GRAY TELEVISION INC
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2015 or
Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from __________ to __________.

Commission File Number 1-13796

GRAY TELEVISION, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

Gray Television Inc.

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PART 1

Item 1. Business.

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

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

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

General

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

In addition to our primary broadcast channels, we can also broadcast secondary digital channels within a market. Our secondary digital channels are generally affiliated with networks different from those affiliated with our primary broadcast channels, and they are operated by us to make better use of our broadcast spectrum by providing supplemental and/or alternative programming in addition to our primary channels. Certain of our secondary digital channels are affiliated with more than one network simultaneously. In addition to affiliations with ABC, CBS and FOX, our secondary channels are affiliated with numerous smaller networks and program services including, among others, the CW Network or the CW Plus Network (collectively, "CW"), MY Network ("MY" or "My Network"), the MeTV

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

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

Television Industry Background

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

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

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

Strategy

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

Grow by Leveraging our Diverse National Footprint

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

Continue to Pursue Strategic Growth and Accretive Acquisition Opportunities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Maintain and Grow our Market Leadership Position

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

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

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

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

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

Continue to Monetize Digital Spectrum

We currently broadcast over 80 secondary channels. Our secondary channels are affiliated with networks different from those affiliated with our primary channels and are operated by us to make better use of our broadcast spectrum by providing supplemental and/or alternative programming to our primary channels. Certain of our channels are affiliated with more than one network simultaneously.

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

Maintain Prudent Cost Management

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

Cyclicality, Seasonality and Revenue Concentrations

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

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

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

Markets and Stations

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

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

We are diversified across our markets and network affiliations. In 2015 and 2014, our largest market by company revenue was Charleston/Huntington, WV, which contributed approximately 6% and 7% of our revenue for each of those years, respectively. Our top 10 markets by Company revenue contributed approximately 38% and 35% of our revenue for each of the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, our CBS-affiliated channels accounted for 36% and 42%, respectively, of our revenue; our NBC-affiliated channels accounted for 34% and 38%, respectively, of our revenue; our ABC-affiliated channels accounted for 20% and 15%, respectively, of our revenue; and our FOX-affiliated channels accounted for approximately 2% of our revenue.

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

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

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

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

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

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

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

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

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

(c) Indicates expiration dates of broadcast licenses.

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

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

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

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

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

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

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

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

Station Network Affiliations

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

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

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

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

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

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

Competition

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

Audience

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

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

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

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

Programming

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

Advertising

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

Federal Regulation of the Television Broadcast Industry

General

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

License Grant and Renewal

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

Media Ownership Restrictions and FCC Proceedings

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

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

Local TV Ownership Rules

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

Cross-Media Limits

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

National Television Station Ownership Rule

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

Conclusion

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

Attribution Rules

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

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

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

Alien Ownership Restrictions

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

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

Programming and Operations

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

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

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

EEO Rules

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

MVPD Retransmission of Local Television Signals

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

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

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

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

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