

ASSET PURCHASE AGREEMENT

THIS AGREEMENT ("Agreement"), dated as of the 18th day of July, 2005, is by and between KTRW, LLC, a Washington limited liability company (hereinafter "Seller"); and Sacred Heart Radio, Inc., a Washington non-profit corporation (hereinafter "Buyer").

WHEREAS, Seller is the licensee and operator of AM Broadcast Station KTRW, 970 kHz, Spokane, Washington, FCC Facility ID #38492 (the "Station"); and

WHEREAS, the Seller desires to sell and the Buyer desires to purchase certain of the assets, authorizations and goodwill of the Station in order to serve the public interest, convenience and necessity; and

WHEREAS, the grant by the Federal Communications Commission ("Commission" or "FCC") of an application for Commission consent for assignment of license of the Station (which application will contain this Agreement), is an express condition precedent to the obligation of the parties to consummate this Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, covenants and conditions contained herein, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assets to Be Sold.

a. On the Closing Date, and subject to the provisions of paragraphs 3 and 4 hereof, Seller shall sell, assign, transfer, convey and deliver to Buyer, free and clear of all liens, claims, encumbrances, security interests, charges and restrictions, except for Permitted Liens (as defined below), the following assets used in the operation of the Station (the "Station Assets"):

(1) The license for the Station granted by the Federal Communications Commission ("FCC") on April 10, 1998, through and including its normal expiration date of February 1, 2006, File No. BR-19971001W6, as modified on August 1, 2003 by File No. BZ-20030417ACF, together with the license for aural studio transmitter link station WPOQ861, and Antenna Structure Registration numbers 1055022 and 1055023 (collectively, "the Licenses."). A list of the Licenses is appended hereto as Schedule A and incorporated herewith by reference.

(2) All of Seller's right, title and interest in and to certain tangible personal property used in the operation of the Station, as set forth in Schedule B attached hereto and incorporated by reference herein (the "Personal Property"); including but not limited to all towers and ground system, RF generation equipment, directional

antenna phasing equipment, and modular buildings. No studio equipment or furniture are to be sold or purchased hereunder.

(3) An assignment of all of Seller's right, title and interest to the agreement for the use of the Station's transmitter site located at NAD27 coordinates 47° 36' 59" N, 117° 21' 55" W, (the "Transmitter Site"), a true copy of which has been provided Buyer ("the Lease").

(4) Any logs pertaining to the Station's operations which are required to be maintained by the FCC, the public inspection file of the Station, and such other Station records maintained by Seller as Buyer may reasonably require, with the exception of Seller's corporate and financial records; and

(5) All goodwill associated with the Station acquired on or before the Closing Date, except to the extent associated with the call sign "KTRW", which call sign is an Excluded Asset (as defined in paragraph 3 hereof).

b. The Station Assets shall be transferred to Buyer free and clear of any debts, liens or encumbrances of any kind or nature ("Liens"), except for (i) assumed liabilities as provided for in Section 5 hereof (the "Assumed Liabilities"), (ii) Liens for taxes not yet due and payable, (iii) Liens, easements, rights of way, restrictive covenants and other encumbrances, encroachments and defects in title that do not in any material way interfere with or impair the present use of the Station, (iv) and Liens securing indebtedness that will be removed prior to or at the Closing (collectively, "Permitted Liens").

c. Buyer acknowledges and confirms that it has inspected and/or reviewed the various Station Assets to whatever extent, and using whichever experts, it solely has determined is warranted ("Buyer's Due Diligence"), knows the condition thereof, and takes the Station Assets in As Is condition. No warranties or representations are made or have been made by Seller or its agents and representatives that are not expressly set forth herein.

2. **Consideration.** As the total consideration for Seller's sale to Buyer of all of the Station Assets, Buyer shall pay to Seller a purchase price of EIGHT HUNDRED FIFTY THOUSAND DOLLARS (\$850,000.00) in lawful money of the United States of America (the "Purchase Price"), in the following manner:

a. For good and valuable consideration, receipt of which is hereby acknowledged, Buyer has delivered to Seller a nonrefundable earnest money payment of TEN THOUSAND DOLLARS (\$10,000.00), which at the Closing will be applied to the Purchase Price.

b. On the Closing Date (as defined in paragraph 7 hereof), Buyer shall deliver the balance of the Purchase Price to Seller, plus or minus any adjustments, credits

or set-offs allowed in paragraph 2(c) hereof, by wire transfer, in immediately available funds.

c. All taxes and assessments, utility bills and other ongoing costs of usual operation of the Station shall be prorated between Buyer and Seller as of 12:01 a.m. on the Closing Date (the "Effective Time"), and the total purchase price shall be adjusted accordingly. All costs of recordation, filing fees or the like, shall be shared equally by Buyer and Seller and paid according to legal requirements and prevailing practice in the State of Washington. Sales or use taxes shall be the responsibility of the Buyer. Annual FCC regulatory fees for the Station shall be paid by the party who is the Station licensee on the last day such fees are due to be paid.

