

**BASIS FOR USE OF FCC FORM 316**

The parties to these applications seek FCC consent to the indirect, *pro forma*, voluntary transfer of control of two limited liability company FCC licensees that are wholly owned by Lilly Broadcasting Holdings, L.L.C. (the “*Parent Company*”). The two FCC licensee subsidiaries are: White Broadcasting, LLC, which is the licensee of the main and auxiliary licenses for radio broadcast stations WENY(AM), Elmira, New York (FIN: 71510) and WENY-FM, Elmira, New York (FIN: 71509); and Lilly Broadcasting, LLC, which is the licensee of the main and auxiliary licenses for television broadcast station WENY-TV, Elmira, New York (FIN: 71508), and television translator stations W06AR, Hornell, New York (FIN: 71511) and W07BJ, Ithaca, New York (FIN: 71512). Applications on FCC Form 316 are being filed simultaneously on behalf of these two FCC licensee subsidiaries.

No change is being proposed in the relationship between the licensee subsidiaries and the Parent Company. However, the principal owners of the Parent Company have decided to change the ownership composition of the Parent Company. The proposed changes contemplated under these applications are not substantial within the meaning of the Commission’s regulations as they apply to *pro forma* assignments and transfers. Therefore, application on FCC Form 316 is appropriate for seeking prior FCC approval for the proposed changes. These applications also seek FCC approval, *nunc pro tunc*, of minor, non-substantial change in the ownership (but not control) of the Parent Company that occurred previously without the Commission’s prior consent.

White Broadcasting acquired the FCC licenses that it currently holds on July 3, 2000 pursuant to FCC consent granted on April 14, 2000 in FCC File Nos. BAL-20000211AAN and BALH-20000211AAO. Lilly Broadcasting acquired the FCC licenses that it currently holds on July 3, 2000 pursuant to FCC consent granted on March 31, 2000 in FCC File Nos. BALCT-19991201ABE, BALTTV-19991201ABF and BALTTV-19991201ABG. In each of these “long form” assignment applications, the Commission approved an ownership structure in which 100% of the voting control of the Parent Company (and thereby the FCC licensee subsidiaries) would be held by Kevin T. Lilly (35%), Nicholas B. White (35%) and Brian M. Lilly (30%) (together, the “*Control Group*”). The Control Group has maintained voting control of the Parent Company since prior to July 3, 2000, and, it is contemplated that, for the time being and subject to any later filed application for prior FCC consent to the voluntary transfer of control of the Parent Company, the Control Group will continue to control the Parent Company.

The ownership changes contemplated by these applications are comprised of: (i) a slight change in the voting percentages of the Control Group members from 35/35/30%, respectively to 33.33/33.33/33.33%, respectively; (ii) a reduction in the

number of Class B members of the Parent Company by one; (iii) the reduction in the economic interests held by the members of the Control Group and by the other members of the Parent Company except Mercury Capital Partners, L.P. ("MCP"); and (iv) an increase in the economic interest associated with MCP's membership interests in the Parent Company to an economic interest of 49.9%. As background, MCP has agreed to loan an aggregate of \$750,000.00 to the Parent Company in exchange for which MCP has been given the right to convert, in whole or in part, that indebtedness into membership interests in the Parent Company. The parties also contemplate that, at a later time, MCP will seek approval on a "long form" FCC Form 315 application to increase its economic interest in the Parent Company to a level above the 49.9% level that is proposed under these applications.

These applications also seek Commission approval, *nunc pro tunc*, of the acquisition by MCP of membership interests in the Parent Company once held by B/Z Investors LLC, a company with certain common ownership with MCP (*see* post-consummation ownership reports for White Broadcasting, LLC and Lilly Broadcasting, LLC filed November 15, 2000). MCP is a limited partnership. The sole general partner of MCP is Mercury Capital GP, L.P. MCP's 31 limited partners, with the exception of Charles W. Banta, are fully insulated pursuant to the Commission's applicable rules, regulations, and policies. Mercury Capital GP, L.P.'s sole general partner is Mercury GP, Inc., and its sole limited partner is Charles W. Banta. Mr. Banta is the President and sole shareholder of Mercury GP, Inc. Sandra A. Miller is the Secretary and Treasurer of Mercury GP, Inc. Without the knowledge of the Parent Company or the Control Group, B/Z Investors assigned its membership interests to MCP on October 1, 2000. The Parent Company apologizes for the inadvertent oversight and asks that Commission grant its consent to this *pro forma* assignment *nunc pro tunc*.

