

**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, 2019
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
(State or Other Jurisdiction of Incorporation or Organization)

58-0285030
(I.R.S. Employer Identification No.)

4370 Peachtree Road, NE Atlanta, GA
(Address of Principal Executive Offices)

30319
(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	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock (no par value)	GTN.A	New York Stock Exchange
Common Stock (no par value)	GTN	New York Stock Exchange

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the voting stock (based upon the closing sales prices quoted on the New York Stock Exchange) held by non-affiliates of the registrant (solely for purposes of this calculation, all directors, executive officers and 10% or greater stockholders of the registrant are considered to be "affiliates") as of June 30, 2019: **Class A Common Stock and Common Stock; no par value - \$1,500,331,986.**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock (No Par Value)	Class A Common Stock (No Par Value)
92,819,689 shares outstanding as of February 21, 2020	7,048,006 shares outstanding as of February 21, 2020

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2020 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, Items 10, 11, 12, 13 and 14 hereof.

Gray Television Inc.

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PART 1

Item 1. Business.

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

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

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

General

We are a television broadcast company headquartered in Atlanta, Georgia, that is the largest owner of top-rated local television (“television” or “TV”) stations and digital assets in the United States. We currently own and/or operate television stations and leading digital properties in 93 television markets that collectively reach approximately 24% of US television households. Over calendar year 2019, our stations were ranked first in 68 markets, and first and/or second in 86 markets, as calculated by Comscore’s audience measurement service. We also own video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content, which we refer to collectively as our “production companies.”

Our operating revenues are derived primarily from broadcast and internet advertising and from retransmission consent fees. For the years ended December 31, 2019, 2018 and 2017 our total revenues were \$2.1 billion, \$1.1 billion and \$883 million, respectively.

Markets and Stations

We believe a key driver for our strong market position both in the past and in the future is our focus on strong local news and information programming. We believe that our market position and our strong local teams have enabled us to maintain more stable revenues compared to many of our peers.

We are diversified across our markets and network affiliations. In 2019 and 2018, our largest market by revenue was Cleveland, Ohio, which contributed approximately 4% of our revenue in 2019. Our top 10 markets by revenue contributed approximately 24% and 32% of our revenue for the years ended December 31, 2019 and 2018, respectively. For the year ended December 31, 2019, our CBS-affiliated channels accounted for approximately 34% of our revenue; our NBC-affiliated channels accounted for approximately 32% of our revenue; our ABC-affiliated channels accounted for approximately 15% of our revenue; and our FOX-affiliated channels accounted for approximately 11% of our revenue. We refer to CBS, NBC, ABC and FOX collectively as the “Big Four.”

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

Television Industry Background

The Federal Communications Commission (“FCC”) grants broadcast licenses to television stations. There are only a limited number of broadcast licenses available in any one geographic area. Each commercial television station in the United States is assigned to one of 210 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 ranked number one (New York City). Each DMA is an exclusive geographic area consisting of all counties (and in some cases, portions of counties) in which the home-market commercial television stations receive the greatest percentage of total viewing hours.

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

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

Strategy

Our success is based on the following strategies:

Grow by Leveraging our Diverse National Footprint. We serve a diverse and national footprint of television stations. We currently operate in DMAs ranked between 12 and 209. We operate in many markets that we believe have the potential for significant political advertising revenue in periods leading up to elections. We are also diversified across our broadcast programming.

Maintain and Grow our Market Leadership Position. According to Comscore, Inc., during calendar year 2019, our owned and operated television stations achieved the #1 ranking in overall audience in 68 of our 93 markets. In addition, our stations achieved the #1 and/or #2 ranking in overall audience in 86 of our 93 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 allow us to enhance our advertising revenue through price discipline and leadership. We believe a top-rated news platform is critical to capturing incremental sponsorship and political advertising revenue. Our high-quality station group allows us to generate higher operating margins, which allows us additional opportunities to reinvest in our business to further strengthen our network and news ratings. Furthermore, we believe operating the top ranked stations in our various markets allows us to attract and retain top talent.

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

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

Continue to Pursue Strategic Growth and Accretive Acquisition Opportunities. Over the last several years, the television broadcasting industry has been characterized by a high level of acquisition activity. We believe that there are a number of television stations, and a few station groups, that have attractive operating profiles and characteristics, and that share our commitment to local news coverage in the communities in which they operate and to creating high-quality and locally-driven content. On a highly selective basis, we may pursue opportunities for the acquisition of additional television stations or station groups that fit our strategic and operational objectives, and where we believe that we can improve revenue, efficiencies and cash flow through active management and cost controls. As we consider potential acquisitions, we primarily evaluate potential station audience and revenue shares and the extent to which the acquisition target would positively impact our existing station operations. Consistent with this strategy, from October 31, 2013 through December 31, 2019, we completed several acquisition and divestiture transactions, including some that had a material impact on our results of operations. For more information on these transactions, see Note 3 “Acquisitions and Divestitures” of our audited consolidated financial statements included elsewhere herein. This note also describes the stations we acquired in each of 2019 and 2017, which we may also refer to collectively as our “acquisitions,” our “recent acquisitions” or “the acquisitions.”

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

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

Further Strengthen our Balance Sheet. During the last several years, we have leveraged our strong cash flow and efficient operating model to grow our diverse national footprint. In recent years, we acted to improve the terms of our debt by amending or replacing our long-term debt in order to lock in more attractive terms while interest rates are at historically low levels. During 2017, we completed an underwritten public offering of 17.25 million shares of our common stock at a price to the public of \$14.50 per share. The net proceeds of the offering were \$239 million, after deducting underwriting discounts and expenses. During 2019 we completed the acquisition of all the equity interests of Raycom Media, Inc. (“Raycom”) and other related transactions (the “Raycom Merger”) using a financing plan composed of our cash on hand, common stock, preferred stock, attractively priced fixed rate debt and an amended term loan facility. We continually evaluate opportunities to improve our balance sheet. For more information regarding the Raycom Merger, see Note 3 “Acquisitions and Divestitures” of our audited consolidated financial statements included elsewhere herein.

Stations

The following table provides information about our television stations as of February 21, 2020:

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)
12	Tampa-St. Petersburg (Sarasota), FL	WWSB	ABC	2/1/2021	12
19	Cleveland-Akron (Canton)	WOIO	CBS	10/1/2021	3
19	Cleveland-Akron (Canton)	WUAB	CW	10/1/2021	6
21	Charlotte, NC	WBTV	CBS	12/1/2020	1
36	West Palm Beach-Ft. Pierce, FL	WFLX	FOX	2/1/2021	4
37	Cincinnati, OH	WXIX	FOX	8/1/2021	4
44	Birmingham (Ann and Tusc)	WBRC	FOX	4/1/2021	1
48	Louisville, KY	WAVE	NBC	8/1/2021	2
50	New Orleans, LA	WVUE	FOX	6/1/2021	1
51	Memphis, TN	WMC	NBC	8/1/2021	2
54	Richmond- Petersburg, VA	WWBT	NBC	10/1/2020	2
54	Richmond- Petersburg, VA	WUPV	CW	10/1/2020	5
61	Knoxville, TN	WVLT	CBS	8/1/2021	2
61	Knoxville, TN	WBXX	CW	8/1/2021	6
64	Lexington, KY	WKYT	CBS	8/1/2021	1
64	(Hazard, KY)	WYMT (e)	CBS	8/1/2021	
65	Tucson (Nogales), AZ	KOLD	CBS	10/1/2022	1
66	Honolulu, HI	KHNL	NBC	2/1/2023	4
66	Honolulu, HI	KGMB	CBS	2/1/2023	1
66	Honolulu, HI	KHBC (e)	NBC/CBS	2/1/2023	
66	Honolulu, HI	KOGG (e)	NBC/CBS	2/1/2023	
67	Green Bay/Appleton	WBAY	ABC	12/1/2021	1
69	Roanoke/Lynchburg, VA	WDBJ	CBS	10/1/2020	1
69	Roanoke/Lynchburg, VA	WZBJ	MY	10/1/2020	6
69	Roanoke/Lynchburg, VA	WZBJ-CD	MY	10/1/2020	
71	Omaha, NE	WOWT	NBC	6/1/2022	2
72	Wichita/Hutchinson, KS	KWCH	CBS	6/1/2022	1
72	Wichita/Hutchinson, KS	KSCW	CW	6/1/2022	5
72	(Ensign, KS)	KBSD (e)	CBS	6/1/2022	
72	(Goodland, KS)	KBSL (e)	CBS	6/1/2022	
72	(Hays, KS)	KBSH (e)	CBS	6/1/2022	
73	Springfield, MO	KYTV	NBC	2/1/2022	1
73	Springfield, MO	KYCW	CW	2/1/2022	4
73	Springfield, MO	KSPR	ABC	2/1/2022	3
74	Charleston/Huntington, WV	WSAZ	NBC	10/1/2020	1
74	Charleston/Huntington, WV	WQCW	CW	10/1/2021	6
75	Columbia, SC	WIS	NBC	12/1/2020	1
77	Flint/Saginaw/Bay City, MI	WJRT	ABC	10/1/2021	2
78	Huntsville- Decatur (Florence), AL	WAFF	NBC	4/1/2021	2
80	Toledo, OH	WTVG	ABC	10/1/2021	1
81	Madison, WI	WMTV	NBC	12/1/2021	1

Our television stations (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)
82	Waco/Temple/Bryan, TX	KWTX	CBS	8/1/2022	1
82	Waco/Temple/Bryan, TX	KBTX (e)	CBS	8/1/2022	4
82	Waco/Temple/Bryan, TX	KNCT	CW	8/1/2022	
84	Paducah, KY/Cape Girardeau, MO/Harrisburg, IL	KFVS	CBS	2/1/2022	1
84	Paducah, KY/Cape Girardeau, MO/Harrisburg, IL	WQWQ	CW/ME	8/1/2021	5
85	Colorado Springs/Pueblo, CO	KKTV	CBS	4/1/2022	1
86	Shreveport, LA	KSLA	CBS	6/1/2021	2
89	Savannah, GA	WTOC	CBS	4/1/2021	1
90	Cedar Rapids, IA	KCRG	ABC	2/1/2022	1
91	Charleston, SC	WCSC	CBS	12/1/2020	1
94	Baton Rouge, LA	WAFB	CBS	6/1/2021	1
94	Baton Rouge, LA	WBXH	MY	6/1/2021	8
95	Jackson, MS	WLBT	NBC	6/1/2021	1
96	Burlington, VT - Plattsburgh, NY	WCAX	CBS	4/1/2023	1
96	Burlington, VT - Plattsburgh, NY	WYCI	H&I	6/1/2023	
97	Myrtle Beach-Florence	WMBF	NBC	12/1/2020	3
98	South Bend/Elkhart, IN	WNDU	NBC	8/1/2021	2
100	Greenville/New Bern/Washington, NC	WITN	NBC	12/1/2020	1
102	Boise, ID	KNIN	FOX	10/1/2022	4
103	Davenport, IA (Quad Cities)	KWQC	NBC	2/1/2022	1
104	Reno, NV	KOLO	ABC	10/1/2022	2
105	Evansville, IN	WFIE	NBC	8/1/2021	1
107	Lincoln/Hastings/Kearney, NE	KOLN	CBS	6/1/2022	1
107	(Grand Island, NE)	KGIN (e)	CBS	6/1/2022	
107	Lincoln/Hastings/Kearney, NE	KSNB	NBC	6/1/2022	4
107	Lincoln/Hastings/Kearney, NE	KCWH	CW	6/1/2022	
107	(Hastings, NE)	KNHL	ME/MY	6/1/2022	
108	Augusta, GA/Aiken, SC	WRDW	CBS	4/1/2021	2
108	Augusta, GA/Aiken, SC	WAGT	NBC	4/1/2021	4
109	Tallahassee, FL/Thomasville, GA	WCTV	CBS	4/1/2021	1
109	Tallahassee, FL/Thomasville, GA	WFXU	MY	2/1/2021	
112	Lansing, MI	WILX	NBC	10/1/2021	2
113	Sioux Falls, SD	KSFY	ABC	4/1/2022	2
113	(Pierre, SD)	KPRY (e)	ABC	4/1/2022	
113	Sioux Falls, SD	KDLT	NBC	4/1/2022	3
113	(Sioux Falls, SD)	KDLV (e)	NBC	4/1/2022	
114	Tyler-Longview, TX	KLTV	ABC	8/1/2022	1
114	Tyler-Longview, TX	KTRE (e)	ABC	8/1/2022	4
116	Fargo/Valley City, ND	KVLY	NBC	4/1/2022	1
116	Fargo/Valley City, ND	KXJB	CBS	4/1/2022	2
122	Montgomery, AL	WSFA	NBC	4/1/2021	1
127	Wilmington, NC	WECT	NBC	12/1/2020	1
129	La Crosse/Eau Claire, WI	WEAU	NBC	12/1/2021	2
130	Columbus, GA (Opelika, AL)	WTVM	ABC	4/1/2021	1
132	Amarillo, TX	KFDA	CBS	8/1/2022	1
132	(Amarillo, TX)	KZBZ (e)	CBS	10/1/2022	
132	Amarillo, TX	KEYU	TEL	8/1/2022	7
134	Wausau/Rhineland, WI	WSAW	CBS	12/1/2021	2
134	Wausau/Rhineland, WI	WZAW	FOX	12/1/2021	4
138	Rockford, IL	WIFR	CBS	12/1/2021	1
140	Monroe/El Dorado, LA	KNOE	CBS/ABC	6/1/2021	1
142	Lubbock, TX	KCBD	NBC	8/1/2022	1

Our television stations (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)
144	Topeka, KS	WIBW	CBS	6/1/2022	1
145	Odessa/Midland, TX	KOSA	CBS	8/1/2022	1
145	(Big Springs)	KCWO (e)	CW	8/1/2022	
145	Odessa/Midland, TX	KTLE	TEL	8/1/2022	
146	Minot/Bismarck/Dickinson, ND	KFYR	NBC/FOX	4/1/2022	1
146	(Minot, ND)	KMOT (e)	NBC/FOX	4/1/2022	
146	(Williston, ND)	KUMV (e)	NBC/FOX	4/1/2022	
146	(Dickinson, ND)	KQCD (e)	NBC/FOX	4/1/2022	
147	Wichita Falls, TX & Lawton, OK	KSWO	ABC	6/1/2022	2
147	Wichita Falls, TX & Lawton, OK	KKTM	TEL	6/1/2022	7
149	Panama City, FL	WJHG	NBC	2/1/2021	1
149	Panama City, FL	WECP	CBS	2/1/2021	3
151	Anchorage, AK	KTUU	NBC	2/1/2023	1
151	Anchorage, AK	KYES	MY	2/1/2023	6
154	Albany, GA	WALB	NBC/ABC	4/1/2021	1
154	Albany, GA	WGCW	CW	4/1/2021	6
155	Biloxi-Gulfport, MS	WLOX	ABC/CBS	6/1/2021	1
156	Gainesville, FL	WCJB	ABC	2/1/2021	1
158	Sherman, TX/Ada, OK	KXII	CBS/FOX	8/1/2022	1
158	(Paris, TX)	KXIP (e)	CBS	8/1/2022	
159	Bangor, ME	WABI	CBS	4/1/2023	1
167	Hattiesburg/Laurel, MS	WDAM	NBC/ABC	6/1/2021	1
169	Rapid City, SD	KOTA	ABC	4/1/2022	1
169	Rapid City, SD	KEVN	FOX	4/1/2022	4
169	(Lead, SD)	KHSD (e)	ABC/FOX	4/1/2022	
169	(Sheridan, WY)	KSGW (e)	ABC	10/1/2022	
170	Lake Charles, LA	KPLC	NBC	6/1/2021	1
171	Dothan, AL	WTVY	CBS	4/1/2021	1
171	Dothan, AL	WRGX	NBC	4/1/2021	3
173	Clarksburg/Weston, WV	WDTV	CBS	10/1/2020	2
173	Clarksburg/Weston, WV	WVFX	FOX	10/1/2020	4
175	Harrisonburg, VA	WHSV	ABC	10/1/2020	1
175	Harrisonburg, VA	WSVF	FOX/CBS	10/1/2020	3
175	Harrisonburg, VA	WSVW	NBC		
177	Bowling Green, KY	WBKO	ABC/FOX	8/1/2021	1
178	Alexandria, LA	KALB	NBC/CBS	6/1/2021	1
180	Marquette, MI	WLUC	NBC/FOX	10/1/2021	1
181	Watertown, NY	WWNY	CBS	6/1/2023	1
181	Watertown, NY	WNYF	FOX	6/1/2023	2
182	Charlottesville, VA	WVIR	NBC	10/1/2020	1
183	Jonesboro, AR	KAIT	ABC/NBC	6/1/2021	1

Our television stations (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)
184	Laredo, TX	KGNS	NBC/ABC	8/1/2022	2
184	Laredo, TX	KYLX	CBS	8/1/2022	4
184	Laredo, TX	KXNU	TEL	8/1/2022	5
188	Grand Junction/Montrose, CO	KKCO	NBC	4/1/2022	1
188	Grand Junction/Montrose, CO	KJCT	ABC	4/1/2022	3
190	Meridian, MS	WTOK	ABC	6/1/2021	1
191	Twin Falls, ID	KMVT	CBS	10/1/2022	1
191	Twin Falls, ID	KSVT	FOX	10/1/2022	4
193	Parkersburg, WV	WTAP	NBC	10/1/2020	1
193	Parkersburg, WV	WIYE	CBS	10/1/2020	2
193	Parkersburg, WV	WOVA	FOX	10/1/2020	3
196	Cheyenne, WY/Scottsbluff, NE	KGWN	CBS	10/1/2022	1
196	(Scottsbluff, NE)	KSTF	(e) CBS	6/1/2022	
196	(Cheyenne, WY/Scottsbluff, NE)	KCHY	(e) NBC	10/1/2022	
198	Mankato, MN	KEYC	CBS/FOX	4/1/2022	1
198	Mankato, MN	KMNF	NBC	4/1/2022	
199	Casper/Riverton, WY	KCWY	NBC	10/1/2022	1
201	Ottumwa, IA/Kirksville, MO	KYOU	FOX/NBC	2/1/2022	3
203	Fairbanks, AK	KXDF	CBS	2/1/2023	2
203	Fairbanks, AK	KTVF	NBC	2/1/2023	1
203	Fairbanks, AK	KFXF	MY	2/1/2023	5
206	Presque Isle, ME	WAGM	CBS/FOX	4/1/2023	1
206	Presque Isle, ME	WWPI	NBC		
209	North Platte, NE	KNOP	NBC	6/1/2022	1
209	(Scottsbluff, NE)	KNEP	(e) NBC	6/1/2022	
209	North Platte, NE	KNPL	CBS	6/1/2022	2
209	North Platte, NE	KIIT	FOX	6/1/2022	3

(a) DMA rank for the 2019-2020 television season based on information published by Comscore.

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

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

(d) Based on Comscore data for 2019.

(e) 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.

Cyclical, Seasonality and Revenue Concentrations

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

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

Our broadcast advertising revenue is earned from the sale of advertisements broadcast by our stations. Although no single customer represented more than 5% of our broadcast advertising revenue for the years ended December 31, 2019, 2018 or 2017, 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, 2019, 2018 and 2017, we derived approximately 25% of our total broadcast advertising revenue from our customers in the automotive industry. Revenue from this industry may represent a higher percentage of total revenue in odd-numbered years due to, among other things, the increased availability of advertising time, as a result of such years being the “off year” of the two-year election cycle.

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

On January 1, 2020, Circle Media, LLC (“Circle”), a Nashville, Tennessee based joint venture between Opry Entertainment Group, a subsidiary of Ryman Hospitality Properties, and Gray launched a new country music and lifestyle television network on the secondary channels of numerous television stations. Circle offers various content including entertainment news, documentaries, movies, archival, new and licensed programming, Grand Ole Opry performances, and more. Circle has now launched on Gray Television stations in 56 markets as well as on stations in markets such as New York, Los Angeles, Philadelphia, Dallas-Ft. Worth, Atlanta, Nashville, and many others through separate distribution agreements with CBS television stations and other broadcasters.

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

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

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

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

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

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

Competition

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

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

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

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

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

Programming. Competition for non-network programming involves negotiating with national program distributors, or syndicators, that sell "first run" and "off network" or rerun programming packages. Each station competes against the other broadcast stations in its market for exclusive access to first run programming (such as *Wheel of Fortune*) and off network reruns (such as *Seinfeld*). Broadcast stations also compete for exclusive news stories and features. Cable networks and internet service providers compete with local stations for programming.

Advertising. Advertising revenues comprise the primary source of revenues for our stations. Our stations compete for advertising revenues in their respective markets with other television stations, digital platforms including Google and Facebook, local cable and other MVPD systems, as well as local newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories and direct mail.

Federal Regulation of the Television Broadcast Industry

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

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

Media Ownership Restrictions and FCC Proceedings. The FCC's broadcast ownership rules affect the number, type and location of broadcast properties that we may hold or acquire. The FCC adopted significant changes to its ownership rules, which took effect in February 2018. However, in November 2019, the U.S. Court of Appeals for the Third Circuit issued a mandate that vacated the FCC's changes and reinstated the prior ownership rules. The reinstated rules 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 radio stations serving the same area, and (iii) daily newspapers and television or 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 December 2018, the FCC began the new quadrennial review of its

ownership rules. In its Notice of Proposed Rulemaking (“NPRM”), the FCC is seeking comments on competition in the local television marketplace, including: (i) whether its current two-stations to a market limit should be relaxed or tightened, (ii) whether it should modify its general prohibition on owning two stations ranked among the top-four in a market, (iii) if the FCC’s television market analysis should consider the factors the DOJ applies to local television issues, and (iv) how the FCC should evaluate competition among television stations.

Local TV Ownership Rules. The FCC’s current television ownership rules allow one entity to own two commercial television stations in a DMA as long as the specified service contours of the stations do not overlap or, if they do, at least one of the stations is not ranked among the top four stations in the DMA 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 unbuild.

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.

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

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

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

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

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

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

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

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

The Children's Television Act of 1990 limits commercial matter in children's television programs and requires stations to present educational and informational children's programming. Broadcasters are effectively required through license renewal processing guidelines to provide a certain amount of children's educational programming per week on their primary channels. In July 2019, the FCC issued an Order that adopted sweeping changes to the current children's programming rules giving broadcasters increased flexibility in how they choose to serve the educational and informational needs of children.

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 \$414,454 per incident. The FCC has sought comment on whether it should modify its indecency policies, but has not yet issued a decision in this proceeding. The outcome of this proceeding could affect future FCC policies in this area, 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. Such elections are binding throughout the three-year cycle that commences on the subsequent January 1. The current election cycle commenced on January 1, 2018 and ends on December 31, 2020. Our stations have elected retransmission consent and have entered into retransmission consent contracts with virtually all MVPD systems serving their markets. Elections for the three-year cycle beginning January 1, 2021 need to be made by October 1, 2020.

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, (ii) broadened the FCC's prohibition against joint retransmission negotiations by prohibiting 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.

