

**ASSET PURCHASE AGREEMENT**

by and between

**J & J BROADCASTING, INC. and JD LAND, LLC.,  
COLLECTIVELY, BUYERS**

and

**VALLEY BROADCASTERS, INC. AND JIM KEANE AND ANN KEANE,  
COLLECTIVELY, SELLERS**

for the sale and purchase of

**Radio Stations KAPS and KBRC, Mt.Vernon, Washington, and FM  
Translator Station K271AH, Camano, Washington**

**Dated: February 10, 2011**

## LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A       -- Escrow Agreement  
EXHIBIT B       -- Guaranty  
EXHIBIT C       -- Non Competition Agreement  
EXHIBIT D       -- Purchase Money Notes  
EXHIBIT E       -- Security Agreement

SCHEDULE 2.1 -- FCC Licenses  
SCHEDULE 2.2 -- Tangible Property  
SCHEDULE 2.3 -- Contracts  
SCHEDULE 2.4 -- Real Property Leases  
SCHEDULE 3     -- Owned Real Property  
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SCHEDULE 7.14 - Employee Benefits

## **ASSET PURCHASE AGREEMENT**

This Agreement, made and entered into as of the 10<sup>th</sup> day of February, 2011, by and between **VALLEY BROADCASTERS, INC. ("Valley")** and **JIM KEANE and ANN KEANE** (the "KEANES") (collectively "Sellers") and **J & J BROADCASTING, INC. ("J&J")** and **JD LAND, LLC ("JD Land")** (collectively herein as "Buyers").

### **WITNESSETH THAT:**

WHEREAS, Valley is the licensee of Radio Stations KAPS, Facility ID 69678, Mount Vernon, Washington, and the Keans are the licensee of Station KBRC, Facility ID 39496, Mount Vernon, Washington, and FM Translator Station K271AH, Facility ID 148749, Camano, Washington (the "Stations");

WHEREAS, the J&J desires to purchase from Sellers all of the assets owned by them and used or held for use in connection with the operation of the Stations except for the Real Property, defined below, and to acquire from Sellers the authorizations issued by the Federal Communications Commission (the "FCC") for the operation of the Stations;

WHEREAS, JD Land desires to purchase from Sellers the Real Property;

WHEREAS, the authorizations issued by the FCC may not be assigned to Buyers without the FCC's prior consent;

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties, intending to be legally bound, agree as follows:

### **1. RULES OF CONSTRUCTION**

**1.1. Defined Terms.** As used in this Agreement, the following terms shall have the following meanings:

- "Assignment Applications" means the applications on FCC Form 314 that Sellers and J&J shall join in and file with the FCC requesting its consent to the assignment of the FCC Licenses from Sellers to J&J.
- "Closing" means the consummation of the Transaction.
- "Closing Date" means the date on which the Closing takes place, as determined pursuant to Section 11 hereof.

- "Escrow Agent" means The Exline Company.
- "Escrow Deposit" means the sum Sixty Thousand Dollars (\$60,000.00) that Buyers has deposited with Escrow Agent as security for the performance of Buyers' obligations hereunder.
- "Escrow Agreement" means the Escrow Agreement between Buyers, Sellers and Escrow Agent dated as of the date of this Agreement attached as Exhibit A hereto.
- "Final Order" means any FCC action that, by lapse of time or otherwise, is no longer subject to administrative or judicial reconsideration, review, appeal or stay.
- "Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, court or other entity that exercises executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.
- "Guaranty" means the Guaranty by Buyers' shareholders of the performance of Buyers' obligations under the Notes and the Non Competition Agreement attached as Exhibit B hereto.
- "Knowledge" when used in connection with any representation or warranty by a person or entity means the actual knowledge of such person or entity at the time the representation is made without any requirement or expectation that such person or entity has made any investigation or inquiry regarding the matter at issue.
- "Non Competition Agreement" means the Non Competition Agreement Attached as Exhibit C hereto.
- "Purchase Money Notes" means the Purchase Money Note in the amount of \$50,000 to Valley Broadcasters, Inc. and the \$850,000.00 Note to Jim and Ann Keane attached as Exhibit D hereto.
- "Security Agreement" means the Security Agreement attached as Exhibit E hereto.
- "Transaction" means the sale and purchase and assignments and assumptions contemplated by this Agreement and the respective obligations of Seller and Buyers set forth herein.

**1.2. Other Definitions.** Other capitalized terms used in this Agreement shall have the meanings ascribed to them herein.

**1.3. Number and Gender.** Whenever the context so requires, words used in the singular shall be construed to mean or include the plural and vice versa, and pronouns of any gender shall be construed to mean or include any other gender or genders.

**1.4. Headings and Cross-References.** The headings of the Sections and Paragraphs hereof have been included for convenience of reference only, and shall in no way limit or affect the meaning or interpretation of the specific provisions of this Agreement. All cross-references to Sections or Paragraphs herein shall mean the Sections or Paragraphs of this Agreement unless otherwise stated or clearly required by the context. All references to Schedules herein shall mean the Schedules to this Agreement which have been separately initialed for identification by Seller and Buyers. Words such as "herein" and "hereof" shall be deemed to refer to this Agreement as a whole and not to any particular provision of this Agreement unless otherwise stated or clearly required by the context.

**1.5. Computation of Time.** Whenever any time period provided for in this Agreement is measured in "business days" there shall be excluded from such time period each day that is a Saturday, Sunday, recognized federal legal holiday, or other day on which the FCC's offices are closed and are not reopened prior to 5:30 p.m. Washington, D.C. time. In all other cases all days shall be counted.

**2. ASSETS TO BE CONVEYED BY SELLERS TO J&J.** On the Closing Date, Sellers will sell, assign, transfer, convey and deliver to J&J the following assets owned by Sellers that are used or held for use by it solely in connection with the operation of the Stations (the "Station Assets") free and clear of all liens and encumbrances whatsoever except for statutory liens for taxes not yet due:

**2.1. Licenses.** The licenses, permits and other authorizations issued by the FCC for the operation of the Stations listed in Schedule 2.1 hereof (the "FCC Licenses"), and all other transferable licenses, permits and authorizations issued by any other Governmental Authorities that are used in or necessary for the lawful operation of the Stations as presently operated by Sellers.

**2.2. Tangible Property.** All tangible personal property and fixtures owned by Sellers used or held for use in the operation of the Stations, including, without limitation, the property listed in Schedule 2.2 hereof, together with replacements thereof and improvements and additions thereto made between the date hereof and

the Closing Date and any transferable manufacturer's warranties with respect to such property (the "Tangible Property").

**2.3. Contracts.** All contracts for the sale of advertising time on the Stations for cash which may be cancelled on thirty days' notice and the contracts and agreements listed in Schedule 2.3 hereto (the "Contracts").

**2.4. Real Property Leases.** All of Sellers' right, title and interest in and under the real property leases listed in Schedules 2.4 hereto (the "Leases") (the property subject to the Leases is referred to hereinafter as the "Leased Property").

**2.4. Intangible Property.** All Seller's right, title and interest in and to the call signs, slogans, logos, trademarks, copyrights, websites and similar materials and rights and the goodwill and other intangible assets used in or arising from the business of the Stations (the "Intangible Property").

**2.5. Business Records.** All business records of Sellers relating to their ownership and operation of the Stations (including without limitation logs, public file materials, and engineering records) relating to or used in the operation of the Stations.

**3. ASSETS TO BE CONVEYED TO JD LAND:** On the Closing Date, Sellers will sell, assign, transfer, convey and deliver to JD Land Schedule 3 hereto contains a description of the real property owned by Sellers described in Schedule 2.3 hereof (the "Owned Real Property").

**4. EXCLUDED ASSETS.** The following assets are expressly excluded from the Station Assets being conveyed hereunder and shall be retained by Sellers:

(a) Sellers' cash and cash equivalents and accounts receivable;

(b) Any and all tangible or intangible assets owned by Sellers which are not listed on Schedule 2.2 hereof and are not used or held for use in connection with the operation of the Stations.

(c) any claims that Sellers may have under any insurance policies or contracts and any other claims that Sellers may have against third parties;

(d) Valley's corporate books and records which do not relate to the ownership or operation of the Stations;

## **5. CONSIDERATION.**

**5.1. Consideration; Method of Payment.** As full consideration for the purchase of the Station Assets and the Real Property Buyers shall pay to Sellers on the Closing Date the cash sum of One Million One Hundred Fifty Thousand Dollars (\$1,150,00.00) (the "Purchase Price"). The Purchase Price shall be paid on the Closing Date as follows:

(a) Buyers and Sellers shall jointly instruct the Escrow Agent to deliver the Deposit, but not the interest thereon, to Sellers by wire transfer of funds;

(b) Buyers shall deliver to Sellers the sum of One Hundred Ninety Thousand Dollars (\$190,000.00) by wire transfer or certified or cashier's check;

(c) Buyers shall deliver to Sellers the Purchase Money Note.

**5.2. Allocation of Purchase Price.** The Purchase Price shall be allocated between the Real Property, the Studio Site, the Tangible Property and the Intangible Property in accordance with the Allocation Schedule set out in Schedule 5.2 hereto. Sellers and Buyers shall use such allocation for all purposes related to the valuation of the Station Assets and the Studio Site, including, without limitation, in connection with any federal, state, county or local tax returns and, unless required to do so in accordance with a "determination" as defined in Section 1313(a)(1) of the Internal Revenue Code, neither Sellers nor Buyers shall take any position in any tax return, tax proceeding, tax audit or otherwise that is inconsistent with such allocation.

**6. SELLERS' LIABILITIES.** Buyers does not and shall not assume or be deemed to assume, pursuant to this Agreement or otherwise, any liabilities, obligations, or commitments of Sellers of any nature whatsoever except for obligations under the Contracts and Leases to be assumed by Buyers hereunder.

**7. SELLERS' REPRESENTATIONS, WARRANTIES, AND COVENANTS.** Sellers hereby make the following representations, warranties, and covenants:

**7.1 Existence and Power.** Valley is a corporation validly existing and in good standing under the laws of the State of Washington with full power to enter into, deliver and perform this Agreement and the Keanes are individuals with the full legal capacity and power to enter into, deliver and perform this Agreement.

**7.2. Binding Agreement.** The execution, delivery, and performance of this Agreement by Valley has been duly authorized by all necessary action of its shareholders and directors. This Agreement has been duly executed and delivered to Buyers by the Sellers and constitutes a legal, valid, and binding obligation of the Sellers enforceable against them in accordance with its terms, except as may be limited by bankruptcy laws and general principles of equity.

**7.3. No Violation.** The execution and performance of this Agreement by Sellers will not violate Valley's articles of incorporation or by-laws or any material order, rule, judgment or decree to which Sellers or their principals are subject, or breach any contract, agreement or other commitment to which Sellers or their principals are a party or are bound.

**7.4. Conveyance of Assets.** At Closing, Sellers shall convey to Buyers good and marketable title to all the Station Assets, free and clear of all liens, pledges, collateral assignments, security interests, leases, easements, covenants, restrictions and encumbrances or other defects of title except for the lien of any personal property or real property taxes that will not become due until after the Closing Date.

**7.5. Governmental Authorizations.** Except for the FCC Licenses, Sellers are unaware of any material licenses, permits, or authorizations from any Governmental Authority which are required to operate the Stations. The FCC Licenses are all the FCC authorizations held by Sellers with respect to the Stations, and are all the FCC authorizations used in or necessary for the lawful operation of the Stations. The FCC Licenses are in full force and effect, are subject to no unusual or materially adverse conditions or restrictions, and are unimpaired by any acts or omissions of Sellers or their employees or agents.

**7.6 Contracts and Leases.** Sellers will utilize their reasonable best efforts to ensure that each of the Contracts and Leases, the stated duration of which extends beyond the Closing Date, will be in full force and effect on the Closing Date and unimpaired by any acts or omissions of Sellers or their officers, directors, employees or agents. The Contracts and Leases constitute all contracts and leases necessary for the operation of the Stations as they are currently operated by Sellers. If any of the Contracts or Leases requires the consent of any third party in order for Sellers to assign that contract or lease to Buyers, Sellers shall use their reasonable best efforts to obtain such consent prior to Closing.

**7.7. Condition of Tangible Property.** The Tangible Property is now and on the Closing Date will be in good operating



condition, ordinary wear and tear excepted. Between the date hereof and the Closing Date the Tangible Property will be maintained in accordance with generally accepted standards in the broadcast industry and in material compliance with all applicable rules and regulations of the FCC and all applicable laws, regulations and ordinances issued by any Governmental Authority. On the Closing Date the Stations' facilities will be operating in material compliance with the terms and conditions of the FCC Licenses and all conditions of the construction permits underlying such licenses, which are expressly or by operation of the FCC's rules or policies, carried forward in the licenses. If within sixty (60) days after the Closing Date, Buyers gives Sellers written notice of any defects in the Stations' technical facilities which existed on the Closing Date and which constituted a material breach of Sellers' representations set forth in the this paragraph, Buyers shall have the right to require Sellers to make such repairs and/or adjustments as may be necessary to bring the Stations' technical facilities into substantial compliance with such representations or, in the alternative, to make whatever repairs and/or adjustments or to replace any equipment at Sellers' expense as may be necessary to correct such defects; provided, however, that Sellers will be given reasonable opportunity, within thirty (30) days of the day of the mailing of written notice from Buyers to Sellers, to effect such repairs, replacements or adjustments at Sellers' cost.

**7.8. Real Property.** The Leased and Owned Real Property comprise all of the real estate currently used or currently necessary for the lawful operation of the Stations as presently operated by Sellers. Sellers have, and after Closing Buyers will have, all legal and practical access to the Real Property. To Sellers' knowledge, neither none of the buildings, structures or improvements that are constructed on the Leased and Owned Real Property (including without limitation all guy wires and guy anchors) encroaches upon adjoining real estate (except in the case of the encroachment of raidals which is covered by one of the Real Property Leases), and, to Sellers' Knowledge, all such buildings, structures and improvements are constructed in conformity with all "set-back" lines, easements and other restrictions or rights of record, and all applicable building or safety codes and zoning ordinances. There are not pending or, to Sellers' Knowledge, threatened condemnation or eminent domain proceedings that may have a material adverse effect on Buyers' use of the Real Property or the Studio Site for the operation of the Stations after Closing. Sellers have no knowledge of any structural or other material defects in the towers, buildings, structures and other improvements located on the Leased and Owned Real Property.