3. **Excluded Assets.** It is specifically agreed and understood that the Station Assets shall not include the following assets (the "Excluded Assets"), and Seller shall retain all rights, title and interest in the Excluded Assets:

- a. Any cash on hand at the Station as of the Closing Date;
- b. Any bank accounts, cash equivalents, securities, certificates of deposit, Treasury Bills and similar investments owned by Seller;
- c. All studio equipment and furniture of the Station;
- d. All contracts of Seller which are not assumed by Buyer;
- e. All causes of action, claims or defenses of Seller;
- f. All accounts receivable of the Station and all notes receivable (collectively, "Receivables") in favor of Seller in existence as of the Closing Date, subject to the provisions of paragraph 4 below;
- g. Seller's books and records pertaining to corporate organization, taxation, employee pension, and other benefit plans, accounts receivable, insurance policies and all insurance proceeds or claims thereunder, pension, profit sharing or cash or deferred plans;
- h. The call sign "KTRW". Buyer agrees to file an FCC application to change the Station call letters, contingent upon closing the contemplated transaction, effective the Closing Date or as soon thereafter as authorized by the FCC. Seller shall have the right to use the call letters "KTRW" on another station in which its principal is involved; and
- i. The construction permit for a new auxiliary transmitting facility under FCC File No. BXP-20041229ABZ (the "Permit"). It is the intention of Seller that, prior to or contemporaneously with the Closing hereunder, it will either (i) file for requisite FCC authority to modify of the Permit to change frequency, and to assign the

construction Permit for use with another station in which Seller's principal is involved; or (ii) request cancellation of the Permit.

4. **Collection of Accounts Receivable.** All Receivables in favor of Seller in existence as of the Closing Date shall be the property of the Seller. All accounts receivable of the Station derived thereafter (if any) shall be the property of the Buyer. With respect to Seller's Receivables, Seller shall be responsible for collecting its own Receivables, and may take any lawful collection actions it deems necessary to collect such unpaid Receivables for its own account.

5. **No Liabilities Assumed Other Than Those Expressly Disclosed.** The parties hereto agree and understand that this Agreement is for the sale and purchase of the Station Assets, free and clear of all liens and encumbrances, except for Permitted Liens, subject only to the Lease described in paragraph 1(a)(3) above. There are no other operating contracts or agreements to be assigned or assumed. Therefore, except as specifically agreed to and stated herein or listed on Schedule C appended hereto and incorporated herein by reference, Buyer does not assume, or agree to pay or discharge any debts or obligations of Seller with respect to the Station incurred prior to the Closing Date. Any and all liabilities pertaining to the Station which are incurred by or on behalf of the Station subsequent to the Closing Date shall be incurred by the Buyer and shall be discharged by the Buyer. Buyer agrees to hold Seller harmless with respect to any liabilities incurred by Buyer subsequent to Closing.

6. **FCC Consent.** It is understood and agreed by all parties that the prior written consent of the FCC to an application for consent to the voluntary assignment of the Licenses ("the Application") is required before consummation of this Agreement can occur. The Application shall be filed with ten (10) business days after the execution of this Agreement by both parties. Each party shall pay its own legal fees and other expenses incurred in the preparation and prosecution the Application and in the preparation, execution and delivery of this Agreement. Each party hereto shall pay one-half of any required FCC application filing fee; Buyer is a non-profit corporation and will make a showing in the Application that pursuant to 47 CFR §1.1114(c) the Application should be deemed non-feeable. The parties agree and pledge to each other total mutual cooperation to achieve approval by the FCC of the Application, including but not limited to prosecuting the Application in good faith and in due diligence so as to achieve grant and finality thereof as expeditiously as practicable, and to take no action to delay or defeat approval.

7. **Closing Date.** Closing shall take place at a location agreed to by the parties, within FIVE (5) business days of the date upon which FCC staff approval of the Application has become a Final Order. Buyer shall have the sole right to close at any time subsequent to receipt of FCC staff approval of this transaction, subject to giving Seller FIVE (5) calendar days' advance written notice of the Closing Date; provided that, should FCC staff approval of this transaction be granted subsequent to August 16, 2005

and on or prior to September 29, 2005, and no petitions to deny, informal objections or petitions for reconsideration were filed against the Application, the parties agree to close on Friday, September 30, 2005, so that Buyer will file the Station's octennial renewal application on or before Monday, October 3, 2005 (the due date). Should FCC staff approval of the Application not occur as of the close of business on September 29, 2005, Seller will be responsible for the filing of the Station's renewal application, and it is understood by both parties that, under FCC practice, FCC staff will not approve the Application unless and until the Station's license renewal application is granted.

8. **Time of the Essence.** Time is of the essence in the completion of this Agreement and the consummation thereof.

9. **Seller's Representations and Warranties.** Seller represents and warrants to Buyer, the truth and accuracy of each of the following being expressly material to Buyer's execution of this Agreement, as follows:

a. *Organization, Standing and Authority.* Seller is a limited liability company duly organized and validly existing under the laws of the State of Washington. Seller has all requisite corporate power and authority (i) to own, lease, and use the Station Assets as now owned, leased, and used, (ii) to conduct the business and operations of the Station as now conducted, and (iii) to execute and deliver this Agreement and the documents contemplated hereby and thereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by Seller hereunder and thereunder. Seller is not a participant in any joint venture or partnership with any other person or entity with respect to any part of the operations of the Station or any of the Station Assets.

b. *Authorization and Binding Obligation.* The execution, delivery, and performance of this Agreement by Seller have been duly authorized by all necessary actions on the part of Seller and its owner. This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid, and binding obligations of Seller, enforceable against it in accordance with its terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, and by judicial discretion in the enforcement of equitable remedies.