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 the FCC's restriction on joint negotiation might impact future opportunities.

The FCC 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.

Certain online video distributors ("OVDs") have explored streaming broadcast programming over the internet without the consent of the copyright owner of the programming. The majority of federal courts have sided with broadcasters and enjoined OVDs from streaming broadcast programming. Recently, a new OVD, organized as a non-profit, began offering free access to broadcast programming in select cities over the Internet. This OVD argues that its retransmission of broadcast signals via the Internet is covered by an exemption from copyright liability applicable to non-profit entities. In July 2019, the major broadcast networks and certain affiliated entities filed a copyright suit in the United States District Court for the Southern District of New York challenging this OVD's operations. That suit remains pending and the OVD has continued its operations.

On December 19, 2014, the FCC issued an NPRM seeking comment on its proposal to modernize the term "MVPD" to be technology neutral. If the NPRM proposal is adopted, an entity that uses the internet to distribute multiple streams of linear programming would be considered an MVPD and would have the same retransmission consent rights and obligations as other MVPDs, including the right to negotiate with television stations to carry their broadcast signals. The FCC also asked about the possible copyright implications of this proposal. We cannot predict the outcome of the FCC's interpretive proceedings.

In December 2019, the Satellite Television Community Protection and Promotion Act of 2019 and the Television Viewer Protection Act of 2019 (the "TVPA of 2019") were signed into law. Among other things, these acts (i) made permanent the copyright license set out in Section 119 of the Copyright Act; (ii) limited eligibility for use of the Section 119 license to retransmit the signals of network television broadcast stations to unserved households to those satellite operators who provide local-into-local service to all DMAs; and (iii) modified the definition of unserved households to those households located in a "short market" (which, in turn, was defined as a local market in which programming of one or more of the top four networks is not offered on either the primary or multicast stream by any network station in that market). The TVPA of 2019 also made permanent the requirement that broadcasters and MVPDs negotiate in good faith and adds a provision that will (i) allow MVPDs to designate a buying group to negotiate retransmission consent agreements on their behalf and (ii) require large stations groups, such as the Company, to negotiate in good faith with a qualified MVPD buying group.

The Incentive Auction concluded in 2017 requiring the FCC to reallocate 84 MHz of spectrum to new users. As part of this reallocation process, certain television stations that did not sell their spectrum in the reverse auction were required to change channels and modify their transmission facilities (the “Repack”). The FCC was required to use “reasonable efforts” to preserve a station’s coverage area and population served and cannot require that a station involuntarily move from the UHF band to the VHF band or from the high VHF band to the low VHF band. These changes may constrain our ability to provide high definition programming and additional program streams, including mobile video services. The underlying legislation authorizes the FCC to reimburse stations for reasonable relocation costs. In March 2018, Congress adopted the Reimbursement Expansion Act (“REA”) to expand the list of entities eligible to be reimbursed for Repack expenses to include LPTV and TV translator stations. The REA also increased the funds available to reimbursement full power and Class A stations.

The FCC protected only full power and Class A television stations during the Repack. In certain markets, our low power television stations were displaced by this process requiring us to locate alternate channels for ongoing operations. In an NPRM released on June 16, 2015, the FCC proposed to reserve one vacant channel in each market (and up to two channels in certain markets) for use by unlicensed “white spaces” devices and wireless microphones. If the FCC adopts this proposal, it could limit the ability of our low power stations to locate an alternate channel if displaced in the future.

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

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

Employees

As of February 21, 2020, we had 6,912 full-time employees and 1,106 part-time employees, of which 217 full-time and seven part-time employees at four stations were represented by various unions. We consider our relations with our employees to be good.

Corporate Information

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

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

Item 1A. Risk Factors.

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

Risks Related to Our Indebtedness

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

Currently we have approximately \$3.8 billion in aggregate principal amount of outstanding indebtedness, excluding intercompany debt and deferred financing costs. Subject to our ability to meet certain borrowing conditions under our senior credit facility (the “2019 Senior Credit Facility”), we have the ability to incur significant additional debt, including secured debt under our un-drawn \$200 million revolving credit facility. The terms of the indenture (the “2027 Notes Indenture”) governing our outstanding 7.0% senior notes due 2027 (the “2027 Notes”), the indenture (the “2026 Notes Indenture”) governing our outstanding 5.875% senior notes due 2026 (the “2026 Notes”) and the indenture (the “2024 Notes Indenture”) governing our 5.125% senior notes due 2024 (the “2024 Notes”) also permit us to incur additional indebtedness, subject to our ability to meet certain borrowing conditions.

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

- require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which would reduce funds available for other business purposes, including capital expenditures and acquisitions;

- place us at a competitive disadvantage compared to some of our competitors that may have less debt and better access to capital resources;
- limit our ability to obtain additional financing to fund acquisitions, working capital and capital expenditures and for other general corporate purposes; and
- make it more difficult for us to satisfy our financial obligations.

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

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

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

- incur additional debt, subject to certain limitations;
- declare or pay dividends, redeem stock or make other distributions to stockholders;
- make investments or acquisitions;
- create liens or use assets as security in other transactions;
- issue guarantees;
- merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;
- amend our articles of incorporation or bylaws;
- engage in transactions with affiliates; and

- purchase, sell or transfer certain assets.

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

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

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

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

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

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

RisksRelatedtoOurBusiness

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

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

- economic conditions in the areas where our stations are located and in the nation as a whole;
- the popularity of the programming offered by our television stations;
- changes in the population demographics in the areas where our stations are located;

- local and national advertising price fluctuations, which can be affected by the availability of programming, the popularity of programming, and the relative supply of and demand for commercial advertising;
- our competitors' activities, including increased competition from other advertising-based mediums, particularly digital platforms, cable networks, MVPDs and other internet companies;
- the duration and extent of any network preemption of regularly scheduled programming for any reason;
- decisions by advertisers to withdraw or delay planned advertising expenditures for any reason;
- labor disputes or other disruptions at major national advertisers, programming providers or networks; and
- other factors beyond our control.

Our results are also subject to seasonal and cyclical fluctuations. Seasonal fluctuations typically result in higher revenue and broadcast operating income in the second and fourth quarters rather than in the first and third quarters of each year. This seasonality is primarily attributable to advertisers' increased expenditures in the spring and in anticipation of holiday season spending in the fourth quarter and an increase in television viewership during this period. In addition, we typically experience fluctuations in our revenue and broadcast operating income between even-numbered and odd-numbered years. In years in which there are impending elections for various state and national offices, which primarily occur in even-numbered years, political advertising revenue tends to increase, often significantly, and particularly during presidential election years. We consider political broadcast advertising revenue to be revenue earned from the sale of advertising to political candidates, political parties and special interest groups of advertisements broadcast by our stations that contain messages primarily focused on elections and/or public policy issues. In even-numbered years, we typically derive a material portion of our broadcast advertising revenue from political broadcast advertisers. For the years ended December 31, 2019 and 2018, we derived approximately 3% and 14%, respectively, of our total revenue from political broadcast advertisers. If political broadcast advertising revenues declined, especially in an even-numbered year, our results of operations and financial condition could also be materially adversely affected. Also, our stations affiliated with the NBC Network broadcast Olympic Games and typically experience increased viewership and revenue during those broadcasts, which also occur in even-numbered years. As a result of the seasonality and cyclicity of our revenue and broadcast operating income, and the historically significant increase in our revenue and broadcast operating income during even-numbered years, it has been, and is expected to remain, difficult to engage in period-over-period comparisons of our revenue and results of operations.

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

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

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

We consider broadcast advertising revenue to be revenue earned primarily from the sale of advertisements broadcast by our stations. Although no single customer represented more than 5% of our broadcast advertising revenue for the years ended December 31, 2019 or 2018, we derived a material portion of non-political broadcast advertising revenue from advertisers in a limited number of industries, particularly the automotive industry. During the years ended December 31, 2019 and 2018 we derived approximately 25% of our total broadcast advertising revenue from our advertisers in the automotive industry. Our results of operations and financial condition could be materially adversely affected if broadcast advertising revenue from the automotive, or certain other industries, such as the medical, restaurant, communications, or furniture and appliances industries, declined.

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

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

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

- identifying suitable acquisition candidates and negotiating definitive purchase agreements on satisfactory terms;
- integrating operations and systems and managing a large and geographically diverse group of stations;
- obtaining financing to complete acquisitions, which financing may not be available to us at times, in amounts, or at rates acceptable to us, if at all, and potentially the related risks associated with increased debt;
- diverting our management's attention from other business concerns;
- potentially losing key employees; and
- potential changes in the regulatory approval process that may make it materially more expensive, or materially delay our ability, to consummate any proposed acquisitions.

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

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

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

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

One of our most significant costs is for the purchase of television programming. If a particular program is not sufficiently popular among audiences in relation to the cost we pay for such program, we may not be able to sell enough related advertising time for us to recover the costs we pay to broadcast the program. We also must usually purchase programming several years in advance, and we may have to commit to purchase more than one year's worth of programming, resulting in the incurrence of significant costs in advance of our receipt of any related revenue. We may also replace programs that are performing poorly before we have recaptured any significant portion of the costs we incurred in obtaining such programming or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues, result in the incurrence of impairment charges or otherwise cause our costs to escalate relative to revenues.

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

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

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

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

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

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

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

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

The FCC has taken actions to implement various provisions of STELAR affecting the carriage of television stations, including (i) adopting rules that allow for the modification of satellite television markets in order to ensure that satellite operators carry the broadcast stations of most interest to their communities, (ii) tightening its rules on joint retransmission consent negotiations to prohibit joint negotiations by stations in the same market unless those stations are commonly controlled, (iii) prohibiting a television station from limiting the ability of an MVPD to carry into its local market television signals that are deemed significantly viewed; and (iv) eliminating the “sweeps prohibition,” which had precluded cable operators from deleting or repositioning local commercial television stations during “sweeps” ratings periods.

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 the FCC’s restrictions on joint negotiations might impact future opportunities.

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

In addition, certain online video distributors (“OVDs”) have explored streaming broadcast programming over the internet without approval from or payments to the broadcaster. The majority of federal courts have issued preliminary injunctions enjoining these OVDs from streaming broadcast programming. Recently, a new OVD, organized as a non-profit began operating, claiming that its operations are exempt from copyright liability because of its non-profit status. In July 2019, the major broadcast networks and certain affiliated entities filed a copyright lawsuit against this OVD. The OVD continues to operate while the lawsuit is pending. We cannot predict the outcome of this lawsuit. Separately, on December 19, 2014, the FCC issued an NPRM proposing to classify certain OVDs as MVPDs for purposes of certain FCC carriage rules. If the FCC adopts its proposal, OVDs would need to negotiate for consent from broadcasters before they retransmit broadcast signals. We cannot predict whether the FCC will adopt its proposal or other modified rules that might weaken our rights to negotiate with OVDs.

In December 2019, Congress adopted the Satellite Television Community Protection and Promotion Act of 2019 and the Television Viewer Protection Act of 2019 (the “TVPA of 2019”). Among other things, these acts (i) made permanent the copyright license set out in Section 119 of the Copyright Act; (ii) limited eligibility for use of the Section 119 license to retransmit the signals of network television broadcast stations to unserved households to those satellite operators who provide local-into-local service to all DMAs; and (iii) modified the definition of unserved households to those households located in a “short market” (which, in turn, was defined as a local market in which programming of one or more of the top four networks is not offered on either the primary or multicast stream by any network station in that market). The TVPA of 2019 also made permanent the requirement that broadcasters and MVPDs negotiate in good faith and adds a provision that will (i) allow MVPDs to designate a buying group to negotiate retransmission consent agreements on their behalf and (ii) require large stations groups, including ours, to negotiate in good faith with a qualified MVPD buying group.

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

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

Television stations compete for audiences, certain programming (including news) and advertisers. Signal coverage and carriage on MVPD systems also materially affect a television station’s competitive position. With respect to audiences, stations compete primarily based on broadcast program popularity. We cannot provide any assurances as to the acceptability by audiences of any of the programs we broadcast. Further, because we compete with other broadcast stations for certain programming, we cannot provide any assurances that we will be able to obtain any desired programming at costs that we believe are reasonable. Cable-network programming, combined with increased access to cable, satellite TV, and internet video streaming services, has become a significant competitor for broadcast television programming viewers. Cable networks’ viewership and advertising share have increased due to the growth in MVPD and internet video streaming services, penetration (the percentage of television households that are connected to an MVPD or internet video system) and increased investments in programming by cable networks or internet video. Further increases in the advertising share of cable networks and internet video streaming services could materially adversely affect the advertising revenue of our television stations.

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

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

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

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

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

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

We do not have long-term agreements with most of our digital advertisers. Any termination, change or decrease in our relationships with our largest digital advertising clients could have a material adverse effect on our revenue and profitability. If we do not maintain or increase our digital advertising revenue, our business, results of operations and financial condition could be materially adversely affected.

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

As of December 31, 2019, the book value of our broadcast licenses was \$3.6 billion and the book value of our goodwill was \$1.4 billion, in comparison to total assets of \$7.0 billion. Not less than annually, and more frequently if necessary, we are required to evaluate our goodwill and broadcast licenses to determine if the estimated fair value of these intangible assets is less than book value. If the estimated fair value of these intangible assets is less than book value, we will be required to record a non-cash expense to write down the book value of the intangible asset to the estimated fair value. We cannot make any assurances that any required impairment charges will not have a material adverse effect on our total assets.

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

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

Cybersecurity risks could affect our operating effectiveness.

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

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

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

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

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

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

RisksRelatedtoRegulatoryMatters

Federal broadcasting industry regulations limit our operating flexibility.

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

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

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

Over the past several years, the FCC has increased its enforcement efforts regarding broadcast indecency and profanity and the statutory maximum fine for broadcasting indecent material is currently \$414,454 per incident. In June 2012, the Supreme Court decided a challenge to the FCC's indecency enforcement policies without resolving the scope of the FCC's ability to regulate broadcast content. In August 2013, the FCC issued a Public Notice seeking comment on whether it should modify its indecency policies. The FCC has not yet issued a decision in this proceeding and the courts remain free to review the FCC's current policy or any modifications thereto. The outcomes of these proceedings could affect future FCC policies in this area, and we are unable to predict the outcome of any such judicial proceeding, which could have a material adverse effect on our business.

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

The FCC's ownership rules generally prohibit us from owning or having "attributable interests" in two television stations that are located in the same market when one of the stations is ranked among the top-four stations in the market unless eight independently owned, full-power stations will remain in the market"). In November 2017, the FCC released an order that eliminated or relaxed several long-standing media ownership rules. However, in November 2019, the United States Court of Appeals for the Third Circuit vacated these rule changes and reinstated the prior, more restrictive, ownership rules. In December 2018, the FCC launched a new proceeding to consider whether further changes in the media ownership rules were necessary. The FCC also considers television Local Marketing Agreements ("LMAs") (which are agreements under which a television station sells or provides more than 15% of the programming on another same-market television station) as "attributable interests." With the previous ownership rules in effect, our ability to expand in our present markets through additional station acquisitions or LMAs may be constrained.

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

Under the FCC's National Television Station Ownership Rule, a single television station owner may not reach more than 39% of United States households through commonly owned television stations, subject to a 50% discount of the number of television households attributable to UHF stations (the "UHF Discount"). In December 2017, the Commission issued an NPRM seeking comment on whether it should modify or eliminate the national cap, including the UHF Discount. This rule may constrain our ability to expand through additional station acquisitions. Currently our station portfolio reaches approximately 24% of total United States television households, or approximately 17% of total United States television households, after applying the UHF discount.

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

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

Risks Related to the Ownership of Our Equity Securities

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

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

- general market and economic conditions and market trends, including in the television broadcast industry and the financial markets generally;
- the political, economic and social situation in the United States;
- actual or anticipated variations in operating results, including audience share ratings and financial results;
- inability to meet projections in revenue;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or other business developments;
- technological innovations in the television broadcast industry;
- adoption of new accounting standards affecting our industry;
- operations of competitors and the performance of competitors' common stock;
- litigation or governmental action involving or affecting us or our subsidiaries;

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

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

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

Our Board of Directors has not declared a cash or stock dividend on either class of our common stock since 2008. The timing and amount of any future dividend is at the discretion of our Board of Directors, and they may be subject to limitations or restrictions in our 2019 Senior Credit Facility and other financing agreements we may be, or become, party to. We can provide no assurance when or if any future dividends will be declared on our common stock or Class A common stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

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

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

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

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

Information about our Executive Officers.

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

Hilton H. Howell, Jr., age 57, has served as our Executive Chairman and Chief Executive Officer since January 2, 2019. Prior to that, Mr. Howell served as our Chairman, Chief Executive Officer and President since June 2013. Mr. Howell is a member of the Executive Committee of the Board, has been a director since 1993 and served as the Vice Chairman of the Board from 2002 until April 2016 when he was appointed as Chairman. He served as our Executive Vice President from September 2002 to August 2008. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995, and as Chairman of that company since February 2009. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire & Casualty Insurance Company since 1991. Mr. Howell also serves as a director of Atlantic American Corporation and of each of its subsidiaries, American Southern Insurance Company, American Safety Insurance Company and Bankers Fidelity Life Insurance Company, as well as a director of Delta Life Insurance Company and Delta Fire & Casualty Insurance Company. He is the husband of Mrs. Robin R. Howell, who is a member of our Board of Directors. Additionally, Mr. Howell has, until recently, served as a board member of the National Association of Broadcasters and the NBC Affiliate Board.

Donald P. (“Pat”) LaPlatney. Mr. LaPlatney, age 60, has served as our President and Co-Chief Executive Officer since January 2, 2019. Before that he had been Chief Executive Officer and President of Raycom, from July 2016, and as a member of the board of directors of Raycom from July 2016, until the closing of the Raycom Merger. Before that, he served as Chief Operating Officer of Raycom from April 2014 to July 2016, as Senior Vice President from April 2012 until April 2014 and as Vice President, Digital Media from August 2007 to April 2012. Before joining Raycom in 2007, Mr. LaPlatney held various executive positions at The Tube Media Corp., Westwood One and Raycom Sports. Additionally, Mr. LaPlatney currently serves as a board member of Circle, the National Association of Broadcasters and Chairman of the NBC Affiliate Board.

James C. (“Jim”) Ryan, age 59, has served as our Chief Financial Officer since October 1998 and as Executive Vice President since February 2016. Before that, he had been our Senior Vice President since September 2002 and our Vice President since October 1998.

Kevin P. Latek, age 49, has served as our Executive Vice President and Chief Legal and Development Officer since February 2016. Before that, he served as our Senior Vice President, Business Affairs, since July 2013 and as our Vice President for Law and Development since March 2012. Prior to joining us, Mr. Latek represented television and radio broadcasters as well as financial institutions in FCC regulatory and transactional matters in Washington, DC. He is a member of the Board of Directors of the National Association of Broadcasters Educational Foundation and, the CBS Affiliates Board. He is a past member of the FOX Affiliates Board of Governors.

Robert L. (“Bob”) Smith, age 57, has served as our Chief Operating Officer since January 2019. Before that, he served as our Co-Chief Operating Officer since February 2016 and as our Senior Vice President since July 2013. He is a past member of the Wisconsin Broadcaster’s Board, the Madison Chamber of Commerce and the Rockford Chamber of Commerce.

PART II

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

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

As of February 21, 2020, we had 92,819,689 outstanding shares of common stock held by approximately 25,986 stockholders and 7,048,006 outstanding shares of Class A common stock held by approximately 357 stockholders. The number of stockholders consists of stockholders of record and individual participants in security position listings as furnished to us pursuant to Rule 17Ad-8 under the Securities Exchange Act of 1934 (the "Exchange Act").

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

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

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

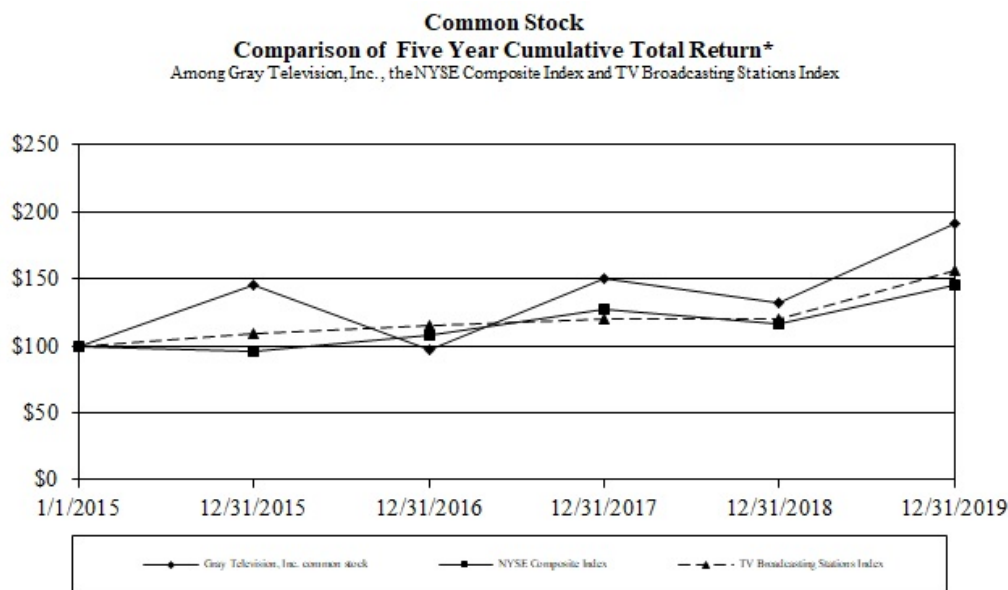
On January 2, 2019, we issued 650,000 shares of Series A Perpetual Preferred Stock (the "Preferred Stock"), with a stated face value of \$1,000 per share, as a portion of the consideration paid in the Raycom Merger. No placement or underwriting fees were paid in connection with the issuance of the Preferred Stock. The Preferred Stock was issued to legacy Raycom shareholders in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, as specified by the Rule 144A safe harbor, as the Preferred Stock was issued to Raycom shareholders in a privately negotiated transaction not involving any public offering or solicitation. Shares of the Preferred Stock accrue dividends on the face value of such shares (A) in cash at a rate of 8% per annum or, (B) at the Company's option, in-kind at a rate of 8.5% per annum. The holders of the Preferred Stock do not have any right to exchange or convert such shares into any of our other securities. In addition, on January 2, 2019, we issued 11.5 million shares of our common stock at a price of \$14.74 per share, the closing price of our common stock on the last trading day preceding the Raycom Merger. No placement or underwriting fees were paid in connection with the issuance of these shares of common stock. These shares were issued to legacy Raycom shareholders in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act as specified by the Rule 144A safe harbor, as the common stock was issued to Raycom shareholders in a privately negotiated transaction not involving any public offering or solicitation. The shares of our common stock issued to certain legacy Raycom shareholders, upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, have been registered for resale with the SEC on a selling stockholder shelf registration statement on Form S-3, file no. 333-229162.

