GRAY TELEVISION INC
Form DEF 14A
April 22, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Gray Television, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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GRAY TELEVISION, INC.
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
Meeting to be held on June 4, 2008

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Gray Television, Inc. will be held at 9:30 a.m., local time, on Wednesday, June 4, 2008, at The Peachtree Insurance Center, The Executive Board Room, 5th Floor, 4370 Peachtree Road, N.E., Atlanta, Georgia 30319, for the purpose of considering and acting upon:

The election of eleven members of our Board of Directors;

Such other business and matters or proposals as may properly come before the meeting.

Only holders of record of our common stock, no par value per share and our Class A common stock, no par value per share, at the close of business on April 15, 2008 are entitled to notice of, and to vote at, the annual meeting.

Your vote is very important. If you are unable to attend the meeting, we encourage you to vote as soon as possible by one of three convenient methods: by calling the toll-free number listed on the proxy card, by accessing the Internet site listed on the proxy card or by signing, dating and returning the proxy card in the enclosed postage-paid envelope.

By Order of the Board of Directors,
J. Mack Robinson
Chairman and Chief Executive Officer
Atlanta, Georgia
April 25, 2008

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GRAY TELEVISION, INC.
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319

PROXY STATEMENT

For Annual Meeting of Shareholders
to be Held on June 4, 2008

This proxy statement is being furnished by the Board of Directors of Gray Television, Inc., a Georgia corporation (which we refer to as we, us or our), to the holders of our common stock, no par value per share, and our Class A common stock, no par value per share, in connection with the solicitation of proxies by the Board of Directors for use at the 2008 Annual Meeting of Shareholders (the 2008 Annual Meeting) to be held at The Peachtree Insurance Center, The Executive Board Room, 5th Floor, 4370 Peachtree Road, N.E., Atlanta, Georgia 30319, on Wednesday, June 4, 2008, at 9:30 a.m, local time, and at any adjournments or postponements thereof. Distribution of this proxy statement and a proxy card to shareholders is scheduled to begin on or about April 25, 2008.

A proxy delivered pursuant to this solicitation is revocable at the option of the person giving the same at any time before it is exercised. A proxy may be revoked, prior to its exercise, by signing and delivering a later dated proxy card, by submitting a later dated vote by Internet or by telephone, by delivering written notice of the revocation of the proxy to our Secretary prior to the 2008 Annual Meeting, or by attending and voting at the 2008 Annual Meeting. Attendance at the 2008 Annual Meeting, in and of itself, will not constitute revocation of a proxy. Unless previously revoked, the shares represented by the enclosed proxy will be voted in accordance with the shareholder s directions if the proxy is duly submitted prior to the 2008 Annual Meeting.

If no directions are specified, the shares will be voted **FOR** the election of the director nominees recommended by the Board of Directors, and in accordance with the discretion of the named proxies on other matters properly brought before the 2008 Annual Meeting.

The expenses associated with this proxy statement and soliciting the proxies sought hereby will be borne by us. In addition to the use of the mail, proxies may be solicited by our officers, directors and regular employees, who will not receive additional compensation therefore, in person or by telephone or other means of communication. We also will request brokerage firms, banks, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares of the common stock and the Class A common stock as of the record date for the 2008 Annual Meeting and will provide reimbursement for the cost of forwarding the proxy materials in accordance with customary practice. Your cooperation in promptly signing and returning the enclosed proxy card will help to avoid additional expense.

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VOTING REQUIREMENTS

Record Date and Voting Rights

Our Board of Directors has fixed the close of business on April 15, 2008 as the record date for determining holders of the common stock and the Class A common stock entitled to notice of, and to vote at, the 2008 Annual Meeting. Only holders of record of the common stock and/or the Class A common stock on that date will be entitled to notice of, and to vote at, the 2008 Annual Meeting. Shareholders of record may vote by either:

- attending the 2008 Annual Meeting;
- the Internet at http://www.proxyvote.com;
- the telephone at 1-800-690-6903 as directed on the enclosed proxy card; or
- completing and mailing the enclosed proxy card.

Instructions for voting are included on the enclosed proxy card.

The following information can be found at http://www.proxyvote.com:

- Notice of Annual Meeting;
- Proxy Statement;
- 2007 Annual Report on Form 10-K; and
- Form of Proxy.

As of the record date, April 15, 2008, 42,632,920 shares of the common stock and 5,753,020 shares of the Class A common stock were outstanding. Each share of the common stock is entitled to one vote and each share of the Class A common stock is entitled to ten votes. The total number of possible votes is 100,163,120. A number of votes equal to or greater than a majority of possible votes, or 50,081,561 votes (including abstentions and broker non-votes), will constitute a quorum. No business may be transacted at the 2008 Annual Meeting without a quorum. Abstentions and broker non-votes (where a broker submits a proxy but does not have discretionary authority to vote a customer s shares on such proposal when specific instructions are not received) will be counted as present for purposes of determining a quorum.

Required Vote

A majority of the votes is not required; instead, the director nominees will be elected by a plurality of the votes cast, which means that the eleven nominees receiving the most votes will be elected. Votes withheld from any nominee, if a quorum is present, will have no effect on the outcome of voting for directors. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the outcome of the election of directors.

The holders of the common stock and the Class A common stock are not entitled to appraisal rights under Georgia law with respect to the proposal set forth in this proxy statement.

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ELECTION OF DIRECTORS

Nominees

At the 2008 Annual Meeting, eleven directors are to be elected to hold office until our next annual meeting of shareholders and until their successors have been elected and qualified. Each nominee is currently serving as a director. In case any nominee listed in the table below should be unavailable for any reason, which our management has no reason to anticipate, your proxy will be voted for any substitute nominee or nominees who may be selected by the Management Personnel Committee prior to or at the 2008 Annual Meeting, or, if no substitute is selected by the Management Personnel Committee prior to or at the 2008 Annual Meeting, a motion to reduce the membership of the Board of Directors to the number of nominees available will be presented.

Our Board of Directors unanimously recommends that you vote FOR the election of those directors specified in this proxy statement.

Set forth below is information concerning each of the nominees.

