

## PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT, dated as of September 18<sup>th</sup>, 2002 (this "Agreement"), by and between FOUR RIVERS BROADCASTING, INC., a California corporation ("Seller"), and EDUCATIONAL MEDIA FOUNDATION, a California non-profit corporation ("Buyer").

### WITNESSETH:

WHEREAS, Seller is the licensee of FM broadcast station KMJC-FM on Channel 300, Class A (107.9 MHz), licensed to Mount Shasta, California (the "Station"); and

WHEREAS, on the terms and conditions described herein, Seller desires to sell, and Buyer desires to purchase, the Station; and

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Sale of Assets.**

(a) On the Closing Date (as hereinafter defined), Seller shall sell, assign and transfer to Buyer, and Buyer shall purchase, assume and receive from Seller, all of the assets, properties, interests and rights of Seller of whatsoever kind and nature, which are owned by Seller and/or used or useful in connection with the operation of the Station (the "Assets") (but excluding the Excluded Assets described in subparagraph (c) below), including without limitation:

(i) All of Seller's equipment, machinery, furniture, furnishings, fixtures, office materials, vehicles and other tangible personal property used or useful in the conduct of the business or operations of the Station (the "Tangible Personal Property"), together with such improvements and additions thereto and replacements thereof between the date hereof and the Closing Date, including without limitation, the property set forth on Schedule 1 hereto;

(ii) All of the licenses, construction permits and other authorizations, including the FCC Authorizations (collectively, the "Licenses"), issued by the FCC, the Federal Aviation Administration (the "FAA"), and any other federal, state or local governmental authorities to Seller in connection with the conduct of the business and the current and proposed on-air operations of the Station, including without limitation, those set forth on Schedule 2 hereto;

(iii) The Sublease, as defined in Section 9(b)(v) hereof;

(iv) All logs, books, files, data, software, FCC and other governmental applications, equipment manuals and warranties, and other records relating to the full on-air broadcast operations of the Station, including without limitation all electronic data processing files and systems, FCC filings and all records required by the FCC to be kept by the Station; and

(v) All of Seller's right, title and interest in and to all copyrights, licenses, patents, trademarks, service marks, logos and trade names (including the call letters KMJC-FM and any variation thereof, but not KMJC-AM or any variation thereof) used in connection with the operation of the Station and all goodwill associated therewith, including registrations and applications for registration of any of the foregoing, and other similar intangible rights and interests;

(b) The Assets shall be transferred to Buyer free and clear of all debts, security interests, mortgages, trusts, claims, pledges, conditional sales agreements and other liens, liabilities and encumbrances of every kind and nature ("*Liens*"). Except as expressly set forth herein, Buyer is not agreeing to, and shall not, assume any liability, obligation, undertaking, expense or agreement of Seller of any kind, absolute or contingent, known or unknown, specifically including, without limitation, any liability, obligation or agreement to retain any Station employee, or with respect to termination thereof, or any employee benefit or expense, and the execution and performance of this Agreement shall not render Buyer liable for any such liability, obligation, undertaking, expense or agreement. All of such liabilities and obligations shall be referred to herein as the "*Retained Liabilities*."

(c) The following assets and associated liabilities relating to the business of the Station shall be retained by Seller and shall not be sold, assigned or transferred to Buyer (the "*Excluded Assets*"):

(i) Cash on hand and in banks (or their equivalents) and accounts receivable arising out of the operation of the Station prior to Closing;

(ii) All rights of Seller under all contracts, leases (other than the Sublease, as defined in Section 9(b)(v) hereof) and agreements, including contracts of insurance and insurance proceeds of settlement and insurance claims made by Seller relating to property or equipment repaired, replaced, restored by Seller prior to the Closing Date;

(iii) The tangible personal property owned by Seller that is used primarily for the operation of KMJC-AM, and the FM automation equipment specifically identified on Schedule 1(c) hereto;

(iv) Accounts receivable;

(v) All deposits and all prepaid expenses and taxes; and

(vi) Seller's corporate records.

## 2. Purchase Price.

(a) Upon the terms and subject to the conditions contained in this Agreement, and in consideration of the sale of the Assets, on the Closing Date Buyer shall pay to Seller the

sum of Four Hundred Thousand Dollars (\$400,000) (the "Purchase Price") on the Closing Date (as hereafter defined), payable as:

(i) One Hundred Thousand Dollars (\$100,000) in cash by wire transfer of same day federal funds to an account designated by Seller at least three (3) business days before the Closing Date;

(ii) A promissory note (the "Note") in the form of Exhibit A hereto, made to Seller by Buyer in the principal amount of Three Hundred Thousand Dollars (\$300,000), bearing interest at 7.5% per annum simple interest, to be amortized over a term of 120 months, with installments of principal and accrued interest due and payable monthly in arrears, commencing on the date that is thirty (30) days after the date of issuance of the Note, and continuing on the same calendar day of each succeeding month. Buyer may prepay all or any portion of the principal of the Note from time to time without penalty; and

(iii) As security for the Note, a Security Agreement (the "Security Agreement") in the form of Exhibit B hereto, granting Seller a first priority security interest on the Assets (other than the FCC Licenses, but including the proceeds of any sale thereof).

(b) Concurrently with the execution of this Agreement, Buyer has delivered to First Liberty National Bank, located in Washington, D.C. (the "Escrow Agent"), the sum of Twenty Thousand Dollars (\$20,000) to be held as an earnest money deposit (the "Earnest Money Deposit") pursuant to an Escrow Agreement of even date herewith. The Earnest Money Deposit shall be paid to Seller as partial payment of the cash Purchase Price due at Closing to Seller, or shall otherwise be made available to Seller or released to Buyer in accordance with the provisions of this Agreement.

(c) The parties agree to prorate all expenses arising out of the operation of the Station which are incurred, accrued or payable, as of 11:59 p.m. local time of the day preceding the Closing. The items to be prorated may include, but are not limited to, power and utilities charges at the Real Property tower lease site, FCC regulatory fees, real and personal property taxes upon the basis of the most recent tax bills and information available, security deposits (to the extent any such deposit is assigned to the benefit of Buyer hereunder), and similar prepaid and deferred items. On the Closing Date, the prorations shall, insofar as feasible, be determined and paid on the Closing Date, with final settlement and payment to be made within forty-five (45) days after the Closing Date.

(d) Seller may obtain a bona fide independent appraisal of the Station and Assets conveyed hereunder, and to the extent that the appraised fair market value of the Station and Assets exceeds the Purchase Price, Seller may seek a charitable deduction with respect to the difference between the Purchase Price and the appraised value. Buyer shall cooperate with any reasonable request of Seller with respect to substantiation or approval of such deduction.

3. **FCC Consent; Assignment Application.**

(a) At the earliest mutually agreeable date, but not later than five (5) business days after the date of this Agreement, Buyer and Seller shall execute and file an application with the FCC (the "Assignment Application") requesting its consent to the assignment, from Seller to Buyer, of the Station's FCC Licenses ("FCC Consent"). Buyer and Seller shall take all reasonable steps to cooperate with each other and with the FCC to secure such FCC Consent without delay, and to promptly consummate this Agreement in full. Each party shall bear one half the cost of the Assignment Application fee payable to the FCC, but shall otherwise be responsible for all of its own costs with respect thereto.

(b) Seller hereby consents to and agrees to cooperate with Buyer in connection with the filing of a request by Buyer for a waiver of the FCC's "main studio" rules, such waiver to be effective on or after the Closing Date, but further provided that the grant of such waiver shall not be a condition to closing of the transaction contemplated hereby. Such request shall be made and prosecution thereof shall be conducted solely at Buyer's expense, and Seller's covenant of cooperation shall be satisfied by prompt delivery of the signed statement required under Section 73.3517 of the FCC rules.

4. **Closing Date; Closing Place.** The closing (the "Closing") of the transactions contemplated by this Agreement shall occur on a date (the "Closing Date") fixed by Buyer (with no less than five (5) business days written notice to Seller) which shall be no later than ten days following the date on which the FCC Consent shall have become a Final Order (as hereinafter defined); provided, however, that Buyer may elect, in its sole discretion, to proceed to Closing upon written notice to Seller upon the release of public notice of the grant of the FCC Consent, in which event the Closing shall be held on the fifth (5th) business day after the date of Buyer's notice to Seller. For purposes of this Agreement, the term "Final Order" means action by the FCC consenting to an application which is not 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 be held by mail or in such other manner as mutually agreed upon by the parties.