Stock Performance Graph

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

The following graphs compare the cumulative total return of the common stock and the Class A common stock from January 1, 2015 to December 31, 2019, as compared to the stock market total return indexes for (i) The New York Stock Exchange Composite Index (the “NYSE Composite Index”) and (ii) The New York Stock Exchange Television Broadcasting Stations Index (the “TV Broadcasting Stations Index”).

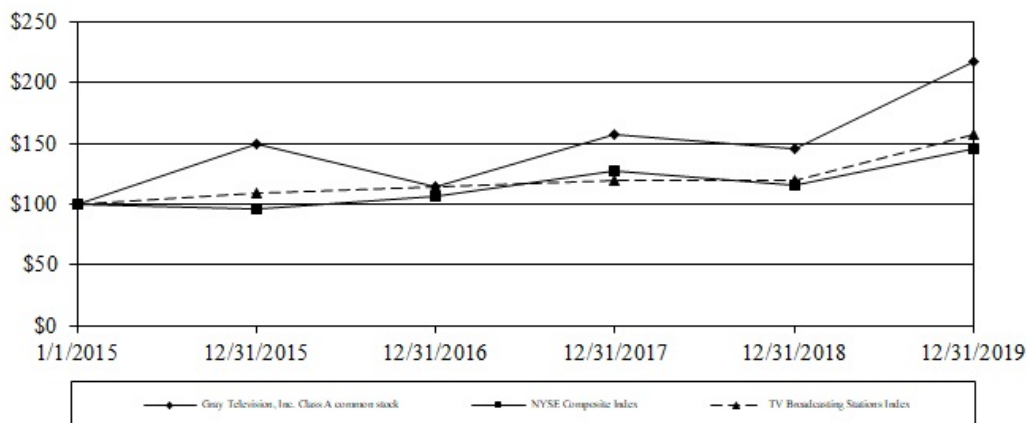
The graphs assume the investment of \$100 in each of our common stock and the Class A common stock, respectively, the NYSE Composite Index and the TV Broadcasting Stations Index on January 1, 2015. Any dividends are assumed to have been reinvested as paid.



* \$100 invested on 1/1/2015 in stock index, including reinvestment of dividends. Year ending December 31.

Company/Index/Market	As of					
	1/1/2015	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Gray Television, Inc. common stock	\$ 100	\$ 146	\$ 97	\$ 150	\$ 132	\$ 191
NYSE Composite Index	\$ 100	\$ 96	\$ 107	\$ 127	\$ 116	\$ 146
TV Broadcasting Stations Index	\$ 100	\$ 110	\$ 115	\$ 120	\$ 119	\$ 157

Class A Common Stock
Comparison of Five Year Cumulative Total Return*
Among Gray Television, Inc. Class A, the NYSE Composite Index and TV Broadcasting Stations Index



* \$100 invested on 1/1/2015 in stock index, including reinvestment of dividends. Year ending December 31.

Company/Index/Market	As of					
	1/1/2015	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Gray Television, Inc. Class A common stock	\$ 100	\$ 149	\$ 114	\$ 157	\$ 145	\$ 217
NYSE Composite Index	\$ 100	\$ 96	\$ 107	\$ 127	\$ 116	\$ 146
TV Broadcasting Stations Index	\$ 100	\$ 109	\$ 115	\$ 120	\$ 119	\$ 157

Issuer Purchases of Common Stock and Class A Common Stock

On November 5, 2019, our Board of Directors authorized the repurchase of up to \$150 million of our outstanding common stock and/or our Class A common stock prior to December 31, 2022 (the “2019 Repurchase Authorization”). The 2019 Repurchase Authorization superseded all prior repurchase authorizations. The 2019 Repurchase Authorization prohibits the Company from purchasing shares directly from the Company’s officers, directors, or the Gray Television, Inc. Capital Accumulation Plan (the “401k Plan”).

On December 15, 2019, we entered into an Issuer Repurchase Plan (the “2019 IRP”), under Rules 10B-18 and 10b5-1 of the Exchange Act. The 2019 IRP facilitates the orderly repurchase of our common stock through the establishment of the parameters for repurchases of our shares. The number of shares and the timing of repurchases will depend on the market price of our common stock and certain other limits established in the 2019 IRP, none of which we have disclosed. We are required to fund repurchases under the 2019 IRP from the remaining balance of the 2019 Repurchase Authorization.

The following table summarizes repurchases of our common stock in the three-months ended December 31, 2019, all of which were pursuant to the 2019 Repurchase Authorization:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (3)
October 1, 2019 through October 31, 2019:	-	\$ -	-	\$ 43,460,633
November 1, 2019 through November 30, 2019:	-	\$ -	-	\$ 150,000,000
December 1, 2019 through December 31, 2019:	1,008,091	\$ 20.86	1,008,091	\$ 129,002,327
Total	<u>1,008,091</u>	<u>\$ 20.86</u>	<u>1,008,091</u>	

(1) All shares purchased were shares of common stock.

(2) Amount excludes standard brokerage commissions.

(3) The amounts presented at each respective month-end include the remaining dollar value available to purchase common stock and/or our Class A common stock under the 2019 Repurchase Authorization or the preceding repurchase authorizations, all of which were superseded by the 2019 Repurchase Authorization on November 6, 2019.

Item 6. Selected Financial Data.

Set forth below is selected historical consolidated financial information for Gray for, and as of the end of, each of the years ended December 31, 2019, 2018, 2017, 2016 and 2015. The selected historical consolidated financial information presented below does not contain all of the information you should consider when evaluating Gray, and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes included elsewhere herein. Various factors are expected to have an effect on our financial condition and results of operations in the future, including the ongoing integration of any acquired businesses. You should also read this selected historical consolidated financial information in conjunction with the information under “Risk Factors” included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in millions, except net income per share data)				
Statements of Operations Data (1):					
Revenue (less agency commissions)	\$ 2,122	\$ 1,084	\$ 883	\$ 812	\$ 597
Operating income (2)	478	389	290	234	141
Loss from early extinguishment of debt (3)	-	-	(3)	(32)	-
Net income available to common stockholders (4)	127	211	262	62	39
Net income available to common stockholders (4), per common share:					
Basic	1.28	2.39	3.59	0.87	0.58
Diluted	1.27	2.37	3.55	0.86	0.57
Balance Sheet Data (at end of period):					
Total assets (5)	\$ 6,972	\$ 4,213	\$ 3,261	\$ 2,753	\$ 2,078
Long-term debt, including current portion (5)	3,697	2,549	1,837	1,757	1,220
Total stockholders’ equity	1,464	1,187	993	493	429

- (1) Our operating results fluctuate significantly between years, as a result of, among other things, our acquisition activity, and increased political advertising revenue in even-numbered years.
- (2) Amounts in 2017, 2016 and 2015 have been reclassified to give effect to the implementation of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2017-07, Compensation—Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. We adopted these standards as of January 1, 2018. Upon the adoption of this standard, except for service costs of \$3 million in 2015, we reclassified our net pension expense (benefit) from our operating expenses to our miscellaneous income, net. The amount was not material.
- (3) In 2017, we recorded a loss from early extinguishment of debt related to the amendment and restatement of our 2017 Credit Facility. In 2016, we recorded a loss on early extinguishment of debt related to the repurchase and redemption of our then-outstanding 7½% senior notes due 2020.
- (4) On January 2, 2019, we issued the Preferred Stock. Net income available to common stockholders and net income per common share, available to common stockholders, are net of dividends on our Preferred Stock that totaled \$52 million in 2019.
- (5) Amounts in 2015 have been reclassified to give effect to the implementation of ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - *Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-15, Interest - Imputation of Interest (Subtopic 835-30) - *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements- Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*. We adopted these standards as of January 1, 2016. In accordance with these standards, we have reclassified our deferred loan costs as a reduction in the balance of our long-term debt in our balance sheets. Our deferred loan costs were previously presented as a non-current asset.

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

Executive Overview

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

This section of this Annual Report on Form 10-K generally discusses 2019 and 2018 items and year-over-year comparisons between 2019 and 2018. A detailed discussion of 2017 items and year-over-year comparisons between 2018 and 2017 that are not included in this Annual Report on Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018.

Business Overview. We are a television broadcast company headquartered in Atlanta, Georgia, that is the largest owner of top-rated local television stations and digital assets in the United States. We currently own and/or operate television stations and leading digital properties in 93 television markets that collectively reach approximately 24% of US television households. Over calendar year 2019, our stations were ranked first in 68 markets, and first and/or second in 86 markets, as calculated by Comscore’s audience measurement service. We also own video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content, which we refer to collectively as our “production companies.”

Our operating revenues are derived primarily from broadcast and internet advertising, retransmission consent fees and, to a lesser extent, other sources such as production of television and event programming, television commercials, tower rentals and management fees. For the years ended December 31, 2019, 2018 and 2017 we generated revenue of \$2.1 billion, \$1.1 billion and \$883 million, respectively.

Recent Acquisitions and Divestitures. On January 2, 2019, we completed the Raycom Merger. Net of station divestitures due to market overlaps, this transaction added television stations in 34 new markets. In addition to the high-quality television stations acquired as part of the Raycom Merger, we also acquired businesses that provide sports marketing and production services that we believe have resulted in us becoming a more diversified media company. The Raycom Merger completed our transformation from a small, regional broadcaster to a leading media company with nationwide scale based on high-quality stations with exceptional talent in attractive markets. By combining these two companies, we now own and operate television stations and leading digital properties in television markets from Alaska and Hawaii to Maine and Florida.

Upon consummation of the Raycom Merger, all outstanding shares of Raycom capital stock, and options and warrants to purchase Raycom capital stock, were cancelled, and all outstanding indebtedness was repaid, in exchange for aggregate consideration consisting of: (i) 11.5 million shares of the Company’s common stock then valued at \$170 million, for which we filed a registration statement in January 2019, covering the resale of the shares issued; (ii) \$2.84 billion in cash; and (iii) 650,000 shares of Series A Preferred Stock of the Company, with a stated face value of \$1,000 per share or \$650 million, issued to holders of warrants to purchase shares of Raycom. The Series A Preferred Stock accrues dividends at 8% per annum payable in cash or 8.5% per annum payable in the form of additional Series A Preferred Stock, at the election of Gray. The holders of Series A Preferred Stock are not entitled to vote on any matter submitted to the stockholders of the Company for a vote, except as required by Georgia law. Upon a liquidation of the Company, holders of the Series A Preferred Stock will be entitled to receive a liquidation preference equal to \$1,000 per share plus all accrued and unpaid dividends.

On May 1, 2019, we acquired the assets of WWNY-TV (CBS) and WNYF-CD (FOX) in Watertown, New York (DMA 181) and KEYC-TV (CBS/FOX) in Mankato, Minnesota (DMA 198) from United Communications Corporation (the “United Acquisition”) for an adjusted purchase price of \$48 million. We began operating those stations on March 1, 2019 under a local programming and marketing agreement and increased the total number of our markets to 93.

On September 25, 2019, we acquired the assets of KDLT-TV (NBC), in the Sioux Falls, South Dakota market (DMA 113), for \$33 million, using cash on hand (the “Sioux Falls Acquisition”).

On October 1, 2019, we acquired the assets of WVIR-TV (NBC) in the Charlottesville, Virginia market (DMA 182) from Waterman Broadcasting Corporation for \$13 million using cash on hand (the “Charlottesville Acquisition”). Also, on October 1, 2019, in order to meet regulatory requirements, we divested our legacy stations in that market, WCAV-TV (CBS/FOX) and WVAW-TV (ABC). The divestiture resulted in a gain of approximately \$20 million.

Collectively we refer to the Raycom Merger, the United Acquisition, the Sioux Falls Acquisition and the Charlottesville Acquisition as the “2019 Acquisitions”. The 2019 Acquisitions have materially affected our operations, liquidity and capital expenditures. In addition to the effects on our balance sheet from the financing transactions described below, our results of operations and cash flows have increased substantially. We also expect that the 2019 Acquisitions will create opportunities to reduce or eliminate redundancies in our combined operations, and that these synergies will be implemented in phases over several years. Please see Note 3 “Acquisitions and Divestitures” and Note 4 “Long-term Debt” of our audited consolidated financial statements included elsewhere herein for additional information on the Raycom Merger including on the financing transaction completed in connection therewith.

Transaction Related Expenses. We incur incremental expenses to complete acquisition and divestiture transactions that we refer to collectively as “Transaction Related Expenses.” These incremental expenses include but are not limited to: legal, consulting, other professional fees, incentive compensation, severance costs and termination costs of sales representation and other contractual relationships.

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

We also sell internet advertising on our stations’ websites and mobile apps. These advertisements may be sold as banner advertisements, video advertisements and other types of advertisements or sponsorships.

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

- Spending by political candidates, political parties and special interest groups increases during the even-numbered “on-year” of the two-year election cycle. This political spending typically is heaviest during the fourth quarter of such years;
- Broadcast advertising revenue is generally highest in the second and fourth quarters each year. This seasonality results partly from increases in advertising in the spring and in the period leading up to and including the holiday season;

- Local and national advertising revenue on our NBC-affiliated stations increases in even numbered years as a result of broadcasts of the Olympic Games; and
- Because our stations and markets are not evenly divided among the Big Four broadcast networks, our local and national advertising revenue can fluctuate between years related to which network broadcasts the Super Bowl.

Automotive advertisers have traditionally accounted for a significant portion of our revenue. During the years ended December 31, 2019 and 2018, we derived approximately 25% of our total broadcast advertising revenue from customers in the automotive industry. Strong demand for our advertising inventory from political advertisers can require significant use of available inventory, which in turn can lower our advertising revenue from our non-political advertising revenue categories in the even numbered “on-year” of the two-year election cycle. These temporary declines are expected to reverse in the following “off-year” of the two-year election cycle.

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

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

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

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

Revenue

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

	Year Ended December 31,					
	2019		2018		2017	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenue:						
Local (including internet /digital/mobile)	\$ 898	42.3%	\$ 443	40.9%	\$ 451	51.1%
National	229	10.8%	114	10.5%	119	13.5%
Political	68	3.2%	155	14.3%	16	1.8%
Retransmission consent	796	37.5%	355	32.7%	277	31.4%
Production companies	87	4.1%	-	0.0%	-	0.0%
Other	44	2.1%	17	1.6%	20	2.2%
Total	<u>\$ 2,122</u>	<u>100.0%</u>	<u>\$ 1,084</u>	<u>100.0%</u>	<u>\$ 883</u>	<u>100.0%</u>

Results of Operations

Year Ended December 31, 2019 (“2019”) Compared to Year Ended December 31, 2018 (“2018”)

Revenue. Total revenue increased approximately \$1.0 billion, or 96%, to \$2.1 billion for 2019 compared to 2018 primarily due to the 2019 Acquisitions offset in-part by decreased political advertising revenue. Local advertising revenue increased approximately \$455 million, or 103%, to \$898 million. National advertising revenue increased approximately \$115 million, or 101%, to \$229 million. Political advertising revenue decreased approximately \$87 million, or 56% to \$68 million due to 2019 being the “off-year” of the two-year election cycle. Retransmission consent revenue increased by approximately \$441 million or 124% to \$796 million primarily due to the 2019 Acquisitions but also due to higher retransmission consent rates. The stations and production companies acquired in the 2019 Acquisitions accounted for \$1.1 billion of the increase in our total revenue during 2019. Excluding the revenue attributable to the 2019 Acquisitions, revenue decreased by \$95 million due primarily to decreases in political advertising revenue, resulting primarily from 2019 being an “off-year” of the two-year political advertising cycle, partially offset by increases in retransmission consent revenue resulting from increases in rates.

Broadcast operating expenses. Broadcast operating expenses (before depreciation, amortization and gain on disposal of assets) increased \$729 million, or 122%, to \$1.3 billion for 2019 compared to 2018 primarily due to the 2019 Acquisitions. Broadcast operating expenses included \$45 million of Transaction Related Expenses in 2019, compared to \$3 million in 2018. The 2019 Acquisitions accounted for \$713 million of the increase in broadcast operating expenses in 2019. Excluding the broadcast operating expenses of the stations included in the 2019 Acquisitions, payroll costs decreased by approximately \$17 million, primarily as a result of decreases in incentive compensation costs and benefit costs. Non-cash stock-based compensation expenses were \$5 million in 2019 and \$2 million in 2018.

Production Company Operating Expenses. Production company operating expenses (before depreciation, amortization and gain on disposal of assets) were \$74 million in 2019, and represent the video and event production costs related to the production companies acquired in the 2019 Acquisitions.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and gain on disposal of assets) increased \$63 million, or 154%, to \$104 million for 2019 compared to 2018. The increase was due primarily to \$34 million of Transaction Related Expenses associated with the 2019 Acquisitions such as legal and other professional fees and \$11 million of severance and incentive compensation. Excluding the 2019 Acquisitions and the related transaction expenses, corporate and administrative expenses increased by approximately \$16 million due to increases in non-cash stock-based compensation, corporate staffing and base compensation. Non-cash stock-based compensation expenses were \$11 million in 2019 and \$5 million in 2018.

Depreciation. Depreciation of property and equipment totaled \$80 million and \$54 million for 2019 and 2018, respectively. Depreciation expense increased due to the 2019 Acquisitions and purchases of property and equipment at our existing stations.

Amortization of intangible assets. Amortization of intangible assets totaled \$115 million and \$21 million for 2019 and 2018, respectively. Amortization expense increased primarily due to the finite-lived intangible assets acquired in the 2019 Acquisitions.

Gain or loss on disposal of assets, net. We reported gains on disposals of assets of \$54 million in 2019 and \$17 million in 2018. During 2019, we recorded a gain of \$19 million related to the divestiture of television stations, primarily WCAV-TV and WVAW-TV in the Charlottesville, Virginia market, to facilitate regulatory approval of the acquisition of WVIR-TV. Also in 2019, we reported gains of \$38 million related to assets disposed as required by the FCC's Repack process. During 2018, we recorded a gain of \$5 million related to the divestiture of WSWG-TV to facilitate regulatory approval of the Raycom Merger. Also in 2018, we reported gains of \$14 million related to assets disposed as required by the FCC's Repack process.

Interest expense. Interest expense increased \$120 million, or 112%, to \$227 million for 2019 compared to 2018 due to additional debt used to fund the Raycom Merger. Interest expense increased by \$53 million resulting from our 2027 Notes and by \$67 million related to additional term loan borrowing under our 2019 Senior Credit Facility. During 2019 the average interest rate on our senior credit facility increased slightly to 4.7% from 4.2%.

Income tax expense. Our effective income tax rate increased to a net provision of 30% for 2019 from 27% for 2018. Our effective income tax rates differed from the statutory rate due to the following items:

	Year Ended December 31,	
	2019	2018
Statutory federal income tax rate	21%	21%
Current year permanent items	5%	1%
State and local taxes, net of federal taxes	5%	5%
Change in valuation allowance	(1)%	0%
Effective income tax expense rate	<u>30%</u>	<u>27%</u>

Liquidity and Capital Resources

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

	Year Ended December 31,		
	2019	2018	2017
Net cash provided by operating activities	\$ 385	\$ 323	\$ 180
Net cash used in investing activities	(2,656)	(47)	(350)
Net cash provided by financing activities	1,064	681	307
Net increase in cash and restricted cash	<u>\$ (1,207)</u>	<u>\$ 957</u>	<u>\$ 137</u>

	December 31,	
	2019	2018
Cash	\$ 212	\$ 667
Restricted cash	\$ -	\$ 752
Long-term debt, including current portion	\$ 3,697	\$ 2,549
Borrowing availability under senior credit facility	\$ 200	\$ 100

Financing Transactions. In connection with the consummation of our recent acquisitions and our efforts to strengthen our balance sheet, we undertook several financing transactions between 2017 and early 2019. These transactions have included an underwritten offering of our common stock in December 2017; the issuance of senior notes in 2018; the issuance of the Preferred Stock in 2019 and the refinancing of our senior credit facilities in 2017 and 2019. For a detailed description of these transactions please see Note 4 “Long-term Debt,” Note 6 “Stockholders’ Equity” and Note 7 “Preferred Stock” of our audited consolidated financial statements included elsewhere herein.

In connection with the Raycom Merger, on January 2, 2019, we completed the following debt transactions: (1) replaced our existing \$100 million revolving credit facility with the 2019 Revolving Credit Facility, the terms of which provide for up to \$200 million in available borrowings and a maturity date extended until January 1, 2024; (2) incurred the \$1.4 billion 2019 Term Loan, which has a maturity date of January 1, 2026; (3) because the Raycom Merger was not completed by December 15, 2018, we incurred a ticking fee of \$1 million at a rate of 1.25% of the 2019 Term Loan commitment amount, from December 16, 2018 to January 1, 2019; and (4) we assumed \$750 million of the 7.0% 2027 Notes, which were issued on November 16, 2018 by Gray Escrow, Inc., a wholly owned subsidiary. The proceeds of the 2019 Term Loan and 2027 Notes were used to fund a portion of the cash consideration payable in the Raycom Merger.

In connection with the Raycom Merger, on January 2, 2019, we completed the following equity transactions: (1) a portion of the consideration to complete the Raycom Merger included 11.5 million shares of our common stock valued at \$170 million based upon our closing stock price on December 31, 2018; (2) filed a registration statement, following the effective time of the Raycom Merger, covering the resale of the shares of the common stock issuable in the Raycom Merger; and (3) issued 650,000 shares of our Preferred Stock to holders of warrants to purchase the shares of Raycom’s capital stock outstanding immediately prior to the Raycom Merger. The Preferred Stock accrues dividends at 8% per annum payable in cash or 8.5% per annum payable in the form of additional Preferred Stock, at the election of Gray. The holders of Preferred Stock are not entitled to vote on any matter submitted to the stockholders of the Company for a vote, except as required by Georgia law. Upon a liquidation of the Company, holders of the Preferred Stock will be entitled to receive a liquidation preference equal to \$1,000 per share plus all accrued and unpaid dividends.

Income Taxes. We file a consolidated federal income tax return and such state or local tax returns as are required based on our current forecasts. We estimate that these income tax payments will be within a range of approximately \$79 million to \$81 million in 2020.

Net Cash Provided By (Used In) Operating, Investing and Financing Activities – 2019 Compared to 2018

Net cash provided by operating activities increased \$62 million to \$385 million in 2019 compared to net cash provided by operating activities of \$323 million in 2018. The increase in cash provided by operating activities was due primarily to the net impact of several factors including: a decrease in net income of \$32 million; a net increase of \$155 million in non-cash expenses and a decrease of \$61 million due to changes in working capital balances. The primary changes in our non-cash expenses were an increase in our depreciation expense of \$26 million and amortization of intangible assets of \$94 million, each as a result of increases in the underlying assets related to the 2019 Acquisitions. Our deferred income taxes also increased by approximately \$43 million related to the 2019 Acquisitions. These increases in non-cash expenses were partially offset by an increase in gain on disposal of assets of approximately \$37 million primarily as a result of divestitures required to meet regulatory requirements to complete the 2019 Acquisitions.