Name	Director Since	Age	Position
William E. Mayher, III	1990	69	Chairman of the Board of Directors
J. Mack Robinson	1993	84	Director, Chairman and Chief Executive Officer
Robert S. Prather, Jr.	1993	63	Director, President and Chief Operating Officer
Hilton H. Howell, Jr.	1993	46	Director, Vice Chairman
Richard L. Boger	1991	61	Director
Ray M. Deaver	2002	67	Director
T. L. Elder	2003	69	Director
Zell B. Miller	2005	76	Director
Howell W. Newton	1991	61	Director
Hugh E. Norton	1987	75	Director
Harriett J. Robinson	1997	77	Director

J. Mack Robinson has been Gray s Chairman and Chief Executive Officer since September 2002. Prior to that, he was Gray s President and Chief Executive Officer from 1996 through September 2002. He is the Chairman of the Executive Committee of Gray s Board of Directors. Mr. Robinson has served as Chairman Emeritus of Triple Crown Media, Inc. since December 30, 2005 and previously served as Chairman of the Board of Bull Run Corporation, from 1994 through its 2005 merger with Triple Crown Media, Inc., Chairman of the Board and President of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1958, and Chairman of the Board of Atlantic American Corporation, an insurance holding company, since 1974. Mr. Robinson also serves as a director of the following companies: Bankers Fidelity Life Insurance Company, American Southern Insurance Company and American Safety Insurance Company. He is a director *emeritus* of Wachovia Corporation. Mr. Robinson is the husband of Mrs. Harriett J. Robinson and the father-in-law of Mr. Hilton H. Howell, Jr., both members of Gray s Board of Directors.

Robert S. Prather, Jr. has served as Gray s President and Chief Operating Officer since September 2002. Prior to that, he served as Gray s Executive Vice President-Acquisitions from 1996 through September 2002. He is a member of the Executive Committee of Gray s Board of Directors. He has served as Chairman of Triple Crown Media, Inc. since December 30, 2005 and was previously President and Chief Executive Officer and a director of Bull Run Corporation, from 1992 through its 2005 merger with Triple Crown Media, Inc. He serves as an advisory director of Swiss Army Brands, Inc. and serves on the Board of Trustees of the Georgia World Congress Center Authority and also serves as a member of the Board of Directors for Gabelli Asset Management and Victory Ventures, Inc.

Hilton H. Howell, Jr. has been Gray s Vice Chairman since September 2002. Prior to that, he was Gray s Executive Vice President from September 2000. He is a member of Gray s Executive Committee. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1991, and Vice Chairman of Bankers Fidelity Life Insurance Company since 1992. He has been a director of Triple Crown Media, Inc. since December 30, 2005 and was previously a director, Vice President and Secretary of Bull Run Corporation from 1994 through its 2005 merger with Triple Crown Media, Inc. Mr. Howell also serves as a director of the following companies: Atlantic American Corporation, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, American Southern Insurance Company and American Safety Insurance Company. He is the son-in-law of Mr. J. Mack Robinson and Mrs. Harriett J. Robinson, both members of Gray s Board of Directors.

William E. Mayher, III is a member of the Executive Committee, the Audit Committee, the Management Personnel Committee, the 2002 Long Term Incentive Plan Committee, the Director Restricted Stock Plan Committee and the Employee Stock Purchase Plan Committee of Gray s Board of Directors and has served as Chairman of Gray s Board of Directors since August 1993. Dr. Mayher was a neurosurgeon in Albany, Georgia from 1970 to 1998. Dr. Mayher is immediate past Chairman of the Medical College of Georgia Foundation and a past member of the Board of Directors of the American Association of Neurological Surgeons. He also serves as a director of Palmyra Medical Centers and Chairman of the Albany Dougherty County Airport Commission.

Richard L. Boger is a member of the Audit Committee of Gray s Board of Directors. Mr. Boger has been President and Chief Executive Officer of Lex-Tek International, Inc., an insurance software company, since February 2002 and was previously President and Chief Executive Officer of Export Insurance Services, Inc., an insurance brokerage and agency. Since July 2003, he has also served as business manager for Owen Holdings, LLLP, a Georgia Limited Liability Limited Partnership; since July 2004, has served as General Partner of Shawnee Meadow Holdings, LLLP, a Georgia Limited Liability Limited Partnership; and since March 2006 has served as business manager for Heathland Holdings, LLLP, a Georgia Limited Liability Partnership. He also serves as a member of the Board of Trustees and is chairman of the Audit Committee of Corner Cap Group of Funds, a series mutual fund.

Ray M. Deaver is Chairman of the Management Personnel Committee of Gray s Board of Directors and a member of the 2002 Long Term Incentive Plan Committee, the Director Restricted Stock Plan Committee and the Employee Stock Purchase Plan Committee. Prior to his appointment to Gray s Board of Directors, Mr. Deaver served as Gray s Regional Vice President-Texas from October 1999 until his retirement on December 31, 2001. He was the President and General Manager of KWTX Broadcasting Company and President of Brazos Broadcasting Company from November 1997 until their acquisition by Gray in October 1999.

T.L. (Gene) Elder is a member of Gray s Audit Committee. Until May 2003, Mr. Elder was a partner of Tatum, LLC, a national firm of career chief financial officers, and since 2004 has been a Senior Partner of that firm.

Zell B. Miller is a member of the Management Personnel Committee, the Director Restricted Stock Plan Committee, the Employee Stock Purchase Plan Committee and the 2002 Long Term Incentive Plan Committee. He was U.S. Senator from Georgia from July 2000 until his retirement on December 31, 2004. Prior to that time he was Governor of the State of Georgia from 1991-1999 and Lieutenant Governor from 1975-1991. He is an honorary member of the Board of Directors of United Community Banks in Blairsville, Georgia.

Howell W. Newton is Chairman of the Audit Committee of Gray s Board of Directors. Mr. Newton has been President and Treasurer of Trio Manufacturing Co., a textile manufacturing company, since 1978.