5. **Representations and Warranties of Seller.** Seller hereby makes the following representations and warranties to Buyer which shall be true as of the date hereof and on the Closing Date:

(a) Seller is a corporation, duly organized, validly existing and in good standing under the laws of the State of California. Seller has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by Seller and no other proceedings on the part of Seller are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights or the application of principles of equity.

(b) The execution, delivery and performance of this Agreement by Seller will not (i) result in a default (or give rise to any right of termination, cancellation or acceleration) under or conflict with any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation relating to the Station and to which Seller is subject, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained and delivered to Buyer, (ii) violate any law, statute, rule, regulation, order, writ, injunction or decree of any federal, state or local governmental authority or agency and which is applicable to Seller or the Station, (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on the Station, or (iv) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent.

(c) Schedule 1 hereto contains a list of all material tangible personal property and assets owned or leased by Seller for use in connection with the operation of the Station (other than certain Excluded Assets specifically identified on Schedule 1(c) hereto). Seller owns and has, and will have on the Closing Date, good and marketable title to all such property. The assets listed in Schedule 1 hereto include all material tangible personal property necessary to conduct the business and operations of the Station as now conducted (other than those assets which are Excluded Assets). The Tangible Personal Property (i) is in good condition and repair, ordinary wear and tear excepted, (ii) has been maintained in a manner consistent with standards of good engineering practice; (iii) has been operated in material compliance with the Communications Laws (as defined below), and (iv) does not contain any material quantity of PCBs. For purposes of this Section, material Tangible Personal Property shall be items of such property valued at One Hundred Dollars (\$100) or more.

(d) Schedule 2 hereto contains a true and complete list of the FCC Licenses and all other licenses, permits or other authorizations from governmental or regulatory authorities that are required for the lawful conduct of the business and operations of the Station in the manner and to the full extent it is presently operated. Seller is the authorized legal holder of the FCC Licenses identified on Schedule 2 hereto none of which is subject to any restrictions or conditions that would limit in any respect the Station except such conditions as are stated on the face thereof. The FCC Licenses are validly issued and are in full force and effect, unimpaired by any act or omission of Seller. Seller is in compliance in all material respects with all applicable federal, state and local laws, rules and regulations, including, without limitation, the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC (collectively, the "Communications Laws"). Other than the proceedings affecting the radio broadcasting industry generally, and any proceeding identified on Schedule 2 hereto, (i) there is not now pending or threatened any action by or before the FCC to revoke, cancel, rescind, modify or refuse to renew any of such FCC Licenses, and (ii) Seller has not received any notice of and has no knowledge of any pending, issued or outstanding order by or before the FCC, or of any investigation, order to show cause, notice of violation, notice of apparent liability, notice of forfeiture, or material complaint against either the Station or Seller. Seller has timely filed with the FCC all material reports required thereby, and has timely paid all regulatory fees and any fines or forfeitures due to the FCC with respect to the Station. The Station is currently and at the Closing Date shall be operating with at least 90% of its fully authorized power on the current Station License. The Station is not causing objectionable interference to KMJC-AM, and

KMJC-AM is not causing objectionable interference to the Station. The Station tower facility identified on Schedule 2 has been issued a "no hazard" determination by the FAA and, if required, an Antenna Structure Registration by the FCC.

(e) With respect to Real Property to be subject to the Sublease as defined in Section 9(b)(v) hereof, there is full legal and practical access to the Real Property and all utilities necessary for Buyer's use of the Real Property as a radio tower facility are installed and are in good working order, and, to Seller's knowledge, are subject to valid easements, where necessary. To Seller's knowledge, the Real Property and improvements constructed thereon, as well as the present uses thereof, conform in all material respects with all restrictive covenants and with all applicable zoning, environmental and building codes, laws, rules and regulations, including set back restrictions. To Seller's knowledge, the buildings, towers, guys and other fixtures situated on the Real Property, are free of structural defects and, are suitable for their intended uses, are in a good state of maintenance and repair (ordinary wear and tear excepted), are contained entirely within the bounds of the Real Property, and do not encroach upon any other property except in cases where valid easements (that are included in the Assets) have been obtained. To Seller's knowledge, there is no pending condemnation or similar proceeding affecting the Real Property or any portion thereof, and no such action is presently contemplated or threatened. Other than the Sublease, Seller is not conveying any real property or interest therein to Buyer. Seller has all necessary right and authority to enter into the Sublease with Buyer, except for such consents as will be obtained by Seller before the Closing Date.

(f) Other than The Exline Company, whose commission will be paid by Seller, there is no broker or finder or other person who would have any valid claim against Buyer for a commission or brokerage in connection with this Agreement or the transaction contemplated hereby as a result of any agreement, understanding or action by Seller.

(g) Seller is not subject to any order, writ, injunction, judgment, arbitration decision or decree having binding effect and affecting the business of the Station or the Assets. There is no litigation pending by or against, or to the best of Seller's knowledge, threatened against Seller which relates to the Station or could affect any of the Assets. Seller, with respect to the Station, has complied in all material respects with all laws, regulations, orders or decrees applicable to Seller or the Station. The present uses by Seller of the Assets do not violate any such laws, regulations, orders or decrees in any material respect, and Seller has no knowledge of any basis for any claim for compensation or damage or other relief from any violation of the foregoing.

(h) All of the Station Assets that are insurable in character are insured against loss, injury or damage to the full extent of their replacement value.

(i) Seller has duly, timely and in the required manner filed all federal, state, and local income, franchise, sales, use, property, excise, payroll and other tax returns and forms required to be filed, and has paid in full or discharged all taxes, assessments, excises, interest, penalties, deficiencies and losses required to be paid. No event has occurred which could impose on Buyer any liability for any taxes, penalties or interest due or to become due from Seller from any taxing authority.

(j) No representation or warranty made by Seller in this Agreement, and no statement made in any certificate, document, exhibit or schedule furnished or to be furnished in connection with the transactions herein contemplated, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make such representation or warranty or any such statement not misleading to Buyer.

6. **Representations and Warranties of Buyer.** Buyer hereby makes the following representations and warranties to Seller which shall be true as of the date hereof and on the Closing Date:

(a) Buyer is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California, and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Buyer has the power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by Buyer and no other proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding agreement of Buyer enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights or the application of principles of equity.

(c) The execution, delivery and performance of this Agreement by Buyer will not (i) conflict with or result in any breach of any provision of the articles of incorporation or by-laws of Buyer, or (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under or conflict with any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation, relating to its own business, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained and delivered to Seller, (iii) violate any law, statute, rule, regulation, order, writ, injunction or decree of any federal, state or local governmental authority or agency and which is applicable to Buyer, or (iv) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent.

(d) There is no broker or finder or other person who would have any valid claim against Buyer for a commission or brokerage in connection with this Agreement or the transactions contemplated hereby as a result of any agreement, understanding or action by Buyer.

(e) Buyer is legally, financially and technically qualified to acquire the Station.

(f) There is no litigation, proceeding or governmental investigation pending or to the knowledge of Buyer, threatened, in any court, arbitration board, administrative agency,

or tribunal against or relating to Buyer that would prevent or materially impede the consummation by Buyer of the transactions contemplated by this Agreement.

(g) No representation or warranty made by Buyer in this Agreement, and no statement made in any certificate, document, exhibit or schedule furnished or to be furnished in connection with the transactions herein contemplated, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make such representation or warranty or any such statement not misleading to Seller.

7. **Seller Covenants.** Seller covenants with Buyer that, between the date hereof and the Closing Date, it shall act in accordance with the following:

(a) Seller shall render accurate at and as of the Closing Date the representations and warranties made by it in this Agreement;

(b) Seller shall operate the Station only in the ordinary course of business and in accordance with past practice, and Seller will not, without the prior written consent of Buyer, sell, lease, transfer or agree to sell, lease or transfer any of the Station, the material Tangible Personal Property, the FCC Licenses or other material Assets without replacement thereof with an equivalent asset of equivalent kind, condition and value that satisfies industry standards for such assets, or create any Lien on the Assets.

(c) Seller shall operate the Station in material compliance with applicable law, including the Communications Laws.

(d) Seller shall maintain the Tangible Personal Property included in the Assets in accordance with standards of good engineering practice and replace any of such property which shall be worn out, lost, stolen or destroyed with like property of substantially equivalent kind and value.

(e) If any event should occur which would prevent the consummation of the transactions contemplated hereunder (other than an event proximately caused by Buyer), Seller shall use its best efforts to cure such event as expeditiously as possible.

