

FOREIGN OWNERSHIP

I. Introduction

This Exhibit is being filed in support of the following sets of applications for FCC consent to the voluntary assignment of licenses:

1. For radio broadcast stations WJLK-FM, Asbury Park, New Jersey (FIN: 14907), WADB(AM), Asbury Park, New Jersey (FIN: 14895), and WBBO(FM), Ocean Acres, New Jersey (FIN: 59495) from Nassau Broadcasting II, LLC to Millennium Shore License Holdco, LLC;
2. For radio broadcast station WOBM(AM), Lakewood Township, New Jersey (FIN: 49295) from North Shore Broadcasting Corp. to Millennium Shore License Holdco, LLC; and
3. For radio broadcast station WOBM-FM, Toms River, New Jersey (FIN: 59508) from Seashore Broadcasting Corp. to Millennium Shore License Holdco, LLC.

Each of the proposed limited liability company assignees of the stations in the transactions identified above (collectively, the “Transaction Stations”) are license holding companies (each, a “Millennium License Holdco”) indirectly wholly owned and controlled by Millennium Radio Group, LLC (“Millennium Radio”). The ownership structure of these transactions is fully consistent with the ownership structure expressly contemplated in the applications for FCC consent to the voluntary assignment of licenses for radio broadcast stations WFPG(AM), WFPG-FM and WPUR(FM), Atlantic City, New Jersey from Citadel Broadcasting Company to Millennium Atlantic City License Holdco, LLC, which is indirectly wholly owned and controlled by Millennium Radio (the “Citadel-Millennium Transaction”). *See* FCC File Nos. BAL-20010327AGC, BALH-20010327AGD and BALH-20010327AGE. Those applications were simultaneously granted by the Mass Media Bureau under delegated authority on May 11, 2001.

This Exhibit is substantially identical to the “Foreign Ownership” Exhibit filed in the FCC approved Citadel-Millennium Transaction. The purpose of this Exhibit is to provide the Commission with information setting forth the continued basis for the proposed assignees’ certifications in connection with Question No. 9 of Section III to the assignee’s portion of the applications on FCC Form 314 to be filed with the purpose of obtaining prior FCC consent to the assignment of licenses for the Transaction Stations.

Each Millennium License Holdco has certified in good faith that it complies with the applicable provisions of Section 310(b) of the Communications Act of 1934, as amended (the “Act”) relating to interests of aliens and foreign governments. Millennium Radio respects the

Commission's desire that applicants proposing foreign ownership volunteer information so that the Commission can make an informed judgment. In that spirit, this Exhibit sets forth the proposed assignee's continuing basis for certifying that it complies with the foreign ownership limitations under the Act. If the FCC believes that additional information is necessary, each Millennium License Holdco intends to be responsive to any such request received from the Commission.

As detailed in prior Exhibits to this application, each Millennium License Holdco is a Delaware chartered limited liability company and is indirectly, through a Millennium Holdco LLC (each, a "Millennium Holdco"), wholly owned and controlled by Millennium Radio, itself a Delaware formed limited liability company. It is contemplated that the pertinent Millennium License Holdco will hold the FCC licenses for the respective Transaction Stations, and that a sister limited liability company, also indirectly, through a Millennium Holdco, wholly owned and controlled by Millennium Radio, will own the operating assets of the respective Transaction Stations (each, a "Millennium Asset Holdco") (Millennium Radio, each Millennium Holdco, each Millennium License Holdco and each Millennium Asset Holdco, together "Millennium").

Millennium Radio has been established to acquire and operate radio broadcast stations in the public interest. As stated in the FCC approved Citadel-Millennium Transaction, it intends to form separate affiliate structures like Millennium Holdco, Millennium License Holdco and Millennium Asset Holdco to acquire other clustered broadcast properties throughout the United States and to rely upon subsequent fundings from their limited liability company members as well as by third party lenders in approximately the same relative proportions.

As explained earlier in this application, Millennium Radio is majority owned by Mercury Capital Partners, L.P. ("Mercury"), a limited partnership chartered in the State of Delaware by Charles W. Banta. Through his limited partnership, Mercury Capital GP, L.P., Mr. Banta acts as the sole general partner of Mercury. The day-to-day operations of Millennium Radio and its affiliated companies will be under the authority of Mr. Banta through Mercury Capital Manager, L.P. (an affiliate of Mr. Banta in which Mr. Banta is the sole limited partner and indirectly holds 100% ownership interest) pursuant to a management agreement. Mr. Banta, an American citizen, is a very experienced and highly respected radio broadcast station owner and operator. He will be active in the undertakings of Millennium. Based on the Citadel-Millennium Transaction and the transactions represented by these applications, Mercury will invest equity in the amount of \$17,425,000 for its 81.2% ownership interest in Millennium Radio.