**7.9. Utilities.** All utilities that are necessary for Sellers present operation of the Stations, including without

limitation, electric power, water, sewer, and telephone services, have been connected to the Real Property and are in good working order. To Sellers' Knowledge, none of those utility lines cross the lands of others except where appropriate easements or licenses have been obtained.

**7.10. Litigation.** Except for proceedings affecting radio broadcasters generally, there is no complaint, investigation, or proceeding pending or, to Sellers' Knowledge, threatened before or by the FCC, any other Governmental Authority, or any other person or entity relating to the business or operations of the Stations. There is no other litigation, action, suit, investigation or proceeding pending or, to Sellers' Knowledge, threatened that may give rise to any claim against any of the Station Assets or the Studio Site or adversely affect Sellers' ability to consummate the Transaction as provided herein. Sellers are not aware of any facts that could reasonably result in any such proceedings.

**7.11. Insurance.** The Station Assets are insured for their replacement value and Seller shall maintain such in full force and effect until the Closing Date.

**7.12. Compliance with Law.** (a) Sellers have in their conduct of the Stations' business complied in all material respects with all applicable statutes, regulations and orders relating to the employment of labor, including those concerning wages, hours, equal employment opportunity, collective bargaining, pension and welfare benefit plans, and the payment of Social Security and similar taxes, and Sellers are not liable for any arrears of wages or any tax penalties due to any failure to comply with any of the foregoing.

(b) On or before the Closing Date, Sellers will pay and discharge all taxes, assessments, excises and other levies relating to the Station Assets, including all FCC Regulatory Fees, except for such taxes, assessments, and other levies as will not be due until after the Closing Date.

**7.13. Environmental Matters.** No hazardous or toxic waste, substance or material, as those or similar terms are defined in or for purposes of applicable federal, state and local environmental laws, and including without limitation any asbestos or asbestos-related products, oils or petroleum-derived compounds, CFCs, or PCBs (collectively "Hazardous Substances") are contained in structures or equipment used or useful in the operation of the Stations and/or is located on or about the Leased or Owned Real Property unless, in the case of equipment containing CFCs and PCBs, such CFCs and PCBs are properly contained and labeled. No "underground storage tank" (as that term is defined in regulations promulgated by the federal Environmental Protection Agency) is used

in the operation of the Stations or is located on the Leased or Owned Real Property and no Hazardous Substances are being emitted, discharged or released from the Leased or Owned Real Property directly or indirectly into the environment. To Sellers' Knowledge: (i) neither the Leased nor the Owned Real has previously been used for the manufacture, refining, treatment, storage, or disposal of any Hazardous Substances; (ii) none of the soil, ground water, or surface water of the Leased or Owned Real Property is contaminated by any Hazardous Substances and there is no reasonable potential for such contamination from neighboring real estate; (iii) neither Sellers nor any former owner or operator of the Leased or Owned Real Property is liable for cleanup or response costs with respect to the emission, discharge, or release of any Hazardous Substances due to its ownership, occupation, use or operation of such premises. The present operation of the Stations complies in all applicable federal, state and local laws relating to electrical transformers and human exposure to radio frequency radiation and, to Seller's Knowledge, complies in all material respects with all other applicable federal, state and local environmental laws.

**7.14. Employees.** (a) No employee of the Stations is represented by a union or other collective bargaining unit, and, to Sellers' knowledge, no application for recognition as a collective bargaining unit has been filed with the National Labor Relations Board and no concerted effort to unionize any of the Stations' employees is currently in progress. Except as stated in Schedule 7.14, Sellers have no written or oral retirement, pension, termination pay, hospitalization, vacation, or other employee benefit plan, agreement, or understanding or any fixed or contingent liabilities relating to employees or former employees of the Stations.

(b) Sellers and Buyers acknowledge that Buyers may retain some or all of the Stations' present staff of the Sellers in the continuance of the future operation of the stations. Insofar as these retained employees by the Buyers are concerned, Sellers and Buyers agree to make adjustments at the closing for any vacation leave benefits to which said employees may be entitled at the time of closing. Sellers further agree that Buyers are authorized to pay commissions to any retained sales staff on the collection of accounts receivable on their respective accounts which were earned during their employ with Sellers. Any agency commissions, taxes, FICA or other obligated deductions arising from these commissions shall be paid by Sellers from the receivables collected by Buyers and remitted to Sellers

**7.15. Insolvency Proceedings.** No insolvency proceedings of any character, including without limitation bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Sellers, the Station Assets or the Owned Real Property are pending or threatened.

Neither of Sellers has made an assignment for the benefit of creditors or taken any action with a view to, or that would constitute a valid basis for, the institution of any insolvency proceedings. Upon consummation of the transactions provided for herein, Sellers (i) will have sufficient capital to carry on their business and transactions, (ii) will be able to pay their debts as they mature or become due, and (iii) will own assets the fair market value of which will be greater than the sum of all liabilities of Sellers not specifically assumed by Buyers pursuant to the terms of this Agreement.

#### **8. BUYERS' REPRESENTATIONS, WARRANTIES AND COVENANTS.**

Buyers hereby makes the following representations, warranties and covenants:

**8.1 Existence and Power.** J&J is a corporation validly existing and in good standing under the laws of the State of Washington and JD Land is a limited liability company validly existing in good standing in that state and J&J and JD Land each has the full power to enter into, deliver and perform this Agreement.

**8.2. Binding Agreement.** The execution, delivery, and performance of this Agreement has been duly authorized by all necessary of the stockholders and directors of J&J and by all necessary action of the members of JD Land. This Agreement has been duly executed and delivered by Buyers to Sellers and constitutes a legal, valid, and binding obligation of Buyers enforceable against Buyers in accordance with its terms, except as may be limited by bankruptcy laws and general principles of equity.

**8.3. No Violation.** The execution and performance of this Agreement will not violate J&J's articles of incorporation or by-laws, JD Land's certificate of organization or operating agreement, or any material order, rule, judgment or decree to which Buyers or their principals are subject, or breach any contract, agreement or other commitment to which Buyers or their principals are a party or are bound.

**8.4. Licensee Qualifications.** J&J is legally, financially, and otherwise qualified under the Communications Act of 1934, as amended, and the rules and regulations of the FCC to be the licensee of the Stations.

**8.5. Litigation.** There is no action, suit, investigation or other proceeding pending or to Buyers' Knowledge threatened that may adversely affect Buyers' ability to perform its obligations under this Agreement in accordance with the terms hereof, and Buyers are not aware of any facts that could reasonably result in any such proceeding.

**9. PRE-CLOSING RIGHTS AND OBLIGATIONS.** The parties covenant and agree as follows with respect to the period prior to Closing:

**9.1. Application for FCC Consent.** Within ten (10) days after the execution of this Agreement, J&J and Sellers shall jointly file the Assignment Applications, and thereafter they shall each diligently take all steps necessary or desirable and proper to expeditiously prosecute the Assignment Applications and to obtain the FCC's determination that grant of the Assignment Applications will serve the public interest, convenience and necessity.

**9.2. Access.** Between the date hereof and the Closing Date, Sellers shall give Buyers and representatives of Buyers reasonable access during normal business hours to the Station Assets, the Owned Real Property and to the books and records of Sellers relating to the business of the Stations. No inspection or investigation made by or on behalf of Buyers or Buyers' failure to make any inspection or investigation shall affect Sellers' representations, warranties, and covenants hereunder or be deemed to constitute a waiver of any of those representations, warranties, and covenants.

**9.3. Administrative Violations.** If Sellers receives any finding, order, complaint, citation or notice prior to Closing which states that any aspect of the Stations' operations violates any rule, regulation or order of the FCC or of any other Governmental Authority which affects the Station Assets (an "Administrative Violation"), including without limitation any rule, regulation or order concerning environmental protection, the employment of labor, or equal employment opportunity, Sellers shall use their best efforts to remove or correct the Administrative Violation and shall be solely responsible for the payment of all costs associated therewith, including any fines or back pay that may be assessed.

**9.4. Risk of Loss.** . The risk of loss or damage to the Purchased Assets shall be upon Seller at all times prior to Closing. In the event of material loss or damage, Seller shall promptly notify Buyers thereof and use its best efforts to repair, replace or restore the lost or damaged property to its former condition as soon as possible. In the event that any loss, damage or destruction to the Stations' assets has not been repaired, restored and/or replaced prior to the Closing Date, the Closing shall nevertheless take place and Seller shall assign its rights to receive any insurance proceeds with respect to the damaged, lost, or destroyed assets to Buyers and, to the extent that the insurance proceeds so assigned are insufficient to cover all of the costs of repairing and/or replacing the assets that were damaged, lost or destroyed, the Purchase Price shall be

adjusted to cover such shortfall.

**9.5. Operations Prior to Closing.** Between the date of this Agreement and the Closing Date:

(a) Sellers shall operate the Stations in the normal and usual manner and conduct the Stations' business in the ordinary course and in material compliance with all applicable laws, regulations and orders of the FCC and other governmental authorities. To the extent consistent with such operations, Sellers shall use their best efforts to: (i) maintain the present character and entertainment format of the Stations and the quality of its programs; (ii) maintain the goodwill of the Stations' advertisers, suppliers, and employees; (iii) maintain the advertising sales and sales force of the Stations in a manner that is consistent with Seller's past performance and practice; (iv) maintain all of the Station Assets and the Owned Real Property in good operating condition, ordinary wear and tear excepted; and (v) comply in all material respects with all laws, rules and regulations of all Governmental Authorities.

(b) Sellers shall not: (i) sell or otherwise dispose of any of the Station Assets except in the ordinary course of business and only if any material property disposed of is replaced by property of like or better kind, quality, and utility prior to Closing; (ii) enter into any contract, lease, or agreement that will impose any material obligation on Buyers after Closing except for contracts for the sale of advertising time entered into in the ordinary course of business which may be cancelled on thirty (30) days' notice; (iii) change any of the Stations' current call sign, or (iv) cause or permit any of the FCC Licenses to be revoked, suspended or materially modified.

**9.6. Control of Stations.** This Agreement shall not be consummated until after the FCC has given its written consent thereto, and between the date of this Agreement and the Closing Date, Buyers shall not directly or indirectly control, supervise or direct, or attempt to control, supervise or direct the operations of the Stations. Such operations shall be the sole responsibility of Sellers.

## **10. CONDITIONS PRECEDENT.**

**10.1. Mutual Conditions.** The obligation of both Buyers and Sellers to consummate the Transaction is subject to the satisfaction of each of the following conditions:

(a) **Approval of Assignment Application.** The FCC shall have granted the Assignment Applications and such grant shall be in full force and effect on the Closing Date.

**(b) Absence of Litigation.** As of the Closing Date, no action, suit or proceeding seeking to enjoin, restrain, or prohibit the consummation of the Transaction shall be pending before any court, the FCC, or any other Governmental Authority; provided, however, that this Paragraph may not be invoked by a party if any such action, suit, or proceeding was solicited or encouraged by, or instituted as a result of any act or omission of, such party.

**10.2. Conditions to Buyers' Obligation.** In addition to satisfaction of the mutual conditions contained in Section 10.1, the obligation of Buyers to consummate the Transaction is subject, at Buyers' option, to the satisfaction of each of the following conditions:

**(a) Representations and Warranties.** The representations and warranties of Sellers to Buyers shall be true, complete, and correct in all material respects as of the Closing Date with the same force and effect as if then made. .

**(b) Compliance with Conditions.** All of the terms, conditions and covenants to be complied with or performed by Sellers on or before the Closing Date shall have been duly complied with and performed in all material respects.

**(d) Third-Party Consents.** Insofar as any of the Leases or Contracts are denoted by an asterisk on Schedules 2.3 or 2.4 hereto as being material to this transaction ("Material Contract"), except for the contracts so denoted which may be assigned to and assumed by J&J without consent of the contracting party, Sellers shall have obtained written consent to the assignment to, and assumption by, J&J of Sellers' rights and obligations under each such Material Contract.

**(e) Environmental Assessment.** Prior to Closing, Buyers shall have received an environmental assessments of the Leased and Owned Real Property conducted by an environmental engineering company, including the certificate of the environmental engineer, stating in substance that, following all appropriate inquiry into the previous ownership and uses of such real estate consistent with good commercial or customary practice, the engineer has concluded that there is no environmental condition on or affecting any of the leased or Owned Real Property that would either (i) materially impair the use of that real estate for the operation of the Stations or (ii) require remedial action to bring the property into compliance with all applicable environmental laws and regulations. In the event the environmental assessment discloses an environmental problem that can be remedied by the expenditure of Twenty-Five Thousand Dollars (\$25,000.00) or less, Sellers will

either remedy the problem, at their expense, prior to the Closing or, failing that, the Purchase Price will be reduced by the amount, as estimated in the environmental assessment, that will be required to remedy the environmental problem (with the reduction being taken out of the cash due at Closing), and the Closing will otherwise take place in the manner, and at the time, provided for herein. In the event that the cost of remedying the environmental problem will exceed Twenty-Five Thousand Dollars (\$25,000), Sellers shall have the option to agree to reduce the Purchase Price by the full amount of what it will cost to remedy the problem (with the reduction being taken out of the cash due at Closing, and any excess over that amount being deducted from the Purchase Money Note), in which event the Closing will take place at the reduced price, or, if Sellers are not otherwise in default, to terminate this Agreement; provided that, if Buyers agree to accept a Twenty-Five Thousand Dollar (\$25,000) reduction in the Purchase Price as full compensation for the costs that Buyers will incur to remedy the environmental problem, Sellers shall not have the right to terminate and the Closing will take place with the Purchase Price reduced by Twenty-Five Thousand Dollars (\$25,000), with such amount being taken out of the cash due at Closing. Buyers shall commission and pay the cost of the environmental assessment. Buyers' failure to commission the environmental assessment in time to permit the completion thereof prior to Closing shall be deemed a waiver of this condition and shall not be grounds for terminating this Agreement or for extending the Closing Date.