8. **Buyer Covenants.** Buyer covenants with Seller that, between the date hereof and the Closing Date, it shall act in accordance with the following:

(a) Buyer shall render accurate at and as of the Closing Date the representations and warranties made by it in this Agreement.

(b) If any event should occur which would prevent the consummation of the transactions contemplated hereunder (other than an event proximately caused by Seller), Buyer shall use its best efforts to cure such event as expeditiously as possible.

9. **Conditions Precedent to Obligation to Close.**

(a) The performance of the obligations of Seller hereunder is subject to the satisfaction of each of the following express conditions precedent:

(i) Buyer shall have performed and complied in all material respects with all of the agreements, obligations and covenants required by this Agreement to be performed or complied with by Buyer prior to or as of the Closing Date;

(ii) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of the Closing Date; and

(iii) Public notice of the FCC Consent contemplated by this Agreement shall have been released.

(b) The performance of the obligations of Buyer hereunder is subject to the satisfaction of each of the following express conditions precedent:

(i) Seller shall have performed and complied in all material respects with all the agreements, obligations and covenants required by this Agreement to be performed or complied with by Seller prior to or as of the Closing Date;

(ii) The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of the Closing Date;

(iii) The FCC Consent contemplated by this Agreement shall have become a Final Order;

(iv) The construction permit for upgrade of Station facilities to Class CO [BPH-20010611ACS] (the "Construction Permit") shall be in full force and effect, and there shall be no complaint, objection, or petition for reconsideration pending before the FCC with respect thereto;

(v) Seller shall have entered into a sublease (the "Sublease") of the portion of certain real property and tower currently used as the tower site facility for the Station (the "Real Property") in the form and upon the terms and conditions set forth on Exhibit C hereto.

(vi) Buyer, within thirty (30) days of the filing of the Assignment Application, shall have entered into a lease with respect to the proposed tower site identified in the Construction Permit, said lease to be on commercially reasonable terms, or Buyer shall have obtained assurances to Buyer's reasonable satisfaction that such a lease may be obtained from the tower site owner, and in any event, Buyer shall notify Seller within such thirty (30) day period either that it has satisfied this condition, or that the condition is waived, or that based upon Buyer's inability to satisfy this condition, this Agreement is terminated. If such notice is not given within the thirty (30) day period, the condition stated herein shall be waived by Buyer.

(vii) No suit, action, claim or governmental proceeding shall be pending, and no order, decree or judgment of any court, agency or other governmental authority shall have been rendered, against any party hereto which: (x) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (y) questions the validity or legality of any transaction contemplated hereby; or (z) seeks to enjoin any transaction contemplated hereby; and

(viii) There shall not be any Liens on the Assets or any financing statements of record and Seller shall have delivered to Buyer lien search reports, in form and substance satisfactory to Buyer and dated no earlier than thirty (30) days prior to the Closing, reflecting the results of UCC, tax and judgment lien searches conducted at the office of the Secretary of State of the State of California and in the County Clerk's Office of each county in which the Assets are located.

10. **Closing Deliveries.**

(a) At the Closing, Seller will execute and deliver to Buyer the following, each of which shall be in form and substance satisfactory to Buyer and its counsel:

(i) A Bill of Sale in a form acceptable to Buyer and other instruments of transfer and conveyance, dated the Closing Date, in form and substance so as to effectively and legally transfer and assign to Buyer the Assets and effectively vest in Buyer good and marketable title to the Assets;

(ii) An Assignment and Assumption of FCC Authorizations;

(iii) The Sublease in the form and on the terms set forth on Exhibit C hereto;

(iv) A certificate, dated the Closing Date, executed by the President of Seller, certifying the fulfillment of the conditions set forth in Section 9.1(b)(i) and (ii) hereof;

(v) A certified resolution of the Board of Directors and the shareholders of Seller authorizing and approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and an opinion of Seller's counsel with respect to the matters contained in Section 5(a) and 5(d) above;

(vii) An incumbency certificate, certified articles of incorporation of Seller and a certificate of existence or good standing for the Seller from the Secretary of State of the State of California;

(viii) A joint notice to the Escrow Agent directing the Escrow Agent to release the Earnest Money Deposit to Seller as payment of a portion of the Purchase Price due from Buyer;

(ix) Payoff letters and UCC-3 termination statements with respect to any lien of record shown on the reports delivered pursuant to Section 9(b)(vii) hereof; and

(x) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement or as Buyer shall reasonably request, each in form and substance satisfactory to Buyer and its counsel.

(b) Prior to or at the Closing, Buyer will execute and deliver to Seller the following, each of which shall be in form and substance satisfactory to Seller and its counsel:

(i) The Purchase Price as defined in Section 2, including the cash portion of the Purchase Price, the Note, and the Security Agreement;

(ii) An Assignment and Assumption of FCC Authorizations;

(iii) The Sublease;

(iv) The joint notice to the Escrow Agent;

(v) Certified copies of the resolutions of the Board of Directors of Buyer authorizing and approving the execution and delivery of this Agreement and consummation of the transactions contemplated hereby;

(vi) An incumbency certificate, certified articles of incorporation of Buyer and a certificate of existence or good standing for the Buyer from the Secretary of State of the State of California;

(vii) A certificate, dated the Closing Date, executed by the President of Buyer, certifying the fulfillment of the conditions set forth in Section 9.1(a)(i) and (ii) hereof; and

(viii) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement or as Seller shall reasonably request, each in form and substance satisfactory to Seller and its counsel.

#### 11. **Indemnification.**

(a) Following the Closing Seller shall indemnify, defend and hold harmless Buyer with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including, without limitation, interest, penalties, court costs and reasonable attorneys' fees) ("Damages") asserted against, resulting from, imposed upon or incurred by Buyer directly or indirectly relating to or arising out of: (i) the breach by Seller of any of its representations or warranties, or failure by Seller to perform any of its covenants, conditions or agreements set forth in this Agreement; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to Seller's ownership of the Station prior to the Closing.

(b) Following the Closing Buyer shall indemnify, defend and hold harmless Seller with respect to any and all Damages asserted against, resulting from, imposed upon or incurred by Seller directly or indirectly relating to or arising out of: (i) the breach by Buyer of any of its representations, warranties, or failure by Buyer to perform any of its covenants, conditions or agreements set forth in this Agreement; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to the ownership of the Station subsequent to the Closing except with respect to Retained Liabilities.

(c) The several representations and warranties of Seller and Buyer contained in or made pursuant to this Agreement shall be deemed to have been made on the date of this Agreement and on the Closing Date, shall survive the Closing Date for a period of eighteen (18) months following the Closing Date or, in the case of a third-party claim, until the applicable statute of limitations with respect to such claim shall have expired.

12. **Termination.**

(a) This Agreement may be terminated by either Buyer or Seller, if the party seeking to terminate is not in default or breach of any of its material obligations under this Agreement, upon written notice to the other upon the occurrence of any of the following: (i) if, on or prior to the Closing Date, the other party breaches any of its material obligations contained herein, and such breach is not cured by the earlier of the Closing Date or thirty (30) days after receipt of the notice of breach from the non-breaching party; or (ii) if the Assignment Application is designated for hearing or denied by Final Order; or (iii) if there shall be in effect any judgment, final decree or order that would prevent or make unlawful the Closing of this Agreement; or (iv) if the Closing has not occurred within one year of the date the Assignment Application is filed with the FCC.

(b) In addition to Buyer's right to pursue specific performance as provided in Section 13 below, upon termination of this Agreement by Buyer due to a breach by Seller of any of its material obligations under this Agreement, Buyer may seek all rights and remedies that it may have in equity or at law. Upon termination of this Agreement by Seller due to a breach by Buyer of any of its material obligations under this Agreement, Seller's sole remedy shall be payment of the Earnest Money Deposit to Seller as liquidated damages.

13. **Specific Performance.** Seller acknowledges that the Station is a unique asset not readily available on the open market and that in the event Seller fails to perform its obligation to consummate the transaction contemplated hereby, irreparable harm may occur to Buyer as to which money damages alone will not be adequate to compensate Buyer for its injury. Seller therefore agrees and acknowledges that in the event of Seller's failure to perform its obligation to consummate the transaction contemplated hereby, Buyer shall be entitled to specific performance of the terms of this Agreement and of Seller's obligation to consummate the transaction contemplated hereby, provided, however, that such action for specific performance shall not be deemed to limit or preclude Buyer's right to any other remedy that may be available at law or in equity. If any action is brought by Buyer to enforce this Agreement, Seller shall waive the defense that there is an adequate remedy at law.

