

**MERCURY CAPITAL PARTNER, L.P.**

June 7, 2001

Mr. Kevin Lilly  
Lilly Broadcasting Holdings, LLC  
2 Eastleigh Lane  
Natick, MA 0160-4275

Dear Mr. Lilly:

Pursuant to this letter Mercury Capital Partners, L.P. is advancing to Lilly Broadcasting Holdings, LLC (the "Company") the principal amount of \$100,000 as a loan, evidenced by the Junior Subordinated Convertible Note attached hereto as Exhibit A (the "Note"), based on the terms of the Contemplated Transaction (as defined below) attached hereto as Exhibit B, and will be part of the Contemplated Transaction in which Mercury Capital Partners, L.P. intends to invest additional capital and restructure its current investment in the Company (the "Contemplated Transaction").

To the extent to which the Contemplated Transaction is (i) consummated by the execution of definitive documents by the parties, the Note will be converted in the same manner and on the same terms as the note issued for the additional \$650,000 pursuant to the Contemplated Transaction as further described on Exhibit B, and (ii) not consummated within 3 months of the date hereof, this letter and the Note evidence the unconditional obligation of the Company to pay \$100,000, the principal amount of this loan, in full, plus the interest thereon, in accordance with its terms as provided in the Note.

This letter shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of New York.

Please indicate your agreement with the foregoing, effective as of the date first above mentioned, by signing below. This letter may be signed in counterpart.

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Truly yours,

**MERCURY CAPITAL PARTNERS, L.P.**

**By: MERCURY CAPITAL GP, L.P.  
Its General Partner**

**By: \_\_\_\_\_**

**Charles Banta**

**President**

**Mercury Capital GP, Inc.**

**Its General Partner**

**AGREED AND ACCEPTED**

**LILLY BROADCASTING HOLDINGS, LLC**

**By: \_\_\_\_\_  
Kevin Lilly, Manager**

**EXHIBIT A**

**[Junior Subordinated Convertible Note]**

**MERCURY CAPITAL PARTNERS, L.P.**

**Restructuring of Lilly Investment**

I. Equity

- Mercury immediately invests an additional \$750,000 (in two tranches of \$100,000 and \$650,000) as new convertible subordinated note bearing same preferred return as Class E membership interest (form of investment dictated by FCC considerations)
- upon receipt of short form "316" FCC approval, all Class E membership interests plus accrued return convert into Class D interests (aggregate of Class E Capital, Class E Preference Amounts, Class D Capital, Class D Preference Amounts, and share of residual profit through time of conversion becomes new Class D Original Capital)
- upon receipt of short form "316" FCC approval, Class A and B value established and this becomes Class A and B Capital Amount
- portion of A and B Capital Amount allocated to Mercury as its Special Advisor percentage (Section 8.1(b) – calculated to give Mercury additional economic interest percentage of 3% – Mercury's new economic interest also becomes Class D Membership interest and is added to Class D Original Capital)
- A interests earn a Preference Amount equal to 12.5% on 10% of A Capital Amount
- B interests do not earn a Preference Amount going forward
- new management carry based on IRR from date of \$750,000 investment on invested capital plus preferred returns and residual profit as of date of investment
  - carry is 0 if  $IRR \leq 25\%$
  - carry is 7.5% if IRR is greater than 25% and less than or equal to 35%
  - carry is 15% if IRR is greater than 35% and less than or equal to 49%
  - carry is 22.5% if IRR is greater than 49%
- new carry allocated among Kevin Lilly, Brian Lilly and Nick White – if individual quits before distribution on carry, then that portion of carry is forfeited

- Class C interests plus accrued preference amount plus share of residual profit become new Class C Capital as of time of initial FCC approval
- upon receipt of initial FCC approval, a portion of \$750,000 note converts into Class D membership interest (convert so that economic percentage for Mercury equals 49.9%, after taking into account existing E, D and Special Advisor percentages)
- order of distributions of cash is D Capital, then C Capital, D Preference Amount, C Preference, A and B Capital, A Preference Amount, then to all based on economic percentages (including new carry)
- upon receipt of long form "315" FCC approval, remaining portion of note converts into Class D membership interest (two conversions of note result in principal plus accrued interest being added to Class D Original Capital)
- at time of \$750,000 Mercury investment, LBH pays fee to Mercury owed under Section 8.1(a) – \$12,500 paid out of \$750,000 Mercury investment
- LBH bears expense of FCC application process and reimburses Mercury for its legal expenses in connection with new investment

## II. Governance

- as long as Mercury owns at least 50% of membership interests, actions under 6.3(a) and (b) require consent of Class D member; including:
- any decision that currently requires the unanimous consent of the Class A members (such as in Section 6.5 (d) – issuance of additional equity; Section 6.12 – removal of manager [(including not for cause)]; Section 10.1 – consent to transfer membership interests; Section 10.6 – consent for a transferee to become a member; Section 12 – amending LLC Agreement)
- such actions as listed on Annex A hereto, which will be added to Section 6.3(b)
- right of first refusal and veto power over new equity
- eliminate the Company's right to redeem the Class D membership interests

## III. Exit

- Mercury can force sale of assets or membership interests (drag along) as long as its ownership interest is at least 50%

- Mercury can sell a proportionate amount of its membership interests (tag-along) with any sale of membership interests by another member, other than sales to the Company.

## Annex A

- (a) Except as otherwise expressly provided for this LLC Agreement, admit any Person to the Company as an additional Member or substitute Member, issue any additional Membership Interests or rights to acquire Membership Interests, or change the Voting Interest Percentage or Economic Interest Percentage of the Members;
- (b) Amend the LLC Agreement;
- (c) Merge, consolidate, or enter into a business combination with any Person;
- (d) Elect to dissolve or liquidate the Company;
- (e) Sell, lease, license or otherwise dispose of all or substantially all of the assets or any material assets of the Company;
- (f) Acquire any radio or television stations or enter into local marketing agreements;
- (g) Sell, lease, license or otherwise dispose of any radio or television stations or related assets or substantial rights related thereto;
- (h) Declare any distributions on, or redemptions of, equity held by a Member or an Affiliate of a Member, or make any prepayment with respect to any debt instrument held by a Member or an Affiliate of a Member