c. *Absence of Conflicting Agreements.* Subject to obtaining the FCC Consent described in Section 6 hereof, the execution, delivery, and performance by Seller of this Agreement and the documents contemplated hereby and thereby (with or without the giving of notice, the lapse of time, or both): (i) do not require the consent of any third party; (ii) will not conflict with any provision of the organizational documents of Seller; (iii) will not conflict with, result in a breach of, or constitute a default under, any applicable law, judgment, order, ordinance, injunction, decree, rule, regulation, or ruling of any court or governmental instrumentality applicable to Seller; (iv) will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default

under, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, instrument, license, or permit to which Seller is a party or by which Seller may be bound; and (v) will not create any claim, liability, mortgage, lien, pledge, condition, charge, or encumbrance of any nature whatsoever upon any of the Station Assets.

d. *Governmental Licenses.* Schedule A is a complete list of the Licenses intended to be included in the Station Assets. Seller has delivered to Buyer true and complete copies of the Licenses (including any amendments and other modifications thereto). Seller is the authorized legal holder of the Licenses. The Licenses listed on Schedule A comprise all of the licenses, permits, and other authorizations required from any governmental or regulatory authority for the lawful conduct of the business and operations of the Station in the manner and to the full extent they are now conducted, and none of the Licenses is subject to any restriction or condition not disclosed therein that would limit the full operation of the Station as now operated. To Seller's knowledge, the Licenses are in full force and effect, and the conduct of the business and operations of the Station is in accordance therewith in all material respects. Seller has no reason to believe that any of the Licenses would not be renewed by the FCC or other granting authority in the ordinary course. To Seller's knowledge, there are no FCC enforcement proceedings or investigations ongoing pertaining to the Station, and Seller has no knowledge of or reason to believe that any such proceedings or investigations are pending or threatened against the Station. To Seller's knowledge, all of the Station's regulatory fees required to be paid by Seller have been paid.

e. *Transmitter Site.* Seller hereby represents that it is the valid and lawful successor in interest to Highsmith Broadcasting Company, an Arizona corporation ("Highsmith") pursuant to that certain "Lease" made and executed as of August 31, 1984, by and between Highsmith and King Broadcasting Company, a Washington corporation ("King"), to expire on August 31, 2083. Seller represents that the Lease has been recorded under Spokane County, Washington Auditor's File No. 8604150010. Seller represents that all references in said Lease to station "KLHT" pertain to Station KTRW. Seller also represents that, pursuant to Section V of said Lease, it may freely assign its rights pursuant to the Lease to Buyer when it becomes the new licensee of the Station, "under the same limitations applicable to Highsmith". To the best of Seller's knowledge there are no actions pending or threatened of any nature which would interfere with use of the Transmitter Site in operation of the Station.

f. *Title and Condition of Personal Property.* Schedule B lists all items of Personal Property intended to be included in the Station Assets. Except as described in Schedule B, Seller owns and has good title to each item of Personal Property, and, as of the Closing Date, none of the Personal Property owned by Seller will be subject to any security interest, mortgage, pledge, conditional sales agreement, or other lien or encumbrance. All items of the Station's main transmitting equipment included in the Personal Property (i) are in operating condition, normal wear and tear excepted, and, to Seller's knowledge, have been maintained in a commercially reasonable manner, (ii)

comply with all applicable rules and regulations of the FCC, and (iii) will permit the Station and STL WPOQ861 to operate in accordance with the terms of the Licenses and the rules and regulations of the FCC, and with all other applicable federal, state, and local statutes, ordinances, rules, and regulations.

g. *Assumed Contracts.* Other than the Lease described in Section 1(a)(3) above and in Schedule C, no contracts are to be assigned by Seller to Buyer or to be assumed by Buyer from Seller.

h. *Consents.* Except for the FCC Consent described in paragraphs 6 and 7 above, no consent, approval, permit, or authorization of, or declaration to or filing with any governmental or regulatory authority, or any other third party is required (i) to consummate this Agreement and the transactions contemplated hereby, or (ii) to permit Seller to assign or transfer the Station Assets to Buyer

i. *Reports.* All reports, and statements that Seller is currently required to file with the FCC or with any other governmental agency with respect to the Station have been filed, and all reporting requirements of the FCC and other governmental authorities having jurisdiction over Seller with respect to the Station have been complied with in all material respects. All of such reports, and statements are substantially complete and correct as filed. To Seller's knowledge, Seller has timely paid to the FCC all annual regulatory fees payable with respect to the FCC Licenses required to be paid by Seller. To Seller's knowledge, the owner of the towers has obtained any required FCC antenna structure registration numbers (the "ASR numbers") for the towers used in the operation of the Station, and will cooperate with Buyer in updating the ownership records of the FCC with respect to the ASR Numbers.

j. *Personnel.*

(1) *Employee and Compensation.* On or prior to the Closing Date, Seller shall terminate all of its employees employed exclusively at the Station, and shall be solely responsible for compliance with all obligations imposed by federal and state law as a consequence thereof. Buyer expressly refuses to assume any liability or obligation of Seller under any employee benefit plans or arrangements which may be in existence as of the Closing Date relative to the Station's employees. With respect to any such employee benefit plans which may exist, Seller has no knowledge of any governmental audit or examination of any of such plans or arrangements. No action, suit or claim with respect to any of such plans or arrangements (other than routine claims for benefits) is pending or, to Seller's knowledge, threatened.