14. **Notices.** All notices, elections 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 refusal thereof), or twenty-four (24) hours after delivery to a courier service which guarantees overnight delivery, or five (5) days after deposit with the U.S. Post Office, by registered or certified mail, postage prepaid, 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 Seller, to:

John Power  
President  
Four Rivers Broadcasting, Inc.  
P.O. Box 44  
Sea Ranch, California 95497

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

Howard M. Weiss, Esq.  
Fletcher Heald and Hildreth PLC  
1300 N. 17<sup>th</sup> Street 11<sup>th</sup> Floor  
Arlington, VA 22209

If to Buyer, to:

Educational Media Foundation  
5700 West Oaks Boulevard  
Rocklin, CA 95765  
Attn: Richard Jenkins, President

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

Bryan T. McGinnis, Esq.  
Shaw Pittman  
2300 N Street, N.W.  
Washington, D.C. 20037-1128

15. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the choice of law principles thereof. Any action to enforce or interpret this Agreement shall be brought in a state court sitting in Sacramento, California.

16. **Partial Invalidity.** Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any provision contained herein shall, for any reason, be held to be invalid or unenforceable, such provision shall be ineffective to the extent of such invalidity or unenforceability without invalidating the remainder of such provision or any other provisions hereof, unless such a construction would be unreasonable.

17. **Counterparts.** This Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

18. **Expenses.** Except as otherwise set forth in this Section, each party hereto shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement. Any sales or transfer taxes and fees relating to the conveyance of the Station to Buyer shall be borne by Buyer and Seller in accordance with applicable law or local custom and practice.

19. **Risk of Loss.** The risk of any loss, taking, condemnation, damage or destruction of or to any of the Assets or the Station (each, an "*Event of Loss*") on or prior to the Closing Date shall be upon Seller and the risk of any Event of Loss subsequent to the Closing Date shall be upon Buyer. Upon the occurrence of an Event of Loss prior to the Closing, Seller shall take steps to repair, replace and restore the damaged, destroyed or lost property to its former condition. Buyer shall have no obligation to consummate the transactions contemplated hereby unless, on the Closing Date, the Station is broadcasting at least with 90% of its full authorized power.

20. **Assignment.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted 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, which consent shall not be unreasonably withheld or delayed.

21. **Entire Agreement.** This Agreement, and the exhibits attached hereto, supersede all prior agreements and understandings between the parties with respect to the subject matter hereof and may not be changed or terminated orally, and no attempted change, amendment, or waiver of any of the provisions hereof shall be binding unless in writing and signed by both parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

**FOUR RIVERS BROADCASTING, INC.**

By: \_\_\_\_\_  
John Power  
President

**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.

**FOUR RIVERS BROADCASTING, INC.**

By:  \_\_\_\_\_  
John Power  
President

**EDUCATIONAL MEDIA FOUNDATION**

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

FCC Licenses

Main station license: KMJC-FM (ID#60022) BLH-7333; BMLH-19940225KC

Renewal: BRH-19970723K1 Expires: 12/01/05

Construction Permit: BPH-20010611ACS Granted: 6/29/01 Expires: 6/29/04

Tangible Personal Property

**KMJC-FM Inventory List**

3.5 kw McMartin transmitter model BF 3.5 k

Harris SuperCiter FM exciter

One 4 bay antenna system

CRL Systems Amigo FM AGC. Limiter and multiplex generator

McMartin TBM-2200A FM Stereo Monitor

McMartin TBM-3700 FM Mono Frequency/Modulation monitor

Sage EAS system

1 Shure mic

1 Electro Voice RE 20 mic

1 BE 8S250A eight channel board

EXHIBITS

PROMISSORY NOTE

\$300,000

\_\_\_\_\_, 2002

FOR VALUE RECEIVED, the undersigned, EDUCATIONAL MEDIA FOUNDATION a California non-profit corporation (the "Maker"), hereby promises to pay to the order of FOUR RIVERS BROADCASTING, INC., a California corporation (the "Holder"), at P.O. Box 44 , Sea Ranch, California, or at such other address specified by the Holder to the Maker, in lawful money of the United States of America and in immediately available funds, the principal amount of THREE HUNDRED THOUSAND DOLLARS (\$300,000), together with interest accrued thereon in like money.

The principal of this promissory note (the "Note"), together with interest thereon, shall be amortized over a period of one hundred twenty (120) months. Interest on the principal amount shall accrue at the rate of seven and one-half percent (7.5%) per annum simple interest from the date hereof until the entire principal amount has been paid in full. Payments of principal and interest shall be payable in arrears in one hundred twenty (120) monthly installments of \$3561.05 each, commencing on the date which is the first day of the first full calendar month after the date hereof, and continuing on the same day of each succeeding month thereafter until paid in full provided, that, if any such payment date shall be a day that is not a regular business day, then payment shall be due on the next regular business day thereafter.

This Note is issued pursuant to an Asset Purchase Agreement, dated as of August \_\_\_\_, 2002, between the Maker and the Holder (the "Purchase Agreement") relating to the Maker's purchase from the Holder of substantially all of the assets and licenses of Station KMJC-FM, Mount Shasta, California.

Interest shall be calculated on the basis of a year of 365 days for the actual number of days elapsed, including any time extended by reason of payments falling due on Saturdays, Sundays or legal holidays. Maker may from time to time prepay a portion or the entire principal of the Note without penalty or premium, provided, however, that any such prepayment shall first be applied to any accrued but unpaid interest, and then to principal, and further provided, that the monthly installments due hereunder shall be \$3561.05 until all accrued interest and the remaining principal balance have been paid in full.

If any of the following events or conditions (each, an "Event of Default") shall occur:

- (a) Default by the Maker in the payment of any installment of principal or interest on this Note when the same becomes due and payable, which default continues uncured for a period of seven (7) days after written notice of such default has been given by the Holder to the Maker;
- (b) The Maker shall make an assignment for the benefit of creditors, or shall file a voluntary petition in bankruptcy, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation;

(c) There shall be filed against the Maker any petition or application for relief under any bankruptcy or similar law which is not discharged or dismissed within sixty (60) days after the filing of such petition or application; or

(d) Default by the Maker under that certain Security Agreement of even date herewith executed by Maker in favor of the Holder, which default continues uncured within the applicable cure period set forth therein;

(e) The sale of the Station, the actual or purported assignment or transfer of control of the FCC Licenses of the Station, or any Local Marketing Agreement or Time Brokerage Agreement in which a party not affiliated with Buyer is the programmer thereunder, unless this Note and the obligations evidenced hereby are discharged at the closing or effective date of such transaction;

then, and in any such event, the Holder may at any time, by written notice to the Maker, declare the entire amount of all principal and interest remaining unpaid on this Note due and payable, whereupon the same shall forthwith become due and payable. In the event Holder institutes a suit for collection of the sums due hereunder and is the prevailing party in said action, then Holder shall be entitled to payment by Maker of Holder's reasonable costs of collection, including, without limitation, reasonable attorney's fees.

All notices and other communications provided for under this Note shall be in writing and shall be deemed effectively given or delivered upon personal delivery (or refusal thereof), or twenty-four (24) hours after facsimile transmission or delivery to a courier service which guarantees overnight delivery, or five (5) days after deposit with the U.S. Post Office, by registered or certified mail, postage prepaid, 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 the Holder, to:

John Power  
President  
Four Rivers Broadcasting, Inc. P.O. Box 44  
Sea Ranch, CA  
Fax: \_\_\_\_\_

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

Howard M. Weiss, Esq.  
Fletcher Heald and Hildreth PLC  
1300 N. 17<sup>th</sup> Street 11<sup>th</sup> Floor  
Arlington, VA 22209

If to Maker, to:

Educational Media Foundation

1425 North Market Boulevard, Suite 9  
Sacramento, CA 95834  
Attn: Richard Jenkins, President  
Fax: (916) 928-1861

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

Bryan T. McGinnis, Esq.  
Shaw Pittman LLP  
2300 N Street, N.W.  
Washington, D.C. 20037  
Fax: (202) 663-8007

This Note is secured by that certain Security Agreement of even date herewith executed by Maker in favor of the Holder, and upon the occurrence of an Event of Default the Holder may exercise all rights and remedies set forth in such Security Agreement.

This Note may be assigned by Holder to any other party, upon ten (10) days written notice to Maker, including payment instructions for the assignee. No failure or delay of Holder to exercise any right or any one or more shall not operate as a waiver of such right or any other right, nor shall any delay, omission or waiver on any one or more occasions be deemed a bar to a waiver of the same or any other right on any future occasion.