Hugh E. Norton is Chairman of the 2002 Long Term Incentive Plan Committee and is a member of the Management Personnel Committee, the Director Restricted Stock Plan Committee and the Employee Stock Purchase Plan Committee of Gray s Board of Directors. Mr. Norton has been President of Norco, Inc., an insurance agency, from 1973 and also is a real estate developer in Destin, Florida.

Harriett J. Robinson has been a director of Atlantic American Corporation since 1989. Mrs. Robinson has also been a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1967. Mrs. Robinson is the wife of Mr. J. Mack Robinson and the mother-in-law of Mr. Hilton H. Howell, Jr., both members of Gray s Board of Directors.

CORPORATE GOVERNANCE

We are in compliance with the New York Stock Exchange (the NYSE) corporate governance rules, which were adopted in connection with the Sarbanes-Oxley Act of 2002. We have adopted a Code of Ethics that applies to all of our directors, executive officers and employees. If any waiver of this Code is granted, the waiver will be disclosed in a Securities and Exchange Commission (the SEC) filing on Form 8-K. Our Code of Ethics and the written charters of our Audit Committee and our Management Personnel Committee, which acts as our Nominating and Corporate Governance Committee and Compensation Committee under separate charters, as well as our Corporate Governance Principles, are available on our website at www.gray.tv. All such information is also available in print to any shareholder upon request by telephone at (404) 266-8333.

After considering all applicable regulatory requirements and assessing the materiality of each director s relationship with the us, our Board of Directors has affirmatively determined that all of our directors are independent within the meaning of Sections 303A.02(a) and (b) of the NYSE listing standards, except for Mr. Robinson, due to his status as an executive officer, Mr. Prather, due to his status as an executive officer, Mr. Howell, due to his status as an executive officer, and Mrs. Robinson, due to her family relationships with Mr. Robinson and Mr. Howell. Consequently, our Board of Directors has determined that seven of our eleven directors are independent within the meaning of the listing standards of the NYSE.

Gray encourages interested party communication with its Board of Directors. Any interested party who wishes to communicate with the Board of Directors or with any particular director, including any independent director, may send a letter to our Secretary, Robert A. Beizer, Secretary, 1750 K Street, NW, Suite 1200, Washington, DC, 20006 which communications will be forwarded to the Board of Directors by the Secretary. Any communication should indicate that you are an interested party and clearly specify that such communication is intended to be made to the entire Board of Directors or to one or more particular directors.

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The Board of Directors has adopted a policy that all directors on the Board of Directors are expected to attend annual meetings of the shareholders. All the members of our Board of Directors attended the 2007 Annual Meeting of Shareholders.

The Board of Directors held four meetings during 2007. During 2007, each of the directors attended all of the meetings of the board and meetings of all committees of the board on which such directors served.

In accordance with Section 303A.03 of the NYSE listing standards, the independent non-management Directors met in executive session four times during 2007 (after every scheduled meeting). As Dr. Mayher is the Chairman of the full Board, he also serves as Chairman of the executive sessions. With respect to potential transactions with related parties, the Audit Committee must review and approve such transactions in advance after full disclosure of the nature and extent of the related party s interest in any such transaction.

BOARD COMMITTEES AND MEMBERSHIP

Our Board of Directors has an Executive Committee. The Executive Committee has and may exercise all of the lawful authority of the full Board of Directors in the management and direction of our affairs, except as otherwise provided by law or as otherwise directed by the Board of Directors. All actions by the Executive Committee are subject to revision and alteration by the Board of Directors, provided that no rights of third parties shall be affected by any such revision or alteration. The Executive Committee did not meet during 2007. The members of the Executive Committee are Messrs. Howell, Mayher, Prather and Robinson.

Our Board of Directors has an Audit Committee, the purpose of which is to review and evaluate the results and scope of the audit and other services provided by our independent registered public accounting firm, as well as our accounting policies and system of internal accounting controls, and to review and approve any transactions between us and our directors, officers or significant shareholders. The Audit Committee is governed by a written Audit Committee Charter which was approved and adopted in its current form by the Board of Directors in February of 2004, and can be found on our corporate website at www.gray.tv. The Audit Committee held four meetings during 2007. The members of the Audit Committee are Messrs. Boger, Elder, Mayher and Newton (as Chairman). The Board of Directors has affirmatively determined that T.L. (Gene) Elder is an audit committee financial expert as that term is defined under applicable SEC rules. The Board of Directors has determined that all members of the Audit Committee are independent in accordance with NYSE and SEC rules governing audit committee member independence. The report of the Audit Committee is set forth in this Proxy Statement under the heading Report of Audit Committee.

Our Board of Directors has a Management Personnel Committee that functions as both the Compensation Committee and the Nomination and Corporate Governance Committee. The Management Personnel Committee has adopted separate written charters to govern its activities as the Compensation Committee and the Nominating and Corporate Governance Committee, respectively, current copies of which are available on our corporate website at www.gray.tv. As the Compensation Committee the Management Personnel Committee makes recommendations with respect to executive salaries, bonuses and compensation. The Management Personnel Committee held one meeting in 2007, during which meeting it performed the functions of both the Compensation Committee and Nominating and Corporate Governance Committees. Its members are Messrs. Deaver, Mayher, Miller and Norton. The Board of Directors has affirmatively determined that all members of the Management Personnel Committee are independent in accordance with NYSE rules governing independence. The report of the Management

Personnel Committee is set forth in this Proxy Statement under the heading Report of Management Personnel Committee.

In making its determinations with respect to executive compensation, the Management Personnel Committee has not historically engaged the services of a compensation consultant. However, the Management Personnel Committee has the authority to retain any outside advisors who it deems necessary in order to assist the Committee in carrying out its responsibilities.

In addition to acting as our Compensation Committee, the Management Personnel Committee also acts as our Nominating and Corporate Governance Committee. In this function, the committee assists the Board of Directors in fulfilling its responsibilities to shareholders by identifying and screening individuals qualified to become our directors, recommending candidates to the Board of Directors for all directorships, evaluating the set of corporate governance principles and guidelines applicable to us that the Board of Directors has adopted, and overseeing the evaluation of the Board of Directors and management. In recommending candidates to the Board of Directors for nomination as directors, the Management Personnel Committee considers such factors as it deems appropriate, consistent with its charter, including but not limited to judgment, skills, diversity, integrity and experience. The committee does not assign a particular weight to these individual factors. Rather, the committee looks for a unit of factors that, when considered along with the experience and credentials of the other candidates and existing directors, will provide shareholders with a diverse and experienced Board of Directors. Historically, we have not used a recruiting firm to assist with this process.