(2) *Labor Relations.* Seller is not a party to or subject to any collective bargaining agreements with respect to the Station. Seller has no written or oral contracts of employment with any employee of the Station. Seller has complied in all material respects with all laws, rules, and regulations relating to the employment of labor, including, without limitation, those related to wages, hours, collective bargaining,

occupational safety, discrimination, and the payment of social security and other payroll related taxes, and it has not received any notice alleging that it has failed to comply in any material respect with any such laws, rules, or regulations. No controversies, disputes, or proceedings are pending or, to Seller's knowledge, threatened, between Seller and any employee (singly or collectively) of the Station. No labor union or other collective bargaining representative represents or, to Seller's knowledge, claims to represent any of the employees of the Station. To Seller's knowledge, there is no union campaign being conducted to solicit cards from employees to authorize a union to request a National Labor Relations Board certification election with respect to any employees at the Station.

k. *Taxes.* Seller has filed or caused to be filed all federal income tax returns and all other federal, state, county, local, or city tax returns which are required to be filed, and it has paid or caused to be paid all taxes shown on those returns or on any tax assessment received by it to the extent that such taxes have become due, or has set aside on its books adequate reserves with respect thereto in accordance with generally accepted accounting principles. To Seller's knowledge, there are no governmental investigations or other legal, administrative, or tax proceedings pursuant to which Seller is or could be made liable for any taxes, penalties, interest, or other charges, the liability for which could extend to Buyer as purchaser of the business of the Station, and no event has occurred that would impose on Buyer any transferee liability for any taxes, penalties, or interest due or to become due from Seller.

l. *Claims and Legal Actions.* Except for any investigations or rulemaking proceedings generally affecting the broadcasting industry or as set forth on Schedule G hereto, there is no claim, legal action, counterclaim, suit, arbitration, governmental investigation or other legal, administrative, or tax proceeding, nor any order, decree or judgment, in progress or pending, or to Seller's knowledge threatened, against or relating to Seller with respect to its ownership or operation of the Station or otherwise relating to the Station Assets or the business or operations of the Station. In particular, but without limiting the generality of the foregoing and there are no applications, complaints or proceedings pending or, to the best of Seller's knowledge, threatened (i) before the FCC relating to the business or operations of the Station other than rule making proceedings which affect the radio industry generally, (ii) before any federal or state agency relating to the business or operations of the Station involving charges of illegal discrimination under any federal or state employment laws or regulations, or (iii) before any federal, state, or local agency relating to the business or operations of the Station involving zoning issues under any federal, state, or local zoning law, rule, or regulation.

m. *Environmental Matters.* Seller agrees that prior to Closing Buyer shall have the option and be permitted to obtain, at Buyer's sole expense, a Phase I environmental assessment of the Transmitter Site. If Buyer's Phase I environmental report indicates that there is a material environmental problem at the Transmitter Site, Buyer shall have the right to terminate this Agreement unless Seller cures the environmental problem prior to Closing. Buyer shall obtain the Phase I environmental

assessment and provide any notice of termination under this sub-paragraph within 60 days of the date of this Agreement.

n. *Compliance with Laws.* To the best of Seller's knowledge Seller has complied in all material respects with the Licenses and all federal, state, and local laws, rules, regulations, and ordinances applicable or relating to the ownership and operation of the Station. To the best of Seller's knowledge, neither the ownership or use of the properties of the Station within the terms of the Lease nor the conduct of the business or operations of the Station conflicts with the rights of any other person or entity.

o. *Interference.* To the best of Seller's knowledge, Seller has received no official notice from the FCC relative to interference contrary to FCC regulations.

p. *Broker.* No brokers or agents to whom a finder's fee or commission would be due are involved in this transaction. Seller is not liable for any finder's or broker's commissions and/or fees with respect to the transactions contemplated by this Asset Purchase Agreement.

q. *Full Disclosure.* No representation or warranty made by Seller in this Agreement or in any certificate, document, or other instrument furnished or to be furnished by Seller pursuant hereto contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact required to make any statement made herein or therein not misleading. There are no contingent or undisclosed liabilities; and in the event that there are any contingent or undisclosed liabilities, Seller will be solely liable for any and all of them.

10. **Buyer's Representations and Warranties.** Buyer represents and warrants to Seller, the truth and accuracy of each of the following being expressly material to Seller's execution of this Agreement, as follows:

a. *Organization, Standing and Authority.* Buyer is a non-profit corporation duly organized and validly existing under the laws of the State of Washington. Buyer has all requisite corporate power and authority (i) to own, lease, and use the Station Assets as now owned, leased, and used, (ii) to conduct the business and operations of the Station as now conducted, and (iii) to execute and deliver this Agreement and the documents contemplated hereby and thereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by Seller hereunder and thereunder.

b. *Authorization and Binding Obligation.* The execution, delivery, and performance of this Agreement by Buyer have been duly authorized by all necessary actions on the part of Buyer and its owners. This Agreement has been duly executed and

delivered by Buyer and constitutes the legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by judicial discretion in the enforcement of equitable remedies.