**(f) Title Insurance Commitment.** At or prior to the Closing, Sellers shall have caused to be delivered to JD Land: (i) the commitment of a title insurance company reasonably satisfactory to Buyers (the "Title Company") agreeing to issue to JD Land, at standard rates, owner's extended coverage title insurance policies, insuring JD Land's title to the Owned Real Property and (ii) an affidavit or indemnification agreement that shall be sufficient to cause the Title Company to affirmatively insure against the existence of outstanding rights that could form the basis for mechanic's, materialman's or similar liens, unrecorded documents, claims of parties in possession, and judgments, bankruptcies or other charges against any persons whose names are the same as or similar to Sellers' names. In that the title commitment contains a survey exception and J&J wishes to have such exception to the title commitment removed, the parties shall each pay one-half of the cost of obtaining a survey of the property.

**(g) Closing Documents.** Sellers shall have delivered or caused to be delivered to Buyers all of the closing documents specified in Paragraph 11.2.1, all of which documents shall be dated as of the Closing Date, duly executed, and in a form reasonably acceptable to Buyers.



**10.3. Conditions to Sellers' Obligation.** In addition to satisfaction of the mutual conditions contained in Section 10.1, the obligation of Sellers to consummate the Transaction is subject, at Sellers' option, to satisfaction of each of the following conditions:

**(a) Representations and Warranties.** The representations and warranties of Buyers to Sellers shall be true, complete and correct in all material respects as of the Closing Date with the same force and effect as if then made.

**(b) Compliance with Conditions.** All of the terms, conditions and covenants to be complied with or performed by Buyers on or before the Closing Date shall have been duly complied with and performed in all material respects.

**(c) Payment.** Buyers shall have delivered to Sellers the Purchase Price.

**(d) Closing Documents.** Buyers shall have delivered to Sellers all the closing documents specified in Paragraph 11.2.2, all of which documents shall be dated as of the Closing Date, duly executed, and in a form reasonably satisfactory to Sellers.

## **11. CLOSING.**

**11.1. Closing Date and Method.** Unless Sellers and Buyers agree otherwise: (i) the Closing Date shall be the tenth (10th) day after the date on which all of the closing conditions (except for the deliveries that Buyers and Sellers are required to make on the Closing Date) have been satisfied or waived, or if such day is a weekend or holiday, on the next business day and (ii) the Closing shall be accomplished on the Closing Date by exchanging the closing documents required by this Agreement and such other closing documents as the parties may reasonably require in person, by mail or air courier and by Buyers delivering to Sellers the cash portion of the Purchase Price by physical delivery of a cashiers' or certified check or by wire transfer.

**11.2. Performance at Closing.** The following documents shall be delivered at Closing:

**11.2.1. By Sellers.** Sellers shall deliver or cause to be delivered to Buyers:

(a) Certificates executed by an officer of Valley and by the Keanes attesting to Sellers' compliance with the matters set forth in Section 10.2 (a).

(b) Assignments in form and substance reasonably satisfactory to J&J transferring to J&J all of the interests of Sellers in and to the FCC Licenses and all other

transferable licenses, permits, and authorizations issued by any other Governmental Authorities that are used in or necessary for the lawful operation of the Stations.

(c) Bills of sale in form and substance reasonably satisfactory to J&J conveying to J&J all of the Tangible and Intangible Property of the Stations.

(d) General warranty deeds conveying fee simple title in the Owned Real Property to JD Land.

(e) One or more assignments assigning to Buyers all of the Contracts and Leases.

**11.2.2. By Buyers.** Buyers shall deliver to Sellers:

(a) A certificate executed by Buyers attesting to (i) Buyers' compliance with the matters set forth in Section 10.3 (a).

(b) The Cash Portion of the Purchase Price.

(c) The Purchase Money Notes, The Security Agreement and the Non Competition Agreement duly executed by J&J.

(d) The Guaranty duly executed by J&J's shareholders.

(e) Mortgages (or Deeds of Trust) in form and substance reasonably satisfactory to Sellers duly executed by JD Land granting Sellers a first position security interest in the Owned Real Property as additional security for the performance of J&J's obligations under the Purchase Money Note.

(f) Such assumption agreements and other instruments and documents as are required to evidence J&J's assumption of and obligation to pay, perform, and discharge Sellers' obligations under the Contracts and Leases.

(g) A policy of "key man" insurance for the benefit of Buyers insuring the life of Buyers' shareholder John R. DiMeo, Jr. in a face amount of \$950,000.00.

**12. INDEMNIFICATION.** The parties agree as follows with respect to the period subsequent to Closing:

**12.1 Buyers' Right to Indemnification.** For a period of one (1) year following the Closing, Sellers undertake and agree to indemnify and hold Buyers harmless against (i) any breach,

misrepresentation, or violation of any of Sellers' representations, warranties, covenants, or other obligations contained in this Agreement; (ii) all liabilities of Sellers not assumed by Buyers; (iii) any claims by third parties against Buyers attributable to Sellers' ownership or operation of the Station Assets prior to Closing and not otherwise assumed by Buyers under this Agreement, and (iv) all claims asserted by any third party by virtue of Sellers not having complied with the provisions of any applicable bulk sales law applicable to the Transaction and not otherwise assumed by Buyers under this Agreement. This indemnity is intended by Sellers to cover all acts, suits, proceedings, claims, demands, assessments, adjustments, interest, penalties, costs, and expenses (including, without limitation, reasonable fees and disbursements of counsel), arising within said one (1) year period whether suit is instituted or not and, if instituted, whether at the trial or appellate level, with respect to any and all of the specific matters set forth in this indemnity.

**12.3 Sellers' Right to Indemnification.** For a period of one (1) year following the Closing, Buyers undertakes and agrees to indemnify and hold Sellers harmless against (i) any breach, misrepresentation, or violation of any of Buyers' representations, warranties, covenants, or other obligations contained in this Agreement; (ii) all liabilities of Buyers; and (iii) any claims by third parties against Sellers attributable to Buyers' operation of the Stations after Closing. This indemnity is intended by Buyers to cover all acts, suits, proceedings, claims, demands, assessments, adjustments, interest, penalties, costs, and expenses (including, without limitation, reasonable fees and disbursements of counsel), arising during said one (1) year period whether suit is instituted or not and, if instituted, whether at the trial or appellate level, with respect to any and all of the specific matters set forth in this indemnity.

**12.4 Procedure for Indemnification.** The procedure for indemnification shall be as follows:

(1) The party claiming indemnification (the "Claimant") shall give written notice to the party from which indemnification is sought (the "Indemnitor") promptly after the Claimant learns of any claim or proceeding covered by the foregoing agreements to indemnify and hold harmless; provided, however, that the Claimant's failure to give the Indemnitor prompt notice shall not bar the Claimant's right to indemnification unless such failure has materially prejudiced the Indemnitor's ability to investigate or defend against the claim or proceeding.

(2) With respect to claims between the parties, following receipt of notice from the Claimant of a claim, the Indemnitor shall have thirty (30) days to make any investigation of the claim that the Indemnitor deems necessary or

desirable. For the purpose of this investigation, the Claimant agrees to make available to the Indemnitor and its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnitor cannot agree as to the validity and amount of the claim within the 30-day period (or any mutually agreed upon extension hereof), the Claimant may seek appropriate legal remedies.

(3) With respect to any third-party claims as to which the Claimant is entitled to indemnification, the Indemnitor shall have the right to employ counsel reasonably acceptable to the Claimant to defend against any such claim or proceeding, or to compromise, settle or otherwise dispose of the same, if the Indemnitor deems it advisable to do so, all at the expense of the Indemnitor. The parties will fully cooperate in any such action, and shall make available to each other any books or records useful for the defense of any such claim or proceeding. If the Indemnitor fails to acknowledge in writing its obligation to defend against or settle such claim or proceeding within twenty (20) days after receiving notice thereof from the Claimant (or such shorter time specified in the notice as the circumstances of the matter may dictate) the Claimant shall be free to engage counsel of its choice and defend against or settle the matter, all at the expense of the Indemnitor.

**12.5 Indemnification Not Sole Remedy.** The right to indemnification hereunder shall not be the exclusive remedy of either party in connection with any breach by the other party of its representations, warranties, or covenants, nor shall such indemnification be deemed to prejudice or operate as a waiver of any remedy to which either party may otherwise be entitled as a result of any such breach by the other party.

### **13. TERMINATION; REMEDIES IN THE EVENT OF BREACH.**

**13.1. Failure to Obtain FCC Consent.** This Agreement may be terminated at the option of either party upon written notice to the other if the Closing has not occurred by the first anniversary of the date on which the Assignment Application was accepted for filing by the FCC; provided, however, that a party may not terminate this Agreement if such party is in default hereunder, or if a delay in any decision or determination by the FCC respecting the Assignment Application has been caused or materially contributed to (i) by any failure of such party to furnish, file or make available to the FCC information within its control; (ii) by the willful furnishing by such party of incorrect, inaccurate or incomplete information to the FCC; or (iii) by any other action taken by such party for the purpose of delaying the FCC's decision or determination respecting the Assignment Application.

**13.2. Termination Due to Breach.** If either party believes the other to be in default hereunder, the former party shall provide

the other with written notice specifying in reasonable detail the nature of such default. If the default has not been cured by the earlier of: (i) the Closing Date, or (ii) within ten (10) days after delivery of that notice (or such additional reasonable time as the circumstances may warrant which in no event shall exceed thirty (30) days, provided the party in default undertakes diligent, good faith efforts to cure the default within such ten (10) day period and continues such efforts thereafter), the party not in default may terminate this Agreement and upon such termination, all parties shall be relieved of any further obligation or liability hereunder.

**13.3. Buyers' Remedies.** Sellers agree that the Station Assets and the Owned Real Property constitute unique property that cannot be readily obtained on the open market and that Buyers will be irreparably injured if Sellers fail to fulfill their obligations hereunder. Therefore, Buyers shall have the right, if Buyers are not in material default in their obligations hereunder, as an alternative to terminating this Agreement pursuant to Section 13.2 specifically to enforce Sellers' performance under this Agreement, and Sellers agree to waive the defense in any such suit that Buyers has an adequate remedy at law and to interpose no opposition, legal or otherwise, as to the propriety of specific performance as a remedy. If Sellers are in material breach of their obligations hereunder and Buyers elects to terminate this Agreement rather than exercise its right to specific performance, and if Buyers are not in material default in their obligations hereunder, Buyers shall be entitled to recover from Sellers Sixty Thousand Dollars (\$60,000) as liquidated damages in lieu of any other remedies to which Buyers might otherwise be entitled due to Sellers' breach.

**13.4. Sellers' Remedies.** Buyers recognizes that if the transaction contemplated by this Agreement is not consummated as a result of Buyers' breach of this Agreement, Sellers would be entitled to compensation, the extent of which is extremely difficult and impractical to ascertain. To avoid this problem, the parties agree that if this Agreement is not consummated due to the default of Buyers, Sellers shall be entitled to recover from Buyers the Deposit, but not the interest thereon, as liquidated damages in lieu of any other remedies to which Sellers might otherwise be entitled due to Buyers' wrongful failure to consummate the Transaction.

**14. ENFORCEMENT OF REMEDIES; DISPUTES.** Except for the right of either party to enforce the provisions of or any determination made pursuant to this Section, the parties agree to resolve any disputes arising out of or in connection with this Agreement as provided in this Section.

**14.1. Appointment of Dispute Panel.** If any dispute is not resolved in the time permitted by this Agreement or, if no time is specified, within five (5) days of the date either party

gives the other notice that it intends to invoke the provisions of this Section, each party will immediately name one arbitrator who shall be a person with one of the following qualifications (a) substantial experience in radio ownership or management, (b) an accountant with experience in radio broadcasting, (c) an attorney who specializes in broadcast communications law or (d) a radio broadcasting consultant, and, within five (5) days of their appointment, the two arbitrators so selected shall select a third arbitrator with similar qualifications (the "Dispute Panel"). In the event one party names an arbitrator within the time period specified herein and the other party fails to do so, the Dispute Panel shall be comprised of the sole arbitrator who was timely named who shall have the full power and authority to resolve the dispute pursuant to the provisions of this Section 14.

**14.2. Decision Process.** Each party may submit such materials as it may elect to the Dispute Panel provided that a copy of such material is delivered by hand or overnight courier to the other party. Neither party will contact any member of the Dispute Panel to discuss the dispute unless the other party is present in person or by conference telephone call or the other party consents. The Dispute Panel will request and review such information as its members deem necessary to resolve the dispute. The Dispute Panel and each party will treat all information received by it as confidential and will destroy such information when the dispute is resolved. The Dispute Panel will resolve the matters presented to it so as to give each Party the benefit of its bargain by applying the provisions of this Agreement and, to the extent the Agreement is not dispositive, the customs and practices which, in the view of Dispute Panel, are common to transactions of this nature. The Dispute Panel will render its decision as soon as possible, but in any event, within thirty (30) days of the appointment of the third expert. The decision will be in writing and signed by each member of the dispute panel. The decision may include an award of damages as permitted by this agreement. Any third party may rely upon an original copy of the written decision or a copy of the decision certified by any member of the Dispute Panel as evidence of the decision.

**14.3. Binding Effect.** The decision of a majority of the members of the Dispute Panel will be binding and final with respect to both parties and may be enforced by seeking preliminary and permanent injunctive relief or entry of a judgment by a court of competent jurisdiction.

**14.4. Costs and Fees.** Each party will bear the costs and fees of the expert appointed by it plus half of the costs and expenses of the third expert. If the Dispute Panel determines by majority decision that the position of a party lacks substantial merit or was taken primarily to delay or otherwise impair the business efforts of the other party, then that party will pay the

costs and fees of all the members of the panel plus the other party's reasonable attorney's fees.

**14.5. Venue.** Unless the parties otherwise agree, the venue for sessions of the disputes panel shall be in Seattle, Washington.

**15. PRORATIONS.** Sellers shall be entitled to all income attributable to, and shall be responsible for all expenses arising out of the operation of the Stations and the ownership of the Studio Site until 11:59 p.m. on the Closing Date and Buyers shall be entitled to all income attributable to, and shall be responsible for all expenses arising out of, the operation of the Stations and the ownership of Owned Real Property. All overlapping items of income or expense customarily subject to prorations in broadcast station transactions shall be prorated, or reimbursed, as the case may be, as of 11:59 p.m. on the Closing Date (the "Prorations"). In the event that the exact amount of any personal or real property taxes or the Annual FCC Regulatory Fees which are to be prorated are not known on the Closing Date, such taxes or fee shall be prorated on the basis of the most recent tax or fee assessment and such proration shall be final. To the extent practical, the Prorations shall be made on the Closing Date and any net amount due as a result of the Prorations shall be added to, or subtracted from, the Purchase Price. Within 30 days after the Closing Date, Buyers' accountant and Sellers' accountant shall agree to any final Prorations that are necessary to carry out the parties' intentions as reflected in this Section and any final amount due Sellers, or Buyers, shall be paid promptly by check from the party owning the final amount made payable to the party to whom the payment is due.