The Management Personnel Committee will consider recommendations for director nominees submitted by shareholders. The Management Personnel Committee s evaluation of candidates recommended by our shareholders does not differ materially from its evaluation of candidates recommended from other sources. Shareholders wishing to recommend director candidates for consideration by the Management Personnel Committee may do so by writing to our Secretary, giving the candidate s name, biographical data, qualifications and all other information that is required to be disclosed under the applicable rules and regulations of the Securities and Exchange Commission. The foregoing information should be forwarded to the Nominating and Corporate Governance Committee, c/o Robert A. Beizer, Secretary, 1750 K Street, NW, Suite 1200, Washington, DC, 20006.

Our Board of Directors has a 2007 Long Term Incentive Plan Committee, the purpose of which is to make recommendations concerning grants of stock options, awards and grants under the 2007 Long Term Incentive Plan, the Gray Television, Inc. Directors Restricted Stock Plan (the Directors Restricted Stock Plan) and the Employee Stock Purchase Plan and is the Committee designated to administer the Employee Stock Purchase Plan. The 2007 Long Term Incentive Plan Committee held one meeting in 2007, and its members are Messrs. Deaver, Mayher, Miller and Norton all of which are non-employee directors under applicable Securities and Exchange Commission rules.

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Summary of Committee Memberships.

Audit Committee
Howell W. Newton as Chairman
Richard L. Boger
T. L. Elder
William E. Mayher, III

Management Personnel Committee
Ray M. Deaver as Chairman
William E. Mayher, III
Zell B. Miller
Hugh E. Norton

2007 Long Term Incentive Plan Committee
Hugh E. Norton as Chairman
Ray M. Deaver
William E. Mayher, III
Zell B. Miller

Director Restricted Stock Plan Committee
Hugh E. Norton as Chairman
Ray M. Deaver
William E. Mayher, III
Zell B. Miller

Executive Committee
J. Mack Robinson as Chairman
Hilton H. Howell, Jr.
William E. Mayher, III
Robert S. Prather, Jr.

Employee Stock Purchase Plan Committee
Hugh E. Norton as Chairman
Ray M. Deaver
William E. Mayher, III
Zell B. Miller

BENEFICIAL SHARE OWNERSHIP

The following table sets forth certain information regarding the beneficial ownership of the Class A common stock and the common stock as of April 9, 2008 by (i) any person who is known to us to be the beneficial owner of more than five percent of the Class A common stock or the common stock, (ii) all directors, (iii) all executive officers named in the Summary Compensation Table herein and (iv) all directors and executive officers named in the Summary Compensation Table herein as a group. For purposes of this table, a person is deemed to be a beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of such security, or the power to dispose or to direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities. A person is also deemed to be a beneficial owner of any securities that such person has the right to acquire beneficial ownership of within 60 days. Except as otherwise indicated, the persons named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them. The information as to beneficial ownership has been furnished by the respective persons listed in the above table. The percentages of each class are based on 5,753,020 shares of Class A common stock and 42,632,920 shares of common stock outstanding as of April 9, 2008. Shares underlying outstanding stock options or warrants exercisable within 60 days of such date are deemed to be outstanding for purposes of calculating the percentage owned by such holder.

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Name	Class A Common Stock Beneficially Owned (GTN.A) Shares	Percent	Common Stock Beneficially Owned (GTN) Shares	Percent	Combined Voting Percent of Common and Class A Common Stock
Robert A. Beizer		*	16,181	*	*
Richard L. Boger	3,736	*	29,931	*	*
Ray M. Deaver		*	327,696	*	*
T. L. Elder	2,000	*	21,000	*	*
Hilton H. Howell, Jr. (2) (3)	681,550	11.8%	461,283	1.1%	7.3%
William E. Mayher, III	13,500	*	39,750	*	*
Zell B. Miller		*	20,500	*	*
Howell W. Newton	2,625	*	23,500	*	*
Hugh E. Norton	13,500	*	39,750	*	*
Robert S. Prather, Jr. (1)	75,398	1.3%	335,181	*	1.1%
Harriett J. Robinson (3) (4) (5)	3,684,171	63.9%	657,137	1.5%	37.3%
J. Mack Robinson (3) (5) (6)	3,684,171	63.9%	657,137	1.5%	37.3%
James C. Ryan (1)		*	60,213	*	*
Mario J. Gabelli (7)	350,972	6.1%	3,659,690	8.6%	7.2%
Dimensional Fund Advisors LP (8)		*	3,587,056	8.4%	3.6%
Highland Capital Management L.P. (9)		*	6,889,586	16.2%	6.9%
DePrince, Race & Zollo, Inc.(10)		*	4,053,261	9.5%	4.0%
Keely Asset Management Corp. (11)		*	3,030,000	7.1%	3.0%
FMR LLC (12)		*	3,478,397	8.2%	3.5%
Michael W. Cook Asset Management, Inc. (13)		*	4,960,185	11.6%	5.0%
George H. Nader (14)	359,998	6.3%		*	3.6%
All directors and named executive officers as a group (15) (13 persons)	3,920,875	67.9%	1,778,252	4.1%	40.6%

* Less than 1%.

(1) Includes options to purchase the common stock, as follows: Mr. Ryan 48,758 shares of the common stock, Mr. Prather 10,803 shares of the Class A common stock

and Mr. Prather 189,738 shares of the common stock..

(2) Includes 59,075 shares of the Class A common stock owned by Mr. Howell s wife directly and as trustee for her children, as to which shares he disclaims beneficial ownership. Also includes options to purchase 102,870 shares of common stock.

(3) Includes as to Messrs. Robinson and Howell and Mrs. Robinson, an aggregate of 555,605 shares of the Class A common stock and 151,000 shares of the common stock owned by certain companies of which Mr. Howell is an officer and a director, Mr. Robinson is an officer, director and a principal or sole shareholder and Mrs. Robinson is a director.

