

## **NETWORK AFFILIATION AGREEMENT**

*November* This Network Affiliation Agreement (the "Agreement") is made as of this 7<sup>th</sup> day of ~~October~~, 2005 by and between EDUCATIONAL MEDIA FOUNDATION, a California non-profit corporation ("EMF") and SOUTHERN RHODE ISLAND PUBLIC RADIO BROADCASTING, INC., Rhode Island non-profit corporation ("Licensee").

### **WITNESSETH:**

WHEREAS, EMF operates a programming network which broadcasts a unique blend of Christian-based, family-oriented programming known as the "K-LOVE" radio format;

WHEREAS, Licensee owns and operates radio station WBLQ-FM, Westerly, Rhode Island (the "Station");

WHEREAS, Licensee has agreed to make available to EMF airtime on the Station and the Station's equipment and studios and to accept for broadcast the K-LOVE radio format;

WHEREAS, EMF wishes to authorize Licensee to rebroadcast the K-LOVE programming from the facilities of the Station pursuant to Section 325(a) of the Communications Act of 1934, as amended (the "Communications Act"), and applicable Federal Communications Commission ("FCC") regulations in accordance with the terms and conditions hereinafter contained; and

WHEREAS, EMF desires to provide that, upon satisfaction of certain conditions, it may obtain a right to purchase the Station.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration received by each party, the receipt, adequacy and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Programming.** Subject to the terms of this Agreement, Licensee agrees to make available to EMF program time on the Station for broadcast of the K-LOVE programming. Simultaneously, upon receipt of K-LOVE's signal, Licensee agrees to rebroadcast the signal of K-LOVE on the facilities of the Station without interruption, deletion, or addition of any kind, except as otherwise expressly permitted herein.
2. **Term.** The term of this Agreement shall commence at 12:01 a.m. on December 1, 2005 (the "Effective Date") and, unless earlier terminated as provided in this Agreement, shall continue in full force and effect until November 30, 2008 (the "Term").
3. **Hours of Programming.** EMF will supply the signal of K-LOVE 24 hours per day, seven days per week as long as this Agreement remains in force, and Licensee will transmit all programming supplied by EMF, except as otherwise provided in Sections 4 and 5 below and subject to the provisions set forth in Section 18 below with respect to force majeure. EMF will provide all such programming, produced at its own cost and expense. EMF shall install a

satellite-receive dish at a mutually agreed upon location at the Station's studios to receive the K-LOVE signal.

4. Reservation of Time. Licensee specifically reserves for its own use two (2) hours per week of programming time (the "Reserved Time") during which it may broadcast programming of its own choice. Unless otherwise mutually agreed upon by the parties, the Reserved Time shall be on Sundays between the hours of 6:00 a.m. and 8:00 a.m.

5. Licensee's Regulatory Obligations.

(a) Nothing herein shall be construed as limiting in any way Licensee's rights and obligations as an FCC licensee to make the ultimate programming decisions for the Station and to exercise ultimate control and responsibility with respect to the operations of the Station. Licensee will be responsible for insuring that the Station's overall programming is responsive to community needs and in the public interest. Licensee has the authority, in its sole discretion, to:

(i) reject and refuse to transmit any programming produced or proposed by EMF that Licensee in its good faith deems to be unsatisfactory, unsuitable, or contrary to the public interest, as determined by Licensee in its sole discretion;

(ii) originate or rebroadcast from any source any programming which Licensee, in its sole, good faith discretion, deems to be of greater local or national importance than the programming supplied by EMF or which Licensee believes will better serve the needs and interests of the Station's service area; and

(iii) interrupt EMF's programming in case of an emergency.

(b) In the event that Licensee rejects any of EMF's programming pursuant to subparagraph (a)(i) above, Licensee shall, insofar as is practicable, give EMF reasonable prior notice of its objection to EMF's proposed programs, including the basis for such objection, and shall use all reasonable efforts to give EMF a reasonable opportunity to substitute acceptable programming. EMF shall air the Station's hourly station identification announcements on behalf of Licensee so that such announcements are aired in accordance with FCC rules.

