated, and to purchase all of the tendered notes in the event of a change of control, would constitute an event of default under the indenture governing the 9.25% notes.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that may result in an increase in our debt or otherwise affect our capital structure, harm our credit ratings or have a material adverse effect on holders of shares of our class B common stock.

Risks Related to Legal and Regulatory Matters

Certain regulatory agencies must approve the merger and could delay or refuse to approve the merger.

We and Stations must obtain approvals or consents to the merger from certain federal regulatory commissions, including the FCC, and the United States bankruptcy court in Delaware. These agencies and the bankruptcy court may seek to impose conditions on us or Stations before giving their approval or consent, and meeting those conditions could have an adverse effect on our business or financial condition. In addition, a delay in obtaining the requisite regulatory and bankruptcy court approvals will delay the completion of the merger. We cannot be certain that we and Stations will obtain the required regulatory and bankruptcy court approvals, or obtain them within the time frame contemplated in the merger agreement.

Federal regulation of the broadcasting industry limits our operating flexibility.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC s approval whenever we need a new license, seek to renew or assign a license, purchase a new station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations; our broadcasting segment cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions.

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

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

The FCC s ownership rules generally prohibit us from owning or having attributable interests in television stations located in the same markets in which our stations are licensed. Accordingly, our ability to expand through acquisitions of additional stations in markets where we presently are operating is constrained by those rules. Under current FCC cross-ownership rules, we also are not allowed to own and operate a television station and a newspaper in the same market.

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Our paging operations are subject to federal regulation.

Our paging operations, which we acquired in September 1996, are subject to regulation by the FCC under the Communications Act. The FCC has granted us licenses to use the radio frequencies necessary to conduct our paging operations.

The FCC paging licenses granted to us are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. We hold various FCC radio licenses which are used in connection with our paging operations. Paging licenses will expire during calendar year 2009. Licensees in the paging services normally enjoy a license renewal expectancy and the vast majority of license renewal applications are granted in the normal course. However, we cannot be certain that any of our licenses will be free of competing applications or will be renewed by the FCC. Furthermore, the FCC has the authority to restrict the operations of licensed facilities or to revoke or modify licenses. We cannot be certain that our licenses will not be revoked or modified involuntarily in the future.

Pursuant to Congressional mandate, the FCC has adopted rules regarding the award of license authorizations by competitive bidding. Pursuant to those rules, the FCC may award licenses for new or existing services by auction, as done with the 800 MHz band. The FCC began awarding geographic area and paging licenses by auction in February 2000. We cannot be certain that we will be able to procure additional spectrum or expand our existing paging network into new service areas, which would require us to make significant auction payments.

Recent proposals for campaign finance reform may limit political advertising, upon which we heavily rely.

Recent proposals for campaign finance reform seek to limit the amount of money that certain groups would be permitted to spend on political advertising, including television advertising, as well as limit the overall amounts that political candidates would be permitted to receive in campaign contributions. If any of these recent proposals is enacted, it could have an adverse effect on us by decreasing advertising revenue in connection with political campaigns.

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FORWARD-LOOKING STATEMENTS

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

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

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

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USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling security holder of our class B common stock.

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THE MERGER

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

The Other Parties

Stations is the parent company of Benedek. Stations principal executive offices are located at 2895 Greenpoint Parkway, Hoffman Estates, Illinois 60195, telephone number (847) 585-3450. Gray MidAmerica Television is our newly-formed wholly-owned subsidiary, formed solely for the purpose of effecting the merger.

Our Reasons for the Merger

Our business strategy includes continued acquisitions of companies whose businesses are complementary to ours. We believe that Stations is an excellent strategic fit and that the acquisition of Stations will create significant benefits, including:

- the acquisition will create a stronger company and will diversify the geographic range of our television stations, broadening substantially our market presence in the television broadcasting market;
- the acquisition gives us access to additional operating cash flow for the purposes of funding debt service, as well as future acquisitions and investments;
- the acquisition presents an opportunity to increase revenue share and audience share;
- the acquisition presents an opportunity for cross-promotion and cross-selling; and
- the acquisition strengthens our management teams and local news operations.

Bankruptcy Court and Regulatory Filings and Approvals

Bankruptcy Court. Stations has filed a voluntary petition under Chapter 11 of the federal bankruptcy code. Consequently, the merger is subject to the bankruptcy court s approval of Stations plan of reorganization, and all of Stations obligations under the merger agreement are subject to the approval of the bankruptcy court. Stations filed the required information and materials with the bankruptcy court on July 1, 2002.

Federal Communications Commission. The merger is subject to approval by the FCC. Stations and its subsidiaries and we and our subsidiaries filed with the FCC the necessary application with respect to the change of control on June 10, 2002.

Antitrust. The merger is subject to the requirements of the Hart-Scott Rodino Antitrust Improvements Act of 1976, which provides that certain transactions may not be consummated until required information and materials have been furnished to the Department of Justice and the Federal Trade Commission and certain waiting periods have expired or been terminated. Stations and we filed the required information and materials with the Department of Justice and the Federal Trade Commission on June 20, 2002. Early termination of the statutory waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976 was granted on July 1, 2002.

The Department of Justice and the Federal Trade Commission frequently scrutinize the legality under the antitrust laws of transactions such as the merger. At any time before or after the effective time, either the Department of Justice or the Federal Trade Commission could take such action under the antitrust laws as it deems necessary or desirable in the public interest, or certain other persons could take action under the antitrust laws, including seeking to enjoin the merger.

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Sale of Certain Designated Benedek Stations Prior to the Merger

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

Accounting Treatment

The merger will be accounted for as a purchase for financial accounting purposes in accordance with accounting principles generally accepted in the United States. For purposes of preparing our consolidated financial statements, we will establish a new accounting basis for Stations assets and liabilities based upon their fair values, the merger consideration and the costs of the merger. Any excess of cost over the fair value of the net assets of Stations will be recorded as goodwill and other intangible assets. A final determination of the intangible asset values and required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. We will determine the fair value of Stations assets and liabilities and will make appropriate purchase accounting adjustments, including adjustments to the amortization period of the intangible assets, upon completion of that determination.

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THE MERGER AGREEMENT AND RELATED AGREEMENTS

This section of the registration statement and prospectus describes the material terms of the Agreement and Plan of Merger, dated as of June 4, 2002, among Stations, Gray MidAmerica Television and us and related agreements, including the Lock Up, Voting and Consent Agreements that Stations and we entered into with certain stockholders and creditors of Stations, an agreement regarding benefits to be provided to members of the Benedek family following consummation of the merger and an amendment to K. James Yager s employment agreement. Copies of the merger agreement and lock up agreements are attached as exhibits to the registration statement. You are urged to read the merger agreement in its entirety for a more complete description of the merger because it is the principal legal document that governs the merger.

The Merger

Subject to the terms and conditions of the merger agreement, we will acquire Stations through the merger of Gray MidAmerica Television with and into Stations. Stations will be the surviving corporation in the merger.

Effective Time

The merger will be consummated when a certificate of merger, that we will file with the State of Delaware, becomes effective. The merger agreement provides that the parties will use their reasonable efforts to cause the effective time to occur on the seventh business day after the satisfaction or waiver of all the conditions to the merger. See The Merger Agreement and Related Agreements Conditions to the Merger. However, the effective time may not occur prior to October 1, 2002.

The merger agreement further provides that we may, on one occasion, delay the effective time for up to 120 days if any of the following occurs: (1) any general suspension of trading in equity securities in the United States securities or financial markets for more than two consecutive trading days; (2) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States; (3) commencement of a war, armed hostilities or other national or international calamity directly involving the United States; (4) any limitation by any governmental authority on the extension of credit by banks or other lending institutions in the United States; or (5) if any of the foregoing exists on the date the merger agreement is signed, a material acceleration or worsening thereof.

Merger Consideration and Conversion of Gray MidAmerica Television and Stations Stock

At the effective time of the merger, the outstanding shares of Stations 11.5% Senior Exchangeable Preferred Stock, which we refer to as the senior preferred stock, and Junior Discount Preferred Stock, which we refer to as the junior preferred stock, will be converted into the right to receive a cash payment. No cash consideration will be paid to holders of outstanding shares of Stations class A common stock and class B common stock. The stock of Gray MidAmerica Television and Stations will be converted as described below:

Gray MidAmerica Television common stock. Each share of Gray MidAmerica Television common stock issued and outstanding immediately prior to the effective time will be converted into one share of Stations class B common stock.

Stations senior preferred stock. Each share of Stations senior preferred stock (excluding shares held by Stations or any of its subsidiaries, other than in a fiduciary capacity) issued and outstanding immediately prior to the effective time will be converted into the right to receive the senior preferred stock purchase price, equal to the quotient obtained by dividing (1) $500,000,000, *minus* (A) the amount outstanding at the effective time under Stations debt instruments plus accrued interest thereon through the effective time, determined in accordance with Stations plan of reorganization, *plus or minus* (B) working capital adjustments and adjustments relating to amounts incurred by Stations and its subsidiaries with respect to the conversion of their television stations to digital broadcasting by (2) 100,000 (the number of outstanding shares of Stations senior preferred stock at the effective time).

Stations junior preferred stock. Each share of Stations junior preferred stock (excluding shares held by Stations or any of the Stations subsidiaries, other than in a fiduciary capacity) issued and outstanding immediately prior to the effective time will be converted into the right to receive a cash payment equal to the quotient obtained by dividing (1) $2,500,000 by (2) 450,000 (the number of outstanding shares of Stations junior preferred stock at the effective time).

Stations class A common stock and class B common stock. Each share of Stations class A common stock and class B common stock and any options or warrants to acquire such shares issued and outstanding immediately prior to the effective time will be cancelled. We will not pay any cash consideration for such securities.

The Letter of Credit and the Escrow Shares

When the merger agreement was signed, we delivered to Stations a standby letter of credit in the amount of $12.5 million and deposited with SunTrust Bank, as escrow agent, 885,269 shares of our class B common stock. These escrow shares had an aggregate value of $12.5 million, based on the average price of our class B common stock for the 20 consecutive trading days on the New York Stock Exchange ending on June 2, 2002. The escrow shares are being held by the escrow agent in accordance with the terms of an escrow agreement that we executed on June 4, 2002. We will maintain the letter of credit in effect, and the escrow shares will remain in escrow, until the earlier of the effective time or 10 business days after the termination of the merger agreement. If the letter of credit or any replacement letter of credit expires before either of the dates described in the previous sentence, we will renew the letter of credit or obtain a replacement letter of credit, which we will deliver to Stations at least five business days before such expiration.

If the merger is not consummated because of a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. We have an obligation to deliver a letter of credit and escrow shares totaling $25 million, except that we may, in our sole discretion, replace some or all of the escrow shares with a cash payment, so long as any such cash payment is a whole number multiple of $500,000. Under specified circumstances, if Stations is entitled to receive the escrow shares and the value of the escrow shares decreases to below $12.5 million at the time Stations sells them, we may be required to pay to Stations the amount of such decrease. Likewise, if the value of the escrow shares increases, Stations may be required to pay to us the amount of such increase. At the effective time and subject to the conditions in the merger agreement and the escrow agreement, the letter of credit and the escrow shares will be returned to us.

Registration of the Escrow Shares

The escrow shares have not been registered under the Securities Act or any other applicable securities laws, and therefore are restricted securities. If the merger agreement is terminated and the escrow shares are delivered by the escrow agent to Stations, we are required to:

- file with the SEC a registration statement with respect to the resale or distribution of the escrow shares by Stations and/or an affiliate of Stations, within 30 days after such termination;

- use our best efforts to cause the registration statement to be declared effective at the earliest practicable time;

- keep the registration statement effective and current until the earlier of six months following the effectiveness of the registration statement or the date that all of the escrow shares covered by the registration statement have been sold or distributed;

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- cause the escrow shares to be listed promptly with the New York Stock Exchange; and
- indemnify, to the extent permitted by law, each person selling or distributing securities under this registration statement, and related parties, against all losses caused by any material misstatement or omission by us in the registration statement or any violation by us of the Securities Act, the Exchange Act, any state securities laws or any rules or regulations of the New York Stock Exchange.