(4) Includes: (a) an aggregate of 1,055,976 shares of the Class A common stock

and 147,392
shares of the
common stock,
options to
purchase 11,570
shares of the
Class A common
stock, options to

purchase 188,595 shares of the common stock owned by Mrs. Robinson s husband; (b) 1,189,180 shares of the Class A common stock, 72,250 shares of the common stock owned by Mrs. Robinson, as trustee for her daughters. Mrs. Robinson disclaims beneficial ownership of all such securities.

(5) Includes as to Mr. Robinson and Mrs. Robinson, an aggregate of 124,200 shares of the Class A common stock owned by Gulf Capital Services, Ltd.

(6) Includes: (a) options to purchase 11,570 shares of Class A common stock and options to purchase 188,595 shares of the common stock; (b) 1,936,820 shares of the Class A common stock and 170,150 shares

of the common stock owned by Mr. Robinson s wife directly and as trustee for their daughters. Mr. Robinson disclaims beneficial ownership of all such securities.

(7) This information is based solely on Gray s review of a Schedule 13D/A filed with the SEC by Gabelli Funds, Inc. and also by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer. The address of Mr. Gabelli and Gabelli Funds, Inc. is One Corporate Center, Rye, New York 10580.

(8) This information is based solely on Gray s review of a Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP. The address of Dimensional Fund Advisors Inc. is 1299

Ocean Avenue, 11th Floor, Santa Monica, California 90401.

(9) This information is based solely on Gray s review of a Schedule 13G/A filed with the SEC by Highland Capital Management, L.P. and also by Mr. James D. Dondero and various entities which he directly or indirectly controls. The address of Highland Capital Management, L.P. is Two Galleria Tower, 13455 Noel Road, Suite 800, Dallas, Texas 75240.

(10) This information is based solely on Gray s review of a Schedule 13G filed with the SEC by DePrince, Race & Zollo, Inc. The address of DePrince, Race & Zollo, Inc. is 250 Park Ave. South, Suite 250, Winter Park, Florida 32789.

(11) This information is based solely

on Gray s review of a Schedule 13G filed with the SEC by Keely Asset Management Corp. and also by Keely Small Cap Value Fund, a series of Keely Funds, Inc. The address of Keely Asset Management Corp. is 401 South LaSalle Street, Chicago, Illinois 60605.

(12) This information is based solely on Gray s review of a Schedule 13G filed with the SEC by FMR LLC and also by Edward C. Johnson 3d and various entities which he directly or indirectly controls. The address of FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109.

(13) This information is based solely on Gray s review of a Schedule 13G filed with the SEC by Michael Cook Asset Management, Inc. d/b/a

SouthernSun Asset Management. The address of Michael Cook Asset Management, Inc. is 6000 Poplar Avenue, Suite 220, Memphis, Tennessee 38119.

(14) Mr. Nader s address is P.O. Box 271, West Point, Georgia 31833.

(15) The addresses for each of the directors and named executive officers is 4370 Peachtree Road NE, Atlanta, Georgia 30319.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Management Personnel Committee.

The Management Personnel Committee of the Board of Directors serves as our Compensation Committee and administers our executive compensation program and has the overall responsibility for approving and evaluating director and officer compensation plans, policies and programs. The Management Personnel Committee approves the compensation of each of our executive officers and all Television Station General Managers and, in its capacity as the Nominating and Corporate Governance Committee, establishes the compensation of our Board of Directors. The Management Personnel Committee consists of four members of our Board of Directors, Messrs. Deaver, Mayher, Miller and Norton. The Board of Directors has affirmatively determined that all members of the Management Personnel Committee are independent in accordance with NYSE rules governing independence.

Compensation Philosophy and Policy.

Generally, we strive to establish compensation practices and provide compensation opportunities that attract, retain and reward our executives and strengthen the mutuality of interests between our executives and our shareholders in order to motivate them to maximize shareholder value. We believe that the most effective executive compensation program is one that is conservative, yet competitive, and which aligns long-term compensation to the creation of shareholder value.

The goals of our executive compensation program for 2007 were to retain, motivate and reward our executive officers. To achieve such goals, we relied primarily on salaries, bonuses and other compensation for each of our executive officers. The Management Personnel Committee s policy for determining an executive s salary, bonus and stock option grants was based on the position and responsibility of such executive, his impact on the operations and profitability of Gray and the knowledge and experience of such executive.

Under current policy, our Chief Executive Officer, with input from our President and Chief Operating Officer, recommends the annual compensation level, including bonuses, for all officers (including himself) of Gray and its subsidiaries to the Management Personnel Committee for its review and approval. Once the Management Personnel Committee has completed its review, made any adjustments to the recommended compensation it deems appropriate and has approved the annual compensation levels for our officers, it reports to the Board of Directors.

Elements of the Company s Compensation Program.

Our compensation program for our named executive officers is designed to provide our executive officers with a combination of cash (guaranteed and incentive-based) and equity-based compensation to align the officers interests with the shareholders. The executive compensation program primarily consists of the following elements:

- base salary;
- cash bonuses; and
- long-term incentive compensation including incentive stock options and other equity-based awards.

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The Management Personnel Committee has not established a policy for allocating between the different forms of compensation. Instead, the Management Personnel Committee strives to achieve an appropriate mix between the different forms of compensation in order to (i) motivate the named executive officers to deliver superior performance in the short-term by providing competitive base salaries and annual incentive cash bonuses, (ii) align the interests of the named executive officers with the long-term interests of the shareholders through the grant of equity-based compensation and (iii) provide an overall compensation package that promotes executive retention.

Process for Establishing Executive Compensation.

We do not have employment agreements with any of the named executive officers to form the primary basis for each of these officers compensation.

Our Chief Executive Officer, with input from our President and Chief Operating Officer, annually reviews the performance of each of the other named executive officers and makes recommendations to the Management Personnel Committee regarding compensation for the other named executive officers. Based upon the recommendations made by the Chief Executive Officer, the Management Personnel Committee then determines the amount of compensation for all named executive officers.