**16. SELLER'S ACCOUNTS RECEIVABLE.**

On the Closing Date, Sellers shall provide Buyers with a listing of all of Seller's accounts receivable as of that date (the "Accounts Receivable") and shall assign to Buyers the Accounts Receivable for purposes of collection only. Buyers shall use such efforts as are reasonable and in the ordinary course of business to collect the Accounts Receivable for a period of ninety (90) days following the Closing Date (the "Collection Period"). This obligation, however, shall not extend to the institution of litigation, employment of counsel, or any other extraordinary means of collection. So long as the Accounts Receivable are in Buyers' possession, neither Sellers nor their agents shall make any solicitation of them for collection purposes or institute litigation for the collection of any amounts due thereunder. All payments received by Buyers during the Collection Period from any person or entity obligated with respect to any of the shall be applied first to Sellers' accounts and only after full satisfaction thereof to Buyers' account; provided, however, that if during the Collection Period any account debtor contests in writing the validity of its obligation with respect to any account receivable,

then Buyers shall return that account receivable to Sellers after which Sellers shall be solely responsible for the collection thereof. Sellers shall be responsible for the payment of all salesperson's, agency, and representative commissions due with respect to the Accounts Receivable. Within ten (10) days after the end of each calendar month during the Collection Period (or if such day is a weekend or holiday, on the next business day), Buyers shall furnish Sellers with a list of the Accounts Receivable collected during the prior calendar month and Buyers shall remit the total amount collected during such month to Sellers. Any of the Accounts Receivable that are not collected during the Collection Period shall be reassigned to Sellers after which Buyers shall have no further obligation to Sellers with respect to the Accounts Receivable; provided, however, that all funds subsequently received by Buyers (without time limitation) that can be specifically identified, whether by accompanying invoice or otherwise, as a payment on any account receivable belonging to Sellers shall be promptly paid to Sellers. Buyers shall not have the right to compromise, settle, or adjust the amounts of any of the Accounts Receivable without Sellers' prior written consent, or to withhold any proceeds of the Accounts Receivable or to retain any uncollected account receivable after the expiration of the Collection Period for any reason whatsoever.

## **17. GENERAL PROVISIONS.**

**17.1. Brokerage.** Sellers have retained the services of The Exline Company as a broker in connection with this Transaction and Sellers shall be solely responsible for any brokerage or finders fees or commissions owed to such company. Except as state in the preceding sentence, each party represents to the other that it has not employed any broker or finder in connection with the Transaction and agrees to indemnify the other party and hold it harmless against any claim from any broker or finder based upon any agreement, arrangement, or understanding alleged to have been made by Sellers or Buyers, as the case may be.

**17.2. Expenses.** The FCC filing fees for the Assignment Application and any sales, use or transfer taxes applicable to this Transaction shall be borne equally by Buyers and Sellers. Except as otherwise provided herein all other expenses incurred in connection with this Agreement or the Transaction shall be paid by the party incurring those expenses, whether or not the Transaction is consummated.

**17.3. Notices.** Any notice, demand, or request required or permitted to be given under the provisions of the Agreement shall be deemed effective if made in writing (including telecommunications) and delivered to recipient's address or email address set forth under its name below by any of the following means: (a) hand delivery, (b) registered or certified mail, postage pre-paid, (c) electronic mail with a "read receipt" or similar



delivery confirmation, or (d) Federal Express, express mail or like courier service. Notice made in accordance with this Section shall be deemed delivered upon receipt.

To Sellers: Valley Broadcasters, Inc.  
Jim and Ann Keane  
P.O. Box 70  
2029 Freeway Drive  
Mount Vernon, WA 98273  
Email: [jim@sos.net](mailto:jim@sos.net)

With a copy that will not constitute notice to:

David Tillotson, Esq.  
Law Office of David Tillotson  
4606 Charleston Ter, NW  
Washington, DC 20007  
Email: [dtlaw@starpower.net](mailto:dtlaw@starpower.net)

To Buyers: J & J Broadcasting, Inc.  
JD Land, LLC  
Attn: John R. DiMeo, Jr.  
3213 Long Lake Drive, SE  
Lacey, WA 98503  
Email: [jrdjrhome@comcast.net](mailto:jrdjrhome@comcast.net)

With a copy that will not constitute notice to:

J. Dominic Monahan, Esq.  
Luvass Cobb Law Firm  
777 High Street  
Suite 300  
Eugene, OR 97440  
Email: [dmonahan@luvascobb.com](mailto:dmonahan@luvascobb.com)

Either party may change its address for notices by written notice to the other given pursuant to this Section. Any notice purportedly given by a means other than as set forth in this Section shall be deemed ineffective.

**17.4. Assignment.** Neither party may assign its rights and obligations hereunder without the written consent of the other party which will not be unreasonably withheld. Subject to the foregoing, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors and assignees.

**17.5. Exclusive Dealings.** For so long as this Agreement remains in effect, neither Sellers nor any person acting on Sellers' behalf shall solicit, initiate, or accept any offer from, or conduct any negotiations with, any person concerning the

acquisition of the Stations, the Station Assets or Owned Real Property, directly or indirectly, by any party other than Buyers or Buyers' permitted assignees.

**17.6. Third Parties.** Nothing in this Agreement, whether express or implied, is intended to: (i) confer any rights or remedies on any person other than Sellers, Buyers, and their respective successors and permitted assignees; (ii) to relieve or discharge the obligations or liability of any third party; or (iii) to give any third party any right of subrogation or action against either Sellers or Buyers.

**17.7. Indulgences.** Unless otherwise specifically agreed in writing to the contrary: (i) the failure of a party at any time to require performance by another party of any provision of this Agreement shall not affect such party's right thereafter to enforce the same; (ii) no waiver by any party of any default by the another party shall be taken or held to be a waiver by such party of any other preceding or subsequent default; and (iii) no extension of time granted by a party for the performance of any obligation or act by another party shall be deemed to be an extension of time for the performance of any other obligation or act hereunder.

**17.8. Survival of Representations and Warranties.** The several representations, warranties, and covenants of the parties contained herein shall survive the Closing for a period of one (1) year; provided, however, that those specific matters as to which claims for indemnification have been duly made before the expiration of such one-year period shall survive until those claims have been resolved.

**17.9. Prior Negotiations.** This Agreement supersedes in all respects all prior and contemporaneous oral and written negotiations, understandings and agreements between the parties with respect to the subject matter hereof. All of said prior and contemporaneous negotiations, understandings and agreements are merged herein and superseded hereby.

**17.10. Schedules and Exhibits.** The Schedules and Exhibits attached hereto or referred to herein are a material part of this Agreement, as if set forth in full herein.

**17.11. Entire Agreement; Amendment.** This Agreement and the Exhibits and Schedules to this Agreement set forth the entire understanding between the parties in connection with the Transaction, and there are no terms, conditions, warranties or representations other than those contained, referred to or provided for herein and therein. Neither this Agreement nor any term or provision hereof may be waived, altered or amended in any manner except by an instrument in writing signed by the party against whom the enforcement of any such change is sought.

**17.12. Governing Law.** This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Washington without regard to the choice of law rules utilized in that jurisdiction.

**17.13. Severability.** If any term of this Agreement is illegal or unenforceable at law or in equity, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. Any illegal or unenforceable term shall be deemed to be void and of no force and effect only to the minimum extent necessary to bring such term within the provisions of applicable law and such term, as so modified, and the balance of this Agreement shall then be fully enforceable.

**17.14. Waiver of Jury Trial; Attorney's Fees.** If, notwithstanding the provisions of Section 14, any lawsuit is filed to resolve an issue as to the interpretation or enforcement of this agreement and is not dismissed on the basis of Section 14, each party irrevocably waives trial by jury and the right thereto in any and all litigation in any court with respect to, in connection with, or arising out of this Agreement.

**17.16 Counterparts.** This Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were on the same instrument. Each fully executed set of counterparts shall be deemed to be an original, and all of the signed counterparts together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, and to evidence their assent to the foregoing, Sellers and Buyers have executed this Asset Purchase Agreement as of the date first written above.

**SELLERS:**

**VALLEY BROADCASTERS, INC.**

By: \_\_\_\_\_  
Jim Keane, President

**JIM KEANE, INDIVIDUALLY**

\_\_\_\_\_

**ANN KEANE, INDIVIDUALLY**

\_\_\_\_\_

**BUYERS:**

**J & J BROADCASTING, INC.**

By: \_\_\_\_\_  
John R. DiMeo, Jr. President

**JD LAND, LLC**

By: \_\_\_\_\_  
John R. DiMeo, Jr. Manager

## EXHIBIT B

### GUARANTY

THIS GUARANTY is made as of the 1st day of March, 2003, by JOHN R. DIMEO, JR. AND JULIE DIMEO ("Guarantors") to and for the benefit of VALLEY BROADCASTERS, INC. and JIM KEANE AND ANN KEANE (collectively "Beneficiary").

#### WITNESSETH THAT:

WHEREAS, on the date hereof, J & J Broadcasting, Inc. ("Debtor") is acquiring from Beneficiary all of the assets including FCC authorizations, used in the operation of radio Station KAPS Facility ID 69678, Mount Vernon, Washington, Station KBRC, Facility ID 39496, Mount Vernon, Washington, and FM Translator Station K271AH, Facility ID 148749, Camano, Washington (the "Stations") pursuant to an Asset Purchase Agreement dated as of February \_\_, 2011, by and between Secured Party and Debtor (the "Purchase Agreement");

WHEREAS, the Valley has agreed to accept Debtor's purchase money promissory Notes in the principal amount of Fifty Thousand Dollars (\$50,000.00) and Jim Keane and Ann Keane have agreed to accept Debtor's purchase money Notes in the principal amount of Eight Hundred Fifty Thousand Dollars (\$850,000.00) (the "Notes") in payment of the purchase price for the Stations;

WHEREAS, in connection with the purchase of the Stations, Debtor has entered into a Non Competition Agreement ("Non Compete") with Jim Keane and Jerry Keane pursuant to which Debtor is obligated to pay them Fifty Thousand Dollars (\$50,000.00) in level monthly installments over a period of fifteen (15) years;

WHEREAS, Guarantors will receive substantial benefits as a result of the Beneficiary's acceptance of the Notes in payment of the purchase price for Stations and pursuant to the Non Compete;

WHEREAS, the performance of Debtor's payment and other obligations under the Notes and Non Compete is also secured by a Security Agreement between Debtor and the Beneficiary ("Security Agreement") and mortgages on the real property owned by Debtor and used in the operation of the Stations (the "Mortgages") (the Security Agreement, Mortgages, and this Guaranty are hereinafter collectively referred to as the "Security Instruments");

NOW, THEREFORE, as a material inducement to the Beneficiary to accept the Notes in partial payment of the purchase price for the Stations and for other good and valuable consideration, the receipt of which is hereby acknowledged, Guarantors agree as

follows:

1. Guarantors hereby unconditionally and irrevocably guarantee: (i) the due and punctual payment in full (and not merely the collectibility) of the principal of the Notes and the interest thereon, and the amounts that Debtor is required to pay pursuant to the Non Compete, in each case when due and payable, according to the terms of the Notes and Non Compete; and (ii) the due and punctual payment in full (and not merely the collectibility) of all other sums in accordance with, or under the terms of, the Notes, the Non Compete and the Security Instruments (all of the foregoing being hereinafter sometimes referred to as the "Obligations").

2. Except as expressly provided to the contrary, Guarantors expressly agree that any holder of the Notes may, in its sole and absolute discretion, without notice to or further assent of Guarantors, and without in any way releasing, affecting or impairing the obligations and liabilities of the Guarantors hereunder may: (i) waive compliance with, or any default under, or grant any other indulgences with respect to, the Notes or any of the Security Instruments; (ii) modify, amend or change any provisions of the Notes with the consent of Debtor; (iii) grant extensions or renewals of the Notes, and/or effect any release, compromise, or settlement in connection therewith; (iv) agree to the substitution, exchange, release or other disposition of all and any part of the collateral securing the Notes; (v) make advances for the purpose of performing any term or covenant contained in the Notes or any of the Security Instruments with respect to which Debtor shall be in default; (vi) assign or otherwise transfer the Notes and any of the Security Instruments, including, without limitation, this Guaranty, or any interest therein, subject to the terms thereof; and (vii) deal in all respects with Debtor as if this Guaranty were not in effect. The obligations of Guarantors under this Guaranty shall be unconditional, regardless of the genuineness, validity, regularity or enforceability of the Notes or any security given therefor in connection therewith or any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

3. The liability of Guarantors under this Guaranty shall be primary, direct and immediate and not conditional or contingent upon pursuit by the holder of the Notes or the parties to the Non Compete of any remedies they may have against Debtor or any other party with respect to the Notes or Non Compete or any of the Security Instruments, whether pursuant to the terms thereof or otherwise. No exercise or non exercise by Beneficiary or any holder of the Notes, of any right given to it hereunder, or under the Notes, the Non Compete or the Security Instruments, and no change, impairment or suspension of any right or remedy of Beneficiary, or any holder of the Notes or party to the Non

Compete, shall in any way affect any of Guarantors' obligations hereunder or give Guarantors any recourse against or any holder of the Notes or party to the Non Compete. Without limiting the generality of the foregoing, no holder of the Notes shall be required to make any demand on Debtor and/or any other party, other than the giving of any notice of default with opportunity to cure as provided in the Notes, or otherwise pursue or exhaust its remedies against Debtor or any other party, before, simultaneously with or after enforcing its rights and remedies hereunder against Guarantors. Any one or more successive and/or concurrent actions may be brought hereunder against Guarantors, including in the same action, if any, brought against Debtor and/or any other party, or in separate actions, as often as a holder of the Notes in its sole discretion may deem advisable.

4. Guarantors hereby expressly waive: (i) presentment and demand for payment and protest of nonpayment; (ii) notice of acceptance of this Guaranty and of presentment, demand and protest; (iii) notice of any default hereunder or under any of the Security Instruments, provided that nothing herein shall waive or otherwise eliminate any requirement to give to Debtor notice of default and an opportunity to cure as provided in the Notes or Non Compete; and (iv) all other notices and demands otherwise required by law which Guarantors may lawfully waive.