c. *Absence of Conflicting Agreements.* Subject to obtaining any consent required for the assignment and the assumption of the Lease and the FCC Consent as set forth in Section 6 hereof, the execution, delivery, and performance by Buyer of this Agreement and the documents contemplated hereby and thereby (with or without the giving of notice, the lapse of time, or both): (i) do not require the consent of any third party; (ii) will not conflict with the Articles of Incorporation or By-laws of Buyer; (iii) will not conflict with, result in a breach of, or constitute a default under, any law, judgment, order, injunction, decree, rule, regulation, or ruling of any court or governmental instrumentality; or (iv) will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, instrument, license, or permit to which Buyer is a party or by which Buyer may be bound, such that Buyer could not acquire or operate the Station Assets.

d. *Broker.* No brokers or agents to whom a finder's fee or commission would be due are involved in this transaction. Buyer is not liable for any finder's or broker's commissions and/or fees with respect to the transactions contemplated by this Asset Purchase Agreement.

e. *Qualification.* Buyer is legally and financially qualified under the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC, to acquire the Station and no waiver will be necessary under the rules, regulations and policies of the FCC for Buyer to acquire the Station.

f. *Full Disclosure.* Subject to Buyer's Due Diligence and the provisions hereof relating thereto, no representation or warranty made by Buyer in this Agreement or in any certificate, document, or other instrument furnished or to be furnished by Buyer pursuant hereto contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact and required to make any statement made herein or therein not misleading.

11. **Conditions Precedent to Buyer's Obligations.** The obligations of Buyer under this Agreement are, at its election, subject to the fulfillment on or prior to the Closing Date of each of the following conditions precedent:

a. That (i) the Application be granted, and without the imposition on Buyer of any material conditions (i.e., conditions other than standard conditions and instructions on FCC Form 732) requiring Buyer's compliance and Seller shall have complied with any conditions imposed on it by the FCC Consent, and (ii) in the event that

Closing cannot be accomplished by September 30, 2005, that Seller's application for renewal of license of Station KTRW to be filed on October 3, 2005 be granted for a full eight year term without imposition of any materially adverse conditions.

b. That Seller shall be the holder of all FCC Licenses and there shall not have been any modification of any FCC License that could have a materially adverse effect on the Station or the conduct of its business and operations. No proceeding shall be pending or, to the knowledge of either party, threatened the effect of which could be to revoke, cancel, fail to renew, suspend, or modify adversely any FCC License.

c. That all representations and warranties of Seller contained in this Agreement shall be true and complete in all respects at and as of the Closing Date as though made at and as of that time except to the extent that breaches of the representations and warranties of Seller do not individually or in the aggregate materially adversely affect the Station taken as a whole. Seller and Buyer agree that Buyer may order at its expense a title search of the Real Estate described in paragraphs 1a(3) and 9e above, and they agree that Buyer's satisfaction with the results of said title search shall be a material condition precedent to Buyer's obligation to close hereunder; Provided, however, that Buyer shall be deemed to have waived this condition unless Buyer notifies Seller in writing that it is not satisfied within thirty (30) days of execution of this Agreement.

d. That Seller shall have performed and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date;

e. Seller shall have made or stand willing to make all the deliveries to Buyer set forth in paragraph 13 below; and

f. That between the date of this Agreement and the Closing Date, there shall have been no material adverse change in the Personal Property, Transmitter Site or Licenses of the Station, including any damage, destruction, or loss affecting any material assets used in the conduct of the business of the Station. A material environmental problem at the Transmitter Site shall constitute a material adverse change hereunder.

12. **Conditions Precedent to Seller's Obligations.** The obligations of Seller under this Agreement are, at its election, subject to the fulfillment on or prior to the Closing Date of each of the following conditions precedent:

a. That the Application be granted without the imposition on Seller of any material conditions (i.e., conditions other than standard conditions and instructions pre-printed on FCC Form 732) requiring Seller's compliance, and Buyer shall have complied with any conditions imposed on it by the FCC Consent.

b. That all representations and warranties of Buyer contained in this Agreement shall be true and complete in all material respects at and as of the Closing Date as though made at and as of that time, except for changes contemplated by this Agreement.

c. That Buyer shall have performed and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

d. That Buyer shall have paid to Seller the total Purchase Price pursuant to the terms set forth herein and shall have made or stand willing to make all the other deliveries set forth in paragraph 14 below.

e. That no suit, action, claim or governmental proceeding shall be pending against, and no other judgment, decree or order of any court, agency or other governmental authority shall have been rendered against, any party hereto which would prevent or render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms.

13. **Closing Deliveries By Seller.** At the time and place prescribed in paragraph 7 above, Seller shall make the following Closing Deliveries to Buyer:

a. *Transfer Documents.* Duly executed bills of sale, assignments (including an assignment of the FCC Licenses under Section 1(a)(1) hereof), and other transfer documents which shall be sufficient to vest good and marketable title to the FCC Licenses and Station Assets under Section 1(a)(2) hereof in the name of Buyer, free and clear of all claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges or encumbrances.

b. *Officer's Certificate.* A certificate, dated as of the Closing Date, executed on behalf of Seller by an officer of Seller, certifying (1) that the representations and warranties of Seller contained in this Agreement are true and complete in all respects as of the Closing Date as though made on and as of that date except to the extent that breaches of the representations and warranties of Seller do not individually or in the aggregate materially adversely affect the Station taken as a whole or have been waived by Buyer; and (2) that Seller has in all material respects performed and complied with all of its obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date.

c. *Licenses, Etc.* Copies of the Licenses under Section 1(a)(1) hereof (excluding those that are not transferable) and all files and records under Section 1(a)(4) hereof used by Seller in connection with its operations of the Station.

d. *Additional deliveries.* Such additional information and materials as Buyer shall have reasonably requested.