Although we believe that the compensation structure is similar to that of other comparable companies, we did not specifically compare such structure with that of other companies with respect to 2007 compensation. Rather, the Management Personnel Committee compared salaries and bonuses of our executive officers for the last five years, compared stock price performance and compared history of accomplishments in 2007, compared net operating profit and operating profit margins and arrived at what it considered adequate and competitive compensation.

In determining whether to grant annual cash bonuses, incentive stock options, or other awards, the Management Personnel Committee considers each named executive officer s performance and contribution to our profits and business plan objectives. For non-executive officers and employees, the Management Personnel Committee approves operating profit targets annually. When measuring an executive officer s individual contribution and performance, the Management Personnel Committee examines these factors, as well as qualitative factors that necessarily involve a subjective judgment by the Management Personnel Committee. In making such subjective determination, the Management Personnel Committee does not base its determination on any single performance factor nor does it assign relative weights to factors, but considers a mix of factors, including evaluations of superiors, and evaluates an individual s performance against such mix in absolute terms in relation to other executive officers at Gray.

Compensation for our Chief Executive Officer and President/Chief Operating Officer is established in the same manner as our other executive officers. The Management Personnel Committee considers suggestions as to such compensation made by those individuals along with the Management Personnel Committee s goals of providing a compensation program that is equitable in a competitive marketplace, encourages achievement of strategic objectives and creation of shareholder value, and recognizes and rewards individual achievements. These factors are considered as a group, without particular weight given any single factor, and are necessarily subjective in nature.

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The following discussion of executive compensation includes information about our named executive officers who are listed in the following table:

Name	Exec. Officer Since	Age	Position
J. Mack Robinson	1996	84	Chairman and Chief Executive Officer
Robert S. Prather, Jr.	1996	63	President and Chief Operating Officer
James C. Ryan	1998	47	Senior Vice President and Chief Financial Officer
Robert A. Beizer	1996	68	Vice President for Law and Development and Secretary
Hilton H. Howell, Jr.	2000	46	Vice Chairman

Base Salary.

The annual base salary component of our executive compensation program provides each named executive officer with a fixed minimum amount of annual cash compensation. Salaries for the named executive officers are generally subject to annual review and adjustment by the Management Personnel Committee. Adjustments are considered and made by taking into account adjustments suggested by our Chief Executive Officer and President/Chief Operating Officer and weighing those suggestions against past base salaries and other subjective criteria such as an individual s past and expected performance and contributions to our business and other factors discussed above.

The following table sets forth the 2007 base salaries paid by us to each of our named executive officers:

Name	Salary Amount
J. Mack Robinson	$400,000
Robert S. Prather, Jr.	$900,000
James C. Ryan	$325,000
Robert A. Beizer	$315,000
Hilton H. Howell, Jr.	$125,000

Cash Bonus.

We provided cash bonus awards to certain of our senior employees, including all of the named executive officers. The cash bonuses serve as an annual short-term incentive program designed to recognize and reward employees who make significant contributions towards achieving the annual business plan.

Cash bonuses are contingent upon operating results and the achievement of certain financial performance objectives. An executive s annual bonus is based on a percentage of his annual base salary. These considerations are subjective in nature and the Management Personnel Committee does not assign relative weights thereto. For 2007, bonuses ranged from 10% to approximately 100% of a named executive officer s base salary. Whether or not a bonus is in fact earned by an executive is linked to the attainment, by us as a whole or for the business unit in which such executive has operating responsibility, of predetermined operating profit targets based on budgeted operating revenues (which is an objective analysis) and the individual s contribution to us or the business unit (which is a subjective analysis).

Each of the named executive officers earned the following bonus amounts, which were paid in the first quarter of 2008:

Name	Bonus Amount
J. Mack Robinson	$300,000
Robert S. Prather, Jr.	$900,000
James C. Ryan	$265,000
Robert A. Beizer	$ 30,000
Hilton H. Howell, Jr.	$100,000

Except for the named executive officers, substantially all current employees are eligible for annual cash bonuses if certain performance targets, set by management, are met. The Management Personnel Committee meets during the first quarter of each year once adequate financial and other performance data from the prior fiscal year becomes available for review and determines the amount of bonuses for the named executive officers. We pay the bonuses in the first quarter and the employee has to be employed by us on the date of payment in order to receive payment of the bonus.

Long-Term Incentive Compensation.

In order to align the interests of our executives and other key management personnel responsible for our growth with the interests of our shareholders, we have established the 2007 Long Term Incentive Plan, which provides for equity-based awards. It is our practice to grant options with an exercise price equal to the closing price of our Class A common stock and/or our common stock on the date of grant. The decision to issue options and other awards begins with our Chief Executive Officer and President/Chief Operating Officer suggesting that an award is appropriate, and the Management Personnel Committee then considers the suggestion. In 2007, we did not issue any stock options or other similar instruments to the named executive officers under the 2007 Long Term Incentive Plan.

In deciding whether or not to grant an option to an individual and in determining the number of shares subject to an option so granted, as well as the terms of other incentive awards, the Management Personnel Committee takes into account subjective considerations, including the level of such executive s position and the individual s contribution to our objectives.

Type, vesting and other characteristics of awards within the Management Personnel Committee s discretion are determined on a case by case basis taking into consideration the suggestion of our Chief Executive Officer and President/Chief Operating Officer, as well as the subjective criteria discussed above.

Capital Accumulation (401(k)) Plan.

We currently sponsor a Capital Accumulation Plan to encourage eligible employees to defer a part of their current income to provide for their retirement, death or disability under the provisions of Section 401(k) of the Internal Revenue Code. The plan covers all of our employees. Under the Capital Accumulation Plan, participants may elect to make pre-tax savings deferrals from their compensation each year, subject to annual limits on such deferrals imposed by the Code. We may also, at our discretion, on an annual basis, make a matching contribution with respect to a participant s elective deferrals and/or may make additional voluntary contributions. For the year ended December 31, 2007, we matched 50% of each employee s contribution up to 6% of such employee s gross pay. Participants are immediately vested in their voluntary contributions plus the actual earnings thereon. Employer contributions and earnings thereon become 100% vested after the participant completes three years of service. The only form of benefit payment under the Capital Accumulation Plan is a single lump-sum payment equal to the vested balance in the participant s account. The vested portion of a participant s accrued benefit is payable upon such employee s termination of employment, attainment of age 59 1/2, retirement, total and permanent disability or death. Participants may also make in-service withdrawals from their pre-tax contributions under the plan for certain specified instances of hardship.