This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. This Note shall be governed by the laws of the State of California. The Maker hereby waives presentment, demand for payment, notice of dishonor and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Note.

*[Rest of page intentionally left blank; signatures to follow]*

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first above written.

**EDUCATIONAL MEDIA FOUNDATION**

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

**SECURITY AGREEMENT**

THIS AGREEMENT, dated as of \_\_\_\_\_, 2002, is between EDUCATIONAL MEDIA FOUNDATION, a California non-profit corporation ("Debtor"), and FOUR RIVERS BROADCASTING, INC., a California corporation ("Secured Party").

Concurrently herewith, and in accordance with that certain Asset Purchase Agreement, dated as of August \_\_\_, 2002 (the "Purchase Agreement"), entered into by and between Debtor and Secured Party pursuant to which Debtor agreed to purchase from Secured Party substantially all of the assets used exclusively in the operation of broadcast station KMJC-FM, Mount Shasta, California (the "Station"), Secured Party is lending an aggregate principal amount of Three Hundred Thousand Dollars (\$300,000) to the Debtor thereon, which is evidenced by a certain Promissory Note of even date herewith in favor of the Secured Party (the "Note") executed in connection with the Purchase Agreement and delivered to Secured Party.

All capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Note.

**SECTION 1. Security.**

(a) As security for the payment of the \$300,000 principal indebtedness under the Note referenced above, and any interest that may accrue thereon (collectively, the "Obligations"), Debtor hereby grants to Secured Party a continuing security interest in the Collateral set forth in Schedule 1 hereto.

(b) Debtor irrevocably appoints Secured Party as its lawful attorney-in-fact and agent to execute, on its behalf, financing statements and any assignment documents and to file on its behalf appropriate financing statements.

(c) Debtor hereby represents and warrants to Secured Party that: (i) except for the lien granted by the Debtor in favor of the Secured Party pursuant to this Security Agreement, Debtor is, or to the extent that certain of the Collateral is to be acquired after the date hereof, will be, the owner of the Collateral free from any adverse lien, security interest or encumbrance; and (ii) to the best of Debtor's knowledge, no financing statement covering the Collateral is on file in any public office, other than the financing statements filed pursuant to this Security Agreement.

**SECTION 2. Covenants of Debtor.**

Debtor hereby covenants that:

(a) Debtor will defend the Collateral against any claims and demands of all other persons at any time claiming the same or an interest therein which would conflict with any claim or interest of Secured Party. Debtor will maintain the tangible property included within the

Collateral in good operating condition and repair, and use it only in connection with the operation of the Station unless disposed of in the ordinary course of business and replaced with equipment of substantially equivalent value. Debtor will not encumber, sell, transfer, assign, abandon or otherwise dispose of the Collateral except for: (i) sale or transfer of Inventory, and cancellation of Insurance (subject to Section 2(b) hereof) in the ordinary course of business, (ii) liens arising from taxes, assessments, charges, levies or claims that are not yet due or that remain payable without penalty or which are being contested in good faith by appropriate proceedings, (iii) liens arising from legal proceedings, so long as such proceedings are being contested in good faith by appropriate proceedings diligently conducted and so long as execution is stayed on all judgments resulting from any such proceedings, (iv) liens created by this Security Agreement, (v) dispositions of items of Equipment no longer useful to Debtor in the ordinary course of business, and (vi) trade-ins, replacements or exchanges of items of Equipment for other items of Equipment having an equal or greater value (in excess of any purchase money liens on such items) and useful in Debtor's business.

(b) Debtor will have and maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, including without limitation, property and casualty insurance and public liability insurance.

(c) Upon reasonable advance notice to Debtor, Secured Party may examine and inspect the Collateral owned by Debtor at any reasonable time and at any reasonable place, wherever located.

(d) Debtor will pay promptly when due all taxes and assessments upon the Collateral owned by Debtor or upon its use or sale unless such taxes or assessments are being contested in good faith by Debtor. At its option, Secured Party may discharge taxes, liens or other encumbrances at any time levied against or placed on the Collateral which have not been stayed as to execution and contested with due diligence in appropriate legal proceedings, and Secured Party may pay for insurance on the Collateral if Debtor has failed to comply with such obligation and may pay for maintenance and preservation of the Collateral if Debtor fails to do so. Debtor shall reimburse Secured Party on demand for any such expense incurred by Secured Party pursuant to the foregoing authorization.

(e) Debtor will from time to time upon demand furnish to Secured Party such further information and will execute and deliver to Secured Party such financing statements and assignments and other papers and will do all such acts and things as may be necessary or appropriate to establish, perfect and maintain a valid security interest in the Collateral as security for the Obligations, and Debtor hereby authorizes Secured Party to execute and file at any time and from time to time one or more financing statements or copies thereof or of this Security Agreement with respect to the Collateral signed only by Secured Party.

(f) In the event that Debtor sells any of the Equipment referred to in Schedule 1 hereto, Debtor will apply the proceeds of such sale to any unpaid balance of the Note.

(g) In the event that Debtor removes any of the Equipment referred to in Schedule 1 hereto, Secured Party shall maintain its continuing security interest in the Equipment regardless of such Equipment's location.

**SECTION 3. Events of Default.**

(a) Debtor shall be in default under this Agreement upon the occurrence of any of following events or conditions (each, an "Event of Default"):

(i) an "Event of Default" shall occur under the Note and Secured Party's acceleration of such Note; or

(ii) any representation or warranty made by Debtor in this Security Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made, and such inaccuracy is not cured to the satisfaction of Secured Party within thirty (30) days after the date on which Secured Party gives Debtor written notice of such failure; or

(iii) Debtor shall fail to perform or observe any material term, covenant, or agreement contained in this Security Agreement, and such failure is not cured to the satisfaction of Secured Party within thirty (30) days after the date on which Secured Party gives Debtor written notice of such failure.

(b) Upon the occurrence of an Event of Default, Secured Party shall have all of the rights, powers and remedies set forth in the Note and this Agreement, together with the rights and remedies of a secured party under the applicable Uniform Commercial Code, including without limitation the right to sell, lease or otherwise dispose of any or all of the Collateral and to take possession of the Collateral. Secured Party may require Debtor to assemble its Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtor hereby agrees that its address and the place or places of location of the Collateral are places reasonably convenient to it to assemble the Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send to Debtor reasonable advance notice of the time and place of any public sale or reasonable advance notice of the time after which any private sale or any other disposition thereof is to be made. The requirement of sending reasonable advance notice shall be met if such notice is mailed, postage prepaid, to Debtor at least ten (10) days before the time of the sale or disposition. After deducting all expenses incurred by Secured Party in protecting or enforcing its rights in the Collateral, the residue of any proceeds of collection or sale of the Collateral shall be applied to the payment of principal, first, and then interest on Debtor's Obligations, and Debtor shall remain, liable for any deficiency.

(c) Upon the occurrence and continuing existence of an Event of Default, Secured Party shall have the right to require that Debtor join with the successful bidder or other purchaser at a foreclosure sale regarding the Collateral in seeking from the FCC all applicable prior approvals of the assignment of the Station's FCC Licenses to such bidder or other purchaser. In that regard, Debtor agrees to execute and deliver all applications, certificates, instruments,

assignments and other documents and papers that may be required to obtain any necessary FCC consent, approval or authorization. It is expressly understood that such sale shall be subject to all applicable consents and prior approvals of the FCC.

**SECTION 4. Collection.**

Upon the occurrence of an Event of Default pursuant to Section 3(a) hereof, Secured Party shall have the following rights and powers in addition to those specified in Section 3 above:

(a) Secured Party shall have the right to notify the contract obligors obligated on any or all of Debtor's Insurance to make payment thereof directly to Secured Party, and Secured Party may take control of all proceeds of any of the Insurance or General Intangibles.

(b) Debtor hereby irrevocably appoints Secured Party to be Debtor's true and lawful attorney-in-fact, with full power of substitution, in Secured Party's name or Debtor's name or otherwise for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise at any time after the occurrence and continuing existence of an Event of Default pursuant to Section 3(a), but subject to the provisions of Section 8 hereof, the power to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof and to apply for and obtain any required consents of any governmental authority for any such sale or other disposition, as full and effectually as if Secured Party were the absolute owner thereof.