Joining as an owner of Millennium Radio is Peter S. Handy, also a United States citizen. Mr. Handy is a very experienced and respected media broker and consultant. Mr. Handy will also be active in the business of Millennium Radio. Based on all of the acquisition transactions, he will invest equity in the amount of \$250,000 for his personal 1.2% ownership interest in Millennium Radio. Mr. Handy's affiliated, State of Delaware formed corporation, Astron Services, Inc. ("Astron"), will invest equity in an additional amount of \$1,000,000 for its 4.7% ownership interest in Millennium Radio.

To add to Millennium Radio's financial strength, Mr. Banta sought out and persuaded UBS Capital Americas VI, LLC ("UBS Capital VI"), a Delaware limited liability company, to join the business undertaking both as a minority equity owner and as a lender. UBS Capital VI, LLC is a private investment firm which provides equity and debt financing for growing companies. UBS Capital VI has formed Capital Radio Holdings, LLC ("Capital Radio"), also a Delaware limited liability company, to invest equity in Millennium Radio and provide debt financing to Millennium Holdco. Based on the transactions, Capital Radio will invest equity in the amount of \$2,775,832 for its 12.940% ownership interest in Millennium Radio. Capital Radio has also committed \$104,066,168 in debt financing which will be subordinate to the senior debt financing expected from the Bank of New York or some other equivalent financial institution, which senior debt will be used to acquire the Transaction Stations.¹

II. Discussion

Millennium License Holdco and the other parties to this application, with the assistance of counsel, have thoughtfully reviewed the ownership structure of Millennium to insure that it meets the foreign control/ownership limitations contained in the Act. Based on that careful assessment, Millennium License Holdco believes in good faith that it complies with the applicable provisions of Section 310(b) of the Act.

A. No Foreign Control

There will be no foreign control of, or undue influence over, Millennium Radio or any of its affiliated companies, including any Millennium License Holdco. As mentioned, Mr. Banta, a United States citizen and very experienced radio broadcaster, will manage the day-to-day business and operations of Millennium Radio, subject, as is usual in such business settings, to the authority of an Advisory Board representing the owners of Millennium Radio.

The Advisory Board will be comprised of four (4) individuals. Each member will have only one vote. Three of the four members will constitute a quorum so long as representatives of Mercury and Capital Radio comprise two of the Board members present. Each such member will be a United States citizen, including the person who will be the representative of Capital Radio. Mr. Banta will be the representative for Mercury; Mr. Handy for himself and Astron; and Mr. Michael Greene for Capital Radio. The fourth Board member, Mr. Brian A. McCormick, also a principal of Astron, will not serve in a representative capacity for any of the members. With the exception of Mr. Banta, no Board member, including Capital Radio and its representative, will have the ability, acting alone, to exercise any authority over or become involved in any of those day-to-day operations of Millennium. Except to select a replacement member to the Advisory Board and as otherwise permitted by FCC Regulations, at no time will

¹ This financing plan encompasses the funding necessary for the Citadel transaction, the instant transactions, as well as the Press transactions which were filed on June 8 and June 11, 2001. See Millennium Exhibit 12, footnote 1.

Capital Radio have more than one vote representing twenty-five percent (25%) of voting authority on the Advisory Board.

Neither Millennium nor the Advisory Board, as is common practice for such entities in the business world, will have any authority to effectuate certain typical types of “major actions” without the prior approval of Mercury and Capital Radio. The “major actions” will be limited to those normally viewed as having the potential for causing a substantial impact on Millennium. The LLC Operating Agreement for Millennium Radio, which has been filed as a supplement to the applications authorizing the Citadel-Millennium Transaction, contains a listing of the “major actions.”

It is clear from the foregoing that Millennium will be controlled by United States entities and persons and that Capital Radio will not have any control of, or undue influence over, Millennium.

B. Compliant Foreign Ownership

As shown in prior Exhibits, Millennium Radio has four (4) limited liability members: Mercury, Capital Radio, Mr. Handy and his company, Astron. Through each of Mercury and Capital Radio, Millennium Radio has attributed to it a total of 24.595% foreign ownership, an amount below the 25% foreign ownership “cap” contained in Section 310(b)(4) of the Act.