Net cash used in investing activities increased \$2.6 billion to \$2.7 billion for 2019 compared to \$47 million for 2018. The net increase was due primarily to \$2.8 billion of cash used for the 2019 Acquisitions. In 2018, we did not complete any acquisition transactions. Other significant changes in 2019 compared to 2018 included the receipt in 2019 of \$253 million in proceeds from the divestiture of television stations to facilitate regulatory approval of the 2019 Acquisitions and the receipt in 2019 of \$41 million in proceeds from the FCC's Repack process; an increase of \$27 million compared to 2018.

Net cash provided by financing activities was \$1.1 billion in 2019 compared to \$681 million in 2018. This increase of \$383 million was due primarily to the borrowings of \$1.4 billion in term loan financing to finance a portion of the cash consideration of the Raycom Merger in 2019, compared to issuance of \$750 million of our 7% 2027 Notes, also to finance a portion of the cash consideration of the Raycom Merger in 2018. During 2019, we paid \$50 million of deferred loan costs related to the 2019 Senior Credit Facility and the 2027 Notes. During 2019, we made total payments of \$211 million to reduce the balance outstanding of our 2019 Term Loan. Also during 2019, we used \$32 million of cash to repurchase shares of our common stock, paid \$39 million of dividends on our preferred stock and \$4 million in payments for taxes related to net share settlements of equity awards. During 2018, we paid \$5 million of deferred loan costs related to the 2027 Notes. During 2018, we made total payments of \$40 million to reduce the balance outstanding of our 2017 Term Loan. Also during 2018, we used \$19 million of cash to repurchase shares of our common stock and \$5 million in payments for taxes related to net share settlements of equity awards.

Retirement Plans

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

Our funding policy is consistent with the funding requirements of existing federal laws and regulations under the Employee Retirement Income Security Act of 1974. A discount rate is selected annually to measure the present value of the benefit obligations. In determining the selection of a discount rate, we estimated the timing and amounts of expected future benefit payments and applied a yield curve developed to reflect yields available on high-quality bonds. The yield curve is based on an externally published index specifically designed to meet the criteria of United States Generally Accepted Accounting Principles ("U.S. GAAP"). The discount rate selected for determining benefit obligations as of December 31, 2019 was 3.14%, which reflects the results of this yield curve analysis. The discount rate used for determining benefit obligations as of December 31, 2018 was 4.16%. Our assumptions regarding expected return on plan assets reflects asset allocations, the investment strategy and the views of investment managers, as well as historical experience. We use an assumed rate of return of 6.50% for our assets invested in the Gray Pension Plan. The estimated asset returns for this plan, calculated on a mean market value assuming mid-year contributions and benefit payments, were a gain of 17.6% for the year ended December 31, 2019, and a loss of 6.3% for the year ended December 31, 2018. Other significant assumptions relate to inflation, retirement and mortality rates. Our inflation assumption is based on an evaluation of external market indicators. Retirement rates are based on actual plan experience and mortality rates are based on the Pri-2012 mortality table and the MP-2019 projection scale published by the Society of Actuaries.

During each of the years ended December 31, 2019 and 2018, we contributed an aggregate of \$3 million to the Gray Pension Plan, and we anticipate making an aggregate contribution of approximately \$3 million to the Gray Pension Plan in 2020. The use of significantly different assumptions, or if actual experienced results differ significantly from those assumed, could result in our funding obligations being materially different.

The Gray Television, Inc. Capital Accumulation Plan (the “Capital Accumulation Plan”) is a defined contribution plan intended to meet the requirements of section 401(k) of the Internal Revenue Code. Beginning in 2019, employer contributions under the Capital Accumulation Plan include matching cash contributions at a rate of 100% of the first 1% of each employee’s salary deferral, and 50% of the next 5% of each employee’s salary deferral. In addition, the Company, at its discretion, may make an additional profit sharing contribution, based on annual Company performance, to those employees who meet certain criteria. During the years ended December 31, 2019 and 2018, we contributed an aggregate of \$16 million and \$11 million, respectively, to the Capital Accumulation Plan.

See Note 11 “Retirement Plans” of our audited consolidated financial statements included elsewhere herein for further information concerning the retirement plans.

Capital Expenditures

In April 2017, the FCC began the process of requiring certain television stations to change channels and/or modify their transmission facilities (“Repack”). Congress passed legislation which provides the FCC with a \$1.7 billion fund to reimburse all reasonable costs incurred by stations operating under a full power license and a portion of the costs incurred by stations operating under a low power license that are reassigned to new channels. Subsequent legislation in March 2018 appropriated an additional \$1.0 billion for the Repack fund, of which up to \$750 million may be made available to reimburse the Repack costs of full power and Class A television stations and multichannel video programming distributors. Other funds are earmarked to assist low power television stations and for other transition costs. The sufficiency of the FCC’s fund to reimburse for Repack costs is dependent upon a number of factors including the amounts to be reimbursed to other industry participants for Repack costs. Therefore, we cannot predict whether the fund will be sufficient to reimburse our Repack costs to the extent authorized under the legislation. The Repack affects 48 of our full power stations and 39 of our current low power stations. The Repack process should be substantially completed in 2020. We anticipate that the majority of our costs associated with Repack will qualify for capitalization, rather than expense. Upon receipt of funds reimbursing us for our Repack costs, we record those proceeds as a component of our (gain) loss on disposal of assets, net.

Capital expenditures, including Repack, for the years ended December 31, 2019 and 2018 were \$110 million and \$70 million, respectively. Excluding Repack, our capital expenditures were \$89 million and \$41 million, respectively. Our capitalized Repack costs and associated reimbursements for the years ended December 31, 2019 and 2018 were \$20 million and \$27 million, respectively. As of December 31, 2019, the amount requested from the FCC for Repack, but not yet received, was approximately \$9 million. Excluding Repack, but including Repack related expenditures, we expect that our capital expenditures will be approximately \$80 million during 2020. In addition, capital expenditures for Repack during 2020 are expected to range between approximately \$27 million and \$32 million and we anticipate being reimbursed for the majority of these Repack costs. However, reimbursement may be received in periods subsequent to those in which they were expended.

Off-Balance Sheet Arrangements

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

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

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

Tabular Disclosure of Contractual Obligations as of December 31, 2019. The following table aggregates our material expected contractual obligations and commitments as of December 31, 2019 (in millions):

Contractual Obligations	Payment Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual obligations recorded on our balance sheet as of December 31, 2019:					
Long-term debt obligations (1)	\$ 3,760	\$ -	\$ -	\$ 1,120	\$ 2,640
Accrued interest (2)	37	37	-	-	-
Accrued Preferred Stock dividends (3)	13	13	-	-	-
Programming obligations currently accrued (4)	35	28	7	-	-
Operating lease obligations (5)	69	9	17	14	29
Off-balance sheet arrangements as of December 31, 2019:					
Cash interest on long term debt obligations (6):					
Cash interest on 2019 Senior Credit Facility	397	73	147	127	50
Cash interest on 2027 Notes	388	53	105	105	125
Cash interest on 2026 Notes	268	41	82	82	63
Cash interest on 2024 Notes	129	27	54	48	-
Preferred Stock dividends (7)	260	52	104	104	-
Programming obligations not currently accrued (8)	84	10	55	19	-
Network affiliation agreements (9)	1,147	366	655	126	-
Service and other agreements (10)	3	2	1	-	-
Total	<u>\$ 6,590</u>	<u>\$ 711</u>	<u>\$ 1,227</u>	<u>\$ 1,745</u>	<u>\$ 2,907</u>

- (1) “Long-term debt obligations” represent current and long-term principal payment obligations under the 2019 Senior Credit Facility, 2027 Notes, 2026 Notes and 2024 Notes at December 31, 2019. These amounts are recorded as liabilities as of the balance sheet date net of the \$62 million of unamortized deferred loan costs and unamortized original issue premium on the 2026 Notes. As of December 31, 2019, the interest rate on the balance outstanding under the 2019 Senior Credit Facility was 4.1%. As of December 31, 2019, the coupon interest rate and the yield on the 2027 Notes were each 7%. As of December 31, 2019, the coupon interest rate and the yield on the 2026 Notes were 5.875% and 5.398%, respectively. As of December 31, 2019, the coupon interest rate and the yield on the 2024 Notes were each 5.125%. At December 31, 2018, under the 2017 Credit Facility, the maturity date of the revolving credit facility was February 7, 2022 and the maturity date of the term loan facility is February 7, 2024. See Note 4 “Long-term Debt” to our audited consolidated financial statements included elsewhere herein for more information on the 2019 Senior Credit Facility.

- (2) “Accrued interest” represents interest on long-term debt obligations accrued as of December 31, 2019.
- (3) “Accrued Preferred Stock dividends” represents accrued dividends as of December 31, 2019, that were paid according to their terms on January 15, 2020. Please refer to Note 7 “Preferred Stock” of our audited consolidated financial statements included elsewhere herein for further information.
- (4) “Programming obligations currently accrued” represents obligations for syndicated television programming whose license period has begun and the product is available. These amounts are recorded as liabilities as of the current balance sheet date.
- (5) “Operating lease obligations” represents the gross accrued current and long-term lease payment obligations due under non-cancellable leases, including amounts representing imputed interest. Please refer to Note 9 “Leases” of our audited consolidated financial statements included elsewhere herein for further information.
- (6) “Cash interest on long-term debt obligations” consists of estimated interest expense on long-term debt excluding interest expense accrued as of December 31, 2019 described in note (2) above. The estimate is based upon debt balances as of December 31, 2019 and required future principal repayments under those obligations. The 2027 Notes, 2026 Notes and 2024 Notes mature on May 15, 2027, July 15, 2026 and October 15, 2024, respectively. The maturity date of the term loan under the 2019 Senior Credit Facility is February 7, 2024. This estimate of cash interest on long-term debt obligations assumes that current interest rates will remain consistent and the principal obligations underlying these interest estimates will not be replaced by other long-term obligations prior to or upon their maturity.
- (7) “Preferred Stock dividends” represents estimated future dividends payable on our Preferred Stock, that will be payable in future periods. For the column headed “More than 5 Years” we cannot estimate an amount, due to the perpetual nature of the preferred stock. Please refer to Note 7 “Preferred Stock” for further information.
- (8) “Programming obligations not currently accrued” represent obligations for syndicated television programming whose license period has not yet begun or the product is not yet available. These amounts are not recorded as liabilities as of the current balance sheet date.
- (9) “Network affiliation agreements” represent the fixed obligations under our current agreements with broadcast networks. Our network affiliation agreements expire at various dates primarily through December 2023.
- (10) “Service and other agreements” represents minimum amounts payable for various non-cancelable contractual agreements for maintenance services and other professional services.

Estimates of the amount, timing and future funding obligations under our pension plan include assumptions concerning, among other things, actual and projected market performance of plan assets, investment yields, statutory requirements and demographic data for pension plan participants. Pension plan funding estimates are therefore not included in the table above because the timing and amounts of funding obligations for all future periods cannot be reasonably determined. We expect to contribute approximately \$3 million in total to our defined benefit pension plan during 2020.

Inflation

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

Critical Accounting Policies

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

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

In the performance of our annual broadcast license and reporting unit impairment assessments, we have the option of performing a qualitative assessment to determine if it is more likely than not that the respective asset has been impaired. In 2019, we performed a qualitative assessment for 55 of our 93 broadcast licenses and 51 of our 96 reporting units. In 2018, we performed a qualitative assessment for 49 of our 55 broadcast licenses and 34 of our 47 reporting units. We performed a quantitative assessment for all broadcast licenses and reporting units in our annual tests in 2017.

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

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

For our annual broadcast licenses impairment test in 2019, we concluded that it was more likely than not that all 55 of our broadcast licenses that were evaluated were not impaired based upon our qualitative assessments. We elected to perform a quantitative assessment for our remaining broadcast licenses and concluded that their fair values significantly exceeded their carrying values. To estimate the fair value of our broadcast licenses, we utilize a discounted cash flow model assuming an initial hypothetical start-up operation maturing into an average performing station in a specific television market and giving consideration to other relevant factors such as the technical qualities of the broadcast license and the number of competing broadcast licenses within that market.

For our annual goodwill impairment test in 2019, we concluded that it was more likely than not that goodwill was not impaired based upon our qualitative assessments for 51 of our reporting units. We elected to perform a quantitative assessment for our remaining 45 reporting units and concluded that their fair values exceeded their carrying values. To estimate the fair value of our reporting units, we utilize a discounted cash flow model supported by a market multiple approach. We believe that a discounted cash flow analysis is the most appropriate methodology to test the recorded value of long-term assets with a demonstrated long-lived/enduring franchise value. We believe the results of the discounted cash flow and market multiple approaches provide reasonable estimates of the fair value of our reporting units because these approaches are based on our actual results and reasonable estimates of future performance, and also take into consideration a number of other factors deemed relevant by us including, but not limited to, expected future market revenue growth, market revenue shares and operating profit margins. We have historically used these approaches in determining the value of our reporting units. We also consider a market multiple approach to corroborate our discounted cash flow analysis. We believe that this methodology is consistent with the approach that a strategic market participant would utilize if they were to value one of our television stations.

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

As of December 31, 2019 and 2018, the recorded value of our broadcast licenses was \$3.6 billion and \$1.5 billion, respectively. As of December 31, 2019 and 2018, the recorded value of our goodwill was \$1.4 billion and \$612 million, respectively. See Note 13 “Goodwill and Intangible Assets” of our audited consolidated financial statements included elsewhere herein, for the results of our annual impairment tests for the years ended December 31, 2019, 2018 and 2017.

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

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

The methodology we used to value these stations was based on our evaluation of the broadcast licenses acquired and the characteristics of the markets in which they operated. Given our assumptions and the specific attributes of the stations we acquired from 2002 through December 31, 2019, we generally ascribe no incremental value to the incumbent network affiliation relationship in each market beyond the cost of negotiating a new agreement with another network and the value of any terms of the affiliation agreement that were more favorable or unfavorable than those generally prevailing in the market. Due to certain characteristics of a small number of the stations acquired in the Raycom Merger, we ascribed approximately \$50 million of the value of that transaction to network affiliations in 2019.

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

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

The following table reflects the hypothetical impact of the reassignment of value from broadcast licenses to network affiliations for our historical acquisitions (the first acquisition being in 1994) and the resulting increase in amortization expense assuming a hypothetical 15-year amortization period as of our most recent impairment testing date of December 31, 2019 (in millions, except per share data):

	As Reported	Percentage of Total Value Reassigned to Network Affiliation Agreements	
		50%	25%
Balance Sheet (As of December 31, 2019):			
Broadcast licenses	\$ 3,573	\$ 1,837	\$ 2,705
Other intangible assets, net (including network affiliation agreements)	460	1,644	1,052
Statement of Operations (For the year ended December 31, 2019):			
Amortization of intangible assets	115	208	161
Operating income	478	385	432
Net income attributable to common stockholders	127	58	93
per share - basic	\$ 1.28	\$ 0.59	\$ 0.94
per share - diluted	\$ 1.27	\$ 0.58	\$ 0.93

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

Income Taxes. As of December 31, 2019, we have an aggregate of approximately \$438 million of federal operating loss carryforwards. We project to have federal taxable income in the carryforward periods. Therefore, we believe that it is more likely than not that all of the federal operating loss carryforwards will be utilized. We have an aggregate of approximately \$677 million of various state operating loss carryforwards. We project to have state taxable income in the carryforward periods. Therefore, we believe that it is more likely than not that approximately half of the state operating loss carryforwards will be utilized.

The TCJA reduced the value of our deferred tax liabilities resulting in the recognition of a tax benefit of approximately \$146 million in the fourth quarter of 2017 with a credit to earnings for a reduction of those liabilities. In addition, the TCJA contains significant changes to corporate taxes that materially affected the taxes owed by us in 2019, 2018 and subsequent years. Among other things, the new law reduced the maximum federal corporate income tax rate from 35% to 21%, which should have a positive effect on our net earnings and earnings per share. It also includes an option to claim accelerated depreciation deductions on qualified property but limits or eliminates certain deductions to which we have been entitled in past years.

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

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

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

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

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

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

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

Based on our floating rate debt outstanding at December 31, 2019, a 100 basis point increase or decrease in market interest rates would have increased or decreased our interest expense and decreased or increased our income before income taxes for the year ended December 31, 2019 by approximately \$18 million.

At December 31, 2019 and 2018, the recorded amount of our long-term debt, including current portion, was \$3.7 billion and \$2.5 billion, respectively, and the fair value of our long-term debt, including current portion, was \$3.9 billion and \$2.4 billion, respectively, as of December 31, 2019 and 2018. Fair value of our long-term debt is based on estimates provided by third-party financial professionals as of the respective dates.

Item 8. Financial Statements and Supplementary Data.

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Management's Report on Internal Control Over Financial Reporting

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

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

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 framework"). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

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

Management excluded the operations of all of the television stations, production companies and related general and administrative operations acquired in the Raycom Merger, the United Acquisition, the Sioux Falls Acquisition and the Charlottesville Acquisition (together the "2019 Acquisitions") from the assessment of internal control over financial reporting as of December 31, 2019. These operations were excluded in accordance with the SEC's general guidance because they and the related entities were acquired in purchase business combinations in 2019. Collectively, these operations accounted for approximately 60% of our total assets and 53% of our total revenues, as reported in our consolidated financial statements as of and for the year ended December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Gray Television, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedule (collectively, the financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded the operations of the television stations, production companies and related general and administrative operations acquired in the Raycom Merger, the United Acquisition, the Sioux Falls Acquisition, and the Charlottesville Acquisition (collectively, the "2019 Acquisitions" as defined in Note 3), from its assessment of internal control over financial reporting as of December 31, 2019, because they were acquired by the Company in a purchase business combinations in 2019. We have also excluded the Acquired Stations from our audit of internal control over financial reporting. The Acquired Stations total assets and revenues represent approximately 60% and 53%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2019.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for leases in fiscal year 2019 due to the adoption of the new lease standard.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Indefinite-Lived Intangible Asset and Goodwill Impairment Assessment

As described in Notes 1 and 13 to the consolidated financial statements, the Company's consolidated broadcast licenses and goodwill balances were \$3.6 billion and \$1.4 billion as of December 31, 2019, respectively. Goodwill is allocated to the Company's reporting units, which the Company identifies as each of its individual television markets and production companies. Goodwill, at the reporting unit level, and each broadcast license is tested for impairment at least annually. In the Company's assessment of impairment, management identified those broadcast licenses and reporting units for which a qualitative assessment would be performed to determine whether it is more likely than not that the broadcast license or reporting unit is impaired. For those broadcast licenses and reporting units for which the Company did not elect to perform a qualitative analysis, the Company performed a quantitative analysis. To estimate the fair value of the reporting units using a quantitative assessment, the Company used a discounted cash flow model supported by a market multiple approach. The impairment assessment of each broadcast license and reporting unit requires management to make significant estimates and assumptions related to a number of factors under both the qualitative and quantitative assessments. The Company considered the relative impact of factors that are specific to the broadcast license and reporting unit such as industry, regulatory and macroeconomic factors as well as forecasts of future revenues, operating margins and discount rates. Management also utilized industry data such as third party market reports which project trends related to the growth of the industry. The Company has grown significantly through acquisition and as a result, many broadcast licenses and reporting units lack substantial historical operating performance data upon which to evaluate management's forecasts.

We identified the broadcast license and goodwill impairment assessment as a critical audit matter because of the significant assumptions management used in the impairment analysis. Auditing management's judgments used in the impairment assessment regarding industry, regulatory, and microeconomic factors as well as forecasts of future revenue, operating margin, discount rate and its application of third party data related to industry growth involved a high degree of auditor judgment and increased audit effort, including the use of our valuation specialist.

Our audit procedures related to the Company's broadcast license and goodwill impairment assessment included the following, among others:

- We obtained an understanding of the relevant controls related to the Company's goodwill and broadcast license impairment assessments, and tested such controls for design and operating effectiveness, including controls related to management's review of the significant assumptions noted above.
- We tested management's determination of which broadcast licenses and reporting units were subject to the qualitative impairment assessment versus those subject to a quantitative impairment assessment, including comparison of actual results to management's historical forecasts.
- We tested management's process for evaluating factors specific to the broadcast licenses and reporting units subject to qualitative goodwill impairment assessment. This included comparing the third party industry data utilized by management to other sources of independently obtained industry data.
- We tested management's process for determining the fair value of the broadcast licenses and reporting units. Due to the lack of historical experience available for broadcast licenses and reporting units acquired in the current year, we compared management's forecasts of future revenue and operating margin to historical operating results for the Company's similar existing reporting units, as well as third party, market specific industry data.
- We utilized our valuation specialist to assist in testing the discount rates for broadcast licenses and reporting units subject to a quantitative impairment assessment.

Valuation of Broadcast Licenses Acquired in a Business Combination

As described in Note 3 to the consolidated financial statements, the Company completed a significant business combination that added \$2.0 billion in broadcast licenses, which management considers to be indefinite-lived intangible assets, for the year ended December 31, 2019. Management used an income approach when valuing the broadcast licenses. Under this approach, a broadcast license is recorded based on the estimated fair value, which is based on the estimated after-tax discounted future cash flows of the acquired station, assuming an initial hypothetical start-up operation maturing into an average performing station in a specific television market and giving consideration to other relevant factors such as the technical qualities of the broadcast license and the number of competing broadcast licenses within that market. The assumptions considered by management in the analysis reflect historical market and station growth trends, third party, market specific, industry data, as well as the anticipated performance of the stations. The valuation technique used by management included theoretical assumptions of the costs that would be incurred to construct a station when the only owned asset is the broadcast license and the associated revenues, operating margins and capital expenditures expected to be incurred in the start-up years, which are inherently judgmental.

We identified the valuation of broadcast licenses acquired in a business combination as a critical audit matter because of the significant estimates and assumptions used by management in estimating the fair value of the acquired licenses. Auditing management's judgments regarding forecasts of future revenue, operating margins, capital expenditures, and the discount rate to be applied involved a high degree auditor judgment and increased audit effort, including the use of our valuation specialist.

Our audit procedures related to the Company's broadcast license and goodwill impairment assessment included the following, among others:

- We obtained an understanding of the relevant controls related to the Company's valuation of the broadcast license and tested such controls for design and operating effectiveness, including controls relating to management's review and approval of the assumptions included in the valuation specialist's report.
- We compared management's forecasts of future revenue and operating margin to historical operating results for the Company's similar existing owned broadcast licenses, as well as third-party market specific, industry data. We tested the assumptions related to the start-up years in the discounted cash flow model where there is no historical or third-party market data available to support those assumptions by comparing estimated capital expenditures to acquired capital assets of the acquired station, as well as ensuring that management's build-up of revenues and operating margins were reasonable over the start-up period.
- We utilized our valuation specialist to assist in testing the Company's discounted cash flow models and certain significant assumptions, including the discount rate. We evaluated whether the assumptions used were reasonable by considering the past performance of similar assets and third party, market specific, industry data, and whether such assumptions were consistent with evidence obtained in other areas of the audit.

