

GRAY TELEVISION INC
Form 4
August 02, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HIGHLAND CAPITAL
MANAGEMENT LP

(Last) (First) (Middle)

13455 NOEL ROAD, SUITE 800

(Street)

DALLAS, TX 75240

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
GRAY TELEVISION INC [GTN]

3. Date of Earliest Transaction
(Month/Day/Year)
07/31/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___X___ 10% Owner
___ Officer (give title below) ___ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
X Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock (1) (2) (3) (4) (5) (6)	07/31/2007		P	44,000 A \$ 8	5,707,586	I	See Footnote (1) (2) (3) (4) (7)
Common Stock (1) (2) (3) (4) (5) (6)	08/01/2007		P	39,800 A \$ 7.8238	5,747,386	I	See Footnote (1) (2) (3) (4) (7)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form

SEC 1474
(9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Beneficially (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HIGHLAND CAPITAL MANAGEMENT LP 13455 NOEL ROAD SUITE 800 DALLAS, TX 75240		X		
DONDERO JAMES D 13455 NOEL ROAD SUITE 800 DALLAS, TX 75240		X		
Strand Advisors, Inc. 13455 NOEL ROAD SUITE 800 DALLAS, TX 75240		X		

Signatures

Highland Capital Management, L.P. By: Strand Advisors, Inc., its general partner /s/ James D. Dondero, President

08/02/2007

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) This statement is filed by and on behalf of: (i) Highland Capital Management, L.P. ("Capital Management"); (ii) Strand Advisors, Inc. ("Strand"); and (iii) James D. Dondero.

Edgar Filing: GRAY TELEVISION INC - Form 4

- Capital Management serves as investment adviser and/or manager to other persons, including Highland Credit Strategies Fund ("Credit Fund"), Restoration Opportunities Fund ("Restoration Fund"), and Highland Multi-Strategy Onshore Master SubFund ("SubFund").
- (2) Capital Management may be deemed to beneficially own shares owned and/or held by and/or for the account and/or benefit of other persons, including Credit Fund, Restoration Fund and SubFund.
 - (3) Strand is the general partner of Capital Management. Strand may be deemed to beneficially own shares owned and/or held by and/or for the account and/or benefit of Capital Management.
 - (4) Mr. Dondero is the President and a director of Strand. Mr. Dondero may be deemed to beneficially own shares owned and/or held by and/or for the account and/or benefit of Strand.
- Each of the reporting persons states that neither the filing of this statement nor anything herein shall be deemed an admission that such person is, for purposes of Section 16 of the Act or otherwise, the beneficial owner of any securities covered by this statement. Each of the reporting persons disclaims beneficial ownership of the securities covered by this statement, except to the extent of the pecuniary interest of such person in such securities.
- (5) Each of the reporting persons may be deemed to be a member of a group with respect to the issuer or securities of the issuer for the purposes of Section 13(d) or 13(g) of the Act. Each of the reporting persons declares that neither the filing of this statement nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, (i) acting (or has agreed or is agreeing to act together with any other person) as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of securities of the issuer or otherwise with respect to the issuer or any securities of the issuer or (ii) a member of any group with respect to the issuer or any securities of the issuer.
 - (6) Neither Mr. Dondero, Capital Management, nor any other reporting person may bind, obligate or take any action, directly or indirectly, on behalf of Credit Fund or Restoration Fund.
 - (7)

Remarks:

Exhibit 24.1 - Joint Filing Agreement and Power of Attorney (incorporated by reference to Exhibit 24 to the Form 4 filed on D 18, 2006 by the reporting persons with respect to the issuer)

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. n="bottom" style="padding:0in 0in 0in 0in;width:1.32%;">

\$	36,188
\$	37,398
Real estate services fees, net	2,100
	1,978
	2,742

Edgar Filing: GRAY TELEVISION INC - Form 4

Servicing income, net

2,088

2,019

635

Loss on mortgage servicing rights

(10,910

)

(4,422

)

(6,568

)

Other

152

113

136

Total revenues

47,299

Explanation of Responses:

4

35,876

34,343

Expenses:

Personnel expense

23,965

20,939

11,490

Business promotion

9,191

8,021

215

Explanation of Responses:

5

Edgar Filing: GRAY TELEVISION INC - Form 4

General, administrative and other

7,162

7,509

5,436

Accretion of contingent consideration

1,895

2,671

Change in fair value of contingent consideration

2,942

(17,697

)