Income Deduction Limitations.

Section 162(m) of the Code generally sets a limit of $1 million on the amount of compensation that we may deduct for federal income tax purposes in any given year with respect to the compensation of each of the named executive officers. However, certain performance-based compensation that complies with the requirements of Section 162(m) is not included in the calculation of the $1 million cap. The Management Personnel Committee has historically had a general policy of structuring performance-based compensation arrangements for its executive officers whose compensation might exceed the $1 million cap in a way that will satisfy Section 162(m) s conditions for deductibility, to the extent feasible and after taking into account all relevant considerations. However, we also need flexibility to pursue our incentive and retention objectives, even if this means that a portion of executive compensation may not be deductible by us. Accordingly, the Management Personnel Committee, has from time to time, approved elements of compensation for certain officers that are not fully deductible, and may do so in the future under appropriate circumstances.

CEO Compensation.

Mr. Robinson s compensation was set by the Management Personnel Committee at $400,000 in 2007 and he earned a bonus of $300,000 in 2007. His compensation was set after reviewing our overall performance, success in meeting strategic objectives and the Chief Executive Officer s personal leadership and accomplishments. Mr. Robinson became our Chief Executive Officer in 1996.

Employee Stock Purchase Plan.

We also offer an Employee Stock Purchase Plan to eligible employees (including the named executive officers) to provide eligible employees (including the named executive officers) with an opportunity to purchase our common stock through payroll deductions as a means of purchasing our common stock as a long-term investment.

Gray Pension Plan

The Pension Benefits table on page 26 describes the general terms of the Gray Television Inc. Retirement Plan in which the named executive officers participate, the years of credited service, and the present value of each executive s accumulated pension benefit, assuming payment begins at age 65, or immediately for Mr. Robinson (currently age 84) and Mr. Beizer (currently age 68). In the event of death before retirement, 50% of the accrued benefit will become payable to the surviving spouse at the time the deceased participant would have reached age 65. If the deceased participant had completed 10 or more years of service, the survivor benefit may commence as early as the time the deceased participant would

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have reached age 55. If the deceased participant would have been eligible for early retirement at the time of death, survivor benefits may commence as soon as practicable. Any benefits that commence before the deceased participant would have reached age 65 will be reduced the same as early retirement benefits would have been reduced. In the event a disability occurs before retirement, the accrued benefit will become payable at age 65. No break in service will occur, and benefits will continue to accrue during disability. In the event of voluntary termination, the vested accrued benefit will become payable at age 65. If the participant had completed 10 or more years of service, the benefit may commence as early as age 55. If the participant had completed less than five years of credited service, the accrued benefit is not vested, and no future benefits will be payable from the Gray Television, Inc. Retirement Plan.

Summary Compensation Table

The following table sets forth a summary of the compensation of our Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers for the years ended December 31, 2007 and 2006.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
J. Mack Robinson	2007	400,000	300,000	25,730		23,488	77,455	826,673
Chairman, Chief Executive Officer and Director	2006	400,000	300,000	18,400		20,095	75,601	814,096
Robert S. Prather, Jr.	2007	900,000	900,000	797,463		34,063176	117	
Other interest income	28	17	69	46				
Total interest and dividend income	**6,033**	**6,120**	**12,142**	**11,868**				
Interest Expense								
Interest on deposits	496	513	969	1,042				
Interest on Federal Home Loan Bank borrowings	64	85	185	156				
Interest on subordinated debt	83	73	165	144				
Interest on other borrowings	8	-	16	-				
Total interest expense	**651**	**671**	**1,335**	**1,342**				
Net interest income	**5,382**	**5,449**	**10,807**	**10,526**				
Provision for Loan Losses	1,959	-	1,959	250				
Net interest income after provision for loan losses	**3,423**	**5,449**	**8,848**	**10,276**				
Non-Interest Income								
Loan application, inspection & processing	21	105	88	155				

fees				
Fees and service charges	150	147	301	321
Rental Income	104	177	207	110
Other income	90	22	179	259
Total non-interest income	**365**	**451**	**775**	**845**
Non-Interest Expense				
Salaries and benefits	2,615	2,395	5,165	4,739
Occupancy and equipment expense	750	909	1,530	1,864
Data processing expense	241	255	526	505
Advertising and promotional expenses	96	137	213	187
Professional and other outside services	364	391	773	960
Loan administration and processing expenses	8	7	16	29
Regulatory assessments	147	157	294	311
Insurance expense	56	83	111	164
Material and communications	115	106	208	187
Other operating expenses	344	319	664	544
Total non-interest expense	**4,736**	**4,759**	**9,500**	**9,490**
Income (loss) before income taxes	**(948)**	**1,141**	**123**	**1,631**
Expense (Benefit) for income taxes	(366)	452	52	653
Net income (loss)	**$(582)**	**$689**	**$71**	**$978**
Basic and diluted income (loss) per share (1)	$(0.15)	$0.18	$0.02	$0.25

(1) All common stock data has been restated for a 1-for-10 reverse stock split which took effect on March 4, 2015.

