

EXPLANATION OF TRANSACTIONS

By this application, the Commission's approval is respectfully requested for a change in control of Hutchens Communications, Inc. ("HCI"), licensee of Station WVAG(TV), Valdosta, Georgia, from Gary Hutchens to Dr. Paul Shok.

Background:

Since the acquisition of the station by HCI on May 2, 1994, there has been an increase in capitalization and also a series of individual transfers of stock among existing shareholders and with "new" shareholders. In the aggregate, these transfers among shareholders have not involved a significant change in control under FCC policies.

In March, 1998, in connection with an unsuccessful effort to sell the station to new owners, Gary Hutchens, who has since the acquisition of the station by HCI owned a majority of the stock of HCI, agreed to secure a loan made to HCI by the pledge of certain shares of stock then owned by him; in actuality, however, he purported to issue new stock for this purpose, the effect of which would have reduced his personal holdings in HCI to below 50% for the first time. HCI's shareholders and directors have never accepted this transaction, and have asserted that any issuance of such shares was improper. As a consequence, control of HCI remains in the hands of Gary Hutchens, who has controlled at least 51% of the stock of HCI at all times and is the "single majority shareholder" of HCI under applicable Commission policies. A listing of all present officers, directors and shareholders owning five percent or more of HCI, and therefore holding attributable interests in the licensee, are listed in Section II, Item 4 of the instant application.¹

The Proposed Transfer of Control:

A transfer of control of HCI will occur upon the proposed exercise by Donald Meinke and Dr. Paul Shok, two current HCI shareholders, of convertible debentures issued by the company in consideration for funds advanced by them to HCI. Mr. Meinke now owns 64,000 shares (8.23%) of HCI, and Dr. Shok now owns 155,416 shares (19.98%) of HCI. Both are "new" shareholders, not previously approved by the

¹ All shareholder percentages have been calculated without regard to the contested purported issuance of shares by Mr. Hutchens in lieu of the pledge of his stock, as described above, and the putative holder of such shares, Venture Technologies, Inc., is not included among the shareholders listed; had the issuance of such shares been properly authorized, a majority of the stock of HCI would still have remained in the hands of shareholders that had been approved by the FCC upon the grant of a "long form" application (File No. BALCT-19940121KF), although Mr. Hutchens would have surrendered his affirmative control of the company.

Commission on a “long form” application. Each proposes to convert debentures for additional newly issued shares, which, when effective, will result in Mr. Meinke holding 21.1% and in Dr. Shok holding 68.9% of HCI. As a result, Gary Hutchens will no longer own more than 50% of HCI and will not, therefore, remain the single majority shareholder. Control of the company will pass to Dr. Shok, as the majority shareholder, and the transfer of control resulting from the proposed conversion of the debt into equity therefore requires approval on FCC Form 315.

Following the conversion, the only shareholder of HCI, other than Mr. Meinke and Dr. Shok to own as much as five percent of the licensee, will be Gary Hutchens, who will hold 7.2% of the company. No other shareholder will own as much as one percent of the issued and outstanding equity of the company. A list of the officers and directors of HCI, and the shareholders who will own five percent or more of HCI following the conversion described in this application, is set forth in Section IV, Item 6(a) of the instant application.