Conditions to the Merger

The parties obligations to consummate the merger and related transactions generally are subject to the satisfaction or waiver of the following conditions:

- the bankruptcy court approving the order confirming Stations plan of reorganization and such confirmation order becoming a final bankruptcy court order;
- the FCC approving the transactions contemplated by the merger agreement, without any condition or qualification materially adverse to us or our subsidiaries or Stations or its subsidiaries, or materially adverse to our acquisition of control of Stations and its subsidiaries;
- all regulatory waiting periods applicable to the merger agreement and the related transactions expiring or terminating;
- no order being in effect enjoining, restraining or prohibiting the consummation of the merger and related transactions and no action or proceeding having been instituted by any regulatory authority seeking any such order that would reasonably be expected to have a material adverse effect on us or on Stations; and
- the transactions related to the Chelsey purchase agreement being consummated, unless the failure to consummate such transactions is the result of either the wrongful refusal of Chelsey to consummate such transactions or the election by Chelsey not to consummate the transactions because Benedek failed to satisfy certain conditions set forth in the Chelsey purchase agreement. If the transactions contemplated by the Chelsey purchase agreement are not consummated as a result of FCC action or inaction, Stations and we each agree to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, everything reasonably necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by the merger agreement and the Chelsey purchase agreement at the earliest practicable date.

Our obligations to consummate the merger and related transactions are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties made by Stations in the merger agreement being, subject to limited exceptions, correct and complete in all material respects at the effective time;
- each and all of the agreements and covenants of Stations and each of its subsidiaries under the merger agreement and related agreements being performed and complied with in all material respects prior to the effective time;
- our receiving from Stations customary officer certificates and board of directors resolutions relating to the transactions contemplated by the merger agreement;
- our receiving a legal opinion of FCC counsel to Stations;
- Stations returning to us the letter of credit;
- the FCC issuing a final FCC order approving the transfer of control of Benedek s television licenses to us;

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Stations obtaining and delivering to us consents or waivers relating to the transactions contemplated by the merger agreement, as required by its network affiliation agreements; and

no litigation being pending or threatened involving Stations or any its subsidiaries that would have, or reasonably be expected to have, a material adverse effect on Stations or its subsidiaries or their respective businesses or assets.

The obligations of Stations to consummate the merger and related transactions are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties made by us and Gray MidAmerica Television in the merger agreement being, subject to limited exceptions, correct and complete in all material respects at the effective time;

each of our and Gray MidAmerica Television s agreements and covenants under the merger agreement and related agreements being performed and complied with in all material respects prior to the effective time; and

Stations receiving from us and Gray MidAmerica Television customary officer certificates and board of directors resolutions relating to the transactions contemplated by the merger agreement.

Representations and Warranties

In the merger agreement, Stations makes customary representations and warranties about itself and its business, including representations and warranties about:

organization, good standing and corporate power;

authorization and enforceability of the merger agreement;

capitalization and subsidiaries;

financial statements and tax matters; and

absence of undisclosed liabilities or material adverse changes.

In addition, Stations makes numerous representations and warranties with respect to its assets, real property, intellectual property, computer software and databases, accounts receivable, insurance, bonds, letters of credit and guarantees, compliance with law, environmental matters, litigation and claims, benefit plans, contracts, labor matters, brokers and finders, interested transactions, officers, directors and bank accounts and the absence of any material misstatement or omission by it in the merger agreement.

We and Gray MidAmerica Television, jointly and severally, also make customary representations and warranties in the merger agreement about ourselves and our business, including representations and warranties regarding organization, good standing and corporate power, authorization and enforceability of the merger agreement, brokers and finders, litigation, and the absence of any material misstatement or omission by us and Gray MidAmerica Television. We also make representations with respect to our qualification under the Communications Act to enter into and consummate the transactions contemplated by the merger agreement, our filings with the SEC and our issuance of the escrow shares.

Mutual Covenants of Gray and Stations

Subject to limited exceptions and except for the sale of the excluded stations by Benedek to Chelsey, from June 4, 2002 until the closing of the merger or the termination of the merger agreement, Stations and we will, and will cause each of our respective subsidiaries, to:

operate our respective businesses only in the usual, regular, and ordinary course;

use commercially reasonable efforts to preserve intact our respective business organizations and assets and maintain our respective rights and franchises; and

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take no action that would materially adversely affect the ability of any party to (1) obtain any consents required for the transactions contemplated in the merger agreement, or (2) perform its covenants and agreements under the merger agreement in all material respects and to consummate the merger and to satisfy the conditions to closing set forth in the merger agreement. However, the covenant described in clause (2) above will not prohibit us or any of our subsidiaries from discontinuing or disposing of any of our assets or businesses, or, provided that we do not materially adversely affect our ability to obtain an FCC order approving the transactions contemplated by the merger agreement, from acquiring or agreeing to acquire any other person or their assets if such action is, in our judgment, desirable in the conduct of our business or our subsidiaries business.

Additional Covenants. The merger agreement also contains other covenants made by us and Stations, including a covenant to file all necessary FCC applications for approval of the transactions contemplated by the merger agreement and a covenant to use reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate the merger as promptly as practicable but not before October 1, 2002.

Covenants of Stations

The merger agreement contains numerous covenants of Stations that are customary for this type of transaction. Among other things, subject to limited exceptions, Stations and its subsidiaries will not do or agree to do any of the following without our prior written consent, which we will not withhold unreasonably:

amend the organizational documents of Stations or of any of its subsidiaries;

incur, guarantee or otherwise become responsible for any new debt obligation or other obligation for borrowed money (other than indebtedness of Stations or any of its subsidiaries to Stations or any of its subsidiaries) or enter into or extend any capital leases, in excess of an aggregate of $500,000 for Stations and its subsidiaries on a consolidated basis;

acquire, sell or encumber any securities or assets of Stations or any of its subsidiaries, or declare or pay any dividend or make any other distribution in respect of any such securities;

increase the compensation or benefits of the employees or officers of Stations or any or its subsidiaries;

voluntarily accelerate the vesting of any stock options or other stock-based compensation or employee benefits;

adopt any new employee benefit plan or program of Stations or any of its subsidiaries or make any material change in or to any existing employee benefit plans or programs of Stations or any of its subsidiaries;

make any significant change in any accounting methods, principles, or practices or systems of internal accounting controls, except as may be necessary to conform to changes in regulatory accounting requirements or generally accepted accounting principles;

settle any material litigation other than in accordance with past practice or to the extent it is covered by insurance;

except in the ordinary course of business consistent with past practices, enter into or terminate any material contract or make any material change in any contract;

fail to promptly notify us of any inquiry, investigation, or proceeding related to any of Stations television stations that is initiated by the FCC; and

request the bankruptcy court to take any action or to grant any approval to any action or matter that is in any way inconsistent with the merger agreement.

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Indemnification

For a period of six years after the effective time of the merger, we will indemnify the pre-merger directors, officers, employees and agents of Stations and its subsidiaries against all liabilities arising out of acts or omissions occurring at or prior to the effective time arising out of their service as directors, officers, employees or agents of Stations, any of its subsidiaries or, at Stations or any of its subsidiaries request, another entity, to the fullest extent permitted under Delaware law, by Stations or its subsidiaries certificates of incorporation and bylaws and by any applicable indemnification agreements.

Termination of the Merger Agreement

The merger agreement generally may be terminated at any time prior to the effective time by the mutual consent of Gray and Stations or by us or Stations:

- if the terminating party is not then in material breach of any of its representations or warranties or any of its covenants contained in the merger agreement, in the event of the inaccuracy of any representation or warranty of the non-terminating party contained in the merger agreement which would reasonably be expected to have or result in a material adverse effect on the non-terminating party and cannot be or has not been cured within 30 days after written notice of such inaccuracy is given to the non-terminating party;

- if the terminating party is not then in material breach of any of its representations or warranties or any of its covenants contained in the merger agreement, in the event of a material breach by the non-terminating party of any covenant or agreement contained in the merger agreement that cannot be or has not been cured within 30 days after written notice of such breach is given to the non-terminating party, except that we may not cure any breach of our obligation to pay the merger consideration;

- if the merger is not consummated by March 31, 2003, in each case only if the failure to consummate the transactions contemplated by the merger agreement on or before such date is not caused by any material breach of the merger agreement by the terminating party, except that the March 31, 2003 termination date automatically will be extended by one day for each day that the closing does not occur because, subject to certain exceptions, the transactions contemplated by the Chelsey purchase agreement are not consummated; or

- if it is reasonably anticipated that any of the conditions precedent to the obligations of the terminating party to consummate the merger, other than the condition that, subject to certain exceptions, the transactions contemplated by the Chelsey purchase agreement are consummated, cannot be satisfied or fulfilled by March 31, 2003 and such failure was not the fault of the terminating party.

Effects of Termination

If the merger agreement is terminated, as described above, it will become void and have no effect. However, certain provisions of the merger agreement will survive termination, including provisions relating to the letter of credit and the escrow shares, confidentiality and expenses. In addition, in the event that the merger agreement is terminated by us or by Stations in connection with any material breach of any representation or warranty or any covenant or other agreement of the other party contained in the merger agreement or because the merger is not consummated prior to the applicable termination date, the breaching party will remain liable for any uncured breach of a representation, warranty, covenant or agreement giving rise to such termination.

If the closing does not occur due to a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. The aggregate proceeds of the drawing on the letter of credit and the escrow shares will total $25 million, but we may replace some or all of the escrow shares with a cash payment so long as any such cash payment is a whole number multiple of $500,000.

If the closing does not occur due to the non-fulfillment of any of the conditions precedent to each party s obligation to consummate the merger, and we are not in material default in the performance of any of our representations or warranties or any of our covenants or agreements under the merger agreement, Stations will not be entitled to the letter of credit or the escrow shares and, after termination of the merger agreement, the letter of credit and the escrow shares will be returned to us.

Waivers

Prior to or at the effective time, we and Stations may waive any material default in the performance of any term of the merger agreement by the other party or any of its subsidiaries, waive or extend the time for the compliance or fulfillment by the other party and its subsidiaries of any and all of their obligations under the merger agreement, and waive any or all of the conditions precedent to the obligations of the other party and its subsidiaries under the merger agreement. However, neither we nor Stations may waive any condition which, if not satisfied, would result in the material violation of any law.

Fees and Expenses

Generally, regardless of whether the merger is consummated, Stations will be responsible for all expenses and fees incurred by it and its subsidiaries in connection with the merger and we will be responsible for all expenses and costs incurred by us in connection with the merger. However, we will pay all the fees related to the filings with the FTC. Also, Stations and we will each pay one-half of the processing fees related to the filing with the FCC of applications regarding the transfer of control of Benedek s television licenses to us.

Lock Up Agreements

On June 4, 2002, in connection with the transactions contemplated by the merger agreement, Stations and we entered into the lock up agreements with certain stockholders and creditors of Stations, whom we refer to as the consenting stockholders and creditors. Under these lock up agreements, the consenting stockholders and creditors agreed to, among other things, support and vote their shares in favor of a Stations bankruptcy plan that will give effect to the transactions contemplated by the merger agreement. Stations has received executed lock up agreements from holders of 97.9% of the outstanding senior preferred stock, 98.8% of the outstanding junior preferred stock, 100% of the outstanding class B common stock, and 94.6% of the outstanding aggregate principal amount of the senior subordinated discount notes.

In addition, consenting stockholders that hold Stations senior preferred stock have agreed to pay to us, if Stations receives certain superior proposals relating to an acquisition of Stations by a third party and such superior proposal is approved by the bankruptcy court, contemporaneously with the transaction contemplated by such superior proposal, a termination fee of $15 million. The liability of each consenting stockholder that holds Stations senior preferred stock is limited to an amount determined by multiplying $15 million by a fraction, the numerator of which is the number of shares of senior preferred stock owned by such consenting stockholder and the denominator of which is the number of shares of Stations senior preferred stock owned by all consenting stockholders.

Benedek Family Benefits Agreement

On May 29, 2002, in connection with the transactions contemplated by the merger agreement, we entered into a letter agreement with A. Richard Benedek, Chairman of the Board and Chief Executive Officer of Stations, Laura Benedek, Richard Benedek s wife, and Stephen D. Benedek, a Vice President of Stations and Richard Benedek s son, in which we agreed to provide to them, following consummation of the merger, certain health and welfare benefits, use of office space in New York City until no later than August 31, 2005, and severance benefits of up to $275,000. In addition, we may be required to forgive certain indebtedness owed by Richard Benedek to Stations. Upon the closing of the merger, we will cease

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the use of the name Benedek Broadcasting, the Benedek.com URL and the name Benedek Interactive Media. The right to use the Benedek Broadcasting name will be conveyed, at no cost, to Richard Benedek and the right to use the Benedek.com URL and the name Benedek Interactive Media will be conveyed, at no cost, to Stephen Benedek.

