

# 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 our leverage ratio as defined in the Company’s senior credit facility. 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.

**Reconciliation:**

Reconciliation of net loss to the non-GAAP terms:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(in thousands)</b>	
Net loss	\$ (3,083)	\$ (4,743)
Adjustments to reconcile from net loss to Broadcast Cash Flow Less		
Cash Corporate Expenses:		
Depreciation	6,998	7,975
Amortization of intangible assets	34	122
Non-cash stock-based compensation	34	155
Gain on disposals of assets, net	(13)	(44)
Miscellaneous (income) expense, net	-	(39)
Interest expense	16,000	19,611
Loss on early extinguishment of debt	-	349
Income tax benefit	(1,411)	(3,238)
Amortization of program broadcast rights	3,833	3,853
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	8	7
Network compensation revenue recognized	(178)	(44)
Network compensation per network affiliation agreement	(60)	(16)
Payments for program broadcast rights	(3,794)	(3,875)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>18,368</b>	<b>20,073</b>
Corporate and administrative expenses excluding amortization of non-cash stock-based compensation	3,004	2,767
<b>Broadcast Cash Flow</b>	<b>\$ 21,372</b>	<b>\$ 22,840</b>