(c) Licensee, solely for the purpose of ensuring EMF's compliance with applicable law, including without limitation FCC rules and Station policies, shall be entitled to review on a confidential basis any programming material relating to K-LOVE broadcasts as it may reasonably request. EMF shall provide Licensee, at Licensee's request, with copies of all correspondence relating to K-LOVE's broadcasts on the Station and all complaints received from the public that pertain to the Station.

(d) EMF shall cooperate with Licensee to assist Licensee in complying with the provisions of the Communications Act regarding political advertising. EMF shall release advertising availabilities to Licensee during the term of this agreement as necessary to permit Licensee to comply with the political broadcast rules of the FCC; provided, however, that revenues received by Licensee as a result of any such release of advertising time shall promptly

be remitted to EMF. EMF shall supply such information promptly to Licensee as may be necessary to comply with the equal opportunity and reasonable access requirements of the Communications Act.

6. Operation of the Station.

(a) Licensee shall employ at its expense such employees to direct the day-to-day operations of the Station as may be necessary to comply with the provisions of the Communications Act regarding main studio staffing and such additional personnel as shall be necessary to enable Licensee to perform its obligations under this Agreement. All such employees will report to and be accountable solely to Licensee.

(b) Licensee shall be solely responsible for and shall pay in a timely manner all operating costs of the Station, including costs of maintaining and repairing the studio facilities, the Station's transmitters and antennae, the cost of electricity and other utilities, rental payments, insurance, music licensing fees, taxes and the salaries, taxes, insurance and related costs for all personnel employed by Licensee in connection with the operation of the Station.

(c) At its own expense, and in compliance with any statutes, rules, regulations and policies of the FCC, EMF may provide and install any equipment it deems necessary or useful to supply its programming to the Station, under the supervision of Licensee. Upon termination of this Agreement, such property will remain the sole property of EMF and EMF shall promptly remove all such equipment from the premises of the Station.

7. Noncommercial Nature of EMF Broadcasts. EMF represents and warrants to Licensee that EMF is a non-profit corporation which broadcasts the K-LOVE programming on a noncommercial basis with revenues generated through contributions and donations received from contributors and donors residing within communities receiving K-LOVE's broadcast signal. EMF agrees that the Station shall not broadcast any commercial announcements during the hours in which the K-LOVE signal is rebroadcast over the Station. Licensee acknowledges that all donations received from listeners within the Station's service area as a result of the rebroadcasting of K-LOVE's program signal shall be the sole property of EMF. In the event that such donations or payments are received by Licensee at the Station, Licensee shall promptly forward such donations to EMF at the address specified for notices herein, along with an accounting specifying the name and address of each such donor, and the date on which the donations were received.

8. Consideration. In consideration for the program air time made available by Licensee under this Agreement during the term hereof EMF shall pay Licensee a monthly fee of \$1500 (the "Monthly Fee"), payable quarterly in advance, on December 1, 2005 and each succeeding March 1, June 1, September 1 and December 1 thereafter (or the next business day, if such day is a weekend or holiday) during the Term hereof. During the Term, Licensee shall pay the Station's operating expenses from these funds. In the event EMF purchases the Station pursuant to the Option referred to in Section 11 below, the payment due for the last month of the Term prior to Closing shall be prorated on a per diem basis, and any overpayment applicable to the final month shall be credited against the purchase price payable at Closing, as defined herein.

Upon grant of such application by the FCC, EMF may construct a tower facility at the site designated on the construction permit (the "New Tower Site"), to be acquired by EMF or by entry into a lease at such New Tower Site, and thereafter EMF may install the Station's antenna and related broadcast transmission equipment at such New Tower Site. All costs of acquisition, construction, modification and installation with respect to relocation of the Station's tower facility and antenna to the New Tower Site shall be borne by EMF, provided, further, that EMF shall be the sole owner or lessee of such New Tower Site and any equipment that is provided for use at such New Tower Site by EMF. If such facilities are constructed by EMF, EMF shall enter into an interim lease or sublease with Licensee to assure Licensee's rights to use of such facilities, on terms comparable to Licensee's current tower facility payments. In addition, upon notice from EMF that the New Tower Site facility is operational, Licensee shall file with the FCC within thirty (30) days thereafter a Form 302 application for license to cover the construction permit, with all engineering, legal and filing fees related to the filing and prosecution of such application to be paid by EMF.