K. James Yager Employment Agreement

On June 4, 2002, Benedek and K. James Yager, Benedek s President and Chief Operating Officer, entered into a second amendment to K. James Yager s employment agreement, which will become effective only upon consummation of the merger. In addition, we entered into a letter agreement with K. James Yager relating to this amendment.

K. James Yager s employment agreement is for a term of four years commencing on January 1, 2001 and ending on December 31, 2004, the expiration date. K. James Yager s base salary is $630,000 for 2001 and $680,000 for 2002 and thereafter increases to a per annum rate not less than 105% of his base salary during the preceding year. K. James Yager is eligible to receive a bonus in respect of each fiscal year during the term of the agreement in such amount as Benedek may determine. The agreement also entitles K. James Yager to specified fringe benefits and to participation in employee benefit plans generally available to Benedek s executives. In addition, Benedek has agreed to pay to K. James Yager the amount necessary, on an after-tax basis, to discharge all amounts, including accrued interest, owed by him to Benedek under his $555,000 promissory note.

If Benedek terminates K. James Yager s employment without cause, or if K. James Yager terminates his employment by reason of a constructive discharge, which includes the assignment to K. James Yager of duties or reporting responsibilities inconsistent in any material respect with his status, title, position or duties or any breach by Benedek of his employment agreement, K. James Yager will be entitled to receive his base salary, and to participate, at no cost to him, in all employee benefits, through the expiration date and his non-competition obligations will be terminated. In our letter agreement with K. James Yager, we agreed that our failure to employ him as President and Chief Operating Officer of our broadcast division or subsidiary within 12 months after the consummation of the merger would constitute a constructive discharge, entitling him to the above benefits.

Our letter agreement with K. James Yager also provides that, after consummation of the merger, we will grant to him nonqualified options to purchase shares of our class B common stock pursuant to the terms of our long term incentive plan. The number of shares subject to the option award will be determined by our board of directors, and the exercise price of the option shares will be the market price of our class B common stock at the time the award is granted. The options will vest ratably over the term of Mr. Yager s employment agreement, with vesting to be accelerated in the event of a constructive discharge.

Bull Run Advisory Fee

For advisory services rendered by Bull Run in connection with the merger, we paid to Bull Run an advisory fee of $5,000,000 on June 10, 2002. This advisory fee must be repaid to us if the merger is not completed.

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INFORMATION REGARDING GRAY

Selected Historical Consolidated Financial Data

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

	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
	(Dollars in thousands except per share data)						
Statements of Operations Data:							
Revenues:							
Broadcast (less agency commissions)	$ 72,300	$ 91,007	$ 97,015	$ 120,640	$ 106,430	$ 25,042	$ 25,453
Publishing	24,536	29,330	37,808	41,499	41,189	9,740	10,143
Paging	6,712	8,553	9,130	9,074	8,725	2,147	2,009
Total revenues	103,548	128,890	143,953	171,213	156,344	36,929	37,605
Operating expenses:							
Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	25,646	24,515
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	944	1,000
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	7,851	3,733
Total operating expenses	82,818	103,963	121,893	140,115	138,464	34,441	29,248
Operating income	20,730	24,927	22,060	31,098	17,880	2,488	8,357
Gain on disposition of television stations		72,646					
Valuation adjustments of goodwill and other assets		(2,074)					
Depreciation in value of derivative, net					(1,581)	(786)	389
Miscellaneous income (expense), net	(31)	(242)	336	780	194	71	38
	20,699	95,257	22,396	31,878	16,493	1,773	8,784
Interest expense	21,861	25,454	31,021	39,957	35,783	9,251	8,965
Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change	(1,162)	69,803	(8,625)	(8,079)	(19,290)	(7,478)	(181)

Income tax expense (benefit)	240	28,144	(2,310)	(1,867)	(5,972)	(2,450)	(46)
Income (loss) before extraordinary charge and cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(135)
Extraordinary charge on extinguishment of debt							(7,318)
Income (loss) before cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(7,453)
Cumulative effect of accounting change, net							(30,592)
Net income (loss)	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(38,045)
Preferred dividends	1,410	1,318	1,010	1,012	616	154	154
Non-cash preferred dividends associated with preferred stock redemption		3,360		2,160			
Net income (loss) available to common stockholders	$ (2,812)	$ 36,981	$ (7,325)	$ (9,384)	$ (13,934)	$ (5,182)	$ (38,199)

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	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	**1998(b)**	**1999(c)**	**2000**	**2001**	**2001**	**2002**
	(Dollars in thousands except per share data)						
Basic earnings per common share(d):							
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net							(0.47)
Cumulative effect of accounting change, net							(1.95)
Preferred dividends	(0.12)	(0.39)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 3.10	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Diluted earnings per common share(d):							
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.36	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net							(0.47)
Cumulative effect of accounting change, net							(1.95)
Preferred dividends	(0.12)	(0.38)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 2.98	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Other Financial Data:							
Media cash flow(e)	$ 38,061	$ 46,624	$ 50,944	$ 66,247	$ 53,074	$ 11,475	$ 13,274
Media cash flow margin(e)	36.8%	36.2%	35.4%	38.7%	33.9%	31.1%	35.3%
Operating cash flow(f)	$ 35,533	$ 43,561	$ 47,496	$ 62,653	$ 49,459	$ 10,531	$ 12,274
Operating cash flow margin(f)	34.3%	33.8%	33.0%	36.6%	31.6%	28.5%	32.6%
Cash flows provided by (used in):							
Operating activities	$ 9,744	$ 20,074	$ 20,842	$ 22,765	$ 16,823	$ 6,356	$ 266
Investing activities	(57,498)	(55,299)	(126,780)	(8,276)	(186,165)	(646)	163,253
Financing activities	49,071	34,744	105,839	(14,061)	167,685	(6,820)	(160,910)
Capital expenditures	10,372	9,271	11,712	5,702	7,593	676	5,244
Cash dividends per common share(g)	$ 0.05	$ 0.06	$ 0.08	$ 0.08	$ 0.08	$ 0.02	$ 0.02

Ratio of total debt to operating cash flow	6.4x	6.2x	8.0x	6.0x	8.0x(h)	6.0x (i)	7.7x(i)
Ratio of operating cash flow to interest expense	1.6	1.7	1.5	1.6	1.4	1.1(i)	1.4(i)
Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 2,367	$ 1,887	$ 1,787	$ 2,215	$ 169,115(h)	$ 1,105	$ 3,165
Total intangible assets, net	263,425	376,015	526,434	511,616	497,311	508,036	457,740
Total assets	345,051	468,974	658,157	636,772	794,337(h)	621,175	578,601
Long-term debt (including current portion)	227,076	270,655	381,702	374,887	551,444(h)	367,846	391,448
Preferred stock	11,111	7,371	7,371	4,637	4,637	4,637	4,637
Total stockholders equity	92,295	126,703	168,188	155,961	142,196	151,240	103,878

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

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

(c) Reflects the operating results of our acquisition of all of the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd., completed on October 1, 1999, and our acquisition of substantially all of the assets of The Goshen News from News Printing

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Company, Inc. and its affiliates, completed on March 1, 1999, as of their respective acquisition dates. See Note B to our audited consolidated financial statements incorporated by reference in this prospectus.

(d) On August 20, 1998, our board of directors declared a 50% stock dividend, payable on September 30, 1998, to stockholders of record of our class A common stock and class B common stock on September 16, 1998. This stock dividend effected a three-for-two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.

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

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

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

(g) Cash dividends were $0.08 per common share for all five annual periods and $0.02 per common share for both quarterly periods; however, the amounts for 1997 and 1998 have been adjusted for the three-for-two stock split in 1998, which is discussed in Note (d) above.

(h) On December 21, 2001, the Company deposited $168.6 million with the trustee of the Company s 10 5/8% Senior Subordinated Notes due 2006 to redeem those notes, including payment of principal, the applicable premium costs and accrued interest through the redemption date of January 22, 2002. Total assets include the $168.6 million reflected as restricted cash for redemption of long-term debt and long-term debt (including portion) includes the related $155.2 million of our 10 5/8% notes that were extinguished on January 22, 2002. The ratio of total debt to operating cash flow of 8.0x is calculated on a pro forma basis, which excludes the $155.2 million of our 10?% notes. If the $155.2 million of our 10 5/8% notes were included in the total debt amount used to calculate the ratio of total debt to operating cash flow, the ratio would be 11.1x.

(i) Represents ratios for the 12 months ended March 31, 2001 and 2002.

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(j) The following table presents the transitional disclosures regarding the adoption of SFAS No. 142:

	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
Reported net income (loss) before extraordinary charges and cumulative effect of accounting change	$(1,402)	$41,659	$(6,315)	$(6,212)	$(13,318)	$(5,028)	$(135)
Add back: amortization of goodwill and intan gible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	2,627	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$2,773	$47,356	$2,184	$4,810	$(2,285)	$(2,401)	$(135)
Basic earnings per common share(d):							
Reported net income (loss) before extraordinary charge and cumulative effect of accounting change	$(0.12)	$3.49	$(0.49)	$(0.40)	$(0.85)	$(0.32)	$(0.01)
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	0.35	0.48	0.66	0.71	0.71	0.17	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$0.23	$3.97	$0.17	$0.31	$(0.14)	$(0.15)	$(0.01)
Diluted earnings per common share(d):							
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$0.23	$3.82	$0.16	$0.30	$(0.14)	$(0.15)	$(0.01)

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Business, Management and Other Information

Information relating to our business, principal shareholders, directors and officers, executive compensation and share ownership, related party transactions, financial statements and other related matters, as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, is incorporated herein by reference. If you would like to receive a copy of such documents you may contact us at our address or telephone number indicated under Where You Can Find More Information.

Operating & Growth Strategy

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

Focus on Local News and Programming to Maintain A Strong Local Franchise. We operate, or will operate after completion of the merger with Stations, 28 network affiliated television stations serving 23 markets, with 24 of our 28 stations ranked first or second in local news. We endeavor to make each of our television stations a highly recognizable, local brand through the depth, quality and focus of its local news, programming and community involvement. We believe that providing the leading source for local news and programming in our markets enables us to strengthen audience loyalty and increase viewership among attractive demographic audiences. As a result, we believe that the strength of our local franchises enables us to maximize advertising revenues from local, regional and national accounts. We believe that our commitment to local news, programming and community involvement is essential to our ability to serve each of the communities in which we operate and provides us with a strong competitive advantage.

Continue to Develop Innovative Local Sales and Targeted Marketing Initiatives. We employ an experienced, high-quality local sales force at each station to increase advertising reven=CENTER>

	88,780	1,216,477	(16,433)	2,288,168
Net change in unrealized appreciation/depreciation on:				
Investments	1,027,206	16,490,534	52,475	3,179,757
Futures and swaps	(1,675,894)	(6,443,495)	(839)	(2,412,458)
	(648,688)	10,047,039	51,636	767,299
Net gain (loss)	(559,908)	11,263,516	35,203	3,055,467
Dividends and Distributions to Preferred Shareholders from:				
Net investment income	(2,145,446)	(5,523,889)	(95,949)	(1,817,894)
Net realized gains				

Total dividends and distributions	(2,145,446)	(5,523,889)	(95,949)	(1,817,894)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	$ 6,522,085	$ 30,699,807	$ 388,810	$ 9,475,654

See Notes to Financial Statements.