Total expenses

45,155

Explanation of Responses:

6

21,443

17,141

Operating income:

2,144

14,433

17,202

Other income (expense):

Edgar Filing: GRAY TELEVISION INC - Form 4

Net interest income (expense)

(101

)

(189

)

1,058

Change in fair value of long-term debt

(7,116

)

Change in fair value of net trust assets

(627

)

(2,560

)

(876

)

Total other income (expense)

(728

Explanation of Responses:

8

Edgar Filing: GRAY TELEVISION INC - Form 4

)	(2,749
)	(6,934
)	
Net earnings before income taxes	
	1,416
	11,684
	10,268
Income tax expense (benefit)	
	435
	975
	(23,704
)	
Net earnings	
\$	981
\$	10,709

\$

33,972

Diluted earnings per share

\$

0.08

\$

0.85

\$

2.94

Net earnings includes fair value adjustments for changes in the contingent consideration, long-term debt and net trust assets. The contingent consideration is related to the CashCall Mortgage (CCM) acquisition transaction, while the other fair value adjustments are related to our legacy portfolio. These fair value adjustments are non-cash items and are not related to current operating results. Although we are required by GAAP to record a change in fair value and accretion of the contingent consideration, management believes operating income excluding contingent consideration changes and the related accretion is more useful to discuss the ongoing and future operations of the Company. The table below shows operating income excluding these items:

Operating income (loss)
(in thousands)

	March 31, 2016	For the Three Months Ended December 31, 2015	March 31, 2015
Operating income:	\$ 2,144	\$ 14,433	\$ 17,202
Accretion of contingent consideration	1,895	2,671	
Change in fair value of contingent consideration	2,942	(17,697)	
Operating (loss) income excluding changes in contingent consideration	\$ 6,981	\$ (593)	\$ 17,202

Operating income, excluding the changes in contingent consideration, increased to \$7.0 million for the first quarter of 2016 as compared to a loss of \$(593) thousand in the fourth quarter of 2015. The increase was primarily due to an increase in gain on sale of loans from a 21% increase in volume (as discussed below) combined with a 43 bps increase in gain on sale margins to 229 bps in the quarter compared to the fourth quarter of 2015. This increase in gain on sale of loans was offset by an increase in loss on mortgage servicing rights (MSR), resulting from mark to market loss of \$10.9 million in the first quarter associated with a decrease in prevailing mortgage rates in the quarter. In addition, operating expenses increased about 11% to support the increased mortgage volume.

Operating income, excluding the changes in contingent consideration, decreased in the first quarter of 2016 from \$17.2 million in the first quarter of 2015. As previously disclosed, the gain on sale revenue in the first quarter of 2015 was reduced by the operating expenses of CCM as required in accordance with GAAP. However, beginning with the second quarter of 2015, the operating expenses of CCM did not reduce gain on sale, and were recorded as expenses, as normally presented. After adjusting for this difference, gain on sale margins in the first quarter of 2016 of 229 bps were consistent with first quarter 2015 while operating expenses increased over the first quarter of 2015, primarily as a result of an increase in business promotion in an effort to capture an increased amount of refinance volume in the first and second quarters of 2016.

Selected Operational Data

(in millions)

	Q1 2016	Q4 2015	% Change	Q1 2015	% Change
Retail Originations	\$ 1,653.0	\$ 1,203.8	37%	\$ 1,534.7	8%
Correspondent Originations	\$ 376.9	\$ 392.9	-4%	\$ 596.4	-37%
Wholesale Originations	\$ 319.3	\$ 342.0	-7%	\$ 281.7	13%
Total Originations	\$ 2,349.2	\$ 1,938.7	21%	\$ 2,412.8	-3%

During the first quarter of 2016, total originations increased 21% to \$2.3 billion as compared to \$1.9 billion in the fourth quarter of 2015. In the first quarter of 2016, retail originations continued to be the main driver of total originations representing approximately 70% or \$1.7 billion in total originations.

Summary Balance Sheet

(in thousands)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash	\$ 18,452	\$ 32,409
Mortgage loans held-for-sale	612,777	310,191
Finance receivables	42,179	36,368
Mortgage servicing rights	44,327	36,425
Securitized mortgage trust assets	4,383,334	4,594,534
Goodwill and intangibles	133,864	134,913
Deferred tax asset	24,420	24,420