

March 22, 2002

Malvern Entertainment Corp.  
KCDI (FM)  
P.O. Box 491  
2311 Pattywood Drive  
Bryant, AR 72089

WRD Entertainment, Inc.  
KZLE (FM)  
P.O. Box 2077  
920 Harrison Street  
Batesville, AR 72503

MEMORANDUM OF AGREEMENT

This letter will memorialize the terms and conditions under which WRD Entertainment, Inc. ("WRD") will agree to file an application with the FCC to change the class designation of FM Radio Station KZLE from a Class C to a Class C-1 for the benefit of Malvern Entertainment Corporation, licensee of FM Radio Station KCDI, Bryant, Arkansas ("Malvern").

WRD shall receive the following consideration from Malvern:

1. WRD shall receive the greater of the following:
  - a. \$350,000 paid by promissory note described in paragraph 2 below; or
  - b. In the event Malvern sells either all or substantially all of the assets used and useful in the operation of KCDI (including an assignment of the license and the upgrade CP) or all or substantially all of the stock of Malvern in the first 24 months after grant from the FCC allowing Malvern to upgrade KCDI from a Class A to a Class C-3: 30% of the total purchase price (including any fees for non-competes or consulting fees) in excess of \$1,500,000. Any payment due under this subparagraph shall be due at the time of the closing of the sale of KCDI to a third party buyer.
  - c. In the event Malvern sells either all or substantially all of the assets used and useful in the operation of KCDI (including an assignment of the license and the upgrade CP) or all or

substantially all of the stock of Malvern after the first 24 months after grant from the FCC allowing Malvern to upgrade KCDI from a Class A to a Class C-3: 35% of the total purchase price (including any fees for non-competes or consulting fees) in excess of \$1,500,000. Any payment due under this subparagraph shall be due at the time of the closing of the sale of KCDI to a third party buyer.

Example: 1. If KCDI sells for 2.0 million to a third party buyer, Malvern shall pay to WRD \$350,000. Calculated as follows:

$$\begin{array}{r} 2,000,000 \\ \text{less base } (1,500,000) \\ \hline 500,000 \\ \times .30 \\ \hline 150,000; \text{ or } \$350,000 \\ \text{whichever is greater.} \end{array}$$

The \$350,000 is greater than the amount due under the formula.

This amount would be satisfied by the settlement of the note payable referenced below. No other compensation would be due WRD.

Example: 2. If KCDI sells for 4.0 million to a third party buyer, Malvern shall pay to WRD a total of \$750,000. Calculated as follows:

$$\begin{array}{r} 4,000,000 \\ \text{less base } (1,500,000) \\ \hline 2,500,000 \\ \times .30 \\ \hline 750,000; \text{ or } \$350,000 \\ \text{whichever is greater.} \end{array}$$

This amount would be satisfied by the settlement of the note payable referenced below plus \$400,000 payable at the time of the closing of the sale of KCDI to the third party buyer.

2. Upon the filing of contingent applications to upgrade

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KCDI from Class A to Class C-3 and to downgrade KZLE from Class C to Class C-1, Malvern will execute a secured promissory note in favor of WRD for \$350,000 bearing interest at 8% per annum, which interest shall begin accruing on the date that the FCC grants the applications for construction permits to upgrade KCDI and to downgrade KZLE. Such promissory note shall be held in escrow by Merek Rowe, Attorney at Law, and shall become effective and be delivered to WRD only upon grant of the KCDI upgrade and the KZLE downgrade. The note shall be secured by:

- a. Second lien on all assets of Malvern (subordinate to Malvern's bank debt);
- b. Personal guarantee of Scott Gray;
- c. Malvern will pledge to WRD a \$500,000 life insurance policy on the life of Scott Gray.

This note to WRD with all accrued interest shall be due and payable as part of the consideration due to WRD upon the earlier of:

- a. The closing of a sale of KCDI to a third-party buyer; or
- b. 36 months following the FCC grant of a construction permit allowing KCDI to upgrade its class of FM license from a Class A to a Class C-3, even if Malvern does not sell KCDI.

Payment of the note to WRD as provided in this provision shall not extinguish Malvern's obligation to pay WRD any additional sums as may be due upon the sale of KCDI as provided in Paragraph 1 above.

3. Malvern will pay for all engineering costs and FCC filing fees associated with the KCDI upgrade application and the KZLE downgrade application. Malvern shall have the applications prepared and the parties shall file the applications within fifteen (15) days of the date on

## Memorandum of Agreement

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which the last signature to this agreement has been obtained. Malvern shall immediately notify WRD of the grant or denial of the KCDI application. In no event shall Malvern be liable for fees incurred by WRD to its own attorneys or consultants.

4. Malvern shall provide to WRD the engineering portion of the KZLE application. Each application will reference the other and request that the grants be contingent upon the grant of the other application, i.e., if the KCDI upgrade is not granted by the FCC, then WRD will seek the dismissal of the KZLE downgrade application and if the KZLE downgrade is not granted by the FCC, then Malvern will seek dismissal of the KCDI upgrade application. In the event that both applications are not granted, the promissory note will automatically be cancelled, both stations will remain in their current license class, and provided that Malvern has complied with the obligations arising in Paragraph 3 hereof, neither party shall have any further obligations to the other hereunder.
5. The parties agree not to interpose any objection to the applications contemplated herein; to cooperate with each other and to act in good faith to comply with the letter and the spirit of this Agreement; and not to take any action inconsistent with this Agreement.
6. Commission due to Sunbelt Media, Inc., broker of the transaction, shall be paid by Malvern at closing.

AGREED TO THE ABOVE FOR THE PARTIES SHOWN BELOW:

For Malvern Entertainment Corporation

Scott Gray  
Scott Gray, President

4/3/02  
Date

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For WRD Entertainment, Inc.

John R. Grace

3/26/02  
Date

JOHN R. GRACE, PRESIDENT

For Sunbelt Media, Inc.

W. N. Cate

4/3/02  
Date

W. N. Cate, President

ADDENDUM

In the event Malvern enters into a Time Brokerage Agreement ("TBA"), Local Marketing Agreement ("LMA"), or Joint Sales Agreement ("JSA") for KCDI, the additional payment sums specified in subparagraphs 1.b and 1.c in Memorandum of Agreement, shall apply to the cumulative TBA, LMA or JSA fees paid to Malvern in excess of \$1,500,000. Such additional payments shall be made within 15 days of the receipt by Malvern of the respective TBA, LMA or JSA payment. Thus, for example, should Malvern receive cumulative TBA, LMA or JSA payments totaling \$4,000,000, it should make cumulative additional payments of \$750,000 to WRD, of which \$350,000 would be satisfied by settlement of the note payable referenced in the Memorandum of Agreement plus \$400,000 payable from TBA, LMA or JSA payments received by Malvern.

AGREED TO THE ABOVE FOR THE PARTIES SHOWN BELOW:

For Malvern Entertainment Corporation

Scott Gray  
Scott Gray, President

4/3/02  
Date

For WRD Entertainment, Inc.

John R. Grace  
John R. Grace, President

3/28/02  
Date

For Sunbelt Media, Inc.

W N Cato  
W. N. Cato, President

4/03/02  
Date