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Florida Investment Quality Municipal Trust (RFA)	Florida Municipal Income Trust (BBF)	New Jersey Investment Quality Municipal Trust (RNJ)	New Jersey Municipal Income Trust (BNJ)	New York Investment Quality Municipal Trust (RNY)	New York Municipal Income Trust (BNY)
$ 565,061	$ 4,152,231	$ 534,821	$ 4,886,006	$ 760,575	$ 8,017,714
890	723	1,140	866	870	1,588
565,951	4,152,954	535,961	4,886,872	761,445	8,019,302
42,651	478,910	38,307	543,927	51,029	905,339
12,186		10,945		14,580	
5,611	7,964	5,611	7,964	5,611	7,964
4,163	29,989	4,163	31,897	4,163	35,695
3,624	11,415	3,626	13,803	3,691	21,780
6,236	7,197	6,236	7,852	6,236	12,730
328	10,534	291	10,534	380	10,534
9,157	18,083	9,153	18,116	9,164	19,115
2,968	10,541	2,941	10,791	3,026	20,889
752	4,911	675	5,566	898	9,283
890	723	1,140	866	870	1,588
12,968	74,900	11,832	82,606	14,686	142,911
7,584	14,837	7,497	15,401	7,670	19,994
109,118	670,004	102,417	749,323	122,004	1,207,822
					1,389
109,118	670,004	102,417	749,323	122,004	1,209,211
	(199,546)		(226,636)		(377,224)
(3,683)	(9,716)	(3,520)	(9,643)	(4,293)	(9,115)
105,435	460,742	98,897	513,044	117,711	822,872
460,516	3,692,212	437,064	4,373,828	643,734	7,196,430
98,561	(97,497)	19,254	21,099	64,345	(203,691)
	1,217,190		1,493,941		2,110,358
98,561	1,119,693	19,254	1,515,040	64,345	1,906,667
(174,581)	233,385	29,090	1,276,688	(184,973)	1,294,762
1,679	(892,137)	4,197	(1,099,536)	1,679	(1,551,796)
(172,902)	(658,752)	33,287	177,152	(183,294)	(257,034)
(74,341)	460,941	52,541	1,692,192	(118,949)	1,649,633
(106,500)	(815,996)	(93,860)	(894,925)	(126,293)	(1,539,278)

(24,903)		(12,375)		(8,904)	
(131,403)	(815,996)	(106,235)	(894,925)	(135,197)	(1,539,278)
$ 254,772	$ 3,337,157	$ 383,370	$ 5,171,095	$ 398,588	$ 7,306,785

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STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended April 30, 2006 (unaudited) and the year ended October 31, 2005

	Investment Quality Municipal Trust (BKN)		Municipal Income Trust (BFK)	
	2006	2005	2006	2005
Increase (Decrease) in Net Assets Applicable to Common Shareholders				
Operations:				
Net investment income	$ 9,227,439	$ 19,080,763	$ 24,960,180	$ 51,367,505
Net realized gain (loss)	88,780	9,521,667	1,216,477	14,502,349
Net change in unrealized appreciation/depreciation	(648,688)	(11,411,681)	10,047,039	4,068,932
Dividends and distributions to preferred shareholders from:				
Net investment income	(2,145,446)	(3,091,066)	(5,523,889)	(7,913,843)
Net realized gains				
Net increase in net assets applicable to common shareholders resulting from operations	6,522,085	14,099,683	30,699,807	62,024,943
Dividends and Distributions to Common Shareholders from:				
Net investment income	(8,846,406)	(16,080,778)	(21,669,569)	(42,712,157)
Net realized gain				
Total dividends and distributions	(8,846,406)	(16,080,778)	(21,669,569)	(42,712,157)
Capital Share Transactions:				
Reinvestment of common dividends			1,389,212	1,086,467
Net proceeds from capital share transactions			1,389,212	1,086,467
Total increase (decrease)	(2,324,321)	(1,981,095)	10,419,450	20,399,253
Net Assets Applicable to Common Shareholders				
Beginning of period	260,493,873	262,474,968	642,047,394	621,648,141
End of period	$ 258,169,552	$ 260,493,873	$ 652,466,844	$ 642,047,394
End of period undistributed net investment income	$ 10,961,627	$ 12,726,040	$ 18,705,887	$ 20,939,165

See Notes to Financial Statements.

California Investment Quality Municipal Trust (RAA)		California Municipal Income Trust (BFZ)		Florida Investment Quality Municipal Trust (RFA)	
2006	2005	2006	2005	2006	2005
$ 449,556	$ 783,716	$ 8,238,081	$ 16,744,835	$ 460,516	$ 946,124
(16,433)	111,480	2,288,168	(2,241,920)	98,561	160,059
51,636	(143,365)	767,299	7,640,066	(172,902)	(551,267)
(95,949)	(128,583)	(1,817,894)	(2,361,287)	(106,500)	(174,481)
				(24,903)	(10,423)
388,810	623,248	9,475,654	19,781,694	254,772	370,012
(426,605)	(853,209)	(6,842,839)	(13,680,084)	(478,660)	(957,322)
				(146,137)	(127,609)
(426,605)	(853,209)	(6,842,839)	(13,680,084)	(624,797)	(1,084,931)
		252,994			
		252,994			
(37,795)	(229,961)	2,885,809	6,101,610	(370,025)	(714,919)
14,298,607	14,528,568	227,472,342	221,370,732	16,214,171	16,929,090
$ 14,260,812	$ 14,298,607	$ 230,358,151	$ 227,472,342	$ 15,844,146	$ 16,214,171
$ 118,466	$ 191,464	$ 6,463,589	$ 6,886,241	$ 174,628	$ 299,272

STATEMENTS OF CHANGES IN NET ASSETS (continued)
For the six months ended April 30, 2006 (unaudited) and the year ended October 31, 2005

	Florida Municipal Income Trust (BBF)		New Jersey Investment Quality Municipal Trust (RNJ)	
	2006	2005	2006	2005
Increase (Decrease) in Net Assets Applicable to Common Shareholders				
Operations:				
Net investment income	$ 3,692,212	$ 7,400,920	$ 437,064	$ 876,362
Net realized gain (loss)	1,119,693	(1,234,248)	19,254	117,656
Net change in unrealized appreciation/depreciation	(658,752)	2,386,133	33,287	(339,943)
Dividends and distributions to preferred shareholders from:				
Net investment income	(815,996)	(1,150,882)	(93,860)	(149,372)
Net realized gains			(12,375)	
Net increase in net assets applicable to common shareholders resulting from operations	3,337,157	7,401,923	383,370	504,703
Dividends and Distributions to Common Shareholders from:				
Net investment income	(3,007,982)	(6,011,917)	(423,735)	(823,484)
Net realized gain			(63,979)	
Total dividends and distributions	(3,007,982)	(6,011,917)	(487,714)	(823,484)
Capital Share Transactions:				
Reinvestment of common dividends	88,967	41,592		
Net proceeds from capital share transactions	88,967	41,592		
Total increase (decrease)	418,142	1,431,598	(104,344)	(318,781)
Net Assets Applicable to Common Shareholders				
Beginning of period	102,943,536	101,511,938	14,580,758	14,899,539
End of period	$ 103,361,678	$ 102,943,536	$ 14,476,414	$ 14,580,758
End of period undistributed net investment income	$ 2,500,005	$ 2,631,771	$ 496,372	$ 576,903

See Notes to Financial Statements.

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New Jersey Municipal Income Trust (BNJ)		New York Investment Quality Municipal Trust (RNY)		New York Municipal Income Trust (BNY)	
2006	2005	2006	2005	2006	2005
$ 4,373,828	$ 8,666,540	$ 643,734	$ 1,259,631	$ 7,196,430	$ 14,254,822
1,515,040	(579,155)	64,345	59,365	1,906,667	1,893,142
177,152	3,710,915	(183,294)	(411,759)	(257,034)	(627,477)
(894,925)	(1,322,793)	(126,293)	(182,787)	(1,539,278)	(2,091,682)
		(8,904)			
5,171,095	10,475,507	389,588	724,450	7,306,785	13,428,805
(3,549,935)	(6,817,201)	(573,487)	(1,146,975)	(5,667,184)	(11,321,006)
		(55,870)			
(3,549,935)	(6,817,201)	(629,357)	(1,146,975)	(5,667,184)	(11,321,006)
343,407	61,711			365,133	75,737
343,407	61,711			365,133	75,737
1,964,567	3,720,017	(239,769)	(422,525)	2,004,734	2,183,536
117,739,444	114,019,427	19,642,982	20,065,507	193,457,251	191,273,715
$ 119,704,011	$ 117,739,444	$ 19,403,213	$ 19,642,982	$ 195,461,985	$ 193,457,251
$ 3,683,637	$ 3,754,669	$ 461,805	$ 517,851	$ 5,652,711	$ 5,662,743

FINANCIAL HIGHLIGHTS

BlackRock Investment Quality Municipal Trust (BKN)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.59	$ 15.71	$ 15.28	$ 15.19	$ 15.19	$ 14.30
Investment operations:						
Net investment income	0.55	1.14	1.17	1.16	1.20	1.20
Net realized and unrealized gain (loss)	(0.03)	(0.11)	0.26	(0.09)	(0.26)	0.75
Dividends to preferred shareholders from net investment income	(0.13)	(0.19)	(0.09)	(0.09)	(0.13)	(0.29)
Net increase from investment operations	0.39	0.84	1.34	0.98	0.81	1.66
Dividends to common shareholders from net investment income	(0.53)	(0.96)	(0.91)	(0.89)	(0.81)	(0.78)
Capital charges with respect to issuance of:						
Preferred shares						0.01
Net asset value, end of period	$ 15.45	$ 15.59	$ 15.71	$ 15.28	$ 15.19	$ 15.19
Market price, end of period	$ 17.90	$ 16.62	$ 15.12	$ 14.26	$ 13.48	$ 13.73
TOTAL INVESTMENT RETURN[1]	10.95%	16.68%	12.91%	12.67%	4.14%	20.03%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.09%[3]	1.08%	1.08%	1.10%	1.09%	1.14%
Expenses after fees waived and before fees paid indirectly	1.10%[3]	1.08%	1.08%	1.10%	1.09%	1.14%
Expenses before fees waived and paid indirectly	1.10%[3]	1.08%	1.08%	1.10%	1.09%	1.14%
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.14%[3]	7.21%	7.59%	7.62%	7.93%	8.10%
Preferred share dividends	1.66%[3]	1.17%	0.60%	0.59%	0.83%	1.94%
Net investment income available to common shareholders	5.48%[3]	6.04%	6.99%	7.03%	7.10%	6.16%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 260,691	$ 264,490	$ 259,470	$ 254,890	$ 251,428	$ 247,832
Portfolio turnover	43%	77%	52%	36%	19%	4%
Net assets of common shareholders, end of period (000)	$ 258,170	$ 260,494	$ 262,475	$ 255,315	$ 253,710	$ 253,777
Preferred shares value outstanding, end of period (000)	$ 146,550	$ 146,550	$ 146,550	$ 146,550	$ 146,550	$ 146,550
	$ 69,060	$ 69,465	$ 69,790	$ 68,561	$ 68,292	$ 68,308

Asset coverage per preferred share, end of period		

1 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

2 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders.

3 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock Municipal Income Trust (BFK)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				For the period July 27, 2001[1] through October 31, 2001[2]
		2005	2004	2003	2002	
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.71	$ 14.26	$ 13.87	$ 13.33	$ 14.30	$ 14.33[3]
Investment operations:						
Net investment income	0.57	1.18	1.19	1.23	1.20	0.17
Net realized and unrealized gain (loss)	0.26	0.43	0.26	0.35	(1.11)	0.12
Dividends to preferred shareholders from net investment income	(0.13)	(0.18)	(0.09)	(0.09)	(0.13)	(0.01)
Net increase (decrease) from investment operations	0.70	1.43	1.36	1.49	(0.04)	0.28
Dividends and distributions to common shareholders:						
Net investment income	(0.50)	(0.98)	(0.97)	(0.95)	(0.93)	(0.16)
In excess of net investment income						(0.01)
Total dividends and distributions	(0.50)	(0.98)	(0.97)	(0.95)	(0.93)	(0.17)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares						(0.11)
Total capital charges						(0.14)
Net asset value, end of period	$ 14.91	$ 14.71	$ 14.26	$ 13.87	$ 13.33	$ 14.30
Market price, end of period	$ 16.45	$ 15.69	$ 14.05	$ 13.70	$ 13.46	$ 14.75
TOTAL INVESTMENT RETURN[4]	8.23%	19.31%	10.01%	9.21%	(2.40)%	(1.13) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.82%[6]	0.83%	0.83%	0.84%	0.81%	0.61%[6]
Expenses after fees waived and before fees paid indirectly	0.82%[6]	0.83%	0.83%	0.84%	0.83%	0.62%[6]
Expenses before fees waived and paid indirectly	1.21%[6]	1.22%	1.23%	1.25%	1.23%	0.91%[6]

Net investment income after fees waived and paid indirectly and before preferred share dividends		7.73%[6]		7.97%		8.44%		8.96%		8.74%		4.59%[6]
Preferred share dividends		1.71%[6]		1.23%		0.63%		0.65%		0.92%		0.38%[6]
Net investment income available to common shareholders		6.02%[6]		6.74%		7.81%		8.31%		7.82%		4.21%[6]
SUPPLEMENTAL DATA:												
Average net assets of common shareholders (000)	$	650,991	$	644,680	$	618,076	$	594,192	$	598,425	$	572,610
Portfolio turnover		46%		68%		59%		56%		70%		27%
Net assets of common shareholders, end of period (000)	$	652,467	$	642,047	$	621,648	$	603,943	$	579,681	$	619,249
Preferred shares value outstanding, end of period (000)	$	375,125	$	375,125	$	375,125	$	375,125	$	375,125	$	375,125
Asset coverage per preferred share, end of period	$	68,495	$	67,797	$	66,435	$	65,251	$	63,636	$	66,275