/s/ RSM US LLP

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

Atlanta, Georgia
February 27, 2020

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

	December 31,	
	2019	2018
Assets:		
Current assets:		
Cash	\$ 212	\$ 667
Accounts receivable, less allowance for doubtful accounts of \$11 and \$5, respectively	411	184
Current portion of program broadcast rights, net	25	15
Prepaid and other current assets	24	7
Total current assets	672	873
Property and equipment, net	725	363
Operating leases right of use asset	50	-
Broadcast licenses	3,573	1,530
Goodwill	1,446	612
Other intangible assets, net	460	53
Investments in broadcasting and technology companies	17	17
Restricted cash	-	752
Other	29	13
Total assets	\$ 6,972	\$ 4,213

See accompanying notes.

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

	December 31,	
	2019	2018
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$ 11	\$ 8
Employee compensation and benefits	67	35
Accrued interest	37	34
Accrued network programming fees	30	22
Other accrued expenses	32	18
Federal and state income taxes	13	14
Current portion of program broadcast obligations	28	15
Deferred revenue	9	4
Dividends payable	13	-
Current portion of operating lease liabilities	6	-
Total current liabilities	246	150
Long-term debt, less current portion and deferred financing costs	3,697	2,549
Program broadcast obligations, less current portion	7	5
Deferred income taxes	810	285
Accrued pension costs	38	33
Operating lease liabilities, less current portion	45	-
Other	15	4
Total liabilities	4,858	3,026
Commitments and contingencies (Note 12)		
Series A Perpetual Preferred Stock, no par value; cumulative; redeemable; designated 1,500,000 shares, issued and outstanding 650,000 shares and 0 shares, (\$650 and \$0 aggregate liquidation value, respectively)		
	650	-
Stockholders' equity:		
Common stock, no par value; authorized 200,000,000 shares issued 101,746,860 shares and 89,298,943 shares, respectively outstanding 92,658,362 shares and 82,022,500 shares, respectively	1,093	907
Class A common stock, no par value; authorized 25,000,000 shares, issued 8,768,959 shares and 8,569,149 shares, respectively outstanding 6,881,192 shares and 6,729,035 shares, respectively	31	27
Retained earnings	504	372
Accumulated other comprehensive loss, net of income tax benefit	(31)	(21)
	1,597	1,285
Treasury stock at cost, common stock, 9,088,498 shares and 7,276,443 shares, respectively	(107)	(72)
Treasury stock at cost, Class A common stock, 1,887,767 shares and 1,840,114 shares, respectively	(26)	(26)
Total stockholders' equity	1,464	1,187
Total liabilities and stockholders' equity	\$ 6,972	\$ 4,213

See accompanying notes.

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

	Year Ended December 31,		
	2019	2018	2017
Revenue (less agency commissions):			
Broadcasting	\$ 2,035	\$ 1,084	\$ 883
Production companies	87	-	-
Total revenue (less agency commissions)	<u>2,122</u>	<u>1,084</u>	<u>883</u>
Operating expenses before depreciation, amortization, and gain on disposals of assets, net:			
Broadcast	1,325	596	558
Production companies	74	-	-
Corporate and administrative	104	41	32
Depreciation	80	54	52
Amortization of intangible assets	115	21	25
Gain on disposals of assets, net	(54)	(17)	(74)
Operating expenses	<u>1,644</u>	<u>695</u>	<u>593</u>
Operating income	478	389	290
Other income (expense):			
Miscellaneous income, net	4	6	1
Interest expense	(227)	(107)	(95)
Loss from early extinguishment of debt	-	-	(3)
Income before income taxes	<u>255</u>	<u>288</u>	<u>193</u>
Income tax expense (benefit)	<u>76</u>	<u>77</u>	<u>(69)</u>
Net income	179	211	262
Preferred stock dividends	52	-	-
Net income attributable to common stockholders	<u>\$ 127</u>	<u>\$ 211</u>	<u>\$ 262</u>
Basic per share information:			
Net income attributable to common stockholders	<u>\$ 1.28</u>	<u>\$ 2.39</u>	<u>\$ 3.59</u>
Weighted average shares outstanding	<u>99</u>	<u>88</u>	<u>73</u>
Diluted per share information:			
Net income attributable to common stockholders	<u>\$ 1.27</u>	<u>\$ 2.37</u>	<u>\$ 3.55</u>
Weighted average shares outstanding	<u>100</u>	<u>89</u>	<u>74</u>
Dividends declared per common share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 179	\$ 211	\$ 262
Other comprehensive (loss) income :			
Adjustment to pension liability	(7)	1	(7)
Income tax (benefit) expense	(2)	-	(3)
Adoption of ASU 2018-02	(5)	-	-
Other comprehensive (loss) income	(10)	1	(4)
Comprehensive income	\$ 169	\$ 212	\$ 258

See accompanying notes.

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

	Class A		Common Stock Shares	Common Stock Amount		Retained Earnings (Deficit)	Class A		Common		Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount		Shares	Amount		Shares	Amount	Shares	Amount		
Balance at December 31, 2016	8,073,993	\$ 22	71,229,497	\$ 658	(101)	(1,669,131)	(23)	(5,135,406)	(45)	(18)	\$ 493	
Adoption of ASU 2016-09 excess tax benefit for stock-based compensation	-	-	-	-	1	-	-	-	-	-	1	
Net income	-	-	-	-	262	-	-	-	-	-	262	
Adjustment to pension liability, net of income tax	-	-	-	-	-	-	-	-	-	(4)	(4)	
Issuance of common stock:												
Underwritten public offering	-	-	17,250,000	239	-	-	-	-	-	-	239	
401(k) plan	-	-	1,224	-	-	-	-	-	-	-	-	
2007 Long Term Incentive Plan - restricted stock awards	198,220	-	307,943	-	-	(81,561)	(1)	(77,632)	(1)	-	(2)	
2017 Equity and Incentive Compensation Plan - restricted stock awards	76,856	-	-	-	-	-	-	-	-	-	-	
Repurchase of common stock	-	-	-	-	-	-	-	(322,038)	(4)	-	(4)	
Stock-based compensation	-	3	-	6	-	-	-	-	-	-	9	
Balance at December 31, 2017	8,349,069	\$ 25	88,788,664	\$ 903	162	(1,750,692)	(24)	(5,535,076)	(50)	(22)	\$ 994	
Net income	-	-	-	-	210	-	-	-	-	-	210	
Adjustment to pension liability, net of income tax	-	-	-	-	-	-	-	-	-	1	1	
Issuance of common stock:												
Restricted stock awards	220,080	-	391,836	-	-	(89,422)	(2)	(107,456)	(2)	-	(4)	
Restricted stock unit awards	-	-	209,500	-	-	-	-	(82,201)	(1)	-	(1)	
Forfeiture of restricted stock awards	-	-	(91,057)	(1)	-	-	-	-	-	-	(1)	
Repurchase of common stock	-	-	-	-	-	-	-	(1,551,710)	(19)	-	(19)	
Stock-based compensation	-	2	-	5	-	-	-	-	-	-	7	
Balance at December 31, 2018	8,569,149	\$ 27	89,298,943	\$ 907	372	(1,840,114)	(26)	(7,276,443)	(72)	(21)	\$ 1,187	

See accompanying notes.

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

	Class A Common Stock		Common Stock		Retained Earnings (Deficit)	Class A Treasury Stock		Common Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount		
Balance at December 31, 2018	8,569,149	\$ 27	89,298,943	\$ 907	\$ 372	(1,840,114)	\$ (26)	(7,276,443)	\$ (72)	\$ (21)	1,187
Net income	-	-	-	-	179	-	-	-	-	-	179
Preferred stock dividends	-	-	-	-	(52)	-	-	-	-	-	(52)
Adjustment to pension liability, net of income tax	-	-	-	-	-	-	-	-	-	(5)	(5)
Issuance of common stock:											
Acquisitions of television businesses and licenses	-	-	11,499,945	170	-	-	-	-	-	-	170
401(k) Plan	-	-	196,509	4	-	-	-	-	-	-	4
2017 Equity and Incentive Compensation Plan:											
Restricted stock awards	199,810	-	751,463	-	-	(47,653)	-	(152,371)	(3)	-	(3)
Repurchase of common stock	-	-	-	-	-	-	-	(1,659,684)	(32)	-	(32)
Stock-based compensation	-	4	-	12	-	-	-	-	-	-	16
Adoption of ASU 2018-02	-	-	-	-	5	-	-	-	-	(5)	-
Balance at December 31, 2019	8,768,959	\$ 31	101,746,860	\$ 1,093	\$ 504	(1,887,767)	\$ (26)	(9,088,498)	\$ (107)	\$ (31)	\$ 1,464

See accompanying notes.

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

	Year Ended December 31,		
	2019	2018	2017
Operating activities			
Net income	\$ 179	\$ 211	\$ 262
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	80	54	52
Amortization of intangible assets	115	21	25
Amortization of deferred loan costs	12	5	5
Accretion of original issue discount and premium related to long-term debt, net	(1)	(1)	(1)
Amortization of restricted stock and stock option awards	16	7	9
Amortization of program broadcast rights	39	21	21
Payments on program broadcast obligations	(43)	(22)	(21)
Deferred income taxes	55	23	(78)
Gain on disposals of assets, net	(54)	(17)	(74)
Loss from early extinguishment of debt	-	-	3
Other	11	(5)	(3)
Changes in operating assets and liabilities:			
Accounts receivable	22	(12)	(24)
Prepaid income taxes	-	14	1
Other current assets	(7)	(3)	1
Accounts payable	(1)	1	2
Employee compensation, benefits and pension costs	3	5	(2)
Accrued network fees and other expenses	(41)	7	3
Accrued interest	3	8	(6)
Income taxes payable	(6)	6	6
Deferred revenue	3	-	(1)
Net cash provided by operating activities	<u>385</u>	<u>323</u>	<u>180</u>
Investing activities			
Acquisitions of television businesses and licenses	(2,837)	-	(416)
Proceeds from sale of television stations	253	9	-
Proceeds from FCC spectrum auction	-	-	91
Purchases of property and equipment	(110)	(70)	(35)
Proceeds from Repack (Note 1)	41	14	-
Proceeds from other asset sales	3	-	-
Net (increase) decrease in acquisition prepayments and other	(6)	-	10
Net cash used in investing activities	<u>(2,656)</u>	<u>(47)</u>	<u>(350)</u>
Financing activities			
Proceeds from borrowings on long-term debt	1,400	750	642
Repayments of borrowings on long-term debt	(211)	(40)	(563)
Payments for the repurchase of common stock	(32)	(19)	(4)
Proceeds from issuance of common stock	-	-	239
Payment of preferred stock dividends	(39)	-	-
Deferred and other loan costs	(50)	(5)	(5)
Payments for taxes related to net share settlement of equity awards	(4)	(5)	(2)
Net cash provided by financing activities	<u>1,064</u>	<u>681</u>	<u>307</u>
Net (decrease) increase in cash	(1,207)	205	137
Net increase in restricted cash, included in non-current assets	-	752	-
Cash and restricted cash at beginning of period	1,419	462	325
Cash and restricted cash at end of period	<u>\$ 212</u>	<u>\$ 1,419</u>	<u>\$ 462</u>

See accompanying notes.

GRAY TELEVISION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business. We are a television broadcast company headquartered in Atlanta, Georgia, that is the largest owner of top-rated local television (“television” or “TV”) stations and digital assets in the United States. Gray currently owns and/or operates television stations and leading digital properties in 93 television markets that collectively reach approximately 24% of US television households. Over calendar year 2019, Gray’s stations were ranked first in 68 markets, and first and/or second in 86 markets, as calculated by Comscore’s audience measurement service. We also own video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content, which we refer to collectively as our “production companies.”

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

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

Trade and Barter Transactions. We account for trade transactions involving the exchange of tangible goods or services with our customers as revenue. The revenue is recorded at the time the advertisement is broadcast and the expense is recorded at the time the goods or services are used. The revenue and expense associated with these transactions is based on the fair value of the assets or services involved in the transaction. Trade revenue and expense recognized for each of the years ended December 31, 2019, 2018 and 2017 were as follows (amounts in millions):

	Year Ended December 31,		
	2019	2018	2017
Trade revenue	\$ 8	\$ 3	\$ 2
Trade expense	(8)	(3)	(2)
Net trade (loss) income	\$ -	\$ -	\$ -

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

Advertising Expense. Our advertising expense was \$2 million, \$1 million and \$2 million for the years ended December 31, 2019, 2018 and 2017, respectively. We record as expense all advertising expenditures as they are incurred.

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

Allowance for Doubtful Accounts. Our allowance for doubtful accounts is equal to a portion of our receivable balances that are 120 days old or older. We may provide allowances for certain receivable balances that are less than 120 days old when warranted by specific facts and circumstances. We recorded expenses for this allowance of \$11 million, \$2 million and \$2 million for the years ended December 31, 2019, 2018 and 2017, respectively. We generally write off accounts receivable balances when the customer files for bankruptcy or when all commonly used methods of collection have been exhausted.

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

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

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

	December 31,		Estimated Useful Lives (in years)
	2019	2018	
Property and equipment:			
Land	\$ 119	\$ 52	
Buildings and improvements	291	166	7 to 40
Equipment	776	548	3 to 20
	<u>1,186</u>	<u>766</u>	
Accumulated depreciation	(461)	(403)	
Total property and equipment, net	<u>\$ 725</u>	<u>\$ 363</u>	

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

In April 2017, the Federal Communications Commission (“FCC”) began the process of requiring certain television stations to change channels and/or modify their transmission facilities (“Repack”). Congress passed legislation which provided the FCC with a \$1.7 billion fund to reimburse all reasonable costs incurred by stations operating under a full power license and a portion of the costs incurred by stations operating under a low power license that are reassigned to new channels. Subsequent legislation in March 2018 appropriated an additional \$1.0 billion for the Repack fund, of which up to \$750 million may be made available to reimburse the Repack costs of full power and Class A television stations and multichannel video programming distributors. Other funds are earmarked to assist low power television stations and for other transition costs. The sufficiency of the FCC’s fund to reimburse for Repack costs is dependent upon a number of factors including the amounts to be reimbursed to other industry participants for Repack costs. Therefore, we cannot predict whether the fund will be sufficient to reimburse our Repack costs to the extent authorized under the legislation. The Repack affects 48 of our full power stations and 39 of our current low power stations. The Repack process should be substantially completed in 2020. We anticipate that the majority of our costs associated with Repack will qualify for capitalization, rather than expense. Upon receipt of funds reimbursing us for our Repack costs, we record those proceeds as a component of our (gain) loss on disposal of assets, net.

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

	Year ended December 31,		
	2019	2018	2017
Gain (loss) on disposal of assets, net:			
Proceeds from sale of assets	\$ 253	\$ 9	\$ 91
Proceeds from Repack	41	14	-
Net book value of assets disposed	(240)	(6)	(17)
Total	<u>\$ 54</u>	<u>\$ 17</u>	<u>\$ 74</u>
Purchase of property and equipment:			
Recurring purchases - operations	\$ 89	\$ 41	\$ 32
Repack	20	27	3
Repack related	1	2	-
Total	<u>\$ 110</u>	<u>\$ 70</u>	<u>\$ 35</u>

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

Asset Retirement Obligations. We own office equipment, broadcasting equipment, leasehold improvements and transmission towers, some of which are located on, or are housed in, leased property or facilities. At the conclusion of several of these leases we are obligated to dismantle, remove and otherwise properly dispose of and remediate the facility or property. We estimate our asset retirement obligations based upon the net present value of the cash flows of the costs expected to be incurred. Asset retirement obligations are recognized as a non-current liability and as a component of the cost of the related asset. Changes to our asset retirement obligations resulting from revisions to the timing or the amount of the original undiscounted cash flow estimates are recognized as an increase or decrease in the carrying amount of the asset retirement obligation and the related asset retirement cost is capitalized as part of the related property, plant or equipment. Changes in asset retirement obligations resulting from accretion of the net present value of the estimated cash flows are recognized as operating expenses. We recognize depreciation expense of the capitalized cost over the estimated life of the lease. Our estimated obligations are due at varying times through 2062. The liability recognized for our asset retirement obligations was approximately \$2 million and \$1 million as of December 31, 2019 and 2018, respectively. During the years ended December 31, 2019, 2018 and 2017, expenses related to our asset retirement obligations were not material.

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

Excluding political advertising revenue, which is cyclical based on election cycles, our most significant category of customer is automotive. During the years ended December 31, 2019, 2018 and 2017 approximately 25% of our broadcast advertising revenue was obtained from advertising sales to automotive customers. Although our revenues can be affected by changes within our customer base, we believe this risk is in part mitigated due to the fact that no one customer accounted for in excess of 5% of our broadcast advertising revenue in any of these periods. Furthermore, we believe that our large geographic operating area partially mitigates the potential effect of regional economic impacts.

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

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding for the years ended December 31, 2019, 2018 and 2017 (in millions):

	Year Ended December 31,		
	2019	2018	2017
Weighted-average shares outstanding, basic	99	88	73
Weighted-average shares underlying stock options and restricted shares	1	1	1
Weighted-average shares outstanding, diluted	<u>100</u>	<u>89</u>	<u>74</u>

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

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

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

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

Goodwill represents the excess of acquisition cost over the fair value of assets acquired, identifiable intangible assets, less liabilities assumed. Goodwill is tested for impairment on an annual basis (at year end) or between annual tests if events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying amount.

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

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

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

If we conclude that it is more likely than not that a reporting unit is impaired, or if we elect not to perform the optional qualitative assessment, we will determine the fair value of the reporting unit and compare to the net book value of the reporting unit. If the fair value is less than the net book value, we will record an impairment to goodwill for the amount of the difference.

To estimate the fair value of our reporting units for a quantitative assessment, we utilize a discounted cash flow model supported by a market multiple approach. We believe that a discounted cash flow analysis is the most appropriate methodology to test the recorded value of long-term assets with a demonstrated long-lived/enduring franchise value. We believe the results of the discounted cash flow and market multiple approaches provide reasonable estimates of the fair value of our reporting units because these approaches are based on our actual results and reasonable estimates of future performance, and also take into consideration a number of other factors deemed relevant by us including, but not limited to, expected future market revenue growth, market revenue shares and operating profit margins. We have historically used these approaches in determining the value of our reporting units. We also consider a market multiple approach to corroborate our discounted cash flow analysis. We believe that this methodology is consistent with the approach that a strategic market participant would utilize if they were to value one of our reporting units.

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

For further discussion of our goodwill, broadcast licenses and other intangible assets, see Note 13 "Goodwill and Intangible Assets."

Accumulated Other Comprehensive Loss. Our accumulated other comprehensive loss balances as of December 31, 2019 and 2018 consist of adjustments to our pension liabilities net of related income tax benefits as follows (in millions):

	December 31,	
	2019	2018
Accumulated balances of items included in accumulated other comprehensive loss:		
Increase in pension liability	\$ (42)	\$ (35)
Income tax benefit	(11)	(14)
Accumulated other comprehensive loss	<u>\$ (31)</u>	<u>\$ (21)</u>

Recent Accounting Pronouncements. In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The standard requires entities to estimate loss of financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss model differs from the previous incurred losses model primarily in that the loss recognition threshold of “probable” has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset’s origination for as many as five years. In November 2018, the FASB issued ASU No. 2018-19 to clarify the scope of the guidance in the amendments in ASU 2016-13. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of this guidance requires a change in disclosures related to our accounts receivable and allowance for doubtful accounts only and is not expected to have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation Retirement Benefits Defined Benefit Plans General* (Subtopic 715-20) - *Disclosure Framework Changes to the Disclosure Requirements for Defined Benefit Plans*, ASU 2018-14 adds, removes, and modifies disclosure requirements related to defined benefit pension and other postretirement plans. The update amends only annual disclosure requirements. The standard is effective for fiscal years ending after December 15, 2020. The standard allows for early adoption, but we have not yet made a determination as to whether to early-adopt this standard. The adoption of this guidance requires a change in disclosures only and is not expected to have a material impact on our financial statements.

Adoption of Accounting Standards and Reclassifications. In February 2016, the FASB issued ASU 2016-02 – *Leases* (Topic 842). ASU 2016-02 superseded Topic 840, *Leases*, and thus superseded nearly all existing lease guidance by requiring the reclassification of lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) – Targeted Improvements*, which provided the option of applying the requirements of the new lease standard in the period of adoption using the modified retrospective approach with no restatement of comparative periods. We adopted the standard effective January 1, 2019, using the modified retrospective approach provided in ASU 2018-11. The transition guidance allowed for the election of a number of practical expedients. We elected the package of practical expedients and the short-term lease practical expedient. The package of practical expedients allowed us to carryforward our classification of existing leases. With the election of the short-term practical expedient, we are not required to recognize on our consolidated balance sheet, the present value of leases with an initial term of twelve months or less. We also implemented internal controls and key system functionality to enable the preparation of financial information on adoption. The standard had a material impact on our consolidated balance sheets but did not have an impact on our consolidated income statements. Upon the adoption of this standard, we recorded a right of use (“ROU”) asset and a lease obligation liability of approximately \$21 million. In addition, upon the completion of the Raycom Merger on January 2, 2019, we implemented these standards to the leases acquired in the Raycom Merger and recorded a ROU asset and a lease obligation liability of approximately \$52 million for each. Please refer to Note 3 “Acquisitions and Divestitures” and Note 9 “Leases” for further information.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations* (Topic 805) – *Clarifying the Definition of a Business*. ASU 2017-01 adds guidance to assist entities in the determination of whether an acquisition (or disposal) represents assets or a business. The update provides a test to determine whether or not an acquisition is a business. If substantially all of the fair value of the assets acquired is concentrated in a single asset or a group of similar identifiable assets, the acquired assets do not represent a business. If this test is not met, the update provides further guidance to evaluate if the acquisition represents a business. The Company adopted the guidance on January 1, 2019. The adoption did not have an impact on our financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other* (Topic 350) – *Simplifying the Test for Goodwill Impairment*. ASU 2017-04 amends the guidance of United States GAAP with the intent of simplifying how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. After adoption of the standard, the annual, or interim, goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized will not exceed the total amount of goodwill allocated to that reporting unit. The Company adopted the guidance on January 1, 2019. The adoption did not have an impact on our financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income* (Topic 220) – *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (“TCJA”). Consequently, the amendments eliminate the stranded tax effects resulting from the TCJA and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the TCJA, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. We have adopted this standard effective on January 1, 2019 and have recorded an adjustment of \$5 million to increase our retained earnings and accumulated other comprehensive loss.

In addition to the reclassification of our net pension expense (benefit) in our consolidated statement of operations as described above, certain amounts in the condensed consolidated statement of cash flows have also been reclassified to conform to the current presentation.

2. Revenue

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

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

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

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

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

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

Production Company Revenue. Our production company revenues include sports marketing, production and event management, sports and entertainment production services and automotive programming production and marketing solutions. We recognize revenue of marketing, production and events at the time the events are aired or delivered. We recognize advertising revenues related to the events when the advertisements are aired. Sponsorship revenue is recognized ratably over the contractual period of the sponsorship.