5. If Guarantors shall advance any sums to Debtor or its successors or assigns, or if Debtor or its successors or assigns shall be or shall hereafter become indebted to either Guarantor, such sums and indebtedness shall be subordinate in all respects to the amounts then or thereafter due and owing to the holders of the Notes and the parties to the Non Compete and no payments shall be made in respect of such indebtedness until all of the Obligations have been satisfied in full. Nothing herein contained shall be construed as giving Guarantors any right of subrogation in and to the rights of any holder of the Notes under the Notes or any of the Security Instruments until all amounts owing to the holders of the Notes have been paid in full.

6. Any notice, demand, or request required or permitted to be given under the provisions of the Agreement shall be deemed effective if made in writing (including telecommunications) and delivered to recipient's address or email address set forth in Exhibit A by any of the following means: (a) hand delivery, (b) registered or certified mail, postage pre-paid, (c) electronic mail with a "read receipt" or similar delivery confirmation, or (d) Federal Express, express mail or like courier service. Notice made in accordance with this Section shall be deemed delivered upon receipt.

7. Any payments made by Guarantors under the provisions of this Guaranty shall, if made to Beneficiary, be made at its principal office at the address set forth in Exhibit A, unless some other address is hereafter designated by Beneficiary.

8. All rights and remedies afforded to a holder of the Notes by reason of this Guaranty and any of the Security Instruments, or by law, are separate and cumulative and the exercise of one shall not in any way limit or prejudice the exercise of any other such rights or remedies. No delay or omission by any holder of the Notes or a party to the Non Compete in exercise of any right or remedy hereunder, or under law, shall preclude further exercise of any other right or remedy.

9. The obligations of Guarantors to make payment in accordance with the terms of this Guaranty shall not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Debtor or its estate in bankruptcy or reorganization resulting from the operation of any present or future provision of the Federal Bankruptcy Act or other statute or from the decision of any court.

10. The liability of Guarantors will not be discharged except by complete and final performance of Debtor's Obligations or the cancellation of such obligations pursuant to the terms hereof. The liability of Guarantors under this Guaranty shall be reinstated with respect to any amount paid to any holder of the Notes by Debtor which is thereafter required to be returned to Debtor or to any trustee, receiver or other representative of or for the Debtor, upon or by reason of the bankruptcy, insolvency, reorganization or dissolution of the Debtor, or for any other reason, all as though such amount had never been paid by Debtor.

**11. If any dispute arises as to the interpretation or applicability of this Guaranty, the Guarantors and Beneficiary agree to use their best, good faith, efforts to resolve the dispute between themselves. If, despite such efforts, the dispute is not resolved within thirty (30) days, the Guarantors and Beneficiary agree to resolve the dispute pursuant to the procedures set out in Section 15 of the Asset Purchase Agreement between Debtor and the Beneficiary dated as of February \_\_, 2011, and they further agree that any decision arrived at under those procedures shall be binding upon them and enforceable in a court of law.**

12. This Guaranty has been executed in the State of Washington and will be interpreted and enforced in accordance with the law of



that state, excluding the choice of law rules used in that jurisdiction. Guarantors hereby agree to the exclusive jurisdiction of any state court located within Skagit County, Washington, or any federal court for the district in which said county is located, and waive any objection based on *forum non conveniens* and any objection to venue of any action to enforce this Guaranty instituted in any such court and Guarantors consent to service of process by certified mail directed to Guarantors at the addresses set forth in Exhibit A hereto and agree that service so made will be deemed to be completed five business days after the same has been deposited in the U.S. mails, postage prepaid, addressed to Guarantors.

13. In light of Guarantors' agreement to resolve any disputes as provided herein, and to the extent permitted by law, Guarantors waive trial by jury in any action brought on or with respect to this Guaranty and agree that in the event this Guaranty shall be enforced by suit or otherwise, or if any holder of the Notes shall exercise or endeavor to exercise any of its remedies under the Notes or any instrument securing the Notes and prevails, Guarantors will reimburse the holder of the Notes, upon demand, for all reasonable expenses incurred in connection therewith, including, without limitation, reasonable attorneys' fees.

14. At such time as Debtor's aggregate obligations under the Notes and the Non Compete shall have been reduced to \$700,000, excluding any interest not yet accrued under the Notes, this Guaranty shall automatically terminate and Guarantors shall have nor further liability or obligation hereunder.

IN WITNESS WHEREOF, the undersigned Guarantors have executed and delivered this Guaranty as of the date first above-written.

\_\_\_\_\_  
John R. DiMeo, Jr.

\_\_\_\_\_  
Julie DiMeo

**EXHIBIT A**

**ADDRESSES FOR NOTICES**

To Beneficiary: Valley Broadcasters, Inc.  
2029 Freeway Drive  
P.O. Box 70  
Mount Vernon, WA 98273  
Email: [jim@sos.net](mailto:jim@sos.net)

Jim Keane and Ann Keane  
2029 Freeway Drive  
P.O. Box 70  
Mount Vernon, WA 98273  
Email: [jim@sos.net](mailto:jim@sos.net)

With a copy that will not constitute notice to:

David Tillotson, Esquire  
4606 Charleston Terr., N.W.  
Washington, D.C. 20007  
Email: [dtlaw@starpower.net](mailto:dtlaw@starpower.net)

To Guarantors: John R. DiMeo, Jr.  
Julie DiMeo  
3213 Long Lake Drive, SE  
Lacey, WA 98503  
Email: [jrdjrhome@comcast.net](mailto:jrdjrhome@comcast.net)

With a copy that will not constitute notice to:

J. Dominic Monahan, Esq.  
Luvass Cobb Law Firm  
777 High Street  
Suite 300  
Eugene, OR 97440  
Email: [dmonahan@luvascobb.com](mailto:dmonahan@luvascobb.com)

EXHIBIT C

NON COMPETITION AGREEMENT

THIS NON COMPETITION AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2011, by and between **JIM KEANE and JERRY KEANE** (the "Keanes"), and **J & J BROADCASTING, INC.** ("J&J").

W I T N E S S E T H:

WHEREAS, simultaneously herewith J&J is purchasing from the Valley Broadcasting, Inc. and Jim Keane and Ann Keane the assets and FCC licenses used in the operation of Stations KAPS and KBRC, Mount Vernon, Washington (the "Stations") pursuant to an Asset Purchase Agreement between J&J and J & J Lands, LLC, as Buyers, and Jim and Ann Keane and Valley Broadcasting, Inc. as Sellers dated as of February \_\_, 2011 (the Purchase Agreement").

WHEREAS, the Jim Keane owned and managed Station KAPS since 1979 and has owned and managed KBRC since 1996 and Jim Keane has been the general sales manager of the Stations since \_\_\_\_.

WHEREAS, the value of the Stations would be diminished if the Keanes were to engage in activities in competition with the Stations.

WHEREAS, it is a condition precedent to the J&J's obligation to purchase the Stations that the Keanes enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, the parties agree as follows:

1. The Keanes agrees that from the date hereof until [5<sup>th</sup> anniversary of Closing], they will not directly or indirectly, whether as owner, licensee, principal, agent, employee, proprietor, partner, lender, or shareholder, director or officer of a corporation, or in any other capacity (a) solicit for employment (except by non-specific general advertising in newspapers or trade publications), employ or assist in employing, or otherwise associate as an active participant in business with, any person who, at the time of such solicitation, employment, assistance or association, is an employee, officer or agent of the Stations or (b) induce any employee, officer or agent of the Station to terminate his or her employment or other relationship with the Stations.

2. The Keanes further agrees that from the date hereof until [5<sup>th</sup> anniversary of Closing], they will not directly or indirectly, whether as owner licensee, principal, agent, employee, proprietor, partner, lender, or shareholder, director

or officer of a corporation, or in any other capacity engage in the commercial AM or FM broadcast business at any radio broadcasting station whose transmitter site is located within thirty (30) miles of the transmitter site of either of the Stations (the "Radio Market Area").

3. In consideration of the Keanes' covenants contained herein, J&J shall pay the Keanes the sum of Fifty Thousand Dollars (\$50,000.00), without interest, in 180 monthly installments of Two Hundred Seventy-Seven Dollars and Seventy-Eight Cents (\$277.78), the first of which installments shall be paid to the Keanes on [date which is one month after the execution] and the remainder of which shall be due and payable on the same day of each succeeding month until the total consideration for the Keanes' covenants have been paid in full.

4. The parties to this Agreement acknowledge that the injury to J&J that would result from any violation by the Keanes of their covenants herein will be irreparable and of such a character that it cannot be compensated by money damages, that the remedy at law for any such violation will be inadequate, and that the damages resulting from any such violation are not readily susceptible to being measured in monetary terms. Accordingly, J&J may, in addition to pursuing their other remedies for a breach by the Keanes of their covenants, obtain a temporary restraining order and preliminary and permanent injunctive relief from any court having jurisdiction of the matter restraining any such violation and any threatened or further violation; and no bond or other security shall be required in connection with any such restraining order or injunctive relief. Nothing in this Paragraph 4 shall be deemed to limit the other or additional remedies available to J&J at law or in equity or otherwise for any violation by the Keanes of any of the provisions of this Agreement.

5. The Keanes have carefully considered the nature and extent of the restrictions upon them and the rights and remedies conferred upon the J&J under this Agreement, and the Keanes hereby acknowledges and agree that such restrictions, rights and remedies are reasonable in time and territory, are designed to eliminate competition which otherwise would be unfair to the J&J following J&J's purchase of the Stations, do not stifle the inherent skill and experience of the Keanes, would not operate as a bar to the Keanes' sole means of support, are fully required to protect the legitimate interests of the J&J following the purchase of the Stations, and do not confer a benefit upon the J&J disproportionate to the detriment to the Keanes.

6. In the event that the Keanes violate any provision of this Agreement as to which there is a specific time period during which such parties are prohibited from taking certain actions or

from engaging in certain activities as set forth in this Agreement, then, in such event, such violation shall toll the running of such time period from the date such violation commences until such violation shall cease.

7. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered in the manner, and to the addresses for the parties, specified in Section 16.3 of the Purchase Agreement.

8. If any court determines that the covenants not to compete contained in this Agreement are unenforceable because of the duration or geographic scope of such provisions, such court shall have the power to reduce the duration or scope of such provisions, as the case may be, in their reduced form, such provisions shall then be enforceable.

9. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior arrangements, agreements and understandings relative to the subject matter hereof. No amendment, waiver of compliance with any provision or condition hereof, or consent provided for herein will be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of any such change is sought.

10. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. This Agreement shall be construed and governed in accordance with the laws of the State of Washington.

12. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and assigns.

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

---

Jim Keane

---

Jerry Keane

**J & J BROADCASTING, INC.**

By: \_\_\_\_\_  
John R. DiMeo, Jr.,  
President

EXHIBIT D

PURCHASE MONEY NOTE - KBRC

\$850,000.00

[date]

The undersigned (the "Maker") promises to pay to the order of Jim Keane and Ann Keane (the "Sellers"), in lawful money of the United States, the principal sum of EIGHT HUNDRED FIFTY THOUSAND DOLLARS (\$850,000.00), plus simple interest on the unpaid principal the "Principal Balance") at the rate of five percent (5.0%) per annum from the date hereof until the Principal Balance has been paid in full.

Section 1. Payment Terms.

This Note shall be amortized over a period of fifteen years by the payment of level monthly installments of principal and interest each in the amount of Six Thousand Seven Hundred Twenty One Dollars and Seventy-Five Cents (6,721.75), the first of which amortization payments shall be due on [date 1 month after date of note] with subsequent amortization payments being due on the same day of each succeeding month until the Principal Balance and all interest thereon has been paid in full.

Maker may pre-pay this Note in whole or in part at any time and from time to time at its sole option without premium or penalty.

If any payment required pursuant to this Note is not received by Seller by the fifth (5<sup>th</sup>) day after it is due, Maker shall pay Seller a late payment penalty of Ten Dollars (\$10.00) per day for each day after the fifth (5<sup>th</sup>) day of the month until the payment has been received by Seller.

Section 2. Security.

The obligations of the Maker evidenced by this Note are secured by (i) a perfected first priority security interest filed against the assets owned by Maker and used in the operation of Radio StationS KAPS, Facility ID 69678, and KBRC, Facility ID 39496, both licensed to Mount Vernon, Washington, and FM Translator Station K271AH, Facility ID 148749, Camano, Washington (the "Stations"), pursuant to a Security Agreement of even date herewith, (ii) mortgages (or deeds of trust) on the real property owned by JD Land, LLC which is used in the operation of the Stations and by the personal guaranties of the Maker's shareholders (collectively the "Security Instruments").

Section 3. No Offset.

Except as expressly provided at the end of this Section, all

payments due under this Note shall be made when due without any set-off or deduction whatsoever. The Maker agrees that it will not interpose any plea of recoupment, counterclaim, offset, or claim for deduction in any action to enforce collection of this Note. Any claim which the Maker may have against the Seller under any agreement between the Maker and the Seller, or that arises out of a dispute or controversy of any nature whatsoever between the Maker and the Seller, shall be pursued by the Maker in a separate and independent action, and shall not be asserted against any other holder, it being the express intent of this provision that the Maker's covenant to pay this Note is independent of any other agreements or obligations of the Seller, and any alleged or asserted claims or right of the Maker against the Seller which are unrelated to this Note shall not excuse the Maker from its obligation to pay all sums due under this Note when such sums become due. Notwithstanding the foregoing (i) Maker may offset against any payments due hereunder any award of indemnification under the Purchase Agreement or any other amount that Sellers agree, in writing, is owed to Maker by Sellers.

#### Section 4        Default.

(a) The occurrence of any one or more of the following events shall constitute a default under this Note (a "Default"):

- (i) the failure of the Maker to make any payment of interest or principal when due and the continuation of such failure for five business (5) days after written notice of such failure is given to Maker by the holder of this Note;
- (ii) the failure of the Maker to perform any of its other obligations under this Note when such performance is due and the continuation of such failure for ten business (10) days after written notice of such failure is given to the Maker by the holder of this Note;
- (iii) an Event of Default shall have occurred under any of the Security Instruments;
- (iv) the sale by Maker of all or substantially all of the assets used or useful in the operation of the Stations;
- (v) the sale, transfer, or other conveyance of the controlling interest in Maker to any third party, other than pursuant to a transaction for which the consent of the FCC may properly be requested and obtained on a "short form" (FCC Form 316) application;
- (vi) the sale by Maker of more than fifty percent (50%) of air time on the stations pursuant to a time brokerage, joint sales, or similar agreement; or
- (vii) the sale of either parcel of real property pledged as security for this Note.