1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock California Investment Quality Municipal Trust (RAA)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.20	$ 14.43	$ 14.56	$ 14.81	$ 15.30	$ 14.62
Investment operations:						
Net investment income	0.45	0.78	0.92	1.05	1.04	1.05
Net realized and unrealized gain (loss)	0.03	(0.03)	(0.09)	(0.41)	(0.64)	0.63
Dividends to preferred shareholders from net investment income	(0.10)	(0.13)	(0.06)	(0.06)	(0.09)	(0.21)
Net increase from investment operations	0.38	0.62	0.77	0.58	0.31	1.47
Dividends and distributions to common shareholders from:						
Net investment income	(0.42)	(0.85)	(0.85)	(0.83)	(0.80)	(0.79)
Net realized gains			(0.05)			
Total dividends and distributions	(0.42)	(0.85)	(0.90)	(0.83)	(0.80)	(0.79)
Net asset value, end of period	$ 14.16	$ 14.20	$ 14.43	$ 14.56	$ 14.81	$ 15.30
Market price, end of period	$ 15.65	$ 15.75	$ 14.30	$ 14.03	$ 13.38	$ 15.55
TOTAL INVESTMENT RETURN[1]	2.13%	16.76%	8.78%	11.38%	(9.26)%	17.03%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.37%[3]	1.35%	1.35%	1.40%	1.29%	1.38%
Expenses after fees waived and before fees paid indirectly	1.42%[3]	1.39%	1.40%	1.40%	1.29%	1.38%
Expenses before fees paid indirectly	1.42%[3]	1.39%	1.40%	1.40%	1.29%	1.38%
Net investment income after fees waived and paid indirectly and before preferred share dividends	6.31%[3]	5.38%	6.37%	7.17%	6.86%	7.04%
Preferred share dividends	1.35%[3]	0.88%	0.42%	0.44%	0.59%	1.39%
Net investment income available to common shareholders	4.96%[3]	4.50%	5.95%	6.73%	6.27%	5.65%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 14,356	$ 14,569	$ 14,553	$ 14,752	$ 15,221	$ 15,072
Portfolio turnover	2%	20%	15%	6%	30%	1%
Net assets of common shareholders, end of period (000)	$ 14,261	$ 14,299	$ 14,529	$ 14,665	$ 14,911	$ 15,411
Preferred shares value outstanding, end of period (000)	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
Asset coverage per preferred share, end of period	$ 72,546	$ 72,671	$ 73,433	$ 73,886	$ 74,706	$ 76,377

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[1] Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

[2] Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

[3] Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock California Municipal Income Trust (BFZ)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				For the period July 27, 2001[1] through October 31, 2001[2]
		2005	2004	2003	2002	
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.18	$ 14.77	$ 13.97	$ 14.16	$ 14.50	$ 14.33[3]
Investment operations:						
Net investment income	0.55	1.12	1.15	1.12	1.11	0.16
Net realized and unrealized gain (loss)	0.21	0.36	0.65	(0.34)	(0.46)	0.32
Dividends to preferred shareholders from net investment income	(0.12)	(0.16)	(0.09)	(0.08)	(0.12)	(0.01)
Net increase from investment operations	0.64	1.32	1.71	0.70	0.53	0.47
Dividends and distributions to common shareholders:						
Net investment income	(0.46)	(0.91)	(0.91)	(0.89)	(0.87)	(0.15)
In excess of net investment income						(0.01)
Total dividends and distributions	(0.46)	(0.91)	(0.91)	(0.89)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares						(0.11)
Total capital charges						(0.14)
Net asset value, end of period	$ 15.36	$ 15.18	$ 14.77	$ 13.97	$ 14.16	$ 14.50
Market price, end of period	$ 15.82	$ 14.92	$ 13.65	$ 13.21	$ 13.09	$ 14.75
TOTAL INVESTMENT RETURN[4]	9.23%	16.42%	10.58%	7.92%	(5.49) %	(1.17) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.85%[6]	0.85%	0.87%	0.89%	0.88%	0.72%[6]
Expenses after fees waived and before fees paid indirectly	0.86%[6]	0.86%	0.88%	0.89%	0.90%	0.73%[6]
Expenses before fees waived and paid indirectly	1.25%[6]	1.25%	1.28%	1.30%	1.31%	1.02%[6]
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.23%[6]	7.35%	7.96%	8.01%	7.96%	4.06%[6]
Preferred share dividends	1.60%[6]	1.04%	0.59%	0.57%	0.86%	0.38%[6]
	5.63%[6]	6.31%	7.37%	7.44%	7.10%	3.68%[6]

Net investment income available to common shareholders						
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 229,641	$ 227,738	$ 216,238	$ 211,275	$ 209,965	$ 199,356
Portfolio turnover	10%	28%	15%	34%	44%	16%
Net assets of common shareholders, end of period (000)	$ 230,358	$ 227,472	$ 221,371	$ 209,397	$ 212,215	$ 216,829
Preferred shares value outstanding, end of period (000)	$ 131,950	$ 131,950	$ 131,950	$ 131,950	$ 131,950	$ 131,950
Asset coverage per preferred share, end of period	$ 68,655	$ 68,107	$ 66,945	$ 64,675	$ 65,211	$ 66,086

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1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock Florida Investment Quality Municipal Trust (RFA)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.39	$ 15.02	$ 15.39	$ 15.65	$ 15.50	$ 14.65
Investment operations:						
Net investment income	0.41	0.84	0.98	1.04	1.05	1.03
Net realized and unrealized gain (loss)	(0.08)	(0.35)	(0.18)	(0.39)	0.02	0.86
Dividends and distributions to preferred shareholders from:						
Net investment income	(0.09)	(0.15)	(0.07)	(0.08)	(0.11)	(0.24)
Net realized gains	(0.02)	(0.01)	(0.02)			
Net increase from investment operations	0.22	0.33	0.71	0.57	0.96	1.65
Dividends and distributions to common shareholders from:						
Net investment income	(0.42)	(0.85)	(0.85)	(0.83)	(0.81)	(0.80)
Net realized gains	(0.13)	(0.11)	(0.23)			
Total dividends and distributions	(0.55)	(0.96)	(1.08)	(0.83)	(0.81)	(0.80)
Net asset value, end of period	$ 14.06	$ 14.39	$ 15.02	$ 15.39	$ 15.65	$ 15.50
Market price, end of period	$ 15.55	$ 14.85	$ 14.30	$ 14.47	$ 14.50	$ 14.36
TOTAL INVESTMENT RETURN[1]	8.57%	10.76%	6.32%	5.52%	6.52%	15.65%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees paid indirectly	1.32%[3]	1.29%	1.27%	1.29%	1.20%	1.38%
Expenses after fees waived and before fees paid indirectly	1.37%[3]	1.32%	1.31%	1.29%	1.20%	1.38%
Expenses before fees paid indirectly	1.37%[3]	1.32%	1.31%	1.29%	1.20%	1.38%
Net investment income after fees paid indirectly and before preferred share dividends	5.78%[3]	5.69%	6.48%	6.69%	6.76%	6.83%
Preferred share dividends	1.34%[3]	1.05%	0.46%	0.51%	0.69%	1.58%
Net investment income available to common shareholders	4.44%[3]	4.64%	6.02%	6.18%	6.07%	5.25%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 16,074	$ 16,626	$ 17,035	$ 17,561	$ 17,427	$ 17,046
Portfolio turnover	19%	15%	13%	17%	8%	%
Net assets of common shareholders, end of period (000)	$ 15,844	$ 16,214	$ 16,929	$ 17,347	$ 17,639	$ 17,472
Preferred shares value outstanding, end of period (000)	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500
Asset coverage per preferred share, end of period	$ 71,608	$ 72,696	$ 74,795	$ 76,021	$ 76,886	$ 76,397

[1] Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

[2] Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders.

[3] Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock Florida Municipal Income Trust (BBF)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				For the period July 27, 2001[1] through October 31, 2001[2]
		2005	2004	2003	2002	
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.48	$ 15.27	$ 14.68	$ 14.57	$ 14.37	$ 14.33[3]
Investment operations:						
Net investment income	0.55	1.11	1.12	1.11	1.07	0.17
Net realized and unrealized gain (loss)	0.07	0.17	0.45	(0.03)	0.13	0.18
Dividends to preferred shareholders from net investment income	(0.12)	(0.17)	(0.08)	(0.08)	(0.12)	(0.01)
Net increase from investment operations	0.50	1.11	1.49	1.00	1.08	0.34
Dividends to common shareholders from net investment income	(0.45)	(0.90)	(0.90)	(0.89)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares					(0.01)	(0.11)
Total capital charges					(0.01)	(0.14)
Net asset value, end of period	$ 15.53	$ 15.48	$ 15.27	$ 14.68	$ 14.57	$ 14.37
Market price, end of period	$ 15.95	$ 15.25	$ 14.40	$ 13.36	$ 13.65	$ 14.50
TOTAL INVESTMENT RETURN[4]	7.67%	12.44%	15.04%	4.30%	0.16%	(2.84) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.90%[6]	0.90%	0.93%	0.94%	0.96%	0.87%[6]
Expenses after fees waived and before fees paid indirectly	0.92%[6]	0.91%	0.93%	0.95%	0.98%	0.88%[6]
Expenses before fees waived and paid indirectly	1.31%[6]	1.30%	1.32%	1.35%	1.38%	1.17%[6]
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.20%[6]	7.16%	7.49%	7.50%	7.59%	4.43%[6]
Preferred share dividends	1.59%[6]	1.11%	0.55%	0.53%	0.82%	0.37%[6]
Net investment income available to common shareholders	5.61%[6]	6.05%	6.94%	6.97%	6.77%	4.06%[6]
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 103,410	$ 103,432	$ 100,002	$ 98,081	$ 93,558	$ 87,918

Portfolio turnover	7%	10%	10%	19%	35%	28%
Net assets of common shareholders, end of period (000)	$ 103,362	$ 102,944	$ 101,512	$ 97,589	$ 96,816	$ 95,123
Preferred shares value outstanding, end of period (000)	$ 57,550	$ 57,550	$ 57,550	$ 57,550	$ 57,550	$ 57,550
Asset coverage per preferred share, end of period	$ 69,913	$ 69,729	$ 69,101	$ 67,394	$ 67,060	$ 66,323

1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock New Jersey Investment Quality Municipal Trust (RNJ)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.48	$ 14.79	$ 14.90	$ 14.64	$ 14.85	$ 13.96
Investment operations:						
Net investment income	0.43	0.87	0.97	1.00	1.02	0.96
Net realized and unrealized gain (loss)	0.04	(0.21)	(0.20)	0.12	(0.39)	0.87
Dividends and distributions to preferred shareholders from:						
Net investment income	(0.09)	(0.15)	(0.07)	(0.06)	(0.09)	(0.21)
Net realized gains	(0.01)					
Net increase from investment operations	0.37	0.51	0.70	1.06	0.54	1.62
Dividends and distributions to common shareholders from:						
Net investment income	(0.42)	(0.82)	(0.81)	(0.80)	(0.75)	(0.73)
Net realized gains	(0.06)					
Total dividends and distributions	(0.48)	(0.82)	(0.81)	(0.80)	(0.75)	(0.73)
Net asset value, end of period	$ 14.37	$ 14.48	$ 14.79	$ 14.90	$ 14.64	$ 14.85
Market price, end of period	$ 16.00	$ 14.70	$ 15.00	$ 14.80	$ 13.30	$ 13.75
TOTAL INVESTMENT RETURN[1]	12.18%	3.53%	7.14%	17.59%	2.07%	19.63%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.37%[3]	1.34%	1.34%	1.39%	1.31%	1.54%
Expenses after fees waived and before fees paid indirectly	1.42%[3]	1.37%	1.37%	1.39%	1.31%	1.54%
Expenses before fees waived and paid indirectly	1.42%[3]	1.37%	1.37%	1.39%	1.31%	1.54%
Net investment income after fees waived and paid indirectly and before preferred share dividends	6.05%[3]	5.89%	6.50%	6.72%	6.93%	6.64%
Preferred share dividends	1.30%[3]	1.00%	0.47%	0.41%	0.61%	1.47%
Net investment income available to common shareholders	4.75%[3]	4.89%	6.03%	6.31%	6.32%	5.17%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 14,571	$ 14,873	$ 14,974	$ 14,975	$ 14,791	$ 14,570
Portfolio turnover	7%	19%	12%	4%	14%	9%
Net assets of common shareholders, end of period (000)	$ 14,476	$ 14,581	$ 14,900	$ 15,007	$ 14,747	$ 14,958
Preferred shares value outstanding, end of period (000)	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
	$ 73,266	$ 73,612	$ 74,670	$ 75,026	$ 74,159	$ 74,862

