

## Note Purchase Agreement

This Note Purchase Agreement, dated as of July \_\_, 2001, between Lilly Broadcasting Holdings, LLC, a Delaware limited liability company (the "Company"), and Mercury Capital Partners, L.P., a Delaware limited partnership ("Mercury").

WHEREAS, the Company issued a junior subordinated convertible note to Mercury on June 7, 2001, with a principal amount of \$100,000, pursuant to that certain letter agreement dated June 7, 2001 between the Company and Mercury.

The Company and Mercury agrees as follows:

1. Issuance and Sale of Note. As soon as reasonably practicable after the execution of this Agreement, the Company shall issue and sell, and Mercury shall purchase, a note (the "Note") in the form attached hereto as Exhibit A at a cash purchase price equal to 100% of the principal amount of the Note (\$650,000), payable by wire transfer to an account designated by the Company.
2. FCC Approvals. Mercury and the Company shall cooperate in the filing as promptly as reasonably practicable of appropriate applications to the Federal Communications Commission in order to permit Mercury to (i) increase its ownership interest in the Company to no more than 49.9%, which application shall be on "short form 316", and (ii) increase its ownership interest to in excess of 50%, which application shall be made on "long form 315." The Company shall pay all the reasonable costs and expenses of both itself and Mercury in connection with the preparation and filing of such applications and the obtaining of the approvals of the Federal Communications Commission contemplated by such applications.
3. Expenses and Fees. As promptly as practicable after receipt of the purchase price for the Note, the Company shall pay to Mercury \$12,500 in cash, which amount shall represent payment in full of the amount payable to Mercury pursuant to Section 8.1(a) of the Company's Amended and Restated Limited Liability Company Agreement in respect of the Company's fiscal year ended December 31, 2000. In addition, the Company shall reimburse Mercury for its reasonable and out-of-pocket expenses in connection with the preparation and negotiation of this Agreement, the Note and the Amended and Restated Limited Liability Company Agreement of the Company, including the reasonable fees and disbursements of Mercury's legal counsel.
4. Amended and Restated LLC Agreement. The Company hereby represents and warrants to Mercury that the Amended and Restated Limited Liability Agreement of the Company, in the form attached as Exhibit B hereto, has been executed by all of the Members of the Company, has been approved by the appropriate number and members of the Company's Board of Members, and is in full force and effect.

5. Miscellaneous.

(a) This Agreement may be executed in counterparts.

(b) This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to the provisions, policies or principles of those laws relating to choice or conflict of laws.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LILLY BROADCASTING HOLDINGS, LLC

By: \_\_\_\_\_  
Kevin Lilly  
Manager

MERCURY CAPITAL PARTNERS, L.P.

By: Mercury Capital GP, L.P.  
its General Partner

By: \_\_\_\_\_  
Charles Banta  
President  
Mercury GP, Inc.  
its General Partner

## **EXHIBIT A**

### **LILLY BROADCASTING HOLDINGS, LLC**

#### **JUNIOR SUBORDINATED CONVERTIBLE NOTE**

**DUE JUNE 30, 2004**

**\$650,000**

FOR VALUE RECEIVED, the undersigned, LILLY BROADCASTING HOLDINGS, LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to MERCURY CAPITAL PARTNERS, L.P., a Delaware limited partnership ("Mercury"), the principal sum of SIX HUNDRED FIFTY THOUSAND DOLLARS, on June 30, 2004, together with interest (computed on the basis of a 360-day year of twelve 30-day months) from the date of this Note until said principal hereof shall become due and payable, at the rate of 35% per annum compounded annually, and to pay interest at the rate of 35% per annum on any overdue payment of principal and interest, until the same shall be paid in full.

Payment of the principal of, and interest on, this Note shall be made, in lawful money of the United States of America on the maturity date upon presentment of this Note.

This Note is not subject to prepayment.

The principal amount of this Note and accrued interest thereon shall be converted, in whole or in part, into Class D membership interests of the Company, without any action by the holder of the Note or the Company upon the terms and subject to the conditions set forth in Article 10, Section 10.13, of the Amended and Restated Limited Liability Company Agreement of the Company, entered into as of the date of this Note. If this Note is only converted in part, then a new Note shall be issued upon such conversion to reflect the principal amount and accrued interest not yet converted.

Mercury represents that it is acquiring this Note for investment and not with a view to the sale or distribution thereof.

**NEITHER THE DEBT REPRESENTED BY THIS NOTE, NOR  
THE MEMBERSHIP INTERESTS INTO WHICH THIS NOTE  
MAY BE CONVERTED, HAVE BEEN REGISTERED UNDER  
THE SECURITIES ACT OF 1933 OR APPLICABLE STATE**

SECURITIES LAWS, AND ACCORDINGLY, MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER SUCH ACT AND SUCH LAWS OR PURSUANT TO AN EXEMPTION THEREFROM.

This Note is junior and subordinate to all other indebtedness of the Company.

The Company represents, warrants and covenants that the issuance and delivery of this Note has been duly and validly authorized and is the valid and legally binding obligation of the Company, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy and similar laws affecting creditors' rights generally and that the granting of specific performance lies at the discretion of a court in equity.

As long as this Note and the interest required to be paid hereunder remain unpaid in whole or in part, neither the Company nor any of its subsidiaries shall make any payment or distribution (whether in cash, property, securities or otherwise) in respect of membership interests of the Company whether by dividend, repurchase, redemption, reclassification or otherwise.

Any monetary default by the Company on any debt for money borrowed or default by the Company in the performance, or breach of any covenant, representation or warranty of the Company in this Note, default by the Company on a debt for money borrowed which has resulted in that debt becoming or being declared due and payable prior to the date on which it otherwise would have become due and payable, the commencement by the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy or similar law or its consent to the entry of a decree or order for relief for the Company in an involuntary case or proceeding, or the entry by a court of a decree or order for relief in respect of the Company in an involuntary case or proceeding under bankruptcy or similar law, adjudging the Company a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the Company under applicable law or appointing a custodian receiver, trustee, liquidator or similar official of the Company or any substantial part of its property, or ordering the winding up or liquidation of its affairs shall constitute an event of default under this Note and this Note shall become immediately due and payable at the option of the holder.

The holder of this Note shall be entitled to reasonable attorney's fees and disbursements incurred by him in enforcing his rights under this Note in the event the Company shall default in its performance hereof.

This Note shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflicts of laws thereof, and the terms hereof may not be changed by oral agreement.

IN WITNESS WHEREOF, LILLY BROADCASTING HOLDINGS, LLC, has caused this Note to be dated July \_\_, 2001, and to be executed and sealed on its behalf by its officer thereunto duly authorized.

LILLY BROADCASTING HOLDINGS, LLC

By \_\_\_\_\_  
Kevin T. Lilly  
Manager

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