(b) Whenever there is a Default under this Note, Sellers, at their option, may declare all amounts payable under this Note not previously paid immediately due and payable, and exercise any and all rights and remedies available to it hereunder, and under the Security Instruments.

(c) From the date of the occurrence of Default hereunder, interest shall accrue on all amounts



then owed to Sellers hereunder at a lesser rate of 15% per annum, or the maximum interest rate allowed by law, until all amounts owed to Sellers hereunder have been fully paid.

Section 5.     Place of Payment and Notices.

(a) Place of Payment. All payments on this Note shall be paid at the address of the Seller set forth for notices in subsection (b), or such other place as may be provided by other provisions of this Note.

(b) Notices. Any notice, demand, or request required or permitted to be given under the provisions of the Agreement shall be deemed effective if made in writing (including telecommunications) and delivered to recipient's address or facsimile number set forth under its name below by any of the following means: (a) hand delivery, (b) registered or certified mail, postage pre-paid, (c) electronic mail with a "read receipt" or similar delivery confirmation, or (c) Federal Express, express mail or like courier service. Notice made in accordance with this section shall be deemed delivered upon receipt.

To Seller:

To Buyer:

Section 6:     Miscellaneous.

(a) Each right, power and remedy of the holder under this Note or under applicable laws shall be cumulative and concurrent, and the exercise of any one or more of them shall not preclude the simultaneous or later exercise by the holder of any or all such other rights, powers or remedies. No failure or delay by the holder to insist upon the strict performance of any one or more provisions of this Note or to exercise any right, power or remedy consequent upon a breach thereof or default hereunder shall constitute a waiver thereof, or preclude the holder from exercising any such right, power or remedy. No modification, change, waiver or amendment of this Note shall be deemed to be made unless in writing signed by the party to be charged. Except as otherwise expressly provided, the Maker and each endorser, guarantor, accommodation party and surety of this Note hereby waives demand, presentment for payment, protest, notice of dishonor and notice of protest. This Note shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. The invalidity, illegality or unenforceability of any provision of this Note shall not affect or impair the validity, legality or enforceability of any other provision. This Note shall be deemed to be made in and shall be governed by the laws of the State of Washington without reference to that State's conflict of law principles.

(b) The Maker shall be liable to the holder of this Note for all reasonable costs and expenses of every kind incurred in the collection of this Note, including, without limitation, reasonable attorneys' fees and court costs actually incurred.

(c) If any dispute arises as to the interpretation or enforcement of this Note, the Maker and Sellers agree to use their best, good faith, efforts to resolve the dispute between themselves. If, despite such efforts, the dispute is not resolved within thirty (30) days, the Maker and Sellers agree to resolve the dispute pursuant to the procedures set out in Section 14 of the Purchase Agreement and they further agree that any decision arrived at under those procedures shall be binding upon them and enforceable in a court of law.

IN WITNESS WHEREOF, J & J BROADCASTING, INC. has caused this Purchase Money Note to be executed and delivered by its duly authorized corporate officers this \_\_ day of \_\_\_\_\_, 201\_\_.

J & J BROADCASTING, INC.

By: \_\_\_\_\_  
John R. DiMeo, Jr., President

PURCHASE MONEY NOTE - KAPS

\$50,000.00

[date]

The undersigned (the "Maker") promises to pay to the order of Valley Broadcasters, Inc. (the "Seller"), in lawful money of the United States, the principal sum of FIFTY THOUSAND DOLLARS (\$50,000.00), plus simple interest on the unpaid principal the "Principal Balance") at the rate of five percent (5.0%) per annum from the date hereof until the Principal Balance has been paid in full.

Section 1. Payment Terms.

This Note shall be amortized over a period of fifteen years by the payment of level monthly installments of principal and interest each in the amount of Three Hundred Ninety-Five Dollars and Forty Cents (\$395.40), the first of which amortization payments shall be due on [date 1 month after date of note] with subsequent amortization payments being due on the same day of each succeeding month until the Principal Balance and all interest thereon has been paid in full.

Maker may pre-pay this Note in whole or in part at any time and from time to time at its sole option without premium or penalty.

If any payment required pursuant to this Note is not received by Seller by the fifth (5<sup>th</sup>) day after it is due, Maker shall pay Seller a late payment penalty of Ten Dollars (\$10.00) per day for each day after the fifth (5<sup>th</sup>) day of the month until the payment has been received by Seller.

Section 2. Security.

The obligations of the Maker evidenced by this Note are secured by (i) a perfected first priority security interest filed against the assets owned by Maker and used in the operation of Radio StationS KAPS, Facility ID 69678, and KBRC, Facility ID 39496, both licensed to Mount Vernon, Washington, and FM Translator Station K271AH, Facility ID 148749, Camano, Washington (the "Stations"), pursuant to a Security Agreement of even date herewith, (ii) mortgages (or deeds of trust) on the real property owned by JD Land, LLC which is used in the operation of the Stations and by the personal guaranties of the Maker's shareholders (collectively the "Security Instruments").

Section 3. No Offset.

Except as expressly provided at the end of this Section, all payments due under this Note shall be made when due without any set-off or deduction whatsoever. The Maker agrees that it will

not interpose any plea of recoupment, counterclaim, offset, or claim for deduction in any action to enforce collection of this Note. Any claim which the Maker may have against the Seller under any agreement between the Maker and the Seller, or that arises out of a dispute or controversy of any nature whatsoever between the Maker and the Seller, shall be pursued by the Maker in a separate and independent action, and shall not be asserted against any other holder, it being the express intent of this provision that the Maker's covenant to pay this Note is independent of any other agreements or obligations of the Seller, and any alleged or asserted claims or right of the Maker against the Seller which are unrelated to this Note shall not excuse the Maker from its obligation to pay all sums due under this Note when such sums become due. Notwithstanding the foregoing (i) Maker may offset against any payments due hereunder any award of indemnification under the Purchase Agreement or any other amount that Seller agrees, in writing, is owed to Maker by Seller.

#### Section 4        Default.

(a) The occurrence of any one or more of the following events shall constitute a default under this Note (a "Default"):

- (i) the failure of the Maker to make any payment of interest or principal when due and the continuation of such failure for five business (5) days after written notice of such failure is given to Maker by the holder of this Note;
- (ii) the failure of the Maker to perform any of its other obligations under this Note when such performance is due and the continuation of such failure for ten business (10) days after written notice of such failure is given to the Maker by the holder of this Note;
- (iii) an Event of Default shall have occurred under any of the Security Instruments;
- (iv) the sale by Maker of all or substantially all of the assets used or useful in the operation of the Stations;
- (v) the sale, transfer, or other conveyance of the controlling interest in Maker to any third party, other than pursuant to a transaction for which the consent of the FCC may properly be requested and obtained on a "short form" (FCC Form 316) application;
- (vi) the sale by Maker of more than fifty percent (50%) of air time on the stations pursuant to a time brokerage, joint sales, or similar agreement; or
- (vii) the sale of either parcel of real property pledged as security for this Note.

(b) Whenever there is a Default under this Note, Seller, at its option, may declare all amounts payable under this Note not previously paid immediately due and payable, and exercise any and all rights and remedies available to it hereunder, and under the Security Instruments.

(c) From the date of the occurrence of Default hereunder, interest shall accrue on all amounts then owed to Seller hereunder at a lesser rate of 15% per annum, or the maximum

interest rate allowed by law, until all amounts owed to Seller hereunder have been fully paid.

Section 5. Place of Payment and Notices.

(a) Place of Payment. All payments on this Note shall be paid at the address of the Seller set forth for notices in subsection (b), or such other place as may be provided by other provisions of this Note.

(b) Notices. Any notice, demand, or request required or permitted to be given under the provisions of the Agreement shall be deemed effective if made in writing (including telecommunications) and delivered to recipient's address or facsimile number set forth under its name below by any of the following means: (a) hand delivery, (b) registered or certified mail, postage pre-paid, (c) electronic mail with a "read receipt" or similar delivery confirmation, or (c) Federal Express, express mail or like courier service. Notice made in accordance with this section shall be deemed delivered upon receipt.

To Seller:

To Buyer:

Section 6: Miscellaneous.

(a) Each right, power and remedy of the holder under this Note or under applicable laws shall be cumulative and concurrent, and the exercise of any one or more of them shall not preclude the simultaneous or later exercise by the holder of any or all such other rights, powers or remedies. No failure or delay by the holder to insist upon the strict performance of any one or more provisions of this Note or to exercise any right, power or remedy consequent upon a breach thereof or default hereunder shall constitute a waiver thereof, or preclude the holder from exercising any such right, power or remedy. No modification, change, waiver or amendment of this Note shall be deemed to be made unless in writing signed by the party to be charged. Except as otherwise expressly provided, the Maker and each endorser, guarantor, accommodation party and surety of this Note hereby waives demand, presentment for payment, protest, notice of dishonor and notice of protest. This Note shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. The invalidity, illegality or unenforceability of any provision of this Note shall not affect or impair the validity, legality or enforceability of any other provision. This Note shall be deemed to be made in and shall be governed by the laws of the State of Washington without reference to that State's conflict of law principles.

(b) The Maker shall be liable to the holder of this Note for all reasonable costs and expenses of every kind incurred in the collection of this Note, including, without limitation, reasonable attorneys' fees and court costs actually incurred.

(c) If any dispute arises as to the interpretation or enforcement of this Note, the Maker and Seller agrees to use their best, good faith, efforts to resolve the dispute between themselves. If, despite such efforts, the dispute is not resolved within thirty (30) days, the Maker and Seller agrees to resolve the dispute pursuant to the procedures set out in Section 14 of the Purchase Agreement and they further agree that any decision arrived at under those procedures shall be binding upon them and enforceable in a court of law.

IN WITNESS WHEREOF, J & J BROADCASTING, INC. has caused this Purchase Money Note to be executed and delivered by its duly authorized corporate officers this \_\_ day of \_\_\_\_\_, 201\_\_.

J & J BROADCASTING, INC.

By: \_\_\_\_\_  
John R. DiMeo, Jr., President

EXHIBIT E

SECURITY AGREEMENT

This Security Agreement, made this \_\_\_ day of \_\_\_\_\_, 2011, by and between VALLEY BROADCASTERS, INC. and JIM KEANE and ANN KEANE (collectively "Secured Party") and J&J BROADCASTING, INC. ("Debtor").

WITNESSETH:

WHEREAS, simultaneously herewith Debtor is acquiring from Secured Party all of the assets, including FCC authorizations, used in the operation of radio Station KAPS Facility ID 69678, Mount Vernon, Washington, Station KBRC, Facility ID 39496, Mount Vernon, Washington, and FM Translator Station K271AH, Facility ID 148749, Camano, Washington (the "Stations") pursuant to an Asset Purchase Agreement dated as of February \_\_, 2011, by and between Secured Party and Debtor (the "Purchase Agreement");

WHEREAS, Debtor has delivered to Valley Broadcasters, Inc. Debtor's Purchase Money Notes of even date herewith for the principal sum of Fifty Thousand Dollars (\$50,000.00) as partial payment for the assets and licenses of Station KAPS and Debtor has delivered to Jim Keane and Ann Keane Debtor's Purchase Money Notes of even date herewith for the principal sum of Eight Hundred Fifty Thousand Dollars (\$850,000.00) as partial payment for the assets and licenses of Stations KBRC and K271AH (the "Notes").

WHEREAS, in connection with the purchase of the Stations, Debtor has entered into a Non Competition Agreement ("Non Compete") with Jim Keane and Jerry Keane pursuant to which Debtor is obligated to pay them Fifty Thousand Dollars in level monthly installments over a period of fifteen (15) years.

WHEREAS, Debtor has agreed to execute and deliver this instrument to Secured Party as security for the faithful and timely performance of Debtor's obligations under the Notes and the Non Compete;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Grant of Security Interest. Debtor hereby grants to Secured Party an interest in all the tangible and intangible personal property of Debtor used or held for use in the operation of the Stations, whether now owned or hereafter acquired, including, without limitation, Debtor's right to receive the proceeds from any sale, transfer, assignment or other disposition of any and all authorizations issued to Debtor by the FCC for the operation of the Stations ("FCC Licenses"); all transmission and studio equipment, fixtures, physical assets and other equipment

acquired by Debtor for use at the Stations; all contracts, agreements, rights, privileges, nongovernmental licenses, permits and leases entered into by, or granted to, Debtor in connection with Debtor's ownership or operation of the Stations; all slogans, jingles, trademarks, tradenames, service marks, logos, copyrights, and similar materials relating to the Station; and the goodwill and other intangible assets owned by Debtor, or hereafter created or acquired by Debtor, used in the operation of the Stations (all of the foregoing hereinafter referred to as the "Collateral").

2. Purpose of Secured Interest. The security interest granted hereby is to secure the timely performance by Debtor and its successors and assigns of all obligations of Debtor to Secured Party under the Notes and the Non Compete, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due.

3. Possession and Use. Until Default (as hereinafter defined), Debtor may have possession of the Collateral and use same in any lawful manner not inconsistent with this Security Agreement or with any policy of insurance on any of the Collateral.

4. Representations and Warranties. Debtor hereby represents, warrants and covenants that:

(a) The Collateral will not be misused or abused, wasted, or allowed to deteriorate except for ordinary wear and tear occasioned by its intended primary use.

(b) The Collateral will be used by Debtor only for the purpose of conducting the operations of the Station.

(c) The Collateral will be insured until this Security Agreement is terminated against all standard risks to which it is exposed in such amounts (which need not exceed the aggregate outstanding balance under the Notes from time to time), with such companies, under such policies, and in such form, all as shall be reasonably satisfactory to Secured Party, with benefits payable to Secured Party as its interests may appear. Duplicate policies or certificates thereof shall be deposited with Secured Party at Secured Party's request.