(d) The decision to exercise the Option or construct a new tower site facility is at the sole discretion of EMF.

(e) Provided that EMF is current in its payments of the Monthly Fee and is otherwise in material compliance with its obligations hereunder, The Option may be exercised by EMF by notice to Licensee delivered at any time on or before June 1, 2008, with a closing to occur within ten (10) days after finality of the grant of FCC consent.

(e) Upon exercise of the Option by EMF, EMF shall place the sum of Ten Thousand Dollars (\$10,000) into escrow with a mutually acceptable escrow agent and pursuant to an escrow agreement containing customary provisions. Such escrow deposit shall be Licensee's liquidated damages and sole recourse in the event that the transaction for sale of the Station is not consummated due to a material default by EMF, but otherwise such deposit shall be paid to Seller as a portion of the Purchase Price at Closing, or shall be returned to EMF if the transaction is not consummated for any reason other than default by EMF.

12. Asset Purchase Agreement. Within ten (10) days after Licensee's receipt of EMF's exercise notice pursuant to Section 11 above, Licensee and EMF shall execute and enter into an asset purchase agreement (the "Purchase Agreement"), substantially in the form of Exhibit A hereto for the sale of the Station and Assets. It is specifically understood and agreed by the parties that the closing of the transactions contemplated by the Purchase Agreement (the "Closing") is expressly conditioned on and is subject to the prior consent of the FCC. The Closing shall occur on a date that is no later than ten (10) days following the date on which the FCC's consent shall have become a Final Order. "Final Order" means action by the FCC consenting to an application which has not been reversed, stayed, enjoined, set aside, annulled or suspended, and with respect to which action no timely request for stay, petition for rehearing or appeal is pending, and as to which the time for filing any such request, petition or appeal or reconsideration by the FCC on its own motion has expired. The Closing shall occur in such manner as is mutually agreed upon by the parties.

9. Credits. The amounts payable to Licensee pursuant to Section 8 above shall be reduced on a pro rata basis for any month in which: (a) Licensee preempts EMF's programming pursuant to Section 5(a) of this Agreement; or (b) the Station is unable, due to a failure of the equipment maintained by Licensee, to meet the minimum 166-hour requirement set forth in Section 3 above with respect to the broadcast of EMF's programming, in each case such reduction to be based upon pro-ration of the hours or fractional hours by which the Station fails to meet the 166 minimum hour requirement. EMF shall be entitled to a credit in the amount of the reduction against any subsequent payment required to be made to Licensee under Section 8 above.

10. Limited Grant. Nothing herein contained shall be construed as an assignment or grant to Licensee of any right, title or interest in or to any titles, names, logos, slogans, jingles, trademarks, copyrights, ideas, formulas, general program content and/or other literary, musical, artistic or creative material broadcast by or associated with K-LOVE or EMF beyond the grant of a limited rebroadcast consent on the terms herein specified. All rights not specifically granted to Licensee hereunder in and to K-LOVE's programming and signal and the content thereof are reserved to EMF for its sole and exclusive use, disposition and exploitation. Moreover, the parties hereto understand and agree that third persons may hold copyrights or other legal rights in and to certain programs broadcast on K-LOVE and that the right to rebroadcast K-LOVE's signal granted hereunder shall not be deemed in any way to cover, convey or transfer such rights of third persons.

11. Grant of Option. Licensee shall grant to EMF as of December 1, 2005 an exclusive option (the "Option") to purchase, at Buyer's election, any and all of the assets, licenses, properties, interests and rights of Licensee tangible and intangible, real or personal, owned or leased by Licensee, as the case may be, which are used or useful in connection with the operation of the Station (the "Assets"), but subject to the provisions set forth below.

(a) The Assets to be conveyed subject to the Option and related Asset Purchase Agreement (as defined in Section 12 below) shall specifically include but are not limited to the Station Licenses issued by the FCC and any and all broadcast equipment and assets related to the Station tower and transmission site, in each case free and clear of all debts, security interests, trusts, claims, pledges, conditional sales agreements or other liens, liabilities and encumbrances whatsoever.

(b) The purchase price for the Assets (the "Purchase Price") shall be One Hundred Thousand Dollars (\$100,000).