14. **Closing Deliveries By Buyer.** At the time and place prescribed in paragraph 7 above, Buyer shall make the following Closing Deliveries to Seller:

a. *Purchase Price.* The purchase price as described in paragraph 2 above, plus or minus any adjustments pursuant to Section 2(c) hereof.

b. *Buyer's Certificate.* A certificate, dated as of the Closing Date, executed by Buyer, certifying (1) that the representations and warranties of Buyer contained in this Agreement are true and complete in all material respects as of the Closing Date as though made on and as of that date, and (2) that Buyer has in all material respects performed and complied with all of its obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date.

c. *Additional deliveries.* Such additional information and materials as Seller shall have reasonably requested.

15. **Termination.**

a. In the event that the Closing has not taken place on or before June 30, 2006, either party shall have the right to unilaterally terminate this agreement by giving written notice to the other party of its intention to do so, provided, however, that the party seeking to so terminate is not itself in material breach hereof. Upon such notice, this Agreement shall have no further force and effect.

b. If the Commission designates the Application for hearing, either party shall have the right to terminate this Agreement by written notice to the other party prior to the commencement of the hearing if the terminating party shall not be in default under the provisions of this Agreement; provided that the terminating party shall not be entitled to terminate this Agreement if the hearing results from or was caused by (i) any failure on the part of such party to furnish or make available to the Commission information required to be supplied by such party, or (ii) the willful furnishing by such party of incorrect, inaccurate or incomplete information to the Commission, or (iii) a protest resulting from the solicitation of such protest by the party seeking to terminate this Agreement.

c. This Agreement may be terminated by Seller and the purchase and sale of the Station abandoned, if Seller is not then in material default, upon written notice to Buyer, upon the occurrence of any of the following:

(1) If on the date that would otherwise be the Closing Date any of the conditions precedent to the obligations of Seller set forth in this Agreement have not been satisfied by Buyer or waived in writing by Seller.

(2) If there shall be in effect on the date that would otherwise be the Closing Date any judgment, decree, or order that would prevent or make unlawful the Closing of the transactions contemplated by this Agreement in accordance with its terms.

(3) Without limiting Seller's rights under the other provisions of this Agreement, if Buyer has failed to cure any material breach of any of its representations, warranties or covenants under this Agreement within fifteen (15) days after Buyer received written notice of such breach from Seller.

d. This Agreement may be terminated by Buyer and the purchase and sale of the Station abandoned, if Buyer is not then in material default, upon written notice to Seller, upon the occurrence of any of the following:

(1) If on the date that would otherwise be the Closing Date any of the conditions precedent to the obligations of Buyer set forth in this Agreement have not been satisfied by Seller or waived in writing by Buyer.

(2) If there shall be in effect on the date that would otherwise be the Closing Date any judgment, decree, or order that would prevent or make unlawful the Closing of the transactions contemplated by this Agreement in accordance with its terms.

(3) If any event shall have occurred that permits Buyer to terminate this Agreement under paragraph 18 hereof.

(4) If any event shall have occurred which prevents signal transmission by the Station (i) with any power level whatsoever for a continuous period of ten (10) days from the date hereof through the Closing Date; or (ii) with full power for a continuous period in excess of thirty (30) days.

(5) Without limiting Buyer's rights under the other provisions of this paragraph, if Seller has failed to cure any material breach of any of its representations, warranties or covenants under this Agreement within fifteen (15) days after Seller received written notice of such breach from Buyer.

16. **Seller's Default; Specific Performance.** It is agreed and understood that the Station Assets are unique, as Station KTRW is the only AM broadcast station that broadcasts on the frequency 970 kHz in the State of Washington, and one of only eight AM stations licensed by the FCC to serve the city of Spokane as of the date hereof. Therefore, in the event of Seller's breach of this Agreement which is the result of Seller's refusal to sell the Station to Buyer despite Buyer being ready, willing and able to close, Buyer may and shall be entitled to seek the equitable remedy of specific performance to enforce Seller's obligations hereunder to sell the Station to Buyer. Accordingly, Seller waives any defense to such action in equity that Buyer has an adequate remedy at law. In other situations where Buyer has a claim that Seller has breached this Agreement (for

example, should certain tangible assets not be in condition comparable to that during the period immediately prior to execution of this Agreement), Buyer shall give written notice to Seller, and Seller shall have fifteen (15) days in which to cure such breach; provided, however, that Seller shall only be responsible for any such breaches which cumulatively exceed One Hundred Fifty Thousand dollars (\$150,000).

17. **Buyer's Default.** Where Seller has a claim that Buyer has breached this Agreement, Seller shall give written notice to Buyer, and Buyer shall have fifteen (15) days in which to cure such breach, provided, however, that no such notice shall be required nor cure opportunity afforded for Buyer's inability or unwillingness to tender the full purchase price on the Closing Date upon the occurrence of all conditions precedent. Should said breach remain uncured upon the end of said cure period, Buyer shall be in default, and Seller shall be entitled to pursue any legal or equitable remedy available to it, including a contract action to recover damages sustained as a consequence of Buyer's breach. At that point, Seller shall be free to sell the Station Assets (subject to prior written Commission approval) to any other party of its choosing.