(d) Debtor will pay or cause to be paid when due all rents, royalties, or other amounts payable, and perform or cause to be performed each of its obligations when performable, under all agreements and other instruments affecting the Collateral or any part thereof, and will do all things necessary to keep unimpaired Debtor's rights thereunder.

(e) The Collateral may be inspected by Secured Party at any reasonable time during regular business hours upon reasonable advance notice to Debtor.



(f) Debtor will join Secured Party in executing and, filing and refiling under the Uniform Commercial Code such financing statements, continuation statements, and other documents in such offices as Secured Party may reasonably deem necessary or appropriate and wherever required or permitted by law to perfect and preserve Secured Party's security interest in the Collateral. Debtor hereby authorizes Secured Party to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of Debtor where permitted by law, and agrees to do such further acts and things and to execute and deliver to Secured Party such additional conveyances, assignments, agreements and instruments as Secured Party may reasonably require or deem advisable to effectuate this Security Agreement.

(g) The Collateral will be used in the business of the Stations and will remain in Debtor's possession or control at all times, provided that Debtor may sell, lease, transfer or otherwise dispose of portions of the Collateral in the ordinary course of business, provided, however, that if such Collateral is replaced, it will be replaced by assets of comparable value, which replacements shall be subject to this Security Agreement.

(h) Except as may be contested by Debtor in good faith, Debtor will pay all taxes on the Collateral promptly and when due, and should Debtor fail to do so and a tax lien attaches, Secured Party may pay such taxes and add the same to the Notes, and such monies so expended will bear simple interest at the rate of fifteen percent (15%) per annum until repaid.

(i) Debtor will operate the Stations in material compliance with the rules and regulations of the FCC and all federal, state and local laws applicable to the ownership and use of the Collateral and the operation of the business of the Stations, including health, zoning and police regulations.

(j) Until Debtor's obligations under the Notes and Non Compete are paid in full, Debtor shall maintain in effect a policy of "key man" insurance on the life of its principal John R. DiMeo, Jr. for an amount not less than Debtor's aggregate unpaid obligations under the Notes and the Non Compete, and Debtor shall provide Secured Party with evidence that such insurance is in effect on the date of execution of this Agreement and on each subsequent anniversary thereof.

5. Events of Default. Any one or more of the following shall constitute a Default hereunder:

(a) If a Default shall occur under the Notes, the Non Compete or the Guaranty of Debtor's obligations under the Notes and Non Compete which Debtor's shareholders have delivered to Secured Party on the date hereof, and such Default is not cured within the

applicable cure period;

(b) If Debtor fails to perform any material covenant, condition or provision of this Security Agreement;

(c) If Debtor shall fail to comply with a Final Order or Decree, no longer subject to administrative or judicial review, of any federal, state, municipal, or other governmental authority relating to the Collateral requiring compliance with any applicable statute, requirement, rule or regulation;

(d) If the Collateral is levied upon by virtue of an execution issued upon any judgment or any other legal process, and Debtor is not in good faith diligently defending in proper proceedings against any such judgment, writ, or other proceeding seeking to seize the Collateral; or if Debtor becomes insolvent, if a petition or arrangement in bankruptcy is filed by or against Debtor, provided that it shall not be an event of default in the case of a petition filed against Debtor unless such petition is not dismissed within sixty (60) days of filing, or if a general assignment for the benefit of creditors be made by Debtor;

(e) If Debtor permits the Collateral to be subjected to any mortgage, lien, encumbrance which is superior to the lien created by this Security Agreement.

6. Remedies on Default. Upon the occurrence of a Default, Secured Party shall give Debtor notice of such Default. If such Default has not been cured, in the case of a monetary default, within five (5) business days after Debtor's receipt of such notice, or, in the case of a non monetary default, within ten (10) business days after Debtor's receipt of such notice, then Secured Party may exercise its rights of enforcement under the Uniform Commercial Code in force in the State of Washington. In conjunction with, addition to, or substitution for those rights, at Secured Party's discretion, it may:

(a) Enter upon the premises of the Stations, or any other premises where any portion of the Collateral is located and take possession of, assemble and collect, the Collateral;

(b) Require Debtor to assemble the Collateral and to make it available to Secured Party, to allow Secured Party to take possession or dispose of the Collateral; or

(c) Waive any Default or remedy without waiving any other prior or subsequent Default or any other prior or subsequent exercise of such remedy.

Notwithstanding the foregoing, if a Default results from a default by Debtor under the Notes which has not been cured within the cure period specified in the Notes, the cure period provided for in this

Section shall not be applicable and Secured Party may exercise its rights hereunder immediately upon the occurrence of such Default.

7. Sale of Collateral.

(a) Secured Party shall give the Debtor reasonable notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if notice of the sale or other intended disposition is mailed, as provided in Paragraph 12, at least ten (10) days prior to the time of such sale or other intended disposition. Upon any sale of Collateral by the Secured Party hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process, or otherwise), the receipt of the Secured Party or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Secured Party or such officer, or be answerable in any way for the misapplication or nonapplication thereof.

(b) All notices of public or private sale shall specify that the assignment of the broadcast authorizations for the Stations is subject to the prior approval of the FCC, and such notice shall be given to all persons attending a public sale. Debtor agrees that it will join and cooperate fully with Secured Party and with the successful bidder or bidders at any public or private sale in the filing of an application or applications with the FCC requesting the FCC's consent to the assignment of the FCC authorizations for the Stations to Secured Party or the successful bidder or bidders, and Debtor will furnish any additional information that may be required in connection with such application(s). Debtor will diligently and in good faith take any further actions, or cause any further actions to be taken, that may be necessary or desirable to obtain such FCC consent, and will execute and deliver, or will cause the execution and delivery of, all applications, certificates, instruments and other documents that may be necessary or desirable in connection therewith. The parties agree that the Collateral and FCC authorizations shall not be sold and assigned to separate parties.

8. FCC Consent to the Exercise of Certain Remedies; FCC Application. Notwithstanding any provision herein to the contrary, Secured Party may not, in the event of a default or otherwise, exercise any control over the operation of the Stations or take possession of or exercise any rights with respect to the Stations' FCC licenses or other authorizations without first obtaining the prior written consent of the FCC as required by Section 310 of the Communications Act and the rules and regulations of the FCC.

9. Agreement Remains in Effect. The parties agree to each of

the following:

(a) This Security Agreement shall remain in effect, without waiver or surrender of any of the parties' rights hereunder, notwithstanding any one or more of the following:

- (i) Extension of time of payment of the whole or any part of the Notes;
- (ii) Any change in the terms and conditions of the Notes or the Non Compete;
- (iii) Substitution or assignment of the Notes in whole or in part;
- (iv) Surrender, release, exchange or alteration of any Collateral or other security given, either in whole or in part;
- (v) The release, settlement, discharge, compromise, change or amendment, in whole or in part, of any claim of Secured Party against Debtor.

(b) Secured Party shall be under no duty to select any of the Collateral over any other property securing payment of the Notes, but may select, sell and/or foreclose against such property as Secured Party in its sole discretion may determine; provided, however, that the Secured Party may not attempt to foreclose against the FCC licenses or other authorizations for the Stations, except in connection with a foreclosure on substantially all of the tangible assets used in the operation of the Stations conducted in compliance with the requirements of the Communications Act and the rules and regulations of the FCC.

(c) No delay or failure of Secured Party in the exercise of any power or right shall operate as a waiver or an acquiescence, nor shall any single or partial exercise of any power or right preclude any other future exercise of such power or right, and any rights and remedies of the Secured Party are cumulative.

10. Costs. In the event of a Default by Debtor hereunder, Debtor shall pay all reasonable costs, fees and expenses actually incurred by Secured Party for the enforcement of Secured Party's rights hereunder, including reasonable attorneys' fees and legal expenses, and expenses of any reasonable repairs to any realty or other property to which any of the Collateral may be affixed or be a part.

11. Application of Proceeds of Sale. All proceeds of any sale of Collateral hereunder shall be applied as follows:

FIRST: To the payment of all expenses reasonably incurred by Secured Party in connection with such sale, including, but not limited to, the expenses of taking, advertising, processing, preparing and storing the Collateral to be sold, and all court costs and reasonable fees of counsel to Secured Party in connection with the exercise of any right or remedy hereunder, to the extent that such costs and expenses shall not theretofore have been reimbursed to Secured Party;

SECOND: Then, to the payment accrued interest under the Notes;

THIRD: Then, to the payment of the then outstanding principal balances of the Notes;

FOURTH: In the case of any surplus remaining after the application of the proceeds of the sale of Collateral as aforesaid, to Debtor, its successors or assigns, or as a court of competent jurisdiction may direct.

12. Notices. Any notice, demand, or request required or permitted to be given under the provisions of the Agreement shall be in writing and shall be deemed to have been duly delivered on the date of personal delivery or on the date of delivery by email with a "read receipt" or other confirmation of delivery, or on the date of receipt if mailed by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been received on the date of personal delivery or on the date set forth on the return receipt, to the following addresses, or to such other address as a party may request. Notice made in accordance with this section shall be deemed delivered upon receipt.

To Secured Party: Valley Broadcasters, Inc.  
Jim and Ann Keane  
2029 Freeway Drive  
Mount Vernon, WA 98273  
Email: [jim@sos.net](mailto:jim@sos.net)

With copy that will not constitute notice to:

David Tillotson, Esq.  
4606 Charleston Terrace, N.W.  
**Washington, DC 20007-1911**  
Email: [dtlaw@starpower.net](mailto:dtlaw@starpower.net)

To Debtor: J & J Broadcasting, Inc.  
JD Land, LLC  
Attn: John R. DiMeo, Jr.  
3213 Long Lake Drive, SE  
Lacey, WA 98503

Email: [jrdjrhome@comcast.net](mailto:jrdjrhome@comcast.net)

With copy that will not constitute notice to:

J. Dominic Monahan, Esq.  
Luvas Cobb Law Firm  
777 High Street  
Suite 300  
Eugene, OR 97440  
Email: dmonahan@luvascobb.com

Either party may change its address for notices by written notice to the other given pursuant to this Section. Any notice purportedly given by a means other than as set forth in this Section shall be deemed ineffective.

13. Termination. This Security Agreement (including, without limitation, all remedies provided hereunder) shall terminate at the date on which the Notes, including all interest and charges due thereunder and/or under this Security Agreement, has been fully paid. At the time this Security Agreement has been terminated, Secured Party shall re-assign and deliver to Debtor or such person as Debtor shall designate in writing all Collateral in which Secured Party shall have any interest hereunder or which shall then be held by Secured Party or in its possession and, if requested by Debtor, Secured Party shall execute and deliver to Debtor for filing in each office in which any financing statement relative to the Collateral or any part thereof, shall have been filed, a termination statement under the Uniform Commercial Code releasing Secured Parties' interest therein and/or an assignment statement under the Uniform Commercial Code assigning Secured Parties' interest therein to any person designated by Debtor.

14. Binding Agreement; Assignment. This Security Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of Debtor, Secured Party and the holders from time to time of the indebtedness secured hereby and their respective successors and assigns. This Security Agreement may not be assigned by Debtor without the written consent of the Secured Party.

15. Governing Law. This Security Agreement shall be governed, construed and enforced in accordance with the laws of the State of Washington without reference to that state's conflict of law principles.

16. Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were on the same instrument. Each fully executed set of counterparts shall be deemed to be an original,

and all of the signed counterparts together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement, or caused it to be executed on the day and year first above written.

**J & J BROADCASTING, INC**

By: \_\_\_\_\_  
John R. DiMeo, Jr, President

**VALLEY BROADCASTERS, INC.**

By: \_\_\_\_\_  
Jim Keane, President

**JIM KEANE, INDIVIDUALLY**

\_\_\_\_\_

**ANN KEANE, INDIVIDUALLY**

\_\_\_\_\_

## SCHEDULE 2.1

### FCC LICENSES AND AUTHORIZATIONS

License for Station KAPS, Mount Vernon, WA, Facility ID 69678

License for Station KBRC, Mount Vernon, WA, Facility ID 39496

License for FM Translator K271AH, Camano, WA, Facility ID 148749



SCHEDULE 2.2

Tangible Property

**KAPS TRANSMITTER SITE**

HARRIS DX-10 TRANSMITTER 4 110 FT TOWERS  
BE AM 1A TRANSMITTER 4 TUNING BOXES  
2 XDS-PRO DVB SATELLITE RECEIVERS APROX 2200 SQ FT STUDIO BLDG  
2 MARTI STL-10 TRANSMITTERS 35FT X 18 FT GARAGE  
ORBAN 9200 OPTIMOD AUDIO PROCESSOR 1992 ASTRO VAN  
3 STARGUIDE 3 RECEIVERS 2001 CARAVAN  
1 STARGUIDE 2 RECEIVER 2 STL ANTENNAS  
MEDIA ACCESS XCHANGE RECEIVER 2 MARTI RECEIVE ANTENNAS  
BROADCAST TOOLS WVRC-8 REMOTE CONTROL  
LS-10 DISTRIBUTION AMP  
CRL PROCESSOR SEP-800  
1 PC (FOR REMOTE CONTROL)  
HP PRINTER  
MONITOR / KEYBOARD / MOUSE  
1 TELEPHONE  
GENERAC PORTABLE GENERATOR 8,000 WATT  
3 SATELLITE DISHES  
EQUIPMENT RACK  
1 DESK  
1 CHAIR  
FIRE EXTINGUISHER  
MISC SPARE PARTS / TOOLS

**PRODUCTION ROOM**

MACKIE 1604 VLZ PRO CONSOLE  
MAGNAVOX CD PLAYER  
RCA CASSETTE PLAYER  
1 PC COMPUTER  
1 MONITOR / KEYBOARD / MOUSE

2 HEADPHONES

1 MIC STAND

1 TELEPHONE

PRODUCTION LIBRARY

2 MICS

#### **LOBBY/ FRONT DESK**

1 COUCH

1 CHAIR

2 PC COMPUTERS

2 MONITORS / KEYBOARDS / MOUSE

1 HP PRINTER

1 BROTHER 1270 FAX

1 CANON 6230 COPIER

1 CREDIT CARD MACHINE

1 L DESK

1 TELEPHONE

MONITOR RADIO

STAPLER TAPE DISPENSER

#### **SUPPLY CLOSET**

TRAFFIC ORDERS

ENVELOPES

NOTE PADS

ENTRY BLANKS

STICKERS

TELEPHONE SYSTEM

MODEM

ROUTER

ADT ALARM

#### **SMALL OFFICE**

1 DESK  
2 CHAIRS  
1 COMPUTER DESK  
2 4 DRAWER FILE CABINETS  
1 PC  
1 MONITOR / KEYBOARD / MOUSE  
1 HP PRINTER  
1 TELEPHONE  
STAPLER

