

EXPLANATION OF TRANSACTION

Glenn V. Holterhaus is the President and sole shareholder of Danbeth Communications, Inc. (“*Danbeth*”), licensee of television station WSKY-TV, Manteo, North Carolina, Facility ID Number 76324 (the “*Station*”). By this application, Danbeth proposes to contribute the FCC licenses of the Station to Sky Television, L.L.C., a North Carolina limited liability company (“*Sky*”), in exchange for a 51% voting interest and a 30% equity interest in Sky.

The construction permit for the Station was originally awarded to Danbeth as the high bidder at auction for a license to operate television station channel 4 in Manteo, North Carolina¹. Prior to the auction in which the construction permit for the Station was awarded to Danbeth, it was determined and agreed that certain investors (the “*Investors*,” who are listed in Exhibit 10 of this application), would receive shares of a newly-created Class B Common Stock in Danbeth in exchange for providing financial resources to Danbeth, and Danbeth’s application was amended to reflect this agreement.

The Class B Common Stock in Danbeth has never been issued. Instead, the parties agreed, for tax and other business reasons, to form Sky as a new company, and that Danbeth would contribute the Station’s FCC licenses and other assets to Sky, pursuant to the terms of an agreement dated as of January 1, 2002 between Danbeth, Sky, and the Investors (a copy of which is attached hereto). Under Sky’s limited liability company agreement, the Investors will hold all of the Class B membership interests in Sky, representing in the aggregate 49% of the votes in Sky, 70% of the equity of Sky, and the right to appoint 2 of the 5 managers of Sky. As noted above, Danbeth will hold all of the Class A membership interests in Sky, control 51% of the votes of Sky, and will have the right to appoint 3 out of 5 of Sky’s managers.

A diagram depicting the current and proposed ownership of the Station is attached hereto.

Because Danbeth is the current licensee of the Station and, upon consummation of the transactions proposed hereby, will also control Sky, the proposed assignee of the Station, the transactions proposed herein are *pro forma*, and the use of FCC Form 316 is appropriate.

¹ Under Section 73.5007 of the Commission’s rules, Danbeth was entitled to a 35% bidding credit as it qualified as a “New Entrant” with no attributable interest in any other media of mass communications. Sky is similarly qualified as a “New Entrant” because neither Sky, nor any individual or entity with an attributable interest in Sky, has an attributable interest in any other media of mass communications. Accordingly, under Section 73.5007(c) of the Commission’s rules, no unjust enrichment payment is required in connection with the proposed *pro forma* transaction.