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended June 30, Restated		Six Months Ended June 30, Restated	
in thousands	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	$(582)	$689	$71	$978
Other comprehensive income (loss) :				
Unrealized holding gains (losses) on securities	59	(45)	115	227
Income tax effect	(23)	18	(44)	(91)
Total other comprehensive income (loss)	36	(27)	71	136
Total comprehensive income (loss)	**$(546)**	**$662**	**$142**	**$1,114**

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(in thousands, except shares)	Number of Shares	Common Stock	Additional Paid-In Capital	Restated Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Restated Total
Balance at December 31, 2014	3,924,192	$ 39	$ 106,108	$ (46,975)	$ (160)	$ (277)	$ 58,735
Net Income	-	-	-	978	-	-	978
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-	-	136	136
Total comprehensive income		-	-	-	-		1,114
Share-based compensation expense	-	-	227	-	-	-	227
Issuance of restricted stock	450	-	-	-	-	-	-
Balance, June 30, 2015	3,924,642	$ 39	$ 106,335	$ (45,997)	$ (160)	$ (141)	$ 60,076
Balance December 31, 2015	3,956,207	40	106,568	(44,832)	(160)	(152)	61,464
Net income (restated)	-	-	-	71	-	-	71
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-	-	71	71
Total comprehensive income (restated)		-	-	-	-	-	142
Share-based compensation expense	-	-	308	-	-	-	308
Issuance of restricted stock	2,526	-	-	-	-	-	-
Balance, June 30, 2016 (restated)	3,958,733	$ 40	$ 106,876	$ (44,761)	$ (160)	$ (81)	$ 61,914

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30, Restated 2016 *(in thousands)*			2015		
Cash Flows from Operating Activities:						
Net income	$	71		$	978	
Adjustments to reconcile net income to net cash provided by operating activities:						
Amortization (accretion) of investment premiums and discounts, net		35			107	
Amortization and accretion of purchase loan premiums and discounts, net		8			158	
Provision for loan losses		1,959			250	
Depreciation and amortization		616			499	
Share-based compensation		308			227	
Deferred income taxes		(117	)		619	
Gain on acquisition of OREO		(11	)		-	
Changes in assets and liabilities:						
(Increase) decrease in net deferred loan costs		(8	)		232	
Increase in accrued interest and dividends receivable		(110	)		(116	)

Increase in other assets		(341	)		(44	)
Increase in accrued expenses and other liabilities		231			514	
Net cash provided by operating activities		**2,641**			**3,424**	
Cash Flows from Investing Activities:						
Principal repayments on available for sale securities		1,389			2,157	
Proceeds from call of available for sale securities		5,031			-	
(Purchases) redemptions of Federal Reserve Bank stock		(48	)		38	
Redemptions of Federal Home Loan Bank stock		711			-	
Increase in loans		(45,117	)		(17,361	)
Purchase of bank premises and equipment, net		(1,167	)		(2,845	)
Net cash used in investing activities		**(39,201**	**)**		**(18,011**	**)**
Cash Flows from Financing Activities:						
Net increase in deposits		1,656			14,340	
Decrease in FHLB borrowings		(4,000	)		(20,000	)
Repayment of Note Payable		(93	)		-	
Increase in advances from borrowers for taxes and insurance		84			82	
Net cash used in financing activities		**(2,353**	**)**		**(5,578**	**)**
Net decrease in cash and cash equivalents		**(38,913**	**)**		**(20,165**	**)**
Cash and Cash Equivalents:						
Beginning		85,400			73,258	
Ending	$	46,487		$	53,093	

Interest paid	$	1,173	$	1,144
Income taxes paid	$	-	$	3
Transfer of loans to other real estate owned	$	840	$	-

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

Note 1: Basis of Financial Statement Presentation and Restatement of Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of Patriot National Bancorp, Inc. (the "Company") and its wholly-owned subsidiaries including Patriot Bank N.A. (the "Bank"), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying unaudited condensed consolidated financial statements presented herein should be read in conjunction with the previously filed audited financial statements of the Company and notes thereto for the year ended December 31, 2015.

The Consolidated Balance Sheet at December 31, 2015 presented herein has been derived from the audited financial statements of the Company at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Effective June 30, 2016, the Company has reclassified loans secured by 1-4 Family Non-owner occupied real estate to "Residential" from the "Commercial Real Estate" classification. Amounts presented for prior periods have been reclassified for consistency with the current period. See Note 3: Loans Receivable and Allowance for Loan Losses for additional information. Certain additional other prior period amounts have been reclassified to conform to current year presentation.

The information furnished reflects, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results of operations that may be expected for the remainder of 2016.

Restatement of Consolidated Financial Statements

The Company has restated its previously filed interim financial statements as of and for the three and six months ended June 30, 2016. The restatement had the effect of reducing net income for the three months ended June 30, 2016 from net income of $614 thousand to a net loss of $582 thousand. For the six months then ended, net income was reduced from $1,267 thousand to $71 thousand. Basic and diluted income per share was reduced from $0.16 to a loss of $0.15 for the three months ended June 30, 2016, and from $0.32 to $0.02 for the six months then ended.

The Company has determined to increase the loan loss reserve for one specific impaired loan due to information and further analysis regarding the full collectability of this loan. Subsequent to filing the original Form 10-Q, information became known, which was available at the time the impairment analysis was prepared, regarding the valuation of certain collateral included in the analysis. To fully reserve for this loan, an increase in the Company's loan loss provision for the three months ended June 30, 2016 of $1,959,128 is required.

The $1.96 million increase in the Company's loan loss provision has been reflected herein, as well as its impact on earnings, earnings per share, loans receivable, the allowance for loan losses, deferred tax assets, regulatory capital and equity. The effect of these changes on the consolidated financial statements of the Company is as follows.

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Previously Reported	Adjustment	Restated	Previously Reported	Adjustment	Restated
	(in thousands, except shares and per share amounts)					
Provision for loan losses	$-	$ 1,959	$ 1,959	$-	$ 1,959	$ 1,959
Income before income taxes	1,011	(1,959)	(948)	2,082	(1,959)	123
(Benefit) expense for income taxes	397	(763)	(366)	815	(763)	52
Net income	614	(1,196)	(582)	1,267	(1,196)	71
Total comprehensive income (loss)	650	(1,196)	(546)	1,338	(1,196)	142
Basic and diluted income per share	$0.16	$ (0.31)	$ (0.15)	$0.32	$ (0.30)	$ 0.02
Consolidated Statement of Cash Flows:						
Net income	N/A	N/A	N/A	1,267	(1,196)	71
Provision for loan losses	N/A	N/A	N/A	-	1,959	1,959
Deferred income taxes	N/A	N/A	N/A	646		