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

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

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

We record a deposit liability for cash deposits received from our customers that are to be applied as payment once the performance obligation arises and is satisfied in the manner stated above. These deposits are recorded as deposit liabilities on our balance sheet. When we invoice our customers for completed performance obligations, we are unconditionally entitled to receive payment of the invoiced amounts. Therefore, we record invoiced amounts in accounts receivable on our balance sheet. We require amounts payable under advertising contracts with our political advertising customers to be paid for in advance. We record the receipt of this cash as a deposit liability. Once the advertisement has been broadcast, the revenue is earned, and we record the revenue and reduce the balance in this deposit liability account. We recorded \$3 million of revenue in the year ended December 31, 2019 that was included in the deposit liability balance as of December 31, 2018. The deposit liability balance is included in deferred revenue on our consolidated balance sheets. The deposit liability balance was \$9 million and \$3 million as of December 31, 2019 and 2018, respectively.

Disaggregation of Revenue. Revenue from our broadcast and other segment is generated through both our direct and advertising agency intermediary sales channels. Revenue from our production companies segment is generated through our direct sales channel. The following table presents our revenue from contracts with customers disaggregated by type of service and sales channel (in millions):

	Year Ended December 31,		
	2019	2018	2017
Market and service type:			
Advertising:			
Local	\$ 898	\$ 443	\$ 451
National	229	114	119
Political	68	155	16
Total advertising	<u>1,195</u>	<u>712</u>	<u>586</u>
Retransmission consent	796	355	277
Production companies	87	-	-
Other	44	17	20
Total revenue	<u>\$ 2,122</u>	<u>\$ 1,084</u>	<u>\$ 883</u>
Sales channel:			
Direct	\$ 1,270	\$ 552	\$ 474
Advertising agency intermediary	852	532	409
Total revenue	<u>\$ 2,122</u>	<u>\$ 1,084</u>	<u>\$ 883</u>

3. Acquisitions and Divestitures

During 2019, 2018 and 2017, we completed a number of acquisition and divestiture transactions. The acquisition transactions were and are expected to, among other things, increase our revenues and cash flows from operating activities, and allow us to operate more efficiently and effectively by increasing our scale and providing us, among other things, with the ability to negotiate more favorable terms in our agreements with third parties.

2019 Acquisitions and Divestitures.

Raycom Merger. On January 2, 2019, we completed an acquisition of all the equity interests of Raycom Media, Inc. (“Raycom”). In connection with the acquisition of Raycom and on the same date, Gray assumed and completed Raycom’s pending acquisitions of WUPV-DT in the Richmond, Virginia market and KYOU-TV in the Ottumwa, Iowa market. To facilitate regulatory approval of the acquisition of Raycom and to satisfy the conditions placed on the acquisition by the Antitrust Division of the United States Department of Justice (the “DOJ”) and the FCC, we completed the divestiture of nine television stations in overlapping markets. We refer to the acquisition of Raycom, WUPV-DT and KYOU-TV and the divestiture of the stations in the nine overlapping markets collectively as the “Raycom Merger.”

The Raycom Merger completed our transformation from a small, regional broadcaster to a leading media company with nationwide scale based on high-quality stations with exceptional talent in attractive markets. The following table lists the stations acquired and retained, net of divestitures:

DMA Rank	Designated Market Area ("DMA")	Station Call Letters	Network Affiliation
12	Tampa-St. Petersburg (Sarasota), FL	WWSB	ABC
19	Cleveland-Akron (Canton)	WOIO	CBS
19	Cleveland-Akron (Canton)	WUAB	CW
21	Charlotte, NC	WBTV	CBS
36	West Palm Beach-Ft. Pierce, FL	WFLX	FOX
37	Cincinnati, OH	WXIX	FOX
44	Birmingham (Ann and Tusc)	WBRC	FOX
48	Louisville, KY	WAVE	NBC
50	New Orleans, LA	WVUE	FOX
51	Memphis, TN	WMC	NBC
54	Richmond- Petersburg, VA	WWBT	NBC
54	Richmond- Petersburg, VA	WUPV	CW
65	Tucson (Nogales), AZ	KOLD	CBS
66	Honolulu, HI	KHNL	NBC
66	Honolulu, HI	KGMB	CBS
66	Honolulu, HI	KHBC	NBC/CBS
66	Honolulu, HI	KOGG	NBC/CBS
75	Columbia, SC	WIS	NBC
78	Huntsville- Decatur (Florence), AL	WAFF	NBC
84	Paducah, KY/Cape Girardeau, MO/ Harrisburg, IL	KFVS	CBS
86	Shreveport, LA	KSLA	CBS
89	Savannah, GA	WTOC	CBS
91	Charleston, SC	WCSC	CBS
94	Baton Rouge, LA	WAFB	CBS
94	Baton Rouge, LA	WBXH	MY
95	Jackson, MS	WLBT	NBC
97	Myrtle Beach-Florence	WMBF	NBC
102	Boise, ID	KNIN	FOX
105	Evansville, IN	WFIE	NBC
114	Tyler-Longview, TX	KLTV	ABC
114	Tyler-Longview, TX	KTRE	ABC
122	Montgomery, AL	WSFA	NBC
127	Wilmington, NC	WECT	NBC
130	Columbus, GA (Opelika, AL)	WTVM	ABC
132	Amarillo, TX	KFDA	CBS
132	Amarillo, TX	KEYU	TEL
142	Lubbock, TX	KCBD	NBC
145	Odessa/Midland, TX	KWAB	CW
145	Odessa/Midland, TX	KTLE	TEL
147	Wichita Falls, TX & Lawton, OK	KSWO	ABC
147	Wichita Falls, TX & Lawton, OK	KKTM	TEL
154	Albany, GA	WALB	NBC/ABC
155	Biloxi-Gulfport, MS	WLOX	ABC/CBS
167	Hattiesburg/Laurel, MS	WDAM	NBC/ABC
183	Jonesboro, AR	KAIT	ABC/NBC
201	Ottumwa, IA/Kirksville, MO	KYOU	FOX/NBC

On January 2, 2019, the following stations were acquired from Raycom and their assets were immediately divested in eight markets as follows (dollars in millions):

Purchaser	Total Cash Consideration Received	Television Station	Location	DMA
Lockwood Broadcasting, Inc.	\$ 67	WTNZ	Knoxville, TN	61
		WFXG	Augusta, GA	108
		WPGX	Panama City, FL	149
		WDFX	Dothan, AL	171
Scripps Media, Inc.	55	KXXV	Waco-Temple-Bryan, TX	82
		KRHD	Waco-Temple-Bryan, TX	82
		WTXL	Tallahassee, FL	109
TEGNA, Inc.	109	WTOL	Toledo, OH	80
		KWES	Odessa - Midland, TX	145
Total	\$ 231			

The allocated portion of net consideration paid for the assets and liabilities divested for the stations in these eight overlap markets was approximately \$234 million.

The net consideration paid to acquire Raycom consisted of \$2.84 billion of cash, 11.5 million shares of our common stock, valued at \$170 million (a non-cash financing transaction), and \$650 million of a new series of preferred stock (a non-cash financing transaction), for a total of \$3.66 billion. Please refer to Note 6 “Stockholders Equity” and Note 7 “Preferred Stock” for further information. The cash consideration paid to acquire the two stations that Raycom had previously agreed to acquire (KYOU-TV and WUPV-TV listed above) was \$17 million. The following table summarizes the consideration paid related to the Raycom Merger and the amount representing the net assets acquired and liabilities assumed (in millions):

	Raycom	KYOU and WUPV	Net Consideration
Purchase Price	\$ 3,660	\$ 17	\$ 3,677
Less - consideration allocated to all assets acquired and net of liabilities assumed for the Raycom overlap market stations which were also divested on January 2, 2019	(234)	-	(234)
Purchase consideration for assets acquired and liabilities assumed net of divestitures	<u>\$ 3,426</u>	<u>\$ 17</u>	<u>\$ 3,443</u>

United Acquisition. On May 1, 2019, we acquired the assets of WWNY-TV (CBS) and WNYF-CD (FOX) in Watertown, New York (DMA 181) and KEYC-TV (CBS/FOX) in Mankato, Minnesota (DMA 198) from United Communications Corporation (the “United Acquisition”) for an adjusted purchase price of \$48 million of cash, excluding Transaction Related Expenses. We began operating those stations on March 1, 2019 under a local programming and marketing agreement, which increased the total number of our markets from 91 to 93.

Sioux Falls Acquisition. On September 25, 2019, we acquired KDLT-TV (NBC), in the Sioux Falls, South Dakota market (DMA 113), for \$33 million, using cash on hand (the “Sioux Falls Acquisition”).

Charlottesville Acquisition and Divestiture. On October 1, 2019, we acquired the assets of WVIR-TV (NBC) in the Charlottesville, Virginia market (DMA 182) from Waterman Broadcasting Corporation for \$13 million using cash on hand (the “Charlottesville Acquisition”). Also, on October 1, 2019, in order to meet regulatory requirements, we divested our legacy stations in that market, WCAV-TV (CBS/FOX) and WVAW-TV (ABC). The divestitures resulted in a gain of approximately \$19 million.

The following table summarizes the values of the assets acquired, liabilities assumed and resulting goodwill of the Raycom Merger, the United Acquisition, The Sioux Falls Acquisition and the Charlottesville Acquisition (together, the “2019 Acquisitions”) (in millions):

	2019 Acquisitions				
	Raycom	United	Sioux Falls	Charlottesville	Total
Cash	\$ 115	\$ -	\$ -	\$ -	\$ 115
Accounts receivable, net	243	3	1	1	248
Program broadcast rights	12	-	-	-	12
Other current assets	10	-	-	-	10
Property and equipment	311	10	10	7	338
Operating lease right of use asset	52	-	-	-	52
Goodwill	829	3	2	-	834
Broadcast licenses	2,004	24	14	2	2,044
Other intangible assets	504	8	7	3	522
Other non-current assets	20	-	-	-	20
Accrued compensation and benefits	(29)	-	-	-	(29)
Program broadcast obligations	(16)	-	-	-	(16)
Other current liabilities	(60)	-	(1)	-	(61)
Income taxes payable	(3)	-	-	-	(3)
Deferred income taxes	(472)	-	-	-	(472)
Operating lease liabilities	(52)	-	-	-	(52)
Other long-term liabilities	(25)	-	-	-	(25)
Total	\$ 3,443	\$ 48	\$ 33	\$ 13	\$ 3,537

Because of the magnitude and complexity of the calculations involved and the inherent issues related to the integration of our operations, the valuation of the assets acquired, liabilities assumed and resulting goodwill of the United Acquisition, Sioux Falls Acquisition and the Charlottesville Acquisition are not yet final. However, we expect that any adjustments to these amounts reported in subsequent periods will not be material to our financial statements as a whole. These amounts are based upon management’s estimate of the fair values using valuation techniques including income, cost and market approaches. In determining the fair value of the acquired assets and assumed liabilities, the fair values were determined based on, among other factors, expected future revenue and cash flows, expected future growth rates, and estimated discount rates.

Accounts receivable are recorded at their fair value representing the amount we expect to collect. Gross contractual amounts receivable are approximately \$2 million more than their recorded fair value.

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

Amounts related to other intangible assets represent primarily the estimated fair values of retransmission agreements of \$322 million, shared services agreements of \$98 million, and network affiliation agreements of \$50 million. These intangible assets are being amortized over their estimated useful lives of approximately 4.1 years for retransmission agreements, approximately 7.7 years for shared services agreements, and approximately 3.7 years for network affiliation agreements.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, as well as future synergies that we expect to generate from each acquisition. We recorded \$829 million of goodwill related to stations acquired and retained in the Raycom Merger: \$3 million of goodwill related to the stations acquired in the United Acquisition; \$2 million of goodwill related to the stations acquired in the Sioux Falls Acquisition; and goodwill related to the stations acquired in the Charlottesville Acquisition was not material. A portion of the goodwill acquired in the Raycom Merger, in the amount of approximately \$150 million, will be deductible by us for income tax purposes.

The Company's consolidated results of operations for year ended December 31, 2019 includes the results of the Raycom Merger beginning on January 2, 2019, the United Acquisition beginning on March 1, 2019, the Sioux Falls Acquisition beginning on September 25, 2019, and the Charlottesville Acquisition beginning on October 1, 2019. Revenues attributable to the 2019 Acquisitions and included in our consolidated statement of operations for the year ended December 31, 2019 was \$1.1 billion. Operating income attributable to the 2019 Acquisitions and included in our consolidated statement of operations for the year ended December 31, 2019 was \$198 million.

The following table summarizes the approximate Transaction Related Expenses incurred in connection with the 2019 Acquisitions, during the years ended December 31, 2019 and 2018, by type and by financial statement line item (in millions):

	Year Ended December 31,	
	2019	2018
Transaction Related Expenses by type:		
Legal, consulting and other professional fees	\$ 24	\$ 8
Incentive compensation and other severance costs	21	3
Termination of sales representation and other agreements	34	-
Total Transaction Related Expenses	<u>\$ 79</u>	<u>\$ 11</u>
Transaction Related Expenses by financial statement line item:		
Operating expenses before depreciation, amortization and loss (gain) on disposal of assets, net:		
Broadcast	\$ 45	\$ 3
Corporate and administrative	34	8
Total Transaction Related Expenses	<u>\$ 79</u>	<u>\$ 11</u>

Unaudited Pro Forma Financial Information – 2019 Acquisitions. The following table sets forth certain unaudited pro forma information for the years ended December 31, 2019 and 2018 assuming that the 2019 Acquisitions occurred on January 1, 2018 (in millions, except per share data):

	Year Ended December 31,	
	2019	2018
Revenue (less agency commissions)	\$ 2,139	\$ 2,212
Net income	\$ 241	\$ 286
Net income attributable to common stockholders	\$ 189	\$ 234
Basic net income per share	\$ 2.43	\$ 3.25
Diluted net income per share	\$ 2.41	\$ 3.21

This pro forma financial information is based on Gray’s historical results of operations and the historical results of operations of the television stations acquired, net of divestitures, included in the 2019 Acquisitions, adjusted for the effect of fair value estimates and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we completed the 2019 Acquisitions on January 1, 2018 or on any other historical date, nor is it reflective of our expected results of operations for any future period. The pro forma adjustments for the years ended December 31, 2019 and 2018 reflect depreciation expense and amortization of finite-lived intangible assets related to the fair value of the assets acquired, Transaction Related Expenses and related tax effects of the adjustments. This pro forma financial information has been prepared based on estimates and assumptions that we believe are reasonable as of the date hereof, and are subject to change based on, among other things, changes in the fair value estimates or underlying assumptions.

2018 Divestiture. On December 31, 2018, in order to facilitate regulatory approval of the Raycom Merger, we sold the assets of WSWG-TV (DMA 154) in the Albany, Georgia television market for \$9 million, excluding Transaction Related Expenses, to Marquee Broadcasting, Inc. and Marquee Broadcasting Georgia, Inc. In connection with the divestiture of the assets of WSWG-TV, we recorded a gain of approximately \$5 million in the fourth quarter of 2018.

2017 Acquisitions. On January 13, 2017, we acquired the assets of KTVF-TV (NBC), KXDF-TV (CBS), and KFXF-TV (FOX) in the Fairbanks, Alaska television market (DMA 203), from Tanana Valley Television Company and Tanana Valley Holdings, LLC for an adjusted purchase price of \$8 million (the “Fairbanks Acquisition”), using cash on hand.

On January 17, 2017, we acquired the assets of two television stations that were divested by Nexstar Broadcasting, Inc. upon its merger with Media General, Inc. (“Media General”): WBAY-TV (ABC), in the Green Bay, Wisconsin television market (DMA 67), and KWQC-TV (NBC), in the Davenport, Iowa, Rock Island, Illinois, and Moline, Illinois or “Quad Cities” television market (DMA 103), for an adjusted purchase price of \$270 million (the “Media General Acquisition”) using cash on hand. The Media General Acquisition was completed, in part, through a transaction with a VIE known as Gray Midwest EAT, LLC (“GME”), pursuant to which GME acquired the broadcast licenses of the stations. On May 30, 2017, we exercised an option to acquire the licenses held by GME pending receipt of proceeds from the FCC’s reverse auction for broadcast spectrum (the “FCC Spectrum Auction”). Upon receipt of the auction proceeds from the FCC on August 7, 2017, we completed the acquisition of the broadcast licenses from GME.

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

On May 1, 2017, we acquired the assets of WDTV-TV (CBS) and WVFX-TV (FOX/CW) in the Clarksburg-Weston, West Virginia television market (DMA 173) from Withers Broadcasting Company of West Virginia (the “Clarksburg Acquisition”) for a total purchase price of \$26 million with cash on hand. On May 13, 2016, we announced that we agreed to enter into the Clarksburg Acquisition. On June 1, 2016, we made a partial payment of \$16 million and acquired the non-license assets of these stations. Also, on that date we began operating these stations, subject to the control of the seller, under a local marketing agreement (“LMA”) that terminated upon completion of the acquisition.

On May 1, 2017, we acquired the assets of WABI-TV (CBS/CW) in the Bangor, Maine television market (DMA 159) and WCJB-TV (ABC/CW) in the Gainesville, Florida television market (DMA 156) from Community Broadcasting Service and Diversified Broadcasting, Inc. (collectively, the “Diversified Acquisition”) for a total purchase price of \$85 million with cash on hand. On April 1, 2017, we began operating these stations, subject to the control of the seller, under an LMA that terminated upon completion of the acquisition.

On August 1, 2017, we acquired the assets of WCAX-TV (CBS) in the Burlington, Vermont – Plattsburgh, New York television markets (DMA 96) from Mt. Mansfield Television, Inc., for an adjusted purchase price of \$29 million in cash (the “Vermont Acquisition”). On June 1, 2017, we advanced \$23 million of the purchase price to the seller and began to operate the station under an LMA, subject to the control of the seller. At closing, we paid the remaining \$6 million of the purchase price with cash on hand and the LMA was terminated.

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

	2017 Acquisitions					Total
	Fairbanks	Media General	Clarksburg	Diversified	Vermont	
Current assets	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ 2
Property and equipment	3	20	4	12	10	49
Goodwill	-	86	3	36	3	128
Broadcast licenses	2	150	17	26	8	203
Other intangible assets	3	13	2	11	5	34
Other non-current assets	-	1	-	-	3	4
Current liabilities	-	(1)	(1)	-	-	(2)
Total	\$ 8	\$ 270	\$ 26	\$ 85	\$ 29	\$ 418

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

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

Amounts related to other intangible assets represent primarily the estimated fair values of retransmission agreements of \$28 million; advertising client relationships of \$5 million; and favorable income leases of \$3 million. These intangible assets are being amortized over their estimated useful lives of approximately 5.1 years for retransmission agreements; approximately 10.7 years for advertising client relationships and approximately 11.9 years for favorable income leases.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, as well as future synergies that we expect to generate from each acquisition. We recorded \$128 million of goodwill related to stations acquired in 2017. The goodwill recognized related to these acquisitions is deductible for income tax purposes.

The Company's consolidated results of operations for year ended December 31, 2017 include the results of the 2017 Acquisitions from the date of each transaction. Revenues attributable thereto and included in our consolidated statement of operations for the year ended December 31, 2017 were \$80 million. Operating income attributable thereto and included in our consolidated statement of operations for year ended December 31, 2017 was \$34 million.

In connection with acquiring the 2017 Acquisitions, we incurred \$1 million of Transaction Related Expenses during the year ended December 31, 2017, primarily related to legal, consulting and other professional services.

Unaudited Pro Forma Financial Information – 2017 Acquisitions. The following table sets forth certain unaudited pro forma information for the year ended December 31, 2017 assuming that the acquisitions completed in 2017 occurred on January 1, 2017 (in millions, except per share data):

	Years Ended December 31, 2017
Revenue (less agency commissions)	\$ 895
Net income	\$ 261
Basic net income per share	\$ 3.57
Diluted net income per share	\$ 3.53

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

4. Long-term Debt

As of December 31, 2019, long-term debt consisted of obligations under our 2019 Senior Credit Facility (as defined below), our 5.125% senior notes due 2024 (the “2024 Notes”) and our 5.875% senior notes due 2026 (the “2026 Notes”) and our 7.0% senior notes due 2027 (the “2027 Notes”). As of December 31, 2018, long-term debt primarily consisted of obligations under our 2017 Senior Credit Facility (as defined below), our 2024 Notes, our 2026 Notes and our 2027 Notes as follows (in millions):

	December 31,	
	2019	2018
Long-term debt including current portion:		
2017 Term Loan	\$ 595	\$ 595
2019 Term Loan	1,190	-
2024 Notes	525	525
2026 Notes	700	700
2027 Notes	750	750
Total outstanding principal	<u>3,760</u>	<u>2,570</u>
Unamortized deferred loan costs - 2017 Term Loan	-	(9)
Unamortized deferred loan costs - 2019 Term Loan	(44)	-
Unamortized deferred loan costs - 2024 Notes	(5)	(6)
Unamortized deferred loan costs - 2026 Notes	(7)	(8)
Unamortized deferred loan costs - 2027 Notes	(11)	(2)
Unamortized premium - 2026 Notes	4	4
Long-term debt, less deferred financing costs	<u>3,697</u>	<u>2,549</u>
Less current portion	-	-
Net carrying value	<u>\$ 3,697</u>	<u>\$ 2,549</u>
 Borrowing availability under Revolving Credit Facility	 \$ 200	 \$ 100

In connection with the Raycom Merger, on January 2, 2019, we amended our senior credit facility (the “2017 Credit Facility” and, as amended, the “2019 Senior Credit Facility”) as follows: (1) we replaced our existing \$100 million revolving credit facility under our prior senior credit facility with a new five year revolving credit facility (the “2019 Revolving Credit Facility”), the terms of which provide for up to \$200 million in available borrowings and a maturity date of January 2, 2024; (2) we incurred a \$1.4 billion term loan (the “2019 Term Loan”), which matures on January 2, 2026; and (3) assumed the outstanding \$556 million term loan facility (the “2017 Initial Term Loan”) and \$85 million incremental term loan (the “2017 Incremental Term Loan” and, together with the 2017 Initial Term Loan, the “2017 Term Loan”) which mature on February 7, 2024. Since the Raycom Merger was not completed by December 15, 2018, we incurred a ticking fee of \$1 million at a rate of 1.25% of the 2019 Term Loan amount, from December 16, 2018 to January 2, 2019. In addition, we assumed \$750 million of the 2027 Notes, which were issued by our special purpose, wholly-owned subsidiary on November 16, 2018. The proceeds of the 2019 Term Loan and the 2027 Notes were used to fund a portion of the cash consideration payable in the Raycom Merger.

Borrowings under the 2019 Term Loan bear interest, at our option, at either the London Interbank Offered Rate (“LIBOR”) or the Base Rate, in each case, plus an applicable margin of 2.5% for LIBOR borrowings and 1.5% for Base Rate borrowings. As of December 31, 2019, the interest rate on the balance outstanding under the 2019 Term Loan was 4.2%. The 2019 Term Loan matures on January 2, 2026.