#### **LARGE OFFICE**

2 DESKS  
2 CHAIRS  
1 4 DRAWER CABINET  
1 PHONE

#### **TRAFFIC BOOKKEEPING OFFICE**

1 PC  
1 HP LASER PRINTER  
3 4 DRAWER FILE CABINETS  
1 PHONE  
SMALL STAPLER  
LARGE STAPLER  
TAPE DISPENSER  
4 FILE HOLDERS

#### **NEWS ROOM**

1 CHAIR  
1 PC  
1 HP PRINTER  
1 MONITOR / KEYBOARD / MOUSE  
1 BELAR POWER SUPPLY  
1 BELAR MODULATION MONITOR  
1 SCANNER  
1 TELEPHONE  
EQUIPMENT RACK

1 MARTI CR-10 RECEIVER

### **KAPS CONTROL ROOM**

BELAR AM MODULATION MONITOR

2 MICROPHONES

2 HEADSETS

AUDIOARTS DISTRIBUTION AMP

GEMINI CD X-10 CD PLAYER

DENON DN-C630 CD PLAYER

SONY CASSETTE PLAYER

ARRAKIS ARC-10 CONSOLE

BROADCAST TOOLS ACS8.2 SWITCHER

1 MONITOR SPEAKER

2 MARTI CR-10 RECEIVERS

TFT-EAS 911

1 ON AIR PC

1 STREAMING PC

2 MONITORS / KEYBOARDS / MOUSE

1 SCANNER

1 MONITOR RADIO

1 CD LIBRARY

2 CHAIRS

2 EQUIPMENT RACKS

### **KBRC CONTROL ROOM**

1 MULTI VERB 3

1 SONY MINI DISC

2 NUMARK CD /MP3 PLAYERS

BROADCAST TOOLS SWITCHER

AUDIOARTS CONSOLE

2 MONITOR SPEAKERS

2 MICS

1 PHONE

1 ON AIR PC

1 STREAMING PC

2 MONITORS / KEYBOARDS / MOUSE

2 CHAIRS  
1 2 DRAWER FILE CABINET  
2 HEADSETS  
1 WINDOW AC  
1 MUSIC LIBRARY  
EQUIPMENT RACK

#### **CONFERENCE / LUNCH ROOM**

1 CONFERENCE TABLE  
7 CHAIRS  
1 CREDENZA  
1 SMALL REFRIGERATOR  
1 COFFEE POT  
1 EZ ERASE BOARD  
1 AC

#### **SALES**

5 DESKS  
6 CHAIRS  
1 FIREPROOF FILE CABINET  
2 2 DRAWER FILE CABINETS  
1 METAL 2 DRAWER FILE CABINET  
3 4 DRAWER FILE CABINETS  
3 PC'S  
3 MONITORS / KEYBOARDS / MOUSE  
1 HP PRINTER/SCANNER  
1 HP PRINTER  
6 TELEPHONES  
1 TYPEWRITER STAND  
1 BOOK CASE  
5 WASTE BASKETS  
5 STAPLERS  
5 TAPE DISPENSERS  
2 PORTABLE CD PLAYERS  
17 FILE HOLDERS  
9 VERTICAL FILE HOLDERS

2 3 HOLE PUNCHES

1 PRESENTATION PUNCH AND FOLDERS

MISC. SOFTWARE

1 BLACKBOARD

#### **UPSTAIRS OFFICE**

1 L DESK

3 CHAIRS

1 PC

1 MONITOR / KEYBOARD / MOUSE

1 PRINTER

5 2 DRAWER FILE CABINETS

1 BOOK SHELF

1 TELEPHONE

1 RADIO/CD PLAYER

FIRE EXTINGUISHER

#### **KBRC TRANSMITTER SITE**

APROX. 10 X 20 FT TRAILER

HARRIS DAX-5 TRANSMITTER

NAUTEL AMPHET 5 KW TRANSMITTER

OMNIA 3 AUDIO PROCESSOR

BURK ARC 16 REMOTE CONTROL

PHASOR

RADIO MONITOR

1 DESK

2 CHAIRS

2 WINDOW A/C'S

1 TELEPHONE

MISC SPARE PARTS

EQUIPMENT RACK

FIRE EXTINGUISHER

STEP LADDER

2 250 FT TOWERS, DOG HOUSES WITH TUNING EQUIPMENT

1 STL ANTENNA

GENERAC GENERATOR

## **TRANSLATOR**

CROWN FM 500 TRANSMITTER  
ERI FM ANTENNA  
FANFAIR AM RECEIVER  
M-601C AM ANTENNA  
EQUIPMENT RACK

## **MOBILE EQUIPMENT**

KBRC MARTI RPT 15 TRANSMITTER 1 JK AUDIO  
KAPS MARTI RPT 25 TRANSMITTER 1 CONEX FLIP JACK  
3 YAGI ANTENNAS 1 COMPAQ LAPTOP  
4 MICROPHONES 1 SPRINT BROADBAND  
2 HEADSETS  
2 HEADSETS WITH MICS  
2 MIC STANDS  
2 PORTABLE PA'S WITH AM/FM CD  
2 6 FT. TABLES  
2 CANOPIES  
6 EXTENSION CORDS  
2 POWER STRIPS  
2 RADIOS  
6 CHAIRS  
4 KAPS BANNERS  
4 KBRC BANNERS  
1 BERRINGER 12 INPUT MIXER  
1 CD + G PLAYER  
2 GENZ BENZ SPEAKERS  
1 AMP (KARAOKE)  
1 SOUND TECH AMP/SPEAKER  
1 EXTENSION MAST FOR YAGI

## **MISC. AND OUT OF SERVICE (excluded from warranty as to condition)**

6 FOOT RACK  
2 4 DRAWER FILE CABINETS 1 STL ANTENNA

1 5 DRAWER FILE CABINET  
1 2 DRAWER FILE CABINET  
2 BLOW UP BALLOONS  
1 BLOW UP JUTE BOX  
1 BLOW UP PANDA  
1 ATTENTION GETTER  
2 FANS FOR BALLOONS  
1 FAN FOR JUTE BOX  
1 KATHLENE LOG PERODIC FM ANTENNA  
1 MARTI RPT 15 TRANSMITTER  
1 MARTI RPT 25 TRANSMITTER  
2 MARTI RECEIVERS  
2 FIELD STRENGTH METERS  
1 TECHNICS TURNTABLE  
1 JOHN DEERE LX126 RIDING MOWER  
1 STEP LADDER  
2 HOOVER VACCUUMS  
1A/C PAC L 90  
1 SLOT MACHINE  
1 16 CHANNEL MACKIE



## SCHEDULE 2.3

### Contracts

UW Football and Basketball / ISP Sports network dated 5-5-09. Negotiating new contract. No prior consent needed

WSU Football and Basketball / ISP Sports Network dated 7-23-10 No prior consent needed.

American Country Countdown / ABC dated 4-4-07. No prior consent needed.

Seattle Seahawks 7-22-2009. Negotiating new contract. Consent needed

Arbitron PPM dated 7-2008. Consent needed.

Pristine Systems (Automation software) dated 8-1996. Consent needed.

Seattle Mariners dated 11-11-2002. No prior consent needed.

Group Health Ins. Dated 6-2010. No prior consent needed.

Marketron (traffic software) dated 10-2004. Consent needed.

N W Ag information dated 1-2011. No Consent needed.

ABC (Citadel) Horsepower (Music Library) dated 5-29-2006. Consent needed.

ADT Security 6-2004. No Consent needed.

ABC Today's Best Country format dated 11-6-1996. Consent needed.

ABC Classic Hits format dated 3-1-05. Consent needed.

Securenet Systems (streaming) dated 10-2009. No consent needed.

Merry Maids (cleaning service) 12-2004. No consent needed.

Affordable Storage (storage locker) 7-2007. No consent needed.

Bizx (Barter Club) 5-13-2009 No consent needed.

Itex (Barter Club) 8-1-1996 No Consent needed.

## SCHEDULE 2.4

### Real Property Lease

Ground Lease dated as of November 9, 1984, between Shane A. Sanderson and Susan L. Sanderson as Landlord, and Jim and Ann Keane d/b/a KBRC Radio as successors in interest to MC Radio, Inc. as Tenant, for property on which KBRC radials are located.

Antenna Site Lease Agreement between Helen Mehelich and KBRC Radio executed July 3, 2008 for the K271AH transmitter site.

### SCHEDULE 3

#### Owned Real Property

##### KAPS TRANSMITTER SITE

The West 320 feet of the North 512.6 feet of the Southwest Quarter of the northeast Quarter of Section 18, Township 34 North, Range 4 East, W.M., together with an easement for road purpose over and across the northerly 15 feet of fch« Southwest Quarter of the Northeast Quarter of section 18, Township 34 North, Range 4 East, w.M., extending from the easterly line of the premises described above to the westerly right of way line of Primary State Highway No. 1, as condemned by decree entered February 6, 1956 in Skagit County Superior Court Cause No, 22871, except that portion condemned by decree entered April 24, 1974, in Skagit County superior Court Cause No, 34431.

##### KBRC TRANSMITTER SITE

##### PARCEL "A"

Part of Government Lot 2, Section 19, Township 34 North, Range 4 East, W.M. described as follows

Beginning at a point on the South line of the North 1/2 of Lot 2 of said section; 232 feet East of the Southwest corner of said North 1/2; thence North 0° 34' East parallel with the West line Of said lot SOO feet; thence North 88° 53' 22" East parallel with the South line of said North 1/2 of Government Lot 2 ft distance of 230 feet, more or less, to the Southerly line of the Mount Vernon-Anacortes paved highway right of way, thence Southeasterly along said right of way line 341.99 feet, thence South 12° 45' 30" West 293.08 feet to the South line of the North 1/2 of said Government Lot; thence West to the point of beginning, EXCEPT that portion thereof lying South of a line running due East from a point 660 feet North of the South quarter section corner of saifl section.

Lot 6, MOORES SUBURBAN TRACTS, 89 per plat recorded in Volume 5 of Plats, page 32, records of Skagit County, Section 19, Township 34 north, 4 East W.M.

ALSO, a piece-of land described es beginning at the Southeast corner of a tract of land conveyed to Leo H. Beckley and Louise L. Beckley, under Skagit County Auditor's File No. 391542, running thence North 12° 45' 30" East 293.06 feet to the Southerly line of state road; thence Southeasterly along said south line of road to the Northwest corner of lot 6, MOORES SUBURBAN TRACTS, as recorded in Volume 5 of Plats at page 32; thence South 28° 22' 20" West 269.27 feet to the

point of beginning, being a portion of Government Lot 2, Section 19, Township 34 North, Range 4 East, W.M.

PARCEL "B"

That portion of Government Lot 2, Section 19, Township 34 North, Range 4 East, H.M. , described as follows:

Beginning at the Southeast corner of MOORES SUBURBAN TRACTS, as per plat recorded in Volume 5 of Plates, page 32, records of Skagit County thence West 132 feet, more or less, to « point 660 feet East of the West line of said Lot 2; thence North 330 feet, more or less, to the South line of the North 1/2 of said Lot 2; thence East 132 feet, more or less, to the West line of MOOBES SWBURDAN TRACTS, as per plat recorded in Volume 5 of Plates, page 32, records of Skagit County; thence South to the point of beginning. In the county of Skagit, state of Washington.

## SCHEDULE 5.2

### Allocation of Purchase Price

KAPS Real Property	\$100,000
KAPS Tangible Property	50,000
KAPS FCC License, Intangible Property and Goodwill	<u>150,000</u>
Total Allocated to KAPS	\$300,000
KBRC Real Property	\$125,000
KBRC Tangible Property	75,000
KBRC FCC License, Intangible Property and Goodwill	<u>650,000</u>
Total Allocated to KBRC and K271AH	\$850,000
Non Competition Agreement	\$ 50,000
Total	\$1,200,000

The \$250,000 cash payment at Closing shall be applied and treated for tax purposes entirely as a payment for the KAPS assets and licenses

## SCHEDULE 7.14

### Employee Benefits From Employee Handbook

#### **Vacations**

Salaried Employees: Accrual begins with your employment date. Salaried employees will receive 2 *weeks* paid vacation annually after the completion of one year. Part time employees do not accrue *MI* vacation benefits. Each part time employee's vacation time will be determined individually by management based on hours of part time work.

#### **Sales Staff:**

Accrual begins with your employment date. Sales staff employees will receive 2 weeks paid vacation annually after the completion of one year. Commissioned employees do not accrue vacation time at any standard rate. They are not entitled to any additional pay other than regular earned commissions on advertising sales. Vacation days for sales staff have no "cash value" therefore no vacation pay will be given when a commissioned sales person takes vacation, resigns or is terminated.

All Staff: Time off for vacation is to be requested in writing 30 days prior to the time being requested off. Vacation requests will be honored on a seniority basis. 2 staff members from the same department will not be allowed time off at the same time •without management approval. Vacation time may not be allowed during certain periods of time, i.e. Fairs, certain Station Promotions. Vacation time must be used within one year of accrual and may not be carried forward to the next vacation period. Upon resignation or termination, employee may not be paid for unused vacation time.

#### **Sick Leave**

Sick leave accrues at the rate of three days per six months on an annual basis of six days total, for full time employees only. Any excess of three days sick time per six month period will be deducted from vacation time (or regular pay time if no vacation time has been earned) on a day for day basis. The excess can be re-earned by using less than three days sick leave allowed during the second six month period.

Any sick leave which is not used during the first six month period can be carried over to the second six month period and offset against excess time (over the three days allowed) needed during the second six month period.

Unused sick days may not be carried forward to the next year. Upon resignation or termination, an employee will not be paid for unused sick time. Accrual periods will be based on each employee's anniversary date. Unused sick leave may not be applied to vacation time. Abusing of sick leave policy is grounds for termination.

Depending on circumstances, a Leave of Absence may be allowed by management if justifiable, but without compensation.

#### **Medical Insurance**

After six months of full time employment, the station provides certain medical benefits. The particular provisions are described in separate pamphlets.