**SECTION 5. Limitations.**

With respect both to Obligations and Collateral, Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromising or adjusting of any thereof, all in such time or times as Secured Party may deem advisable. Secured Party shall have no duty as to the collection or protection of Collateral not in Secured Party's possession, and Secured Party's duty with reference to Collateral in its possession shall be to use reasonable care in the custody and preservation of such Collateral, but such duty shall not require Secured Party to engage in:

- (i) the collection of income thereon;
- (ii) the collection of debt;
- (iii) the taking of steps necessary to preserve rights against prior parties, although Secured Party is authorized to reasonably undertake any such action if deemed appropriate by Secured Party.

**SECTION 6. Successors and Assigns.**

The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its legal representatives, successors and assigns, as joint and several obligations, and shall inure to the benefit of Secured Party, its successors and assigns.

**SECTION 7. Miscellaneous.**

(a) No delay or omission by Secured Party in exercising any of its rights hereunder shall be deemed to constitute a waiver thereof. All rights and remedies of Secured Party hereunder shall be cumulative and may be exercised singularly or concurrently.

(b) This Agreement shall be governed by and construed under the laws of the State of California, without regard to its principles of conflict of laws. None of the terms or provisions of this Agreement may be waived, altered, modified, or amended except by an agreement in writing signed by Secured Party and Debtor.

(c) All notices, statements, requests and demands herein provided for shall be in writing and shall be deemed effectively given or delivered upon personal delivery (or refusal thereof), or twenty-four (24) hours after delivery to a courier service which guarantees overnight delivery, or five (5) days after deposit with the U.S. Post Office, by registered or certified mail, postage prepaid, 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 Secured Party, to:

John Power  
President  
Four Rivers Broadcasting, Inc.  
P.O. Box 44  
Sea Ranch, California  
Att'n: John Power

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

Howard M. Weiss, Esq.  
Fletcher Heald and Hildreth PLC  
1300 N. 17<sup>th</sup> Street, 11<sup>th</sup> Floor  
Arlington, VA 22209

If to Debtor, to:

Educational Media Foundation  
5700 West Oaks Boulevard  
Rocklin, CA 95765  
Attn: Richard Jenkins, President

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

Bryan T. McGinnis, Esq.  
Shaw Pittman LLP  
2300 N Street, N.W.  
Washington, D.C. 20037

**SECTION 8. FCC Approval.**

(a) Notwithstanding anything to the contrary contained herein, any foreclosure on, sale, transfer or other disposition of any Collateral or any other action taken or proposed to be taken hereunder that would affect the operational, voting, or other control of Debtor or affect the ownership of the FCC Licenses, shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended (the "Communications Act"), and to the applicable rules and regulations of the FCC and, if and to the extent required thereby, subject to the prior consent of the FCC and any other applicable governmental authority. Notwithstanding anything to the contrary contained herein, Secured Party will not take any action pursuant hereto that would constitute or result in any assignment of the FCC Licenses if such assignment of license would require under then existing law (including the Communications Act), the prior approval of the FCC, without first obtaining such approval of the FCC and notifying the FCC of the consummation of such assignment (to the extent required to do so).

*[THE NEXT PAGE IS THE SIGNATURE PAGE]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date and year first above written.

**EDUCATIONAL MEDIA FOUNDATION**

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

**FOUR RIVERS BROADCASTING, INC.**

By: \_\_\_\_\_  
John Powers  
President

## SCHEDULE 1

The following Equipment, Inventory, General Intangibles and Insurance are collectively referred to as the "Collateral":

(a) All personal property of Debtor located within the Station KMJC-FM's 54 dBu coverage area and used in connection with the operation of the Station (the "Equipment"), and including any Equipment now or hereafter acquired and used in connection with the Station's upgrade to CO license status. In the event that the Equipment is removed from the Station's 54 dBu coverage area, Secured Party shall maintain its continuing security interest in the Equipment regardless of the location of such Equipment.

(b) All of the Debtor's inventory, merchandise and goods in all forms, used solely in connection with the operation of the Station and located within the Station's 54 dBu coverage area, whether now existing or hereafter acquired, and the proceeds and products thereof (but excluding any inventory, merchandise and goods not located within the Station's 54 dBu coverage area which are also used in connection with Debtor's ownership and operation of its other broadcast stations and facilities) (the "Inventory");

(c) All of Debtor's presently existing and hereafter acquired or arising general intangibles and other intangible personal property used solely in the operation of the Station, including without limitation rights under all contract rights and all present and future authorizations, permits, licenses, franchises, government authorizations, including Debtor's rights under present and future authorizations, permits and licenses issued or granted to Debtor by the Federal Communications Commission (each, an "FCC License") for the ownership and operation of the Station, and all rights incident or appurtenant to such authorizations, permits and licenses (but only to the extent it currently is, or hereafter may become, lawful to grant a security interest in such FCC License), together with the rights to receive all proceeds derived from or in connection with the sale, assignment or transfer of any FCC License used for ownership or operations of the Station (the "General Intangibles"); and

(d) All insurance policies held by the Debtor or naming the Debtor as loss payee (or naming Debtor as an additional insured as its interest may appear) relating to the operation of the Station, including without limitation, casualty insurance and property insurance, and the proceeds thereof (the "Insurance").

Notwithstanding anything contained herein to the contrary, as used herein the term "Collateral" does not include (a) any personal property of Debtor which is not located within the 54 dBu coverage area of the Station (unless such property has been, at any time, located within the Station's 54 dBu contour area and used in connection with the operation of the Station and is subsequently removed from such location), (b) any interest in Debtor's listener pledges and donations, (c) any of Debtor's slogans, logos, jingles, programming, program formats, trademarks, trade names, service marks, copyrights and applications for any of the foregoing, and all goodwill associated therewith, and other similar intangible rights and interests issued to or owned by

Debtor in connection with the operation of the Station, or (d) any intangible property of Debtor which is also used in connection with Debtor's ownership and operation of its other broadcast stations and facilities.

Except for principal indebtedness of the Note outstanding from time to time and any interest that may accrue thereon, the Obligations do not include, and this Security Agreement does not secure, any liability, obligation or indebtedness of Debtor to Secured Party, whether now existing or hereafter arising and howsoever evidenced.

TOWER SITE SUBLEASE AGREEMENT

**THIS TOWER SITE SUBLEASE AGREEMENT** (the "Sublease") is made this \_\_\_ day of September, 2002 by and between Four Rivers Broadcasting, Inc. ("Sublessor"), and Educational Media Foundation, a California non-profit corporation ("Sublessee").

The parties hereto covenant and agree as follows:

WHEREAS, Sublessor is currently the licensee of KMJC-FM, Mt. Shasta, California (the "Station") and Sublessor has entered into an Asset Purchase Agreement with Sublessee dated as of September \_\_\_, 2002 (the "Purchase Agreement"), whereby Sublessee will acquire substantially all of the assets and license of the Station;

WHEREAS, Sublessor is the Lessee as successor in interest to Siskiyou Radio Partners, Inc. ("Siskiyou") under that certain Commercial Site Lease dated as of \_\_\_\_\_ by and between Shasta Cascade Broadcasting Corporation and Siskiyou (the "Prime Lease"), whereby Sublessor has leased the parcel of real property known as 522 East Alma Street, including, without limitation, one-half portion of a building (the "Building") located on the real property (the "Premises") as further described on Exhibit A hereto;

WHEREAS, Sublessor is the owner of a certain broadcast transmission tower (the "Tower") located on the Premises and used as the broadcast transmission tower for the Station;

WHEREAS, Sublessor contemplates that it will assign the Prime Lease and sell the Tower to a third party acquiring the assets and licenses of Sublessor's station KMJC-AM (references in the text below to Sublessor shall be deemed to refer to the third party assuming and accepting the Prime Lease after such conveyance has occurred, unless the context indicates otherwise);

WHEREAS, Sublessor and Sublessee are entering into this Sublease in contemplation that this Sublease shall secure the rights of Sublessee with respect to both the Premises and the Tower for use by Sublessee upon consummation of the transactions set forth in the Purchase Agreement, notwithstanding the conveyances to a third party referred to above, and further, that such third party shall assume and accept such conveyances subject to this Sublease;

NOW, THEREFORE, for good and valuable consideration, the adequacy of which is hereby acknowledged by the parties hereto, and in consummation of the parties' agreements as set forth in the Purchase Agreement, the parties hereto agree as follows:

1. **GRANT and PREMISES**

Subject to the following terms and conditions, Sublessor hereby grants to Sublessee a Sublease to: (i) that portion of the Premises, including the Building, currently used as the Station's tower site; (ii) all rights of access to and on the Premises available to Sublessor under the Lease,

including all utility connections; (iii) the Station's current aperture on the Tower, including the right to maintain the Station's antenna, related broadcast equipment and transmission line on the Tower.