Borrowings under the 2017 Term Loan bear interest, at our option, at either the LIBOR or the Base Rate (as defined below), in each case, plus an applicable margin. Currently, the applicable margin is 2.25% for LIBOR borrowings and 1.25% for Base Rate borrowings. The applicable margin is determined quarterly based on our leverage ratio as set forth in the 2019 Senior Credit Facility (the “Leverage Ratio”). If our Leverage Ratio is less than or equal to 5.25 to 1.00, the applicable margin is 2.25% for all LIBOR borrowings and 1.25% for all Base Rate borrowings, and if the Leverage Ratio is greater than 5.25 to 1.00, the applicable margin is 2.5% for all LIBOR borrowings and 1.5% for all Base Rate borrowings. As of December 31, 2019, the interest rate on the balance outstanding under the 2017 Term Loan was 3.95%. The 2017 Term Loan matures on February 7, 2024.

Borrowings under the 2019 Revolving Credit Facility currently bear interest, at our option, at either LIBOR plus the applicable margin or Base Rate plus the applicable margin, in each case based on a first lien leverage ratio test as set forth in the 2019 Senior Credit Facility (the “First Lien Leverage Ratio”). Base Rate is defined as the greatest of (i) the administrative agent’s prime rate, (ii) the overnight federal funds rate plus 0.50% or (iii) LIBOR plus 1.50%. We are required to pay a commitment fee on the average daily unused portion of the 2019 Revolving Credit Facility, which may range from 0.375% to 0.50% on an annual basis, based on the First Lien Leverage Ratio. The 2019 Revolving Credit Facility matures on January 2, 2024.

We incurred \$43 million of transaction fees and expenses related to the 2019 Senior Credit Facility. At December 31, 2019, these were recorded as a reduction of the balance of the outstanding debt and are amortized over the life of the 2019 Senior Credit Facility. The amortization of these fees is included in our interest expense.

As of December 31, 2019, the aggregate minimum principal maturities of our long term debt were as follows (in millions):

Year	Minimum Principal Maturities				Total
	2019 Senior Credit Facility	2024 Notes	2026 Notes	2027 Notes	
2020	\$ -	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	595	525	-	-	1,120
Thereafter	1,190	-	700	750	2,640
Total	<u>\$ 1,785</u>	<u>\$ 525</u>	<u>\$ 700</u>	<u>\$ 750</u>	<u>\$ 3,760</u>

Collateral, Covenants and Restrictions. Our obligations under the 2019 Senior Credit Facility are secured by substantially all of our consolidated assets, excluding real estate. In addition, substantially all of our subsidiaries are joint and several guarantors of, and our ownership interests in those subsidiaries are pledged to collateralize, our obligations under the 2019 Senior Credit Facility. Gray Television, Inc. is a holding company, and has no material independent assets or operations. For all applicable periods, the 2024 Notes, 2026 Notes and 2027 Notes have been fully and unconditionally guaranteed, on a joint and several, senior unsecured basis, by substantially all of Gray Television, Inc.’s subsidiaries. Any subsidiaries of Gray Television, Inc. that do not guarantee the 2024 Notes, 2026 Notes and 2027 Notes are minor. As of December 31, 2019, there were no significant restrictions on the ability of Gray Television, Inc.’s subsidiaries to distribute cash to Gray or to the guarantor subsidiaries.

The 2019 Senior Credit Facility contains affirmative and restrictive covenants with which we must comply, including: (a) limitations on additional indebtedness, (b) limitations on liens, (c) limitations on the sale of assets, (d) limitations on guarantees, (e) limitations on investments and acquisitions, (f) limitations on the payment of dividends and share repurchases, (g) limitations on mergers and (h) maintenance of the First Lien Leverage Ratio while any amount is outstanding under the revolving credit facility, as well as other customary covenants for credit facilities of this type. The 2024 Notes, 2026 Notes and 2027 Notes include covenants with which we must comply which are typical for borrowing transactions of their nature. As of December 31, 2019 and 2018, we were in compliance with all required covenants under all our debt obligations.

Interest Payments. For all of our interest-bearing obligations, we made interest payments of approximately \$212 million, \$95 million and \$97 million during 2019, 2018 and 2017, respectively. We did not capitalize any interest payments during the years ended December 31, 2019, 2018 or 2017.

5. Fair Value Measurement

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

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

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

As of December 31, 2019, the carrying amount of our long-term debt was \$3.7 billion and the fair value was \$3.9 billion. As of December 31, 2018, the carrying amount of our long-term debt was \$2.5 billion and the fair value was \$2.4 billion. Fair value of our long-term debt is based on observable estimates provided by third-party financial professionals and as such is classified within Level 2 of the fair value hierarchy.

6. Stockholders' Equity

We are authorized to issue 245 million shares of all classes of stock, of which 25 million shares are designated Class A common stock, 200 million shares are designated common stock, and 20 million shares are designated “blank check” preferred stock for which our Board of Directors has the authority to determine the rights, powers, limitations and restrictions. The rights of our common stock and Class A common stock are identical, except that our Class A common stock has 10 votes per share and our common stock has one vote per share. Our common stock and Class A common stock are entitled to receive cash dividends if declared, on an equal per-share basis. For the years ended December 31, 2019, 2018 and 2017, we did not declare or pay any common stock or Class A common stock dividends.

In December 2017, we completed an underwritten public offering of 17.25 million shares of our common stock at a price to the public of \$14.50 per share. The net proceeds from the offering were \$239 million, after deducting underwriting discounts of \$11 million and expenses of \$1 million.

On January 2, 2019, we issued 11.5 million shares of our common stock at a price of \$14.74 per share, the closing price for our common stock on the last trading day preceding the transaction, to certain former shareholders of Raycom as part of the total consideration paid for the Raycom Merger.

On November 5, 2019, our Board of Directors authorized the 2019 Repurchase Authorization. The 2019 Repurchase Authorization superseded all prior repurchase authorizations. The 2019 Repurchase Authorization also prohibits the Company from purchasing shares directly from the Company’s officers, directors, or the Gray Television, Inc. Capital Accumulation Plan (the “401k Plan”). During the year ended December 31, 2019, we purchased 1,659,684 shares of our common stock at an average purchase price of \$19.10 per share under the 2019 Repurchase Authorization and our prior repurchase authorizations, for a total cost of approximately \$32 million. As of December 31, 2019, approximately \$129 million remains available to repurchase shares of our common stock and/or Class A common stock under the 2019 Repurchase Authorization.

On December 15, 2019, we entered into an Issuer Repurchase Plan (the “2019 IRP”), under Rules 10B-18 and 10b5-1 of the Securities Exchange Act of 1934. The purpose of the 2019 IRP is to facilitate the orderly repurchase of our common stock through the establishment of the parameters for repurchases of our shares. The number of shares and the timing of repurchases will depend on the market price of our common stock and certain other limits established in the 2019 IRP. The Company is required to fund the repurchases under the 2019 IRP from the remaining balance of the 2019 Repurchase Authorization.

Under our various employee benefit plans, we may, at our discretion, issue authorized and unissued shares, or previously issued shares held in treasury, of our Class A common stock or common stock. As of December 31, 2019, we had reserved 6,130,944 shares and 1,503,254 shares of our common stock and Class A common stock, respectively, for future issuance under various employee benefit plans. As of December 31, 2018, we had reserved 7,078,916 shares and 1,703,064 shares of our common stock and Class A common stock, respectively, for future issuance under various employee benefit plans.

7. Preferred Stock

In connection with the Raycom Merger, on January 2, 2019, we issued 650,000 shares of our Series A Perpetual Preferred Stock, with a stated face value and liquidation value of \$1,000 per share (the “Series A Preferred Stock”). Holders of shares of the Series A Preferred Stock are entitled to receive mandatory and cumulative dividends paid quarterly in cash or, at the Company’s option, paid quarterly in kind by issuance of additional shares of Series A Preferred Stock. The per-share amount of such quarterly mandatory and cumulative dividends will be calculated by multiplying the face value by 8% per annum if the dividends are to be paid in cash or 8.5% per annum if such dividends are to be paid in additional shares of Series A Preferred Stock (“PIK Election Dividends”). If the Company elects to pay any portion of accrued dividends with PIK Election Dividends, it will be prohibited from repurchasing, redeeming or paying dividends on any stock that is junior to the Series A Preferred Stock through the end of that quarter and the subsequent two quarters, subject to certain exceptions.

With respect to the payment of dividends, the Series A Preferred Stock will rank senior to all classes and series of our common stock and all other equity securities designated as ranking junior to the Series A Preferred Stock, and no new issuances of common or preferred stock will rank on a parity with, nor senior to, the Series A Preferred Stock.

All or any portion of the outstanding Series A Preferred Stock may be redeemed at the Company's option at any time, upon written notice to the holders of Series A Preferred Stock at least 30 and not more than 60 days prior to the date of such optional redemption. The per-share redemption price for Series A Preferred Stock will be equal to the sum of the liquidation value and the per-share amount of any unpaid dividends for the current quarterly dividend period, up to and including the date of redemption. Holders of shares of Series A Preferred Stock redeemed will be paid in cash.

The Series A Preferred Stock is also subject to mandatory redemption upon the occurrence of certain change of control transactions or upon the sale or other disposition of all or substantially all of our assets. The holders of Series A Preferred Stock do not have any right to exchange or convert the shares into any other securities.

In general, the holders of the Series A Preferred Stock do not have any voting rights except as set forth in the terms of the Series A Preferred Stock or as otherwise required by law, in which case, each share of Series A Preferred Stock will be entitled to one vote.

The approval of the holders of the Series A Preferred Stock, voting separately as a class, is required in order to authorize, create or issue new shares of Series A Perpetual Preferred stock (other than to pay dividends), or alter the rights of any other shares that are or would be equal to or senior to the Series A Preferred Stock, or to amend, alter or repeal the Company's Restated Articles of Incorporation as amended from time to time if such amendment, alteration or repeal adversely affects the powers, preferences or special rights of the Series A Preferred Stock.

The Series A Preferred Stock does not have preemptive rights as to any of our other securities, or any warrants, rights, or options to acquire any of our securities.

In the event that the Company voluntarily or involuntarily liquidates, dissolves or winds up its affairs, holders of Series A Preferred Stock will be entitled to receive for each share of Series A Preferred Stock, out of the Company's assets or proceeds thereof available for distribution to shareholders, subject to the rights of any creditors, payment in full in an amount equal to the liquidation value and the per-share amount of any unpaid dividends for the current quarterly dividend period. Holders of Series A Preferred Stock would be entitled to receive this amount before any distribution of assets or proceeds to holders of our common stock and any other stock whose rights are junior to the Series A Preferred Stock. If in any distribution described above, our assets are not sufficient to pay in full the amounts payable with respect to the outstanding shares of Series A Preferred Stock or any stock whose rights are equal to the Series A Preferred Stock, holders of the Series A Preferred Stock would share ratably in any such distribution in proportion to the full respective distributions to which they are entitled. Shareholders are not subject to further assessments on their shares of the New Preferred Stock.

8. Stock-Based Compensation

We recognize compensation expense for stock-based payment awards made to our employees, consultants and directors. Our active stock-based compensation plans include our 2017 Equity and Incentive Compensation Plan (the “2017 EICP”); our 2007 Long-Term Incentive Plan, as amended (the “2007 Incentive Plan”); and our Directors’ Restricted Stock Plan. The following table presents our stock-based compensation expense and related income tax benefits for the years ended December 31, 2019, 2018 and 2017 (in millions):

	Year Ended December 31,		
	2019	2018	2017
Stock-based compensation expense, gross	\$ 16	\$ 7	\$ 8
Income tax benefit at our statutory rate associated with stock-based compensation	(4)	(2)	(3)
Stock-based compensation expense, net	<u>\$ 12</u>	<u>\$ 5</u>	<u>\$ 5</u>

Currently, the 2017 EICP provides for, and, while awards were available for grant thereunder the 2007 Incentive Plan provided for, the grant of incentive stock options, nonqualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, and performance awards to acquire shares of our Class A common stock or common stock, or other awards based on our performance. Under the Directors’ Restricted Stock Plan, each director can be awarded up to 10,000 shares of restricted common stock or Class A common stock each calendar year. During the years ended December 31, 2019, 2018 and 2017, we did not grant any awards under the Directors’ Restricted Stock Plan. All shares of common stock and Class A common stock underlying outstanding options, restricted stock units and performance awards are counted as issued under the 2017 EICP, the 2007 Incentive Plan and the Directors’ Restricted Stock Plan for purposes of determining the number of shares available for future issuance.

During 2019, we granted under the 2017 EICP:

- 99,905 shares of restricted Class A common stock with a grant date fair value per share of \$15.36 to an employee, of which 33,302 shares will vest on each of January 31, 2020 and 2021 and 33,301 shares will vest on January 31, 2022;
- 99,905 shares of restricted Class A common stock with a grant date fair value per share of \$15.36 to an employee, subject to the achievement of certain performance measures, which will vest on January 31, 2022;
- 340,993 shares of restricted common stock with a grant date fair value per share of \$14.85 to certain employees that will vest on January 2, 2021;
- 277,048 shares of restricted common stock with a grant date fair value of \$16.55 to certain employees, of which 92,349 shares will vest on each of January 31, 2020 and 2021, and 92,350 shares will vest on January 31, 2022;
- 48,338 shares of restricted common stock with a grant date fair value per share of \$16.55 to an employee, subject to the achievement of certain performance measures, which will vest on January 31, 2022;

- 11,223 shares of restricted common stock with a grant date fair value per share of \$17.83 to an employee that will vest on February 15, 2020;
- 32,680 shares of restricted common stock with a grant date fair value per share of \$15.92 to an employee that will vest on September 1, 2020;
- 41,181 shares of restricted common stock with a grant date fair value per share of \$22.10 to our non-employee directors that will vest on April 30, 2020; and
- Restricted stock units representing 398,000 shares of our common stock with a grant date fair value per share of \$18.21 that will vest on June 1, 2020.

During 2018, we granted under the 2017 EICP:

- 110,040 shares of restricted Class A common stock with a grant date fair value per share of \$12.65 to an employee, of which 36,680 shares vested on February 28, 2019, and 36,680 shares will vest on each of February 28, 2020 and 2021;
- 110,040 shares of restricted Class A common stock with a grant date fair value per share of \$12.65 to an employee, subject to the achievement of certain performance measures, which will vest on February 28, 2021;
- 318,196 shares of restricted common stock with a grant date fair value per share of \$15.25 to certain employees; net of forfeitures, 131,106 shares vested on February 28, 2019; 69,651 shares will vest on February 28, 2020; and 69,652 shares will vest on February 28, 2021; and
- 73,640 shares of restricted common stock to our non-employee directors, all of which will vest on May 31, 2019.

During 2017, we granted:

- Under the 2007 Incentive Plan, 307,943 shares of restricted common stock to certain employees, of which 102,648 shares vested on January 31, 2018; 102,648 shares vested on January 31, 2019; and 102,647 shares vested on January 31, 2020;
- Under the 2007 Incentive Plan, 198,220 shares of restricted Class A common stock to an employee, of which 66,073 shares vested on January 31, 2018; 66,073 shares vested on of January 31, 2019; and 66,074 shares vested on January 31, 2020;
- Under the 2017 EICP, 76,856 shares of restricted Class A common stock to our non-employee directors, all of which vested on January 31, 2018; and
- Under the 2017 EICP, restricted stock units representing 215,500 shares of our common stock, of which 209,500 shares vested on January 31, 2018.

As of December 31, 2019, we had 3.7 million shares of our common stock and 1.5 million shares of our Class A common stock available for issuance under the 2017 EICP.

As of December 31, 2019 and 2018, we had outstanding options to acquire 274,746 shares of our common stock, all of which were vested and exercisable under the 2007 Incentive Plan. All outstanding options were granted with exercise prices equal to the market value of the underlying stock at the close of business on the date of the grant. The exercise price of all our outstanding stock options is \$1.99 per share. All of our outstanding options expire on April 1, 2021. The aggregate intrinsic value of outstanding stock options was approximately \$5 million based on the closing market price of our common stock on December 31, 2019. There are no shares available for future awards under this plan.

As of December 31, 2019, under the Directors Restricted Stock Plan there were 770,000 shares available for future award.

As of December 31, 2019, we had \$11 million of total unrecognized compensation expense related to all non-vested share based compensation arrangements. This expense is expected to be recognized over a period of 1.6 years.

A summary of activity for the years ended December 31, 2019, 2018 and 2017 under our stock based compensation plans is as follows:

	Year Ended December 31,					
	2019		2018		2017	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Restricted stock - common:						
Outstanding - beginning of period	578,894	\$ 13.14	503,685	\$ 11.14	396,033	\$ 12.06
Granted	751,463	16.07	391,836	14.63	307,943	10.40
Vested	(352,810)	12.98	(225,570)	11.21	(200,291)	11.82
Forfeited	-	-	(91,057)	13.27	-	-
Outstanding - end of period	<u>977,547</u>	\$ 15.45	<u>578,894</u>	\$ 13.14	<u>503,685</u>	\$ 11.14
Restricted stock - Class A common:						
Outstanding - beginning of period	407,786	\$ 11.82	462,632	\$ 10.63	415,082	\$ 10.15
Granted	199,810	15.36	220,080	12.65	275,076	10.84
Vested	(158,312)	11.38	(274,926)	10.48	(227,526)	10.00
Outstanding - end of period	<u>449,284</u>	\$ 13.55	<u>407,786</u>	\$ 11.82	<u>462,632</u>	\$ 10.63
Restricted stock units - common:						
Outstanding - beginning of period	-	\$ -	209,500	\$ 15.70	-	\$ -
Granted	398,000	18.21	-	-	215,500	15.70
Vested	-	-	(209,500)	15.70	-	-
Forfeited	-	-	-	-	(6,000)	15.70
Outstanding - end of period	<u>398,000</u>	\$ 18.21	<u>-</u>	\$ -	<u>209,500</u>	\$ 15.70

9. Leases

Operating Leases. We lease various assets with non-cancellable lease terms that range between one and 99 years. Many of these leases have optional renewal periods ranging between one and 20 years. We define the lease term as the original lease base period plus optional renewal periods that we reasonably expect to be exercised. We do not include renewal periods exercisable more than 10 years from the commencement date in the lease term as we cannot reasonably expect to exercise an option that far into the future. Some of our leases have free rent periods, tenant allowances and/or fixed or variable rent escalators. We record operating lease expense on a straight-line basis over the lease term. Operating lease expense is included in operating expenses in our statements of operations.

We lease land, buildings, transmission towers, right of way easements, and equipment through operating leases. We generally lease land for the purpose of erecting transmission towers for our broadcast operations. Our building leases consist of office space and broadcast studios. For transmission towers we do not own, we lease space for our transmission equipment on third-party towers. We lease right of ways for various purposes, including ingress and egress for tower locations and guyed wire space. Our equipment leases consist of office, transmission and production equipment.

We allocate consideration paid in the contract to lease and non-lease components based upon the contract or associated invoice received if applicable. Lease components include base rent, fixed rate escalators and in-substance fixed payments associated with the leased asset. Non-lease components include common area maintenance and operating expenses associated with the leased asset. We have not elected the practical expedient to combine lease and non-lease components. As such, we only include the lease component in the calculation of ROU asset and lease liability. The incremental borrowing rate we use for the calculation is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term based upon our borrower risk profile.

Variable lease payments are not significant and are included in operating lease expense as a component of operating expense in our statement of operations. Variable lease payments are generally associated with usage-based leases and variable payment escalators such as consumer price index increases (CPI) incurred after the date of the adoption of ASC 842. Some of our land leases require us to pay a percentage of the revenue earned from leasing space on the towers we erect on the leased land. We included the payment level of CPI and percentage rent amounts at the time of the adoption of ASC 842 in the base rent for calculating the ROU asset and lease liability. CPI adjustments and percentage rent amounts that differ from the amount included in ASC 842 calculation are included in variable lease payments.

We recognize leases with an initial term of 12 months or less as short-term leases. Lease payments associated with short-term leases are expensed as incurred in our operating lease expense and are not included in our calculation of ROU assets or lease liabilities. Short-term leases generally consist of rentals of production or broadcast equipment for short periods of time.

Our operating lease costs, including variable lease costs, for the year ended December 31, 2019 were \$11 million. Our short-term lease costs for the year ended December 31, 2019 were \$3 million. Cash flows from operations included cash paid for operating leases of \$14 million for the year ended December 31, 2019. Additional ROU assets recognized in the year ended December 31, 2019 were not material. As of December 31, 2019, the weighted average remaining term of our operating leases was 8.9 years. The weighted average discount rate used to calculate the values associated with our operating leases was 6.7%.

The maturities of operating lease liabilities as of December 31, 2019, for the succeeding five years were as follows (in millions):

<u>Year ending December 31,</u>	Operating Leases
2020	\$ 9
2021	9
2022	8
2023	7
2024	7
Thereafter	29
Total lease payments	69
Less: Imputed interest	(18)
Present value of lease liabilities	<u>\$ 51</u>

We had no material capital leases as of December 31, 2018. Our aggregate minimum lease payments under operating leases as of December 31, 2018 were as follows (in millions):

<u>Year ending December 31,</u>	Operating Leases
2019	\$ 3
2020	3
2021	3
2022	3
2023	2
Thereafter	12
Total	<u>\$ 26</u>

Our aggregate lease payments under operating leases as of December 31, 2018 are based on ASC 840 that was superseded upon the adoption of ASC 842 on January 1, 2019. Our maturities of operating lease liabilities as of December 31, 2019 was significantly higher than our aggregate lease payments under operating leases as of December 31, 2018 due primarily to our completion of the Raycom Merger on January 2, 2019.

Financing Leases. We lease certain vehicles through a financing master lease. The weighted average remaining lease term of the vehicles under this lease is 2.0 years. The interest rate for each vehicle leased is 3.5%. We recorded a ROU asset and lease liability of \$2 million, respectively, upon the adoption of ASC 842 related to these financing leases. The ROU asset is recorded in other noncurrent assets in our balance sheets. The current portion of the lease liability is recorded in the balance of other accrued expenses in current liabilities and the long-term portion is recorded in the balance of other liabilities in non-current liabilities in our balance sheets.

Amortization expense associated with this lease is included in amortization expense as a component of operating expense, and interest expense is included in interest expense in our statement of operations. Amortization and interest expenses were not material for the year ended December 31, 2019. Cash paid for financing leases is included in our cash flows from financing activities and cash paid for interest on financing leases is included in our cash flow from operating activities.

For the year ended December 31, 2019, cash paid for amounts included in the measurement of liabilities for operating cash flows from finance leases and financing cash flows from finance leases, as well as ROU assets obtained in exchange for lease liabilities was not material.