The Chart attached hereto illustrates the changes proposed by these applications. Column A of the attached Chart shows the current ownership of the Parent Company before any of the \$750,000.00 in convertible notes, which were issued on July 12, 2001, have been converted in favor of MCP. In Column A, the three members of the Control Group are shown as holding membership interests in the Parent Company with 100% of the voting interests (35%, 35% and 30%), along with a total of 52.6% of the economic interests (20.2296%, 20.2296% and 12.1408%). MVP is shown as holding Class D (10.4% economic interest) and Class E (0% economic interest) membership interests in the Parent Company as well as Special Advisor status with a 3% economic interest.

Column B of the Chart represents the proposed ownership of the Parent Company after the conversion of a portion of the convertible notes. Column B shows that the three members of the Control Group will continue to hold 100% of the voting interests of the Parent Company but in slightly different proportions, *i.e.*, 33.33%, 33.33% and 33.33%. Furthermore, the economic interests associated with the membership interests of these members and other members (with the exception of MCP) will decrease, and economic interest associated with MCP's membership interests will increase, to the values shown in the attached Chart. Additionally, the Chart reflects that

one of the Class B members has withdrawn and her membership interest will be allocated to the remaining Class B member.

The parties anticipate that, at a later date, MCP may, subject to the prior approval of the FCC, convert the balance of the indebtedness under the convertible notes to a Class D limited liability membership interest in the Parent Company that will bring MCP's total economic interest in the Parent Company to above 50%.

**LILLY BROADCASTING HOLDINGS, L.L.C.  
CHART**

	<b>A</b>		<b>B</b>	
	<b>Pre-Conversion Interest Percentage</b>		<b>Post-Conversion Interest Percentage</b>	
<b>Member's Name and Address</b>	<b>Voting Interest Percentage</b>	<b>Economic Interest Percentage</b>	<b>Voting Interest Percentage</b>	<b>Economic Interest Percentage</b>
<b><i>Class A Members:</i></b>				
Kevin T. Lilly 2 Eastleigh Lane Natick, MA 01760-4275	35%	20.2296%	33.3334%	10.143417%
Nicholas B. White 153 17th Street Atlanta, GA 30309	35%	20.2296%	33.3333%	10.143417%
Brian M. Lilly 633 Picacho Lane Monticeto, CA 93108	30%	12.1408%	33.3333%	10.143417%
	100%	<i>Total A: 52.6%</i>	100%	<i>Total A: 30.43025%</i>
<b><i>Class B Members:</i></b>				
Jason H. Arnold 113 Homestead Road Ithaca, NY 14850	0%	2%	0%	1.44631%
Beverly Myer 474 Old Ithaca Road Horseheads, NY 14845	0%	0.5%		
		<i>Total B: 2.5%</i>		<i>Total B: 1.44631%</i>

	<b>A</b>		<b>B</b>	
	<b>Pre-Conversion Interest Percentage</b>		<b>Post-Conversion Interest Percentage</b>	
<b>Member's Name and Address</b>	<b>Voting Interest Percentage</b>	<b>Economic Interest Percentage</b>	<b>Voting Interest Percentage</b>	<b>Economic Interest Percentage</b>
<b><i>Class C Members:</i></b>				
Kevin T. Lilly 2 Eastleigh Lane Natick, MA 01760-4275	0%	3.2%	0%	1.85127%
Nicholas B. White 153 17th Street Atlanta, GA 30309	0%	3.2%	0%	1.85127%
Brian M. Lilly 633 Picacho Lane Monticeto, CA 93108	0%	1.9%	0%	1.11076%
Insulated Members	0%	23.2%	0%	13.41014%
		<i>Total C: 31.5%</i>		<i>Total C: 18.22344%</i>
<b><i>Class D Member:</i></b>				
Mercury Capital Partners, L.P. 220 Northpointe Parkway Suite D Amherst, New York 14228	0%	10.4%	0%	49.9%
		<i>Total D: 10.4%</i>		<i>Total D: 49.9%</i>
<b><i>Class E Member:</i></b>				
Mercury Capital Partners, L.P. 220 Northpointe Parkway Suite D Amherst, New York 14228	0%	0%	0%	0%

	<b>A</b>		<b>B</b>	
	<b>Pre-Conversion Interest Percentage</b>		<b>Post-Conversion Interest Percentage</b>	
<b>Member's Name and Address</b>	<b>Voting Interest Percentage</b>	<b>Economic Interest Percentage</b>	<b>Voting Interest Percentage</b>	<b>Economic Interest Percentage</b>
<i>Special Advisor:</i>				
Mercury Capital Partners, L.P. 220 Northpointe Parkway Suite D Amherst, New York 14228	0%	3%	0%	0%
Total	100%	100%	100%	100%