2. **TERM**

The term of this Sublease shall be for a period beginning on the date hereof, but with an Effective Date as of the closing of the transactions contemplated by the Purchase Agreement, and ending on January 31, 2004 at twelve o'clock noon ("Term"), but further provided that this Sublease shall be deemed void if the transactions contemplated by the Purchase Agreement are not consummated and the Purchase Agreement is terminated.

3. **RENT**

A. Sublessee shall pay Sublessor (or the third party that assumes and accepts the Prime Lease, from the date of such conveyance) as rent the sum of Five Hundred Dollars (\$500) per month, with such rent payments to commence January 1, 2003 ("Rent"). Thereafter, Rent shall be payable on the first day of each subsequent month (the "Due Date") in advance, without demand, at Sublessor's address specified in Paragraph 21 below, until such time as Sublessee is notified to pay the third party having assumed and accepted the Prime Lease, subject to the Sublease granted herein.

B. In the event any or all of Sublessee's property located on the Premises is assessed for personal property tax purposes, Sublessee shall pay said personal property tax directly to the taxing authority.

4. **USE**

A. Subject to the provisions of this Sublease, the Premises may be used by Sublessee for the transmission of the broadcast signals of the Station on any channel authorized by the Federal Communications Commission ("FCC"), and related ancillary transmission and reception such as microwave or satellite links.

B. Sublessee may install and operate at the Premises the equipment ("Sublessee's Equipment") set forth on Exhibit B hereto, including substitution or replacement by comparable equipment from time to time. All such Sublessee's equipment shall comply with all applicable rules and regulations of the FCC, and shall be maintained in accordance with "good engineering practices" as defined therein.

C. Sublessee acknowledges that its rights hereunder are not exclusive rights of occupancy with respect to the Premises, but are exclusive solely as to the portion of the Premises used in the broadcast operations of the Station.

5. **UTILITIES**

Sublessee will pay for all electricity used on the Premises in connection with Sublessee's Equipment during the term of this Sublease or any extensions hereto, either directly to the applicable utility or to Sublessor as the case may be. Sublessee may install a submeter at its sole expense to permit separate billing for electricity. Sublessee shall be responsible for any and all costs incurred in installation of utilities or associated equipment by or for the benefit of Sublessee and for Sublessee's connection to existing utilities provided at the Premises by Sublessor. All utilities used by Sublessee shall be billed directly to Sublessee.

6. **PERMITS**

Sublessee shall be responsible for obtaining, at Sublessee's expense, all licenses and permits required for Sublessee's use of the Premises (the "Governmental Approvals"). Sublessee is hereby authorized by Sublessor to apply for and prosecute all Governmental Approvals and other permits and authorizations required to install or operate the Sublessee Equipment and to occupy and use the Premises as set forth herein.

7. **INTERFERENCE**

A. Sublessee acknowledges that KMJC-AM (the "Pre-Existing User") has the right to broadcast or receive a signal from the Tower under the Prime Lease. Sublessee agrees that the Pre-Existing User shall have prior rights to transmit and receive, and in the event that Sublessee's signal is incompatible with or causes interference to the signal of the Pre-Existing User, then Sublessee shall be solely obligated to effect the necessary modifications to eliminate the interference or incompatibility. If any engineering report is submitted to or obtained concluding that Sublessee's broadcasting, transmitting or other activities are causing interference to the Pre-Existing User, then Sublessee shall promptly upon receipt of notice, and at its expense, correct the conditions causing such interference. As used herein, the term interference in the context of a broadcasting activity shall mean a condition existing which constitutes interference within the meaning of the provisions of the recommended practices of the Electronics Industries Association (EIA) and the rules and regulations of the FCC then in effect.

B. Any dispute as to whether interference is being caused, or as to who is causing such interference, which remains unresolved for longer than seven (7) calendar days shall be submitted to a consulting electronic engineer. Such consulting engineer shall be jointly selected by the licensee of KMJC-AM and by Sublessee, provided that he or she shall be a member in good standing of the Association of Federal Communications Consulting Engineers and/or the Society of Broadcast Engineers, shall have not less than five (5) years of experience in the diagnosis of interference, and shall not have been retained or otherwise employed by Sublessor or Sublessee. The determination of the consulting electronic engineer shall be final and binding on all parties. The expense of the consulting engineer so selected shall be paid by the party or parties determined to be responsible for causing the interference. If it is determined that all parties are equally responsible for the interference the expense of the consulting engineer shall be shared equally by the parties as determined to be responsible for causing the interference.

8. **REPAIR AND MAINTENANCE**

A. During the term of this Sublease, Sublessor will: (i) maintain the Tower and Premises so as to comply with existing rules and regulations imposed upon Sublessor by any governmental authority having jurisdiction over its operation, and make any repairs and modifications reasonably necessary to maintain the Tower in good condition and in compliance with good engineering practice; and (ii) maintain the Building and common areas at the Premises in good condition and so as to comply with existing rules and regulations imposed by any governmental authority having jurisdiction over the Premises. In the performance of its maintenance and repair obligations, it may be necessary from time to time for Sublessor to request that Sublessee temporarily cease transmission and broadcasting activities, to turn off electrical power and/or to make other adjustments to its equipment and operations. Sublessor agrees to schedule the work, so far as reasonably possible, from 1:00 a.m. to 5:00 a.m., and Sublessor will not cause any temporary interruption of Sublessee's transmission and broadcasting activities under this provision unless the interruption is required by and consistent with good engineering practice. Sublessee agrees to cooperate with Sublessor and to comply with and honor Sublessor's reasonable requests for temporary cessation of transmission and broadcasting activities, to turn off electrical power and/or to make other adjustments to its equipment or operation, as necessary, to allow orderly performance and carrying out of the work.

B. Subject to approval from Sublessor, provided that such approval is not unreasonably withheld or delayed, Sublessee shall have the right, at its expense, to install, operate, erect and maintain on the Premises Sublessee's Equipment and other authorized improvements. Sublessee's Equipment shall remain the exclusive property of Sublessee, and Sublessee shall promptly remove Sublessee's Equipment following any termination of this Sublease. If Sublessee fails to remove Sublessee's Equipment and restore the Premises to their prior condition upon written demand by Sublessor, Sublessor may remove and store Sublessee's Equipment and restore the Premises to their prior condition at Sublessee's sole expense.

C. Subject to approval from Sublessor, provided that such approval is not unreasonably withheld or delayed, Sublessee shall have the right to install utilities, at Sublessee's expense, and to improve the present utilities on the Premises. Sublessee shall have the right to place utilities on (or to bring utilities across) the Premises in order to service Sublessee's Equipment.

D. Sublessor shall provide Sublessee reasonable ingress, egress, and access over the Tower and Premises adequate to service Sublessee's Equipment at all times during this Sublease and any renewal thereof at no additional charge to Sublessee.

E. Sublessee shall not make, nor permit to be made, any alterations, additions, or improvements to the Premises without Sublessor's prior written consent. All such work shall be at Sublessee's expense and shall be in a quality acceptable to Sublessor. Sublessee shall not permit any mechanic's liens to be placed against the Premises for any work done to the Premises.

F. Any work performed by or for Sublessee on the Premises including installation,

operations, maintenance and/or removal, shall be performed by Sublessee employees or contractors who are qualified to perform such work at the Premises and who are insured with and to the extent of appropriate coverage required under Section 9(b) hereof.

9. **INDEMNITY AND INSURANCE**

A. Mutual Indemnification. Sublessee shall indemnify and save Sublessor harmless from and against any and all claims, demands, actions, damages, liability and expense in connection with loss, damage or injury to persons or property arising in connection with the acts or omissions of Sublessee, Sublessee's agents, contractors, or employees. Sublessor shall indemnify and save Sublessee harmless from and against any and all claims, demands, actions, damages, liability and expense in connection with the loss, damage or injury to persons or property, arising in connection with the acts or omissions of Sublessor, Sublessor's agents, contractors or employees.

B. Public Liability Insurance. Sublessee shall carry comprehensive general casualty, worker's compensation and public liability insurance in the amount of no less than \$1,000,000 per occurrence and \$2,000,000 aggregate coverage with respect to the Premises and Sublessee's use thereof. Sublessee may satisfy its obligations under this Subsection B through blanket insurance policies covering other businesses or property of Sublessee's in addition to the Premises.