10. Income Taxes

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

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

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

	Year Ended December 31,		
	2019	2018	2017
Current:			
Federal	\$ 8	\$ 43	\$ 5
State and local	13	11	3
State and local - reserve for uncertain tax positions	-	-	1
Current income tax expense	<u>21</u>	<u>54</u>	<u>9</u>
Deferred:			
Federal ⁽¹⁾	54	17	(82)
State and local	1	6	4
Deferred income tax expense (benefit)	<u>55</u>	<u>23</u>	<u>(78)</u>
Total income tax expense (benefit)	<u>\$ 76</u>	<u>\$ 77</u>	<u>\$ (69)</u>

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

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

	December 31,	
	2019	2018
Deferred tax liabilities:		
Net book value of property and equipment	\$ 83	\$ 21
Broadcast licenses, goodwill and other intangibles	869	286
Total deferred tax liabilities	<u>952</u>	<u>307</u>
Deferred tax assets:		
Liability for accrued vacation	3	2
Liability for accrued bonus	7	4
Allowance for doubtful accounts	3	1
Liability under health and welfare plan	-	1
Liability for pension plan	10	8
Federal operating loss carryforwards	87	-
State and local operating loss carryforwards	31	2
Acquisition costs	2	2
Restricted stock	4	2
Investments	4	-
Interest expense limitation	4	-
Other	1	-
Total deferred tax assets	<u>156</u>	<u>22</u>
Valuation allowance for deferred tax assets	<u>(14)</u>	<u>-</u>
Net deferred tax assets	<u>142</u>	<u>22</u>
Deferred tax liabilities, net of deferred tax assets	<u>\$ 810</u>	<u>\$ 285</u>

As of December 31, 2019, we have approximately \$438 million of federal operating loss carryforwards, which expire during the years 2023 through 2037. We expect to have federal taxable income in the carryforward periods, therefore we believe that it is more likely than not that these federal operating loss carryforwards will be fully utilized. Additionally, we have an aggregate of approximately \$677 million of various state operating loss carryforwards, of which we expect that approximately half will be utilized.

A reconciliation of income tax expense at the statutory federal income tax rate and income taxes as reflected in the consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 is as follows (in millions):

	Year Ended December 31,		
	2019	2018	2017
Statutory federal rate applied to income before income tax expense	\$ 53	\$ 60	\$ 68
Current year permanent items	13	3	2
State and local taxes, net of federal tax benefit	13	14	8
Change in valuation allowance	(2)	-	(2)
Reserve for uncertain tax positions	-	-	1
Rate change due to enactment of tax reform	-	-	(146)
Other items, net	(1)	-	-
Income tax expense (benefit) as recorded	<u>\$ 76</u>	<u>\$ 77</u>	<u>\$ (69)</u>
Effective income tax rate	30%	27%	(36)%

As of each year end, we are required to adjust our pension liability to an amount equal to the funded status of our pension plans with a corresponding adjustment to other comprehensive income on a net of tax basis. During 2019, we increased our recorded non-current pension liability by \$7 million and recognized other comprehensive income of \$5 million, net of a \$2 million tax expense. During 2018, we decreased our recorded non-current pension liability by \$1 million and recognized other comprehensive income of \$1 million. During 2017, we increased our recorded non-current pension liability by \$7 million and recognized other comprehensive loss of \$4 million, net of a \$3 million tax benefit.

In 2019, 2018 and 2017, we made income tax payments (net of refunds) of \$23 million, \$34 million and \$2 million, respectively.

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

As of December 31, 2019, we had approximately \$15 million of unrecognized tax benefits. These unrecognized tax benefits would impact our effective tax rate if recognized. The liability for unrecognized tax benefits is recorded net of any federal tax benefit that would result from payment. We have accrued estimates of interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2019, we had recorded a liability for potential penalties and interest of approximately \$1 million related to uncertain tax positions. While it is difficult to calculate with any certainty, we estimate no change, exclusive of interest and penalties, will be recorded for uncertain tax positions over the next twelve months.

We file income tax returns in the United States federal and multiple state jurisdictions. We have net operating losses (historic and acquired, through recent business combinations) that extend our open adjustment period related to federal and state tax audits from 2000 through 2018. The open years vary by entity and jurisdiction.

11. Retirement Plans

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

The Gray Pension Plan’s funding policy is consistent with the funding requirements of existing federal laws and regulations under the Employee Retirement Income Security Act of 1974. The measurement dates used to determine the benefit information for the Gray Pension Plan were December 31, 2019 and 2018, respectively. The following summarizes the Gray Pension Plan’s funded status and amounts recognized on our consolidated balance sheets at December 31, 2019 and 2018, respectively (dollars in millions):

	December 31,	
	2019	2018
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 117	\$ 126
Interest cost	5	5
Actuarial loss (gain)	17	(11)
Benefits paid	(4)	(3)
Projected benefit obligation at end of year	<u>\$ 135</u>	<u>\$ 117</u>
Change in plan assets:		
Fair value of pension plan assets at beginning of year	\$ 84	\$ 88
Actual return on plan assets	14	(4)
Company contributions	3	3
Benefits paid	(4)	(3)
Fair value of pension plan assets at end of year	<u>97</u>	<u>84</u>
Funded status of pension plan	<u>\$ (38)</u>	<u>\$ (33)</u>
Amounts recognized on our balance sheets consist of:		
Accrued benefit cost	\$ 5	\$ 2
Accumulated other comprehensive loss	(43)	(35)
Net liability recognized	<u>\$ (38)</u>	<u>\$ (33)</u>

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

	As of December 31,	
	2019	2018
Asset category:		
Insurance general account	17%	19%
Cash management accounts	2%	1%
Equity accounts	47%	47%
Fixed income accounts	32%	31%
Real estate accounts	2%	2%
Total	<u>100%</u>	<u>100%</u>

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

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

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

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

The following table presents the fair value of the Gray Pension Plan's assets and classifies them by level within the fair value hierarchy as of December 31, 2019 and 2018, respectively (in millions):

Gray Pension Plan Fair Value Measurements

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Insurance general account	\$ -	\$ 16	\$ -	\$ 16
Cash management accounts	2	-	-	2
Equity accounts	46	-	-	46
Fixed income accounts	31	-	-	31
Real estate accounts	2	-	-	2
Total	<u>\$ 81</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 97</u>

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Insurance general account	\$ -	\$ 17	\$ -	\$ 17
Cash management accounts	1	-	-	1
Equity accounts	39	-	-	39
Fixed income account	26	-	-	26
Real estate accounts	1	-	-	1
Total	<u>\$ 67</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 84</u>

Expected Pension Contributions. We expect to contribute a combined total of approximately \$3 million to our frozen defined benefit pension plan during the year ending December 31, 2020.

Capital Accumulation Plan. The Gray Television, Inc. Capital Accumulation Plan (the "Capital Accumulation Plan") is a defined contribution plan intended to meet the requirements of Section 401(k) of the Internal Revenue Code. In 2019, employer contributions under the Capital Accumulation Plan include matching cash contributions at a rate of 100% of the first 1% of each employee's salary deferral, and 50% of the next 5% of each employee's salary deferral. For the years ended December 31, 2019, 2018 and 2017, our matching contributions to our Capital Accumulation Plan were approximately \$11 million, \$6 million and \$7 million, respectively. We estimate that our matching cash contributions to the Capital Accumulation Plan for year ending December 31, 2020 will be approximately \$12 million.

In addition, the Company, at its discretion, may make an additional profit-sharing contribution, based on annual Company performance, to those employees who meet certain criteria. For the years ended December 31, 2019, 2018 and 2017, the Company accrued contributions of approximately \$5 million, \$4 million and \$4 million, respectively, as discretionary profit sharing contributions.

We may also make matching and discretionary contributions of our common stock under the Capital Accumulation Plan. As of December 31, 2019, we had 1,391,210 shares of common stock reserved for issuance under this plan.

12. Commitments and Contingencies

From time to time we may have various contractual and other commitments requiring future payments. These commitments may include amounts required to be paid for: the acquisition of television stations; the purchase of property and equipment; service and other agreements; operating lease commitments for equipment, land and office space; commitments for various syndicated television programs; and commitments under affiliation agreements with networks. Future minimum payments for these commitments, in addition to the liabilities accrued for on our consolidated balance sheets as of December 31, 2019, were as follows (in millions):

<u>Year</u>	<u>Service and Other Agreements</u>	<u>Syndicated Television Programming</u>	<u>Network Affiliation Agreements</u>	<u>Total</u>
2020	\$ 2	\$ 10	\$ 366	\$ 378
2021	1	29	431	461
2022	-	26	224	250
2023	-	18	126	144
2024	-	1	-	1
Thereafter	-	-	-	-
Total	<u>\$ 3</u>	<u>\$ 84</u>	<u>\$ 1,147</u>	<u>\$ 1,234</u>

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

13. Goodwill and Intangible Assets

During the years ended December 31, 2019 and 2018, we acquired, adjusted and disposed of various television broadcast stations and broadcast licenses. As a result of these transactions, our goodwill and intangible balances changed during each of these years. See Note 3 “Acquisitions and Divestitures” for more information regarding these transactions. A summary of changes in our goodwill and other intangible assets, on a net basis, for the years ended December 31, 2019 and 2018 is as follows (in millions):

	Net Balance at December 31, 2018	Acquisitions And Adjustments	Impairment	Amortization	Net Balance at December 31, 2019
Goodwill	\$ 612	\$ 834	\$ -	\$ -	\$ 1,446
Broadcast licenses	1,530	\$ 2,043	-	-	3,573
Finite-lived intangible assets	53	522	-	(115)	460
Total intangible assets net of accumulated amortization	<u>\$ 2,195</u>	<u>\$ 3,399</u>	<u>\$ -</u>	<u>\$ (115)</u>	<u>\$ 5,479</u>

	Net Balance at December 31, 2017	Acquisitions And Adjustments	Impairment	Amortization	Net Balance at December 31, 2018
Goodwill	\$ 611	\$ 1	\$ -	\$ -	\$ 612
Broadcast licenses	1,531	\$ (1)	-	-	1,530
Finite-lived intangible assets	74	-	-	(21)	53
Total intangible assets net of accumulated amortization	<u>\$ 2,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21)</u>	<u>\$ 2,195</u>

A summary of changes in our goodwill, on a gross basis, for the years ended December 31, 2019 and 2018 is as follows (in millions):

	As of December 31, 2018	Acquisitions And Adjustments	Impairment	As of December 31, 2019
Goodwill, gross	\$ 711	\$ 834	\$ -	\$ 1,545
Accumulated goodwill impairment	(99)	-	-	(99)
Goodwill, net	<u>\$ 612</u>	<u>\$ 834</u>	<u>\$ -</u>	<u>\$ 1,446</u>

	As of December 31, 2017	Acquisitions And Adjustments	Impairment	As of December 31, 2018
Goodwill, gross	\$ 710	\$ 1	\$ -	\$ 711
Accumulated goodwill impairment	(99)	-	-	(99)
Goodwill, net	<u>\$ 611</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 612</u>

As of December 31, 2019 and 2018, our intangible assets and related accumulated amortization consisted of the following (in millions):

	As of December 31, 2019			As of December 31, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets not currently subject to amortization:						
Broadcast licenses	\$ 3,627	\$ (54)	\$ 3,573	\$ 1,583	\$ (53)	\$ 1,530
Goodwill	1,446	-	1,446	612	-	612
	<u>\$ 5,073</u>	<u>\$ (54)</u>	<u>\$ 5,019</u>	<u>\$ 2,195</u>	<u>\$ (53)</u>	<u>\$ 2,142</u>
Intangible assets subject to amortization:						
Network affiliation agreements	\$ 56	\$ (17)	\$ 39	\$ 6	\$ (6)	\$ -
Other finite-lived intangible assets	615	(194)	421	143	(90)	53
	<u>\$ 671</u>	<u>\$ (211)</u>	<u>\$ 460</u>	<u>\$ 149</u>	<u>\$ (96)</u>	<u>\$ 53</u>
Total intangibles	<u>\$ 5,744</u>	<u>\$ (265)</u>	<u>\$ 5,479</u>	<u>\$ 2,344</u>	<u>\$ (149)</u>	<u>\$ 2,195</u>

Amortization expense for the years ended December 31, 2019, 2018 and 2017 was approximately \$115 million, \$21 million and \$25 million, respectively. Based on our intangible assets subject to amortization as of December 31, 2019, we expect that amortization expense for the succeeding five years will be as follows: 2020, \$103 million; 2021, \$98 million; 2022, \$94 million; 2023, \$88 million; and 2024, \$24 million. If and when acquisitions and dispositions occur in the future, actual amounts may vary from these estimates.

Impairment of goodwill and broadcast license. As of December 31, 2019 and 2018, we tested our goodwill, broadcast licenses and other intangible asset recorded values for potential impairment and concluded that the balances were reasonably stated. As a result, we did not record an impairment expense for our goodwill, broadcast licenses or other intangible assets during 2019, 2018 or 2017.

Completion of FCC Spectrum Auction. On August 7, 2017, we received approximately \$91 million resulting from our relinquishment of two licenses in the FCC's Spectrum Auction. In connection with this transaction we tendered two of our broadcast licenses and made other modifications to our broadcast spectrum related to our participation in the FCC Spectrum Auction. The cost of the assets disposed of was approximately \$13 million. The income tax obligations related to this gain have been deferred on a long-term basis.

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

14. Segment Information

The Company operates in two business segments: broadcasting and production companies. The broadcasting segment operates television stations located across 93 local markets in the United States. The production companies segment includes the production of television and event content. Costs identified as other are primarily corporate and administrative expenses. The following tables present certain financial information concerning the Company's operating segments (in millions):

As of and for the Year ended December 31, 2019:	Broadcast	Production Companies	Other	Consolidated
Revenue (less agency commissions)	\$ 2,035	\$ 87	\$ -	\$ 2,122
Operating expenses before depreciation, amortization and (gain)				
loss on disposal of assets, net:	1,325	74	104	1,503
Depreciation and amortization	180	13	2	195
(Gain) loss on disposal of assets, net	(54)	-	-	(54)
Operating expenses	1,451	87	106	1,644
Operating income	\$ 584	\$ -	\$ (106)	\$ 478
Interest expense	\$ -	\$ -	\$ 227	\$ 227
Capital expenditures (excluding business combinations)	\$ 104	\$ 1	\$ 5	\$ 110
Goodwill	\$ 1,405	\$ 41	\$ -	\$ 1,446
Total Assets	\$ 6,530	\$ 153	\$ 289	\$ 6,972
As of and for the Year ended December 31, 2018:				
Revenue (less agency commissions)	\$ 1,084	\$ -	\$ -	\$ 1,084
Operating expenses before depreciation, amortization and (gain)				
loss on disposal of assets, net:	596	-	41	637
Depreciation and amortization	74	-	1	75
(Gain) loss on disposal of assets, net	(17)	-	-	(17)
Operating expenses	653	-	42	695
Operating income	\$ 431	\$ -	\$ (42)	\$ 389
Interest expense	\$ -	\$ -	\$ 107	\$ 107
Capital expenditures (excluding business combinations)	\$ 68	\$ -	\$ 2	\$ 70
Goodwill	\$ 612	\$ -	\$ -	\$ 612
Total Assets	\$ 2,763	\$ -	\$ 1,450	\$ 4,213

15. Selected Quarterly Financial Data (Unaudited)

	Fiscal Quarter			
	First	Second	Third	Fourth
	(In millions, except for per share data)			
Year Ended December 31, 2019:				
Revenue (less agency commissions)	\$ 518	\$ 508	\$ 517	\$ 579
Operating income	40	119	139	180
Net (loss) income available to common stockholders	(31)	31	46	81
Basic net (loss) income available to common stockholders per share	\$ (0.31)	\$ 0.31	\$ 0.46	\$ 0.82
Diluted net (loss) income available to common stockholders per share	\$ (0.31)	\$ 0.31	\$ 0.46	\$ 0.81
Year Ended December 31, 2018:				
Revenue (less agency commissions)	\$ 226	\$ 250	\$ 279	\$ 329
Operating income	50	80	108	151
Net income	20	41	62	88
Basic net income per share	\$ 0.22	\$ 0.46	\$ 0.71	\$ 1.01
Diluted net income per share	\$ 0.22	\$ 0.46	\$ 0.70	\$ 1.00

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

Item9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

During the year ended December 31, 2019, we implemented changes in our internal control over financial reporting in connection with the adoption of ASU 2016-02 – *Leases* (Topic 842). These changes included controls related to the collection of data for the amounts that we disclose in the footnotes to our financial statements. Our evaluation included controls that may have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During the year ended December 31, 2019, we began implementing changes in our internal control over financial reporting in connection with the Raycom Merger.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2019 identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report on Internal Control Over Financial Reporting

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

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information to be set forth under the headings "Election of Directors," "Corporate Governance - Board Committees and Membership," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders (to be filed within 120 days after December 31, 2019) is incorporated herein by reference. In addition, the information set forth under "Information about our Executive Officers" in Part I of this Report is incorporated herein by reference.

Item 11. Executive Compensation.

The information to be set forth under the headings “Executive Compensation,” “Report of Compensation Committee” and “Compensation Committee Interlocks and Insider Participation” in our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders is incorporated herein by reference.

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

The information to be set forth under the heading “Stock Ownership” in our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders is incorporated herein by reference.

Equity Compensation Plan Information

The following table gives information about the common stock and Class A common stock that may be issued upon the exercise of options, warrants and rights under all existing equity compensation plans as of December 31, 2019:

Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in 1st column)</u>
Common Stock:			
Equity compensation plans approved by security holders	274,746(1) \$	1.99	4,464,988(2)
Equity compensation plans not approved by security holders	- \$	-	-
Total	<u>274,746</u>		<u>4,464,988</u>
Class A Common Stock:			
Equity compensation plans approved by security holders	- \$	-	1,503,254(3)
Equity compensation plans not approved by security holders	- \$	-	-
Total	<u>-</u>		<u>1,503,254</u>

- (1) Consists of shares of common stock that are issuable under our 2007 Incentive Plan upon exercise of outstanding stock options.
- (2) Consists of 3,694,988 shares of common stock issuable under our 2017 EICP and 770,000 shares of common stock that are issuable under our Directors’ Restricted Stock Plan.
- (3) Consists of shares of our Class A common stock that are issuable under our 2017 EICP.

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

The information to be set forth under the headings “Certain Relationships and Related Party Transactions” and “Corporate Governance” in our definitive Proxy Statement for the 2020 Annual Meeting of Shareholders is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information to be set forth under the heading “Ratification of the Company’s Independent Registered Public Accounting Firm for 2020” in our definitive Proxy Statement for the 2020 Annual Meeting of Shareholders concerning principal accountant fees and services is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

- (1) Financial Statements.** See Part II, Item 8 for the index to financial statements.
- (2) Financial statement schedules:** The following financial statement schedule of Gray Television, Inc. is included in Item 15(c): Schedule II – Valuation and qualifying accounts.

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

(b) Exhibits:

<u>Exhibit Number</u>	<u>Description of Documents</u>
3.1	Amended and Restated Articles of Incorporation of Gray Television, Inc.
3.2	Bylaws of Gray Television, Inc. as amended through June 5, 2013 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on June 6, 2013)
4.1	Indenture, dated as of June 14, 2016, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 15, 2016)

<u>Exhibit Number</u>	<u>Description of Documents</u>
4.2	First Supplemental Indenture, dated as of September 14, 2016, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on September 14, 2016)
4.3	Second Supplemental Indenture, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee to the Indenture dated as of June 14, 2016 (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
4.4	Form of 5.875% Senior Note due 2026 (incorporated by reference to Exhibit A to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 15, 2016)
4.5	Indenture, dated as of September 14, 2016, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on September 14, 2016)
4.6	First Supplemental Indenture, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee to the Indenture dated as of September 14, 2016 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
4.7	Form of 5.125% Senior Note due 2024 (incorporated by reference to Exhibit A to Exhibit 4.1 to our current report on form 8-K filed with the SEC on September 14, 2016)
4.8	Indenture, dated as of November 16, 2018, by and among Gray Escrow, Inc., Gray Television, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on November 16, 2018)
4.9	First Supplemental Indenture, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors signatory thereto and U.S. Bank National Association, as Trustee to the Indenture dated as of November 16, 2018 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
4.10	Form of 7.000% Senior Note due 2027 (incorporated by reference to Exhibit A to Exhibit 4.1 to our Current Report on form 8-K filed with the SEC on November 16, 2018)
4.11	Description of securities registered under Section 12 of the Exchange Act

<u>Exhibit Number</u>	<u>Description of Documents</u>
10.1	Second Restatement, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other lenders and agents party thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
10.2	Fourth Amended and Restated Credit Agreement, dated as of January 2, 2019, by and among Gray Television, Inc., the guarantors party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other agents and lenders party thereto (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)
10.3	Director Restricted Stock Plan (incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K (File No. 001-13796) for the year ended December 31, 2002)*
10.4	Form of Nonqualified Stock Option Award Agreement Pursuant to 2007 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)*
10.5	Form of Restricted Stock Award Agreement Pursuant to 2007 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)*
10.6	2007 Long Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012)*
10.7	Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form S-8 filed with the SEC on May 3, 2017)*
10.8	Form of Director Restricted Stock Award Agreement pursuant to the Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017)*
10.9	Executive and Key Employee Change in Control Severance Plan (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017)*
10.10	Form of Employee Restricted Stock Award Agreement pursuant to the Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017)*

<u>Exhibit Number</u>	<u>Description of Documents</u>
10.11	Form of Employee Restricted Stock Units Award Agreement pursuant to the Gray Television, Inc. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017)*
10.12	Offer letter, dated June 22, 2018 (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on January 3, 2019)*
21.1	Subsidiaries of the Registrant
23.1	Consent of RSM US LLP
31.1	Rule 13a-14(a) Certificate of Chief Executive Officer
31.2	Rule 13a-14(a) Certificate of Chief Financial Officer
32.1	Section 1350 Certificate of Chief Executive Officer
32.2	Section 1350 Certificate of Chief Financial Officer
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from Gray Television, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 has been formatted in Inline XBRL.
*	Management contract or compensatory plan or arrangement.

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

GRAY TELEVISION, INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

(in millions)

Col. A	Col. B	Col. C		Col. D	Col. E
Description	Balance at Beginning of Period	Additions		Deductions (a)	Balance at End of Period
		(1) Charged to Costs and Expenses	(2) Charged to Other Accounts		
Year Ended December 31, 2019:					
Allowance for doubtful accounts	\$ 5	\$ 11	\$ -	\$ (5)	\$ 11
Valuation allowance for deferred tax assets	\$ -	\$ 14	\$ -	\$ -	\$ 14
Year Ended December 31, 2018:					
Allowance for doubtful accounts	\$ 5	\$ 2	\$ -	\$ (2)	\$ 5
Valuation allowance for deferred tax assets	\$ -	\$ -	\$ -	\$ -	\$ -
Year Ended December 31, 2017:					
Allowance for doubtful accounts	\$ 3	\$ 3	\$ -	\$ (1)	\$ 5
Valuation allowance for deferred tax assets	\$ 1	\$ (1)	\$ -	\$ -	\$ -

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

Item 16. Form 10-K Summary.

None