Asset coverage per preferred share, end of period	

1 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

2 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

3 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock New Jersey Municipal Income Trust (BNJ)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.87	$ 15.38	$ 14.59	$ 14.29	$ 14.26	$ 14.33[3]
Investment operations:						
Net investment income	0.59	1.17	1.16	1.15	1.10	0.14
Net realized and unrealized gain (loss)	0.23	0.42	0.61	0.11	(0.07)	0.10
Dividends to preferred shareholders from net investment income	(0.12)	(0.18)	(0.08)	(0.08)	(0.12)	(0.01)
Net increase from investment operations	0.70	1.41	1.69	1.18	0.91	0.23
Dividends and distributions to common shareholders:						
Net investment income	(0.48)	(0.92)	(0.90)	(0.88)	(0.87)	(0.13)
In excess of net investment income						(0.03)
Total dividends and distributions	(0.48)	(0.92)	(0.90)	(0.88)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares					(0.01)	(0.11)
Total capital charges					(0.01)	(0.14)
Net asset value, end of period	$ 16.09	$ 15.87	$ 15.38	$ 14.59	$ 14.29	$ 14.26
Market price, end of period	$ 16.90	$ 15.91	$ 14.45	$ 14.04	$ 13.64	$ 14.84
TOTAL INVESTMENT RETURN[4]	9.42%	16.95%	9.63%	9.59%	(2.25)%	(0.56) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.87%[6]	0.89%	0.91%	0.93%	0.93%	0.83%[6]
Expenses after fees waived and before fees paid indirectly	0.89%[6]	0.90%	0.91%	0.94%	0.97%	0.84%[6]
Expenses before fees waived and paid indirectly	1.27%[6]	1.28%	1.30%	1.34%	1.37%	1.12%[6]
Net investment income after fees waived and paid indirectly and before	7.41%[6]	7.37%	7.74%	7.85%	7.81%	3.67%[6]

preferred share dividends												
Preferred share dividends		1.52%[6]		1.12%		0.56%		0.57%		0.88%		0.37%[6]
Net investment income available to common shareholders		5.89%[6]		6.25%		7.18%		7.28%		6.93%		3.30%[6]
SUPPLEMENTAL DATA:												
Average net assets of common shareholders (000)	$	119,012	$	117,596	$	111,263	$	107,900	$	104,241	$	97,050
Portfolio turnover		1%		6%		16%		13%		50%		16%
Net assets of common shareholders, end of period (000)	$	119,704	$	117,739	$	114,019	$	108,172	$	105,985	$	105,089
Preferred shares value outstanding, end of period (000)	$	63,800	$	63,800	$	63,800	$	63,800	$	63,800	$	63,800
Asset coverage per preferred share, end of period	$	71,913	$	71,142	$	69,682	$	67,387	$	66,538	$	66,187

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1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

BlackRock New York Investment Quality Municipal Trust (RNY)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.03	$ 15.35	$ 15.34	$ 15.47	$ 15.28	$ 14.55
Investment operations:						
Net investment income	0.50	0.96	0.96	1.03	1.06	1.06
Net realized and unrealized gain (loss)	(0.10)	(0.26)		(0.21)	0.06	0.70
Dividends and distributions to preferred shareholders from:						
Net investment income	(0.10)	(0.14)	(0.07)	(0.07)	(0.09)	(0.21)
Net realized gains	(0.01)					
Net increase from investment operations	0.29	0.56	0.89	0.75	1.03	1.55
Dividends and distributions to common shareholders from:						
Net investment income	(0.44)	(0.88)	(0.88)	(0.88)	(0.84)	(0.82)
Net realized gains	(0.04)					
Total dividends and distributions	(0.48)	(0.88)	(0.88)	(0.88)	(0.84)	(0.82)
Net asset value, end of period	$ 14.84	$ 15.03	$ 15.35	$ 15.34	$ 15.47	$ 15.28
Market price, end of period	$ 15.30	$ 14.75	$ 14.50	$ 14.18	$ 14.40	$ 14.20
TOTAL INVESTMENT RETURN[1]	7.04%	8.01%	8.81%	4.69%	7.42%	19.20%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.21%[3]	1.20%	1.21%	1.24%	1.17%	1.31%
Expenses after fees waived and before fees paid indirectly	1.26%[3]	1.24%	1.24%	1.24%	1.17%	1.31%
Expenses before fees paid indirectly	1.26%[3]	1.24%	1.24%	1.24%	1.17%	1.31%
Net investment income after fees waived and paid indirectly and before preferred share dividends	6.62%[3]	6.30%	6.29%	6.68%	6.97%	7.06%
Preferred share dividends	1.30%[3]	0.91%	0.46%	0.44%	0.60%	1.40%
Net investment income available to common shareholders	5.32%[3]	5.39%	5.83%	6.24%	6.37%	5.66%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 19,601	$ 19,993	$ 20,019	$ 20,158	$ 19,915	$ 19,663
Portfolio turnover	20%	10%	23%	36%	7%	%
Net assets of common shareholders, end of period (000)	$ 19,403	$ 19,643	$ 20,066	$ 20,053	$ 20,222	$ 19,973
Preferred shares value outstanding, end of period (000)	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800
Asset coverage per preferred share, end of period	$ 74,515	$ 75,111	$ 76,195	$ 76,159	$ 76,590	$ 75,955

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[1] Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

[2] Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

[3] Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock New York Municipal Income Trust (BNY)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.44	$ 15.28	$ 14.76	$ 14.47	$ 14.09	$ 14.33[3]
Investment operations:						
Net investment income	0.57	1.14	1.14	1.14	1.09	0.15
Net realized and unrealized gain (loss)	0.13	0.09	0.36	0.13	0.29	(0.08)
Dividends to preferred shareholders from net investment income	(0.12)	(0.17)	(0.08)	(0.09)	(0.13)	(0.01)
Net increase from investment operations	0.58	1.06	1.42	1.18	1.25	0.06
Dividends and distributions to common shareholders:						
Net investment income	(0.45)	(0.90)	(0.90)	(0.89)	(0.87)	(0.14)
In excess of net investment income						(0.02)
Total dividends and distributions	(0.45)	(0.90)	(0.90)	(0.89)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares						(0.11)
Total capital charges						(0.14)
Net asset value, end of period	$ 15.57	$ 15.44	$ 15.28	$ 14.76	$ 14.47	$ 14.09
Market price, end of period	$ 16.22	$ 15.19	$ 13.99	$ 13.45	$ 13.42	$ 14.62
TOTAL INVESTMENT RETURN[4]	9.93%	15.38%	10.99%	6.95%	(2.25)%	(5.58)%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.85%[6]	0.86%	0.87%	0.88%	0.90%	0.73%[6]
Expenses after fees waived and before fees paid indirectly	0.86%[6]	0.87%	0.87%	0.89%	0.92%	0.74%[6]
Expenses before fees waived and paid indirectly	1.25%[6]	1.26%	1.27%	1.29%	1.33%	1.03%[6]
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.46%[6]	7.35%	7.62%	7.73%	7.87%	3.93%[6]
Preferred share dividends	1.60%[6]	1.08%	0.56%	0.62%	0.93%	0.37%[6]
Net investment income available to common shareholders	5.86%[6]	6.27%	7.06%	7.11%	6.94%	3.56%[6]
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 194,531	$ 194,038	$ 188,746	$ 183,648	$ 173,885	$ 163,077

Portfolio turnover	16%	24%	13%	14%	57%	2%
Net assets of common shareholders, end of period (000)	$ 195,462	$ 193,457	$ 191,274	$ 184,874	$ 181,200	$ 175,110
Preferred shares value outstanding, end of period (000)	$ 109,750	$ 109,750	$ 109,750	$ 109,750	$ 109,750	$ 109,750
Asset coverage per preferred share, end of period	$ 69,537	$ 69,073	$ 68,575	$ 67,115	$ 66,279	$ 64,894

1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS (unaudited)

Note 1. Organization & Accounting Policies

BlackRock Investment Quality Municipal Trust Inc. (Municipal Investment Quality) was organized as a Maryland corporation on November 19, 1992. BlackRock California Investment Quality Municipal Trust Inc. (California Investment Quality), BlackRock New Jersey Investment Quality Municipal Trust Inc. (New Jersey Investment Quality) and BlackRock New York Investment Quality Municipal Trust Inc. (New York Investment Quality) were organized as Maryland corporations on April 12, 1993. BlackRock Florida Investment Quality Municipal Trust (Florida Investment Quality) was organized as a Massachusetts business trust on April 15, 1993. Municipal Investment Quality, California Investment Quality, Florida Investment Quality, New Jersey Investment Quality and New York Investment Quality are herein referred to as the Investment Quality Trusts. BlackRock Municipal Income Trust (Municipal Income), BlackRock California Municipal Income Trust (California Income), BlackRock Florida Municipal Income Trust (Florida Income), BlackRock New Jersey Municipal Income Trust (New Jersey Income) and BlackRock New York Municipal Income Trust (New York Income) (collectively the Income Trusts) were organized as Delaware statutory trusts on March 30, 2001. The Investment Quality Trusts and the Income Trusts are referred to herein collectively as the Trusts. Municipal Investment Quality and Municipal Income are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended. California Investment Quality, California Income, Florida Investment Quality, Florida Income, New Jersey Investment Quality, New Jersey Income, New York Investment Quality and New York Income are registered as non-diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended. The ability of issuers of debt securities held by each Trust to meet their obligations may be affected by economic developments in a state, a specific industry or region.

Under the Trusts organizational documents, their officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trusts. In addition, in the normal course of business, the Trusts enter into contracts with their vendors and others that provide for general indemnifications. The Trusts maximum exposure under these arrangements are unknown as this would involve future claims that may be made against the Trusts. However, based on experience, the Trusts consider the risk of loss from such claims to be remote.

The following is a summary of significant accounting policies followed by the Trusts.

Investments Valuation: Municipal investments (including commitments to purchase such investments on a when-issued basis) are valued on the basis of prices provided by dealers or pricing services selected under the supervision of each Trust s Board of Trustees or Board of Directors, as the case may be (each, a Board). In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from bond dealers, market transactions in comparable investments and various relationships between investments. A futures contract is valued at the last sale price as of the close of the commodities exchange on which it trades. Short-term securities may be valued at amortized cost. Investments in open-end investment companies are valued at net asset value per share. Any investments or other assets for which such current market quotations are not readily available are valued at fair value (Fair Value Assets) as determined in good faith under procedures established by, and under the general supervision and responsibility of, each Trust s Board. The investment advisor and/or sub-advisor will submit its recommendations regarding the valuation and/or valuation methodologies for Fair Value Assets to a valuation committee. The valuation committee may accept, modify or reject any recommendations. The pricing of all Fair Value Assets shall be subsequently reported to the Board.

When determining the price for a Fair Value Asset, the investment advisor and/or sub-advisor shall seek to determine the price that the Trust might reasonably expect to receive from the current sale of that asset in an arm s-length transaction. Fair value determinations shall be based upon all available factors that the investment advisor and/or sub-advisor deems relevant.

Investment Transactions and Investment Income: Investment transactions are recorded on trade date. The cost of investments sold and the related gain or loss is determined by use of the specific identification method, generally first-in, first-out, for both financial reporting and Federal income tax purposes. Each Trust also records interest income on an accrual basis and amortizes premium and/or accretes discount on securities purchased using the interest method.

Financial Futures Contracts: A futures contract is an agreement between two parties to buy and sell a financial instrument for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market on a daily basis to reflect the market value of the contract at the end of each day s trading. Variation margin payments are made or received, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Trust records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust s basis in the contract.

Financial futures contracts, when used by the Trusts, help in maintaining a targeted duration. Futures contracts can be sold to effectively shorten an otherwise longer duration portfolio. In the same sense, futures contracts can be purchased to lengthen a portfolio that is shorter than its duration target. Thus, by buying or selling futures contracts, the Trusts may attempt to manage the duration of positions so that changes in interest rates do not change the duration of the portfolio unexpectedly.

Interest Rate Swaps: Interest rate swaps are agreements in which one party pays a floating rate of interest on a notional principal amount and receives a fixed rate of interest on the same notional principal amount for a specified period of time. Alternatively, a party may pay a fixed rate and receive a floating rate. Interest rate swaps are efficient as asset/liability management tools. In more complex swaps, the notional principal amount may decline (or amortize) over time.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by marking-to-market to reflect the market value of the swap. When the swap is terminated, a Trust will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust s basis in the contract, if any.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the swap. However, the Trusts closely monitor swaps and do not anticipate non-performance by any counterparty.

Segregation: In cases in which the Investment Company Act of 1940 (the 1940 Act), as amended, and the interpretive positions of the Securities and Exchange Commission (the Commission) require that each Trust segregate assets in connection with certain investments (e.g., when-issued securities, swap agreements or futures contracts), each Trust will, consistent with certain interpretive letters issued by the Commission, designate on its books and records cash or other liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated.

Federal Income Taxes: It is each Trust s intention to continue to be treated as a regulated investment company under the Internal Revenue Code and to distribute sufficient amounts of their net income and net realized capital gains, if any, to shareholders. Therefore, no federal income tax provisions have been recorded.

Dividends and Distributions: Each Trust declares and pays dividends and distributions to common shareholders monthly from net investment income, net realized short-term capital gains and, if necessary, other sources. Net long-term capital gains, if any, in excess of loss carryforwards may be distributed in accordance with the 1940 Act. Dividends and distributions are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. Dividends and distributions to preferred shareholders are accrued and determined as described in Note 5.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and such differences may be material.

Deferred Compensation and BlackRock Closed-End Share Equivalent Investment Plan: Under the deferred compensation plan approved by each Trust s Board, non-interested Trustees/Directors (Trustees) are required to defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of other BlackRock closed-end trusts selected by the Trustees. These amounts are shown on the Statements of Assets and Liabilities as Investments in affiliates . This has the same economic effect for the Trustees as if the Trustees had invested the deferred amounts in such Trusts.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Trust. Each Trust may, however, elect to invest in common shares of those Trusts selected by the Trustees in order to match its deferred compensation obligations.

Other: Expenses that are directly related to one of the Trusts are charged directly to that Trust. Other operating expenses are generally prorated to the Trusts on the basis of relative net assets of all of the BlackRock Closed-End Trusts.

Note 2. Agreements

Each Trust has an Investment Management Agreement with BlackRock Advisors, Inc. (the Advisor), a wholly owned subsidiary of BlackRock, Inc. BlackRock Financial Management, Inc. (BFM), a wholly owned subsidiary of BlackRock, Inc., serves as sub-advisor to Municipal Income Trust, California Municipal Income Trust, Florida Municipal Income Trust, New Jersey Municipal Income Trust and New York Municipal Income Trust. BlackRock, Inc. is an indirect majority owned subsidiary of The PNC Financial Services Group, Inc. The Investment Management Agreement for each Income Trust covers both investment advisory and administration services. Each Investment Quality Trust has an Administration Agreement with the Advisor.

Each Trust s investment advisory fee paid to the Advisor is computed weekly and payable monthly based on an annual rate, 0.35% for the Investment Quality Trusts and 0.60% for the Income Trusts, of the Trust s average weekly managed assets. Managed assets means the total assets of a Trust (including any assets attributable to any preferred shares that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). The Advisor has voluntarily agreed to waive a portion of the investment advisory fee or other expenses on the Income Trusts as a percentage of managed assets as follows: 0.25% for the first five years of each of the Trust s operations, 0.20% in year six, 0.15% in year seven, 0.10% in year eight and 0.05% in year nine.

The Advisor pays BFM fees for its sub-advisory services.

The administration fee paid to the Advisor is computed weekly and payable monthly based on an annual rate of 0.15% for the Municipal Investment Quality Trust and 0.10% for the California Investment Quality, Florida Investment Quality, New Jersey Investment Quality and New York Investment Quality of the Trusts average weekly managed assets.

Pursuant to the agreements, the Advisor provides continuous supervision of the investment portfolio and pays the compensation of officers of each Trust who are affiliated persons of the Advisor, as well as occupancy and certain clerical and accounting costs of each Trust. Each Trust bears all other costs and expenses, which include reimbursements to the Advisor for cost of employees that provide pricing, secondary market support, and compliance services to each Trust. For the six months ended April 30, 2006, the Trusts reimbursed the Advisor the following amounts, which are included in miscellaneous expenses in the Statements of Operations:

Trust	Amount	Trust	Amount
Municipal Investment Quality	$ 8,236	Florida Income	$ 3,180
Municipal Income	17,376	New Jersey Investment Quality	480
California Investment Quality	480	New Jersey Income	3,479
California Income	6,853	New York Investment Quality	657
Florida Investment Quality	572	New York Income	5,944

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Pursuant to the terms of each Trust s custody agreement, each Trust received earnings credits from its custodian for positive cash balances maintained, which are used to offset custody fees. These credits are shown on the Statement of Operations as fees paid indirectly .

Note 3. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments and U.S. government securities, for the six months ended April 30, 2006, were as follows:

Trust	Purchases	Sales	Trust	Purchases	Sales
Municipal Investment Quality	$ 170,471,071	$ 168,265,590	Florida Income	$ 14,405,471	$ 11,235,567
Municipal Income	461,600,770	402,825,581	New Jersey Investment Quality	1,122,245	2,436,766
California Investment Quality	5,400,831	2,373,596	New Jersey Income	1,455,902	1,635,818
California Income	41,243,014	36,593,062	New York Investment Quality	5,495,186	6,015,085
Florida Investment Quality	3,178,466	4,018,578	New York Income	47,900,372	49,753,187

There were no purchases or sales of U.S. government securities.

Details of open interest rate swaps at April 30, 2006 were as follows:

Trust	Notional Amount	Fixed Rate[(a)]	Floating Rate	Termination Date	Unrealized Appreciation (Depreciation)
Investment Quality	$ 8,500,000	4.180 %	1-week BMA Municipal Swap Index	09/14/06	$ 212,865
Municipal Trust	6,300,000	4.258	1-week BMA Municipal Swap Index	03/20/07	240,150
	8,500,000	4.263	1-week BMA Municipal Swap Index	12/27/06	242,456
	7,250,000	4.266	1-week BMA Municipal Swap Index	11/03/06	108,444
					803,915
Municipal Income Trust	32,100,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	803,878
	24,000,000	4.258	1-week BMA Municipal Swap Index	03/20/07	914,856
	32,000,000	4.263	1-week BMA Municipal Swap Index	12/27/06	912,776
	28,000,000	4.266	1-week BMA Municipal Swap Index	11/03/06	418,815
					3,050,326
California Municipal	12,000,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	300,515
Income Trust	9,000,000	4.258	1-week BMA Municipal Swap Index	03/20/07	343,071
	12,000,000	4.263	1-week BMA Municipal Swap Index	12/27/06	342,291
	10,500,000	4.266	1-week BMA Municipal Swap Index	11/03/06	157,056
					1,142,933
Florida Municipal Income	4,500,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	112,693
Trust	3,300,000	4.258	1-week BMA Municipal Swap Index	03/20/07	125,793
	4,500,000	4.263	1-week BMA Municipal Swap Index	12/27/06	128,359
	4,000,000	4.266	1-week BMA Municipal Swap Index	11/03/06	59,831
					426,676
New Jersey Municipal	5,500,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	137,736
Income Trust	4,100,000	4.258	1-week BMA Municipal Swap Index	03/20/07	156,288
	5,500,000	4.263	1-week BMA Municipal Swap Index	12/27/06	156,883
	4,750,000	4.266	1-week BMA Municipal Swap Index	11/03/06	71,049

					521,956
New York Municipal	7,800,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	195,335
Income Trust	5,800,000	4.258	1-week BMA Municipal Swap Index	03/20/07	221,090
	7,750,000	4.263	1-week BMA Municipal Swap Index	12/27/06	221,063
	6,750,000	4.266	1-week BMA Municipal Swap Index	11/03/06	100,964
					738,452

(a) Trust pays fixed interest rate and receives floating rate.

Note 4. Income Tax Information

The tax character of distributions paid during the year ended October 31, 2005, were as follows:

	Year ended October 31, 2005		
Distributions Paid From:	**Tax-exempt Income**	**Long-term Capital Gains**	**Total Distributions**
Municipal Investment Quality	$ 19,171,844	$	$ 19,171,844
Municipal Income	50,626,000		50,626,000
California Investment Quality	981,792		981,792
California Income	16,041,371		16,041,371
Florida Investment Quality	1,131,803	138,032	1,269,835
Florida Income	7,162,799		7,162,799
New Jersey Investment Quality	972,856		972,856
New Jersey Income	8,139,994		8,139,994
New York Investment Quality	1,329,762		1,329,762
New York Income	13,412,688		13,412,688

For Federal income tax purposes, the following Trusts had capital loss carryforwards at October 31, 2005, the Trust s most recent tax year-end except for New York Income which had its most recent tax year-end at July 31, 2005. These amounts may be used to offset future realized capital gains, if any:

Trust	**Capital Loss Carryforward Amount**	**Expires**
Municipal Investment Quality	$ 159,146	2012
Municipal Income	$ 11,431,206	2011
	15,767,388	2012
	$ 27,198,594	
California Investment Quality	$ 9,026	2012
California Income	$ 389,453	2010
	124,338	2011
	4,943,577	2012
	$ 5,457,368	

Trust	**Capital Loss Carryforward Amount**	**Expires**
Florida Income	$ 1,060,497	2012
New Jersey Income	$ 988,460	2012

New York Income	$	662,558	2011
		485,438	2012
	$	1,147,996	

Note 5. Capital

There are 200 million of $0.01 par value common shares authorized for each of the Investment Quality Trusts. There are an unlimited number of $0.001 par value common shares authorized for the Income Trusts. Each Trust may classify or reclassify any unissued common shares into one or more series of preferred shares.

During the six months ended April 30, 2006 and the year ended October 31, 2005, the following Trusts issued additional shares under its dividend reinvestment plan:

Trust	April 30, 2006	October 31, 2005
Municipal Income	90,118	72,096
California Income	16,439	
Flordia Income	5,688	2,650
New Jersey Income	21,442	3,854
New York Income	23,507	4,806

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As of April 30, 2006, each Trust had the following series of preferred shares outstanding as listed in the table below. The preferred shares have a liquidation value of $25,000 per share plus any accumulated unpaid dividends.

Trust	Series	Shares	Trust	Series	Shares
Municipal Investment Quality	T7	3,262	California Income	T7	2,639
	T28	2,600		R7	2,639
Municipal Income	M7	3,001	Florida Investment Quality	R7	340
	T7	3,001	Florida Income	T7	2,302
	W7	3,001	New Jersey Investment Quality	T7	300
	R7	3,001	New Jersey Income	R7	2,552
	F7	3,001	New York Investment Quality	F7	392
California Investment Quality	W7	300	New York Income	W7	2,195
				F7	2,195

Dividends on seven-day preferred shares are cumulative at a rate which is reset every seven days based on the results of an auction. Dividends on 28-day preferred shares are cumulative at a rate which resets every 28 days based on the results of an auction. The dividend ranges on the preferred shares for each of the Trusts for the six months ended April 30, 2006, were as follows:

Trust	Series	Low	High	Average	Trust	Series	Low	High	Average
Municipal Investment Quality	T7	2.12%	3.60%	2.89 %	California Income	T7	2.12%	3.80%	2.79 %
	T28	2.78	3.36	3.08		R7	2.00	3.50	2.81
Municipal Income	M7	2.70	3.70	3.05	Florida Investment Quality	R7	2.59	4.10	3.14
	T7	2.50	3.60	3.00	Florida Income	T7	2.20	3.60	2.87
	W7	2.30	3.50	2.98	New Jersey Investment Quality	T7	2.20	3.95	2.86
	R7	2.45	3.80	2.97	New Jersey Income	R7	2.00	3.71	2.86
	F7	2.40	3.64	2.97	New York Investment Quality	F7	2.50	3.60	2.82
California Investment Quality	W7	2.00	3.60	2.60	New York Income	W7	2.40	3.70	2.86
						F7	2.20	3.55	2.84

A Trust may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred shares would be less than 200%.