10. **DAMAGE AND DESTRUCTION**

In the event that the Tower, the Premises or Sublessor's personal property thereon is damaged or destroyed by fire or other casualty, or so extensively damaged that they cannot be restored (or Sublessor elects not to restore them) within 180 days to their condition as it existed prior to such damage, Sublessor or Sublessee shall have the right to terminate this Sublease by giving written notice to the other party of the exercise of this right within thirty (30) days following the occurrence of the fire or other casualty. In no event shall Sublessor be responsible for damages due to delay occasioned in repairing such damage.

11. **ASSIGNMENT**

Sublessee shall be permitted to assign this Sublease without the consent of Sublessor to a parent, subsidiary or affiliated corporation, partnership or other business entity (which shall be an entity which controls or is controlled by or is under common control with Sublessee). Sublessee may assign this Sublease to a party acquiring substantially all of the Station assets and FCC licenses with the express written consent of Sublessor, which shall not be unreasonably withheld or delayed, provided that the assignee assumes all of Sublessee's obligations hereunder in writing. Sublessee shall not have the right to sublet any part of the Premises except with the written consent of Sublessor, which may be withheld in Sublessor's sole discretion.

Sublessor shall be permitted to assign the Prime Lease and this Sublease, including the

Sublessee's rights with respect to the Tower, to any party acquiring the assets and licenses of KMJC-AM, provided and on the express condition that the Prime Lease and Tower are subject to the rights granted to Sublessee in this Sublease.

12. **EMINENT DOMAIN**

In the event the demised Premises, or any part thereof, shall be taken or condemned either permanently or temporarily for any public or quasi-public use or purpose by any authority in appropriation proceedings or by any right of eminent domain, all damages arising therefrom, shall be payable to Sublessor, except that Sublessee shall be entitled to receive directly from the condemning authority such damages for moving expenses and abandoned personal property as are allowed by law.

13. **DEFAULT**

The occurrence of any of the following shall constitute a material default and breach of this Sublease by Sublessee:

A. A failure by Sublessee to pay the rent reserved herein, or to make any other payment required to be made by Sublessee hereunder, within ten (10) days after notice to Sublessee that such Rent or other payment is past due;

B. A failure by Sublessee to comply, upon notice from Sublessor with respect to interference by Sublessee's Equipment, as provided in Section 7 hereof;

C. A failure by Sublessee to observe and perform any covenant contained in this Sublease requiring Sublessor's specific consent to an action by Sublessee.

D. Except in connection with a failure under Subsection A above, Sublessee shall not be deemed to be in default in the performance of any obligations required to be performed by Sublessee hereunder unless and until it has failed to perform such obligation within thirty (30) days after written notice thereof from Sublessor to Sublessee, and Sublessee shall be afforded an additional reasonable time to cure such default if it has diligently commenced a cure of such default.

14. **EARLY TERMINATION REMEDY**

A. In the event of any material default or breach of this Sublease by either party, the other will notify the defaulting or breaching party of such default or breach in writing; and such defaulting or breaching party shall have a cure period as set forth in Section 13 above. After this period, the non-breaching party, at its option, may terminate this Sublease.

B. Sublessee may terminate the Sublease upon not less than thirty (30) days prior written notice to Sublessor in the event that Sublessee is unable to use the Premises for the intended

purposes set forth in Section 4 above for more than ninety (90) consecutive days by reason of the following: (i) City, county, state or federal statutes, ordinances, orders, rules, regulations or revocation of licenses or permits which prevent the continued use of Sublessee's equipment at the Premises; (ii) Acts of God, war or the public enemy, fires, floods, strikes or labor shortages, or other events of force majeure; or (iii) interference to Sublessee's use of the Premises which remains uncured under the provisions of Section 7 above.

15. **WAIVER**

The failure or delay on the part of either party to enforce or exercise at any time any of the provisions, rights or remedies in this Sublease shall in no way be construed to be a waiver thereof, nor in any way to affect the validity of this Sublease or any part hereof, or the right of such party to thereafter to enforce each and every such provisions, right, or remedy. No waiver of any breach of this Sublease shall be held to be a waiver of any other or subsequent breach. The receipt by Sublessor of Rent at a time when Sublessee is in default under this Sublease shall not be construed as a waiver of such default.

16. **RIGHT TO MORTGAGE**

Sublessor reserves the right to subject and subordinate this Sublease at all times to the lien of any first mortgage now or hereafter placed upon Sublessor's interest in the Premises; provided, however, no default by Sublessor under any mortgage shall affect Sublessee's right under this Sublease, so long as Sublessee substantially performs the obligations imposed upon it hereunder.

17. **SUCCESSORS**

The respective rights and obligations provided in this Sublease shall bind and shall inure to the benefit of the parties hereto, their legal representatives, heirs, successors and permitted assigns; provided, however, that no rights shall inure to the benefit of any successor of Sublessee unless Sublessor's written consent for the assignment to such successor, if required, has first been obtained.

18. **GOVERNING LAW**

The Sublease shall be construed, governed and enforced in accordance with the internal laws of the State of California, without giving effect to its conflicts of law provisions.

19. **SEPARABILITY**

If any provisions of this Sublease shall be held to be invalid, void or unenforceable, the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall remain in full force and effect.

20. **NOTICES**

Any notice or consent required to be given by or on behalf of either party to the other shall be deemed given when mailed by registered or certified mail, return receipt requested, addressed to the Sublessor at the address herein above specified, and to the Sublessee at the address herein above specified, or the Premises, or at such other address as may be specified from time to time by notice in the manner herein set forth.

**SUBLESSEE:**

Educational Media Foundation  
1425 North Market Boulevard, Suite 9  
Sacramento, CA 95834  
Attn: Richard Jenkins, President

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

Bryan T. McGinnis, Esq.  
Shaw Pittman  
2300 N Street, N.W.  
Washington, D.C. 20037-1128

**SUBLESSOR:**

John Powers  
President  
Four Rivers Broadcasting, Inc.  
P.O. Box 44  
Sea Ranch, California

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

Howard M. Weiss, Esq.  
Fletcher Heald and Hildreth PLC  
1300 N. 17<sup>th</sup> Street 11<sup>th</sup> Floor  
Arlington, VA 22209

21. **ENVIRONMENTAL COVENANT**

Sublessee shall not cause any Hazardous Substances (as defined under applicable Federal, State or local law or regulation) to be used, stored, generated or disposed of on or in the Premises in violation of any law. If Sublessee causes Hazardous Substances to be used, stored, generated or disposed of on or in the Premises in violation of any law, or if the Premises becomes contaminated

in any manner due to any act of Sublessee or its agents, Sublessee shall indemnify and hold harmless Sublessor from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, a decrease in value of the Premises, any and all sums paid for settlement of claims, attorneys' fees, consultant and expert fees) arising during or after the Terms as a result of any such violation or contamination by Sublessee.

22. **QUIET ENJOYMENT**

A. Sublessor warrants that the Prime Lease is a binding and enforceable obligation of the parties thereto, that no default exists under such Prime Lease, and that Sublessor has right to enter into this Sublease and sublease a portion of the Premises and Tower to Sublessee for the Term and on the terms and conditions described herein without the consent of any third party, except as shall have been obtained by Sublessor prior to the date hereof. Sublessor warrants that it will put Sublessee into possession of the Premises and Tower, free and clear of all liens and encumbrances.

B. If Sublessee shall pay the Rent and substantially perform all of the covenants and conditions to be performed by Sublessee, it shall during the Term freely, peaceably and quietly occupy and enjoy the full possession of the Premises and the rights and privileges herein granted without molestation or hindrance, lawful or otherwise; and if at any time during any term hereby demised, the rights of Sublessor shall fail or be determined not to enable it to grant the Term hereby demised, Sublessee shall have the option to terminate this Sublease.

23. **ENTIRE AGREEMENT**

This Sublease, including the Exhibits, contains all the agreements, conditions, understandings, representations and warranties made between the parties hereto with respect to the subject matter hereof, and may not be modified orally or in any manner other than by an agreement in writing signed by both parties hereto or their respective successors in interest.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease Agreement as of the date written above.

SUBLESSOR:

FOUR RIVERS BROADCASTING, INC.

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

Its: \_\_\_\_\_

SUBLESSEE:

EDUCATIONAL MEDIA FOUNDATION

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

Its: \_\_\_\_\_

## **EXHIBIT B**

### **SUBLESSEE'S EQUIPMENT**

Sublessee's Equipment shall consist of the following: