

# Gray Television, Inc.

## Certain Non-GAAP Measures Disclosures

The Company has used certain terms that are not measures recognized under generally accepted accounting principles (“GAAP”). The Company defines each of these terms below and discusses why it believes the terms may be meaningful. Other companies in the broadcast industry may use similar terms which may or may not be comparable to the terms used by Gray. These non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**Broadcast Cash Flow** is a non-GAAP term that the Company uses as a measure of performance and as a measure of valuing the approximate fair value of the Company’s television business. As a performance measure the Company uses this term as a “benchmarking tool” to compare its results to the corresponding results of other companies in the broadcast industry. The Company also believes the broadcast industry uses this measure to estimate the fair market value of the business by multiplying Broadcast Cash Flow by a multiple. Broadcast Cash Flow is defined as operating income, plus corporate expense, depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and (gain) loss on disposal of assets and cash payments received or receivable under network affiliation agreements less payments for program broadcast obligations, less network compensation revenue and less income (loss) from discontinued operations, net of income taxes. Accordingly, the Company has provided a reconciliation of Broadcast Cash Flow to net income.

**Broadcast Cash Flow Less Cash Corporate Expenses** is a non-GAAP term the Company uses as a measure of performance. Broadcast Cash Flow Less Cash Corporate Expenses is used by the Company to approximate the amount used to calculate key financial performance covenants including, but not limited to, limitations on debt, interest coverage, and fixed charge coverage ratios as defined in the Company’s senior credit facility and/or subordinated note indenture. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate expenses excluding depreciation, amortization, and non-cash stock based compensation.

	<b>As Reported</b>	
	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Net income (loss)	\$ 4,644	\$ (4,180)
Adjustments to reconcile to Broadcast Cash Flow Less		
Cash Corporate Expenses:		
Depreciation and amortization of intangible assets	8,797	10,156
Amortization of non-cash stock based compensation	399	285
(Gain) loss on disposals of assets, net	(338)	5
Miscellaneous (income) expense, net	(36)	(177)
Interest expense	12,626	16,812
Income tax expense (benefit)	3,277	(2,546)
Amortization of program broadcast rights	3,926	3,750
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	553	550
Network compensation revenue recognized	(184)	(180)
Network compensation per network affiliation agreement	30	78
Payments for program broadcast rights	(3,708)	(3,821)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>29,986</b>	<b>20,732</b>
Corporate and administrative expenses excluding amortization of non-cash stock-based compensation	3,355	3,647
<b>Broadcast Cash Flow</b>	<b>\$ 33,341</b>	<b>\$ 24,379</b>

	<b>As Reported</b>	
	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Net income (loss)	\$ 4,009	\$ (24,639)
Adjustments to reconcile to Broadcast Cash Flow Less		
Cash Corporate Expenses:		
Depreciation and amortization of intangible assets	26,788	30,048
Amortization of non-cash stock based compensation	1,088	1,115
(Gain) loss on disposals of assets, net	(1,343)	122
Miscellaneous (income) expense, net	(126)	(984)
Interest expense	41,827	50,610
Loss on early extinguishment of debt	-	22,853
Income tax expense (benefit)	2,820	(14,021)
Amortization of program broadcast rights	11,598	11,345
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	1,751	1,750
Network compensation revenue recognized	(564)	(564)
Network compensation per network affiliation agreement	90	235
Payments for program broadcast rights	(10,149)	(11,507)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>77,789</b>	<b>66,363</b>
Corporate and administrative expenses excluding amortization of non-cash stock-based compensation	8,927	10,462
<b>Broadcast Cash Flow</b>	<b>\$ 86,716</b>	<b>\$ 76,825</b>