18. **Risk of Loss; Set-off.** Seller shall bear all risk of loss in connection with the Station prior to the Closing Date. Should the Station, or any of the Station Assets which are material to the operation of the Station, be substantially damaged or destroyed and not replaced or repaired within sixty (60) days after such damage or destruction, Buyer shall have the right to elect to either (i) terminate this Agreement or (ii) consummate the transactions contemplated herein upon an agreement by the parties to a set-off or credit for such damaged or destroyed Station Assets.

19. **Taxes.** Seller shall be solely responsible for any and all taxes applicable to the Station until and including the Closing Date. Thereafter, all such taxes applicable to the Station shall be the sole responsibility of the Buyer.

20. **Allocations.** On or before the Closing Date, the parties hereto will agree to allocations as to the Purchase Price consistent with the federal Internal Revenue Code and the rules and regulations of the Internal Revenue Service, and will jointly prepare IRS Form 8594 at the Closing.

21. **Control of Station** From the date hereof until the Closing, the operations of the station, including the complete control of the Station's programming, employees and finances, shall be the sole responsibility of Seller, and Buyer shall not attempt to interfere with the operations of Seller and the Station; however, Buyer shall be permitted a reasonable opportunity to review those books and records of the Station being acquired pursuant to paragraph 1, a., 4 and to inspect the physical condition of the Station Assets. Upon the Closing Date and thereafter, Seller shall make no attempt to control the Station, incur any debts or obligations against the Station, or otherwise interfere in the operations of the Station.

22. **Covenants of Seller.** From the date hereof until the Closing, Seller covenants and agrees that, except as expressly permitted by this Agreement or with the prior written consent of the Buyer, such consent not to be unreasonably withheld, it shall act in accordance with the following:

a. Seller will not make any substantial change in the business of the Station, except such changes as are unlikely to have any material adverse impact upon the Station Assets;

b. Seller will not sell, lease, transfer or otherwise dispose of any Sale Asset without obtaining a suitable replacement acceptable to Buyer before the Closing Date;

c. Seller will not mortgage, pledge or encumber any Station Asset;

d. Seller will not waive or agree to waive any rights of material value relating to the Station Assets or allow to lapse or fail to keep in force any license, permit, authorization or other material right relating to the Station;

e. Seller will not make or permit any amendment to and will take all steps necessary to preserve the Lease under Section 1(a)(3) hereof ;

f. Seller will not enter into any agreement with any employee binding Seller and/or Buyer to utilize said employee's services in connection with the Station other than an employment agreement terminable at will; or

g. Seller will not become a party to any cash, trade or barter agreement for the sale of air time requiring announcements to be made over the Station subsequent to the Closing Date.

23. **Public Notices.** Seller shall prepare and give at its expense all public notices as are required pursuant to 47 C.F.R. §73.3580.

24. **Confidentiality.** Except as necessary for the consummation of the transaction contemplated by this Agreement and, except as and to the extent required by law, each party will keep confidential any information obtained from the other party in connection with the transactions contemplated by this Agreement. If this Agreement is terminated, each party will return to the other party all information obtained from the other party in connection with the transactions contemplated by this Agreement. Prior to Closing, neither party shall publish any press release, make any other public announcement or otherwise communicate with any news media concerning this Agreement or the transactions contemplated hereby or thereby without the prior written consent of the other party, except the 47 C.F.R. §73.3580 public notice described in the preceding paragraph; *provided, however*, that nothing contained herein shall prevent either party from promptly making all filings with governmental authorities as may, in its

judgment be required or advisable in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

25. Indemnification.

a. *By Seller.* Seller shall indemnify, defend and save Buyer, its affiliates, successors and assigns, harmless against and from all liabilities, claims, losses, damages, cost and expenses (including reasonable attorney's fees) resulting from (i) the conduct of business and operations of the Station by Seller prior to the Closing Date, (ii) any misrepresentation of breach of warranty, representation or covenant by Seller contained in this Agreement, (iii) any claims or actions brought by any principal of Seller against Buyer as a result of or in connection with this transaction, (iv) any claim or action of any kind by or on behalf of any employee or former employee of Seller or the unlawful conduct of any such employee, and (v) all actions, suits, proceedings, demands, damages, assessments, judgments, costs, reasonable attorney's fees on any appeal, and expenses incident to any of the foregoing or incident to any enforcement by Buyer of any covenant of agreement on the part of Seller set forth in this Agreement.

b. *By Buyer.* Buyer will indemnify, defend and save Seller, its affiliates, successors and assigns harmless against and from all liabilities, claims, losses, damages, costs and expenses (including reasonable attorney's fees) resulting from (i) any misrepresentation or breach of warranty, representation or covenant by Buyer contained in this Agreement, (ii) the conduct of business and operations of the Station by Buyer following the Closing and (iii) any claims or actions brought by any principal of Buyer against Seller as a result of or in connection with this transaction, and (iv) all actions, suits, proceedings, demands, damages, assessments, judgments, costs, reasonable attorney's fees (including reasonable attorney's fees on any appeal) and expenses incident to any of the foregoing or incident to any enforcement by Seller of any covenant or agreement on the part of Buyer set forth in this Agreement.

c. *Claims Pursuant to Indemnities.* If any claim covered by the foregoing indemnities is asserted against any other indemnified party (the "Indemnitee"), the Indemnitee shall promptly give the other party (the "Indemnitor") written notice of such claim. Under no circumstance shall any claim for indemnification hereunder arise until the aggregate amount of all such claims exceeds the sum of \$15,000.