(c) At any time after execution of this Agreement, EMF may notify Licensee to prepare and file with the FCC within thirty (30) days after such notice is given an application on Form 301 for a construction permit to relocate the Station's tower facility to a site selected by EMF and to modify the Station's antenna as need be in relation to such relocation. EMF and Licensee shall cooperate in all aspects of the preparation, filing and prosecution of such application with the FCC, and all costs of engineering, legal fees or filing fees in connection with the preparation, filing and prosecution of such application with the FCC shall be paid by EMF.

13. Representations, Warranties and Covenants of Licensee. Licensee hereby makes the following representations, warranties and covenants to EMF:

(a) The execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action on the part of Licensee, and this Agreement constitutes the legal, valid and binding obligation of Licensee, enforceable in accordance with its terms.

(b) The execution and performance of this Agreement will not violate any order, rule, judgment or decree to which Licensee is subject or constitute a breach of or default under its charter, bylaws or any contract, agreement, or other commitment to which Licensee is a party or may be bound.

(c) Licensee shall operate the Station and shall maintain the Station's facilities in material compliance with the Communications Act and all applicable rules, policies and regulations of the FCC, including but not limited to the FCC's sponsorship identification rules.

(d) Licensee shall retain, on a full-time, part-time, or contract basis, a qualified engineer who shall be responsible for maintaining the transmission facilities of the Station. Licensee shall employ a chief operator, as that term is defined by the rules and regulations of the FCC (who may also hold the position of engineer), who shall be responsible for maintaining compliance by the Station with the technical operating and reporting requirements established by the FCC. Licensee shall be responsible for insuring that qualified control operators monitor and control the Station's transmissions at all times, in full conformity with FCC requirements.

(e) Licensee shall maintain a main studio, as that term is defined by the rules and regulations of the FCC. Licensee shall maintain an appropriate public inspection file, and shall maintain that file as may be required by present or future FCC rules and regulations.

(f) Licensee shall maintain on behalf of the Station all necessary ASCAP, BMI, SESAC or other performance rights licenses, including with respect to any programming supplied hereunder by EMF.

14. Representations, Warranties and Covenants of EMF. EMF hereby makes the following representations, warranties and covenants to Licensee:

(a) The execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action on the part of EMF, and this Agreement constitutes the legal, valid and binding obligation of EMF, enforceable in accordance with its terms.

(b) The execution and performance of this Agreement will not violate any order, rule, judgment or decree to which EMF is subject or constitute a breach or default under its charter, bylaws or any contract, agreement, or other commitment to which EMF is a party or may be bound.

(c) The programming supplied by EMF for broadcast on the Station and EMF's conduct of its operations in connection with the performance of this Agreement will comply with all applicable laws, including without limitation, the Communications Act and FCC's rules, regulations and policies, and shall not violate the rights of any third party.

(d) EMF possesses and will maintain all rights necessary to broadcast the programming supplied hereunder, including such rights as may be necessary to permit Licensee to rebroadcast the programming supplied hereunder, provided that the Station shall maintain at its expense all necessary BMI, ASCAP, SESAC and other performance rights licenses.

15. Termination.

(a) In addition to other remedies available at law or in equity, either EMF or Licensee, with respect to the Station, may terminate this Agreement (provided that the terminating party is not then in material default hereunder) if such other party is in default of any representation, warranty, covenant or other obligation under this Agreement in any material respect and has failed to cure such default within thirty (30) days after receiving notice of breach from the terminating party.

(b) This Agreement may be terminated by Licensee or EMF by written notice to the other in the event this Agreement is declared invalid or illegal in whole or substantial part by an order or decree of an administrative agency or court of competent jurisdiction and such order or decree has become final.

(c) This Agreement shall automatically terminate upon Closing if the Term has not already expired.

In the event of termination, all rights and privileges granted to Licensee with respect to K-LOVE programming, if any, shall forthwith cease and terminate and revert to EMF for EMF's sole and exclusive use and disposition, and Licensee shall cease any further use of K-LOVE's programming and signal and the content thereof, including without limitation any titles, names, logos, slogans, jingles, trademarks, copyrights, ideas, formulas, general program content and/or other literary, musical, artistic or creative material broadcast by or associated with K-LOVE. In addition, unless such termination has been caused by EMF's breach or by closing of the sale of the Station to EMF, all prepayments made hereunder shall be promptly repaid to EMF by Licensee except with respect to prepayments properly allocated to months that have elapsed before the termination occurs.