The preferred shares are redeemable at the option of each Trust, in whole or in part, on any dividend payment date at $25,000 per share plus any accumulated unpaid dividends whether or not declared. The preferred shares are also subject to mandatory redemption at $25,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of a Trust, as set forth in each Trust s Declaration of Trust, are not satisfied.

The holders of preferred shares have voting rights equal to the holders of common shares (one vote per share) and will vote together with holders of common shares as a single class. However, holders of preferred shares, voting as a separate class, are also entitled to elect two Trustees for each Trust. In addition, the 1940 Act, as amended, requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares, (b) change a Trust s subclassification as a closed-end investment company or change its fundamental investment restrictions and (c) change its business so as to cease to be an investment company.

Note 6. Dividends

Subsequent to April 30, 2006, the Board of each Trust declared dividends from undistributed earnings per common share payable June 1, 2006, to shareholders of record on May 15, 2006. The per share common dividends declared were as follows:

Trust	Common Dividend Per Share	Trust	Common Dividend Per Share
Municipal Investment Quality	$0.088250	Florida Income	$0.075375
Municipal Income	0.082625	New Jersey Investment Quality	0.070125
California Investment Quality	0.070600	New Jersey Income	0.079625

California Income	0.076074	New York Investment Quality	0.073125
Florida Investment Quality	0.070781	New York Income	0.075339

The dividends declared on preferred shares for the period May 1, 2006 to May 31, 2006, for each of the Trusts were as follows:

Trust	Series	Dividends Declared	Trust	Series	Dividends Declared
Municipal Investment Quality	T7	$271,203	California Income	T7	$216,847
	T28	167,544		R7	162,694
Municipal Income	M7	251,484	Florida Investment Quality	R7	23,800
	T7	251,364	Florida Income	T7	190,398
	W7	199,567	New Jersey Investment Quality	T7	20,784
	R7	202,147	New Jersey Income	R7	168,840
	F7	258,536	New York Investment Quality	F7	33,708
California Investment Quality	W7	19,509	New York Income	W7	138,790
				F7	187,453

Note 7. Concentration Risk

The Trusts concentrate their investments in securities issued by state agencies, other governmental entities and U.S. Territories. The Trusts are more susceptible to adverse financial, social, environmental, economic, regulatory and political factors that may affect these states, which could seriously affect the ability of these states and their municipal subdivisions to meet continuing obligations for principle and interest payments, than if the Trusts were not concentrated in securities issued by state agencies, other governmental entities and U.S. Territories.

Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that market value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. These securities have been identified in the Portfolios of Investments.

DIVIDEND REINVESTMENT PLANS

Pursuant to each Trust s Dividend Reinvestment Plan (the Plan), common shareholders are automatically enrolled to have all distributions of dividends and capital gains reinvested by Computershare Trust Company, N.A. (the Plan Agent) in the respective Trust s shares pursuant to the Plan. Shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholders of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent.

After an Investment Quality Trust declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participant s account, by the purchase of outstanding shares on the open market, on the Trust s primary exchange or elsewhere (open market purchases). The Investment Quality Trusts will not issue any new shares under the Plan, which serves as agent for the shareholders in administering the Plan.

After an Income Trust declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants accounts, depending upon the circumstances described below, either (i) through receipt of unissued but authorized shares from the Trust (newly issued shares) or (ii) by open market purchases. If, on the dividend payment date, the net asset value per share (NAV) is equal to or less than the market price per share plus estimated brokerage commissions (such condition being referred to herein as market premium), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participants. The number of newly issued shares to be credited to each participant s account will be determined by dividing the dollar amount of the dividend by the NAV on the date the shares are issued. However, if the NAV is less than 95% of the market price on the payment date, the dollar amount of the dividend will be divided by 95% of the market price on the payment date. If, on the dividend payment date, the NAV is greater than the market value per share plus estimated brokerage commissions (such condition being referred to herein as market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open market purchases.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent and will receive certificates for whole Trust shares and a cash payment for any fraction of a Trust share.

The Plan Agent s fees for the handling of the reinvestment of dividends and distributions will be paid by each Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any Federal income tax that may be payable on such dividends or distributions.

Each Trust reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan, however, each Trust reserves the right to amend the Plan to include a service charge payable by the participants. Participants who request a sale of shares through the Plan Agent are subject to a $2.50 sales fee and a $0.15 per share sold brokerage commission. All correspondence concerning the Plan should be directed to the Plan Agent at 250 Royall Street, Canton, MA 02021, or (800) 699-1BFM.

ADDITIONAL INFORMATION

On February 15, 2006, BlackRock, Inc. (BlackRock) and Merrill Lynch & Co., Inc. (Merrill Lynch) announced that they had entered into an agreement pursuant to which Merrill Lynch would contribute its investment management business, Merrill Lynch Investment Managers, to BlackRock, one of the largest publicly traded investment management firms in the United States, to form a new asset management company that will be one of the world s preeminent, diversified global money management organizations with approximately $1 trillion in assets under management. Based in New York, BlackRock currently manages assets for institutional and individual investors worldwide through a variety of equity, fixed income, cash management and alternative investment products. The new company will operate under the BlackRock name and be governed by a board of directors with a majority of independent members. The new company will offer a full range of equity, fixed income, cash management and alternative investment products with strong representation in both retail and institutional channels, in the U.S. and in non-U.S. markets. It will have over 4,500 employees in 18 countries and a major presence in most key markets, including the United States, the United Kingdom, Asia, Australia, the Middle East and Europe. Merrill Lynch will own no more than 49.8% of the total issued and outstanding capital stock of the new company and it will own no more than 45% of the new company s common stock, and The PNC Financial Services Group, Inc. (PNC), which currently holds a majority interest in BlackRock, will retain approximately 34% of the new company s common stock. Each of Merrill Lynch and PNC has agreed that it will vote all of its shares on all matters in accordance with the recommendation of BlackRock s board. Completion of the transaction is subject to various regulatory approvals, client consents, approval by BlackRock shareholders and customary conditions. The transaction has been approved by the boards of directors of Merrill Lynch, BlackRock and PNC and is expected to close at the end of the third quarter of 2006.

The Trusts listed for trading on the New York Stock Exchange (NYSE) has filed with the NYSE its chief executive officer certification regarding compliance with the NYSE s listing standards and each Trust listed for trading on the American Stock Exchange (AMEX) has filed with the AMEX its corporate governance certification regarding compliance with the AMEX s listing standards. All of the Trusts have filed with the Securities and Exchange Commission the certification of it chief officer and chief financial officer required but section 302 of the Sarbanes-Oxley Act.

The Trusts do not make available copies of their respective Statements of Additional Information because the Trusts shares are not continuously offered, which means that the statement of Additional Information of each Trust has not been updated after completion of such Trust s offering and the information contained in each Trust s Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Trusts investment objectives or policies or to their charter or by-laws that have not been approved by the shareholders or in the principle risk factors associated with investment in the Trusts. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Trusts portfolio.

Quarterly performance and other information regarding the Trusts may be found on BlackRock s website, which can be accessed at http://www.blackrock.com/indiv/products/closedendfunds/funds.html. This reference to BlackRock s website is intended to allow investors public access to information regarding the Trusts and does not, and is not intended, to incorporate BlackRock s website into this report.

Certain officers of the Trusts listed on the inside back cover of this Report to Shareholders are also officers of the Advisor or Sub-Advisor. They serve in the following capacities for the Advisor or Sub-Advisor: Robert S. Kapito - Director and Vice Chairman of the Advisor and the Sub-Advisor, Kevin M. Klingert - Director of the Advisor and Managing Director of the Advisor and the Sub-Advisor, Henry Gabbay, Anne Ackerley and Bartholomew Battista - Managing Directors of the Advisor and Sub-Advisor, James Kong and Vincent Tritto - Managing Directors of the Sub-Advisor, and Brian P. Kindelan - Managing Director of the Advisor.

SECTION 19 NOTICES

Set forth below is a summary of notices sent by each Trust, if any, pursuant to Section 19 of the Investment Company Act of 1940. Section 19 requires each Trust to accompany dividend payments with a notice if any part of that payment is from a source other than accumulated net investment income, not including profits or losses from the sale of securities or other properties. These notices are not for tax reporting purposes and were provided only for informational purposes in order to comply with the requirements of Section 19. In January 2007, after the completion of each Trust s tax year, shareholders will receive a Form 1099-DIV which will reflect the amount of income, capital gain and return of capital paid by the Trust taxable in calendar year 2006 and reportable on your 2006 federal and other income tax returns.

		Total distributions	Net Investment Income	Distributions from proceeds from the sale of securities	Distributions from return of capital
BlackRock Florida Investment Quality Municipal Trust (RFA)					
	Dec-05	$0.12966	$	$0.12966	$
BlackRock New Jersey Investment Quality Municipal Trust (RNJ)					
	Dec-05	$0.06353		$0.06353	
BlackRock New York Investment Quality Municipal Trust (RNY)					
	Dec-05	$0.04274		$0.04274	

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BlackRock Closed-End Funds

Investment Advisor
BlackRock Advisors, Inc.
100 Bellevue Parkway
Wilmington, DE 19809
(800) 227-7BFM

Sub-Advisor[1]
BlackRock Financial Management, Inc.
40 East 52nd Street
New York, NY 10022

Accounting Agent and Custodian
State Street Bank and Trust Company
2 Avenue De Lafayette
Boston, MA 02111

[1] For the Income Trusts.
[2] For the Investment Quality Trusts.

Transfer Agent
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
(800) 699-1BFM

Auction Agent[1]
Bank of New York
101 Barclay Street, 7 West
New York, NY 10286

Auction Agent[2]
Deutsche Bank Trust Company Americas
60 Wall Street, 8th Floor
New York, NY 10286

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

Legal Counsel
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036

Legal Counsel Independent Trustees
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Trust shares.Statements and other information contained in this report are as dated and are subject to change.

BlackRock Closed-End Funds
c/o BlackRock Advisors, Inc.
100 Bellevue Parkway
Wilmington, DE 19809
(800) 227-7BFM

The Trusts will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called householding and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Trusts at (800)699-1BFM.

The Trusts have delegated to the Advisor the voting of proxies relating to their voting securities pursuant to the Advisor s proxy voting policies and procedures. You may obtain a copy of these proxy voting policies and procedures, without charge, by calling (800) 699-1BFM. These policies and procedures are also available on the website of the Securities and Exchange Commission (the Commission) at http://www.sec.gov.

Information on how proxies relating to the Trusts voting securities were voted (if any) by the Advisor during the most recent 12-month period ended June 30th is available without charge, upon request, by calling (800) 699-1BFM or on the website of the Commission at http://www.sec.gov.

The Trusts file their complete schedule of portfolio holdings for the first and third quarters of their respective fiscal years with the Commission on Form N-Q. Each Trust s Form N-Q will be available on the Commission s website at http://www.sec.gov. Each Trust s Form N-Q, may be reviewed and copied at the Commission s Public Reference Room in Washington, D.C. Information regarding the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. Each Trust s Form N-Q, may also be obtained upon request without charge by calling (800) 699-1BFM.

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Item 2. Code of Ethics.
Not applicable for semi-annual reports.

Item 3. Audit Committee Financial Expert.
Not applicable for semi-annual reports.

Item 4. Principal Accountant Fees and Services.
Not applicable for semi-annual reports.

Item 5. Audit Committee of Listed Registrants.
Not applicable for semi-annual reports.

Item 6. Schedule of Investments.
The Registrant□s Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this Form.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.
Not applicable for semi-annual reports.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.
Not applicable for semi-annual reports.

Item 9. Purchases of Equity Securities by Closed-End Management Company and Affiliated Purchasers.
No such purchases were made during the period covered by this report.

Item 10. Submission of Matters to a Vote of Security Holders.
No matters were voted on by shareholders during the period covered by this report.

Item 11. Controls and Procedures. (a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded, as of that date, that the Registrant□s disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported within the required time periods and that information required to be disclosed by the Registrant in this Form N-CSR was accumulated and communicated to the Registrant□s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a -3(d))) that occurred during the Registrant□s last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 12. Exhibits.

(a) (1) Not applicable.

(a) (2) Separate certifications of the Principal Executive and Financial Officers pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 and Section 302 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 and Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906 CERT.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) BlackRock Municipal Income Trust

By: /s/ Henry Gabbay
Name: Henry Gabbay
Title: Treasurer
Date: July 6, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Robert S. Kapito
Name: Robert S. Kapito
Title: Principal Executive Officer
Date: July 6, 2006

By: /s/ Henry Gabbay
Name: Henry Gabbay
Title: Principal Financial Officer
Date: July 6, 2006