26. Benefit and Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party hereto may assign this Agreement without the prior written consent of the other party hereto provided, however, that Buyer may assign its rights and obligations under this Agreement, in whole or in part, to one or more subsidiaries or commonly controlled affiliates of Buyer, upon written notice to and receipt of consent from Seller, which shall not be withheld unreasonably. Upon any permitted assignment by Buyer or Seller in accordance with this paragraph, all references to "Buyer" herein shall be deemed to be references to Buyer's assignee and all references

to "Seller" herein shall be deemed to be references to Seller's assignee, as the case may be.

27. **Further Assurances.** The parties shall take any reasonable actions and execute any other documents that may be necessary or desirable to the implementation and consummation of this Agreement, including, in the case of Seller, any additional bills of sale, deeds, or other transfer documents that, in the reasonable opinion of Buyer, may be necessary to ensure, complete, and evidence the full and effective transfer of the Station Assets to Buyer pursuant to this Agreement.

28. **Governing Law.** This Agreement shall be governed, construed and enforced by and in accordance with the laws of the State of Washington, without regard to the choice of law provisions thereof.

29. **Headings.** The headings of the paragraphs of this Agreement are for the convenience of the parties only, and do not in any way modify, interpret or construe the meaning of the provisions hereof.

30. **Gender and Number.** Words used in this Agreement, regardless of the gender and number specifically used, shall be deemed and construed to include any other gender, masculine, feminine, or neuter, and any other number, singular or plural, as the context requires.

31. **Notices.** All notices, demands, and requests required or permitted to be given under the provisions of this Agreement shall be (a) in writing, (b) delivered by personal delivery, or sent by commercial delivery service or registered or certified mail, return receipt requested, (c) deemed to have been given on the date of personal delivery, or the date set forth in the records of the delivery service or on the return receipt, and (d) addressed as follows (or at such other address for a party as shall be specified by like notice):

If to Seller:

Mrs. Melinda Boucher Read
KTRW, LLC
Post Office Box 31000
Spokane, WA 99223

with copies to (which shall not constitute notice):

Ellen Mandell Edmundson, Esquire
Edmundson & Edmundson
1818 N Street, NW, Suite 700
Washington, DC 20036

Hedley Greene, Esq.
421 West Riverside Avenue, Suite 1007
Spokane, WA 99201

If to Buyer:

Mr. Ronald R. Belter, President
Sacred Heart Radio, Inc.
Post Office Box 2482
Kirkland, WA 98083

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

Dennis J. Kelly, Esquire
Law Office of Dennis J. Kelly
Post Office Box 41177
Washington, DC 20018

32. **Entire Agreement.** This Agreement, the schedules, hereto, and all documents, certificates, and other documents to be delivered by the parties pursuant hereto, collectively represent the entire understanding and agreement between Buyer and Seller with respect to the subject matter hereof. This Agreement supersedes all prior negotiations between the parties and cannot be amended, supplemented, or changed except by an agreement in writing that makes specific reference to this Agreement and which is signed by both parties.

33. **Waiver of Compliance; Consents.** Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement, or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this paragraph.

34. **Severability.** The parties agree that if one or more provisions contained in this Agreement shall be deemed or held to be invalid, illegal or unenforceable in any respect under any applicable law, this Agreement shall be construed with the invalid,

illegal or unenforceable provision deleted, and the validity, legality and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby, provided, however, that if the removal of the offending provision or provisions materially alters the burdens or benefits of either party, the parties agree to negotiate in good faith such modifications to this Agreement as are appropriate to ensure that the burdens and benefits of each party are reasonably comparable to those originally contemplated herein.

35. **Counterparts**. This Agreement may be signed in one or more counterparts, each of which shall be considered an original counterpart, and shall become a binding Agreement when the parties shall have each executed one counterpart.

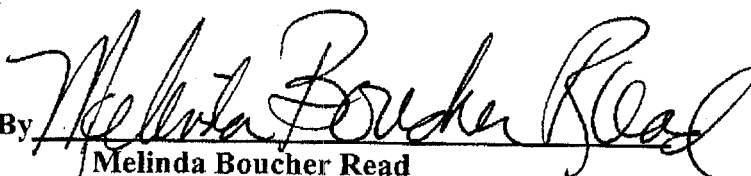
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SIGNATURES APPEAR ON FOLLOWING PAGE(S)]

**IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED
THIS AGREEMENT AS OF THE DAY AND YEAR FIRST WRITTEN ABOVE.**

SELLER

KTRW, LLC

By 
Melinda Boucher Read
Member

BUYER

SACRED HEART RADIO, INC.

By _____
Ronald R. Belter
President

**IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED
THIS AGREEMENT AS OF THE DAY AND YEAR FIRST WRITTEN ABOVE.**


SELLER

KTRW, LLC

By _____
Melinda Boucher Read
Member

BUYER

SACRED HEART RADIO, INC.

By  _____
Ronald R. Belter
President

Schedule A

KTRW License:

BR-19971001W6, as modified by BZ-20030417ACF

STL WPOQ861 License

Antenna Structure Registrations

1055022 and 1055023

Schedule B

Gates 5 Transmitter

Harris MW5 Transmitter – used backup

STL Transmitter/Receiver system

CRL timer/switcher

Towers – two

Orban audio processor

TFT Modulation Monitor

Burk ACR 16 Remote Control