16. Indemnification.

(a) EMF shall indemnify, defend and hold harmless Licensee from and against any and all claims, losses, costs, liabilities, damages and expenses (including reasonable legal fees and other expenses incidental thereto) of every kind, nature, and description (hereinafter referred to as "Loss and Expense"), arising out of: (i) the content of programming furnished by EMF under this Agreement; (ii) any misrepresentation or breach of any warranty of

EMF contained in this Agreement; and (iii) any breach of any covenant, agreement, or obligation of EMF contained in this Agreement.

(b) Licensee shall indemnify, defend and hold harmless EMF from and against all Loss and Expense arising out of the breach of any representation, warranty, covenant, agreement or obligation of Licensee contained in this Agreement.

17. Specific Performance. EMF and Licensee recognize and acknowledge that in the event Licensee fails to perform its obligations to EMF under this Affiliation Agreement, including the grant of or with respect to exercise of the Option to acquire the Station, money damages alone will not be adequate to compensate EMF for its injury. Therefore, the parties agree and acknowledge that in the event of Licensee's failure to perform its obligation to consummate the transaction contemplated hereby, EMF shall be entitled, in addition to any other rights and remedies on account of such failure, to specific performance of the Licensee's obligation under this Agreement. If any action is brought by EMF to enforce this Agreement, Licensee shall waive the defense that there is an adequate remedy at law, and EMF shall be entitled to receive from Licensee all court costs, attorney's fees and other out-of-pocket expenses incurred by EMF in enforcing its rights under this provision.

18. Force Majeure. Licensee shall not be liable for any failure of performance hereunder due to causes beyond its commercially reasonable control, including without limitation, acts of God, equipment malfunction or commercial power failure or reduction. In the event of the occurrence of any such event, Licensee agrees to use commercially reasonable efforts to resume performance as promptly as practicable.

19. Assignment. This Agreement shall be binding upon each party's successors and assigns. No party may voluntarily or involuntarily assign its interest or delegate its duties under this Agreement without the prior written consent of the other party.

20. No Joint Venture. Nothing contained herein shall be deemed to create any joint venture, partnership, or principal-agent relationship among EMF and Licensee, and neither shall hold itself out in any manner that indicates any such relationship with the other.

21. Notices. All notices and other communications permitted or required under this Agreement shall be in writing and shall be deemed effectively given or delivered upon personal delivery or twenty-four (24) hours after delivery to a courier service which guarantees overnight delivery, and, in the case of courier or mail delivery, addressed as follows (or at such other address for a party as shall be specified by like notice):

If to Licensee, to:

Southern Rhode Island Public Radio Broadcasting, Inc.

~~4 Canal Street~~ 244 Post Road

Westerly, RI 02891

Attn:

*Christopher T. DiPaola*



with a copy (which shall not  
constitute notice) to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to EMF, to:

Educational Media Foundation  
5700 West Oaks Blvd.  
Rocklin, California 95765  
Attn: Richard Jenkins, President

with a copy (which shall not  
constitute notice) to:

David D. Oxenford, Esq.  
Shaw Pittman  
2300 N Street, NW  
Washington, D.C. 20037  
fax: 202.663.8007

22. Entire Agreement; Modifications. This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. No amendment or modification of this Agreement shall be binding on either party hereto unless first reduced to writing and signed by both parties hereto.

23. Governing Law. This Agreement shall be governed by, construed and enforced in accordance with, the laws of the State of Rhode Island.

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

**SOUTHERN RHODE ISLAND PUBLIC  
RADIO BROADCASTING, INC.**

By: Ch. Off. Pres.  
Title: SR/PRB

**EDUCATIONAL MEDIA FOUNDATION**

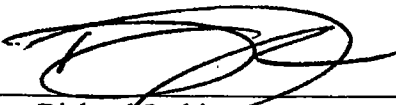
By: \_\_\_\_\_  
Richard Jenkins  
President

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

**SOUTHERN RHODE ISLAND PUBLIC  
RADIO BROADCASTING, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EDUCATIONAL MEDIA FOUNDATION**

By:  \_\_\_\_\_  
Richard Jenkins  
President