With respect to Mercury, the company is owned by thirty-one (31) limited partners, all of whom except Mr. Banta are non-attributable under FCC Regulations. One of the insulated limited partners is a Delaware corporation by the name of BMO Nesbitt Burns (U.S.), Inc. (“BMO”). Millennium has been informed by BMO that it is 100% foreign owned. Accordingly, since BMO owns 14.4% of Mercury, and since Mercury owns 81.2% of Millennium Radio, it may be said that Millennium Radio will be at least 11.655% foreign owned by virtue of Mercury’s ownership in Millennium Radio.

In the case of Capital Radio, the company is essentially 100% foreign owned. Accordingly, since Capital Radio owns 12.940% of Millennium Radio, Millennium Radio is deemed to be 24.595% (12.940% plus 11.654%) foreign owned in compliance with the 25% ownership limit contained in Section 310(b)(4) of the Act.

By approving the Citadel-Millennium Transaction, the Commission has concluded that the loan to be provided by Capital Radio is bona fide debt and that, accordingly, the foreign ownership attributable to Millennium is below the 25% statutory benchmark.

As mentioned above, Capital Radio, which will have paid in equity for its 12.940% ownership interest in Millennium Radio, is also committed to supplying Millennium with debt financing. The loan would be made at the Millennium Radio parent level which, indirectly through Millennium Holdco, owns the separate FCC license and station asset subsidiaries used to own and operate the Transaction Stations. A similar structure would be used for any other radio

station clusters acquired by Millennium. In the Citadel-Millennium Transaction, it was proposed that the Capital Radio loan would be made at the Millennium Holdco subsidiary level. For business reasons the parties felt that it would be more appropriate that such loan be made at the parent level. The slight modification in the business plan has no FCC-related regulatory implications for the reasons that follow.

The loan will still constitute the enforceable obligation and unconditional promise of Millennium Radio to repay the loan on demand at maturity and to pay a commercially reasonable, fixed rate of interest. In view of these new transactions, the loan amount from Capital Radio will now be \$104,066,168 and the annual interest rate will remain at nine percent (9%). The term of the loan will also remain at nine (9) years. The parties are experienced business entities and persons. They have exercised their sound business judgment, believing that the annual interest rate and term of the loan are commercially reasonable in the circumstances.

The loan will continue to be evidenced by a convertible debenture to be held by Capital Radio. A copy of the form of debenture may be found with the supplement filed in connection with the application for the Citadel-Millennium Transaction. The debenture will be convertible into additional equity of Millennium Radio. As the Commission obviously concluded in approving the Citadel-Millennium Transaction, the fact that the debenture is convertible is not itself determinative. The debenture arrangement approved by the Commission in that transaction is materially different from those that have been found by the Commission to constitute equity rather than bona fide debt. As stated in the FCC approved Citadel-Millennium Transaction, there will be no automatic conversion of the debenture. The right to convert the debenture will be at the sole option of the debtor, Millennium Radio, during the period when Millennium Radio has any attributable interests in any of the Transaction Stations. No conversion of the debenture shall violate the Act. Under the debenture, Millennium Radio, not Capital Radio, will have the sole right to convert or not convert the debenture during this period. Capital Radio will have the limited right to convert the debenture to equity only if and after Millennium Radio no longer had any attributable interest in the Transaction Stations, after which Millennium Radio will also continue to retain its right to convert the debenture. Accordingly, even if there were a conversion by Capital Radio or its assignee, the fact of such conversion and any benefits flowing from such conversion, whether to Capital Radio or to some third party, would not even exist until after the Commission's jurisdiction over Millennium Radio, Millennium Holdco or Millennium License Holdco had already been legally terminated.

Based on the totality of facts and circumstances, including the prior Commission approval in the Citadel-Millennium transaction, Millennium License Holdco submits that the Commission should conclude that the foreign ownership attributed to Millennium does not violate the ownership limitations set forth in Section 310(b)(4) of the Act.

The Millennium transactional documents memorializing this structure have been finalized and, as mentioned above, are part of the supplement filed in connection with the applications in the Citadel-Millennium Transaction. Built into the Millennium Radio LLC Operating Agreement is the overarching mandate that the LLC Operating Agreement, and the

performance by the parties thereunder, shall be in full compliance with the Act and FCC Regulations, including importantly those provisions relating to transfers of control and foreign ownership.