

## ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT, dated as of December 19, 2013 (this "Agreement"), by and between EDUCATIONAL MEDIA FOUNDATION, a California non-profit corporation ("Seller"), and CALVARY CHAPEL OF TUCSON, an Arizona non-profit corporation ("Buyer").

### WITNESSETH:

WHEREAS, Seller is the licensee of radio station KAIC(FM) (Channel 205, 88.9 mHz), FIN #78758, licensed to Tucson, Arizona (the "Station") pursuant to authorizations (the "FCC Authorizations") issued by the Federal Communications Commission (the "FCC"); and

WHEREAS, on the terms and conditions described herein, and subject to the prior approval of the FCC, Seller desires to sell and Buyer desires to acquire substantially all of the assets owned or leased by Seller and used or useful in connection with the operation of the Station;

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 hereby agree as follows:

#### **1. Assets and Liabilities.**

(a) On the Closing Date (as hereinafter defined), Seller shall sell, assign and transfer, or cause to be delivered, to Buyer, and Buyer shall purchase, assume and accept from Seller, the assets, properties, interests and rights of Seller of whatsoever kind and nature, used in connection with the operation of the Station and which are specifically described below (the "Assets") (but excluding the Excluded Assets described in subparagraph (c) below):

(i) Seller's equipment, machinery, furniture and other tangible personal property used in the conduct of the business or operations of the Station, as further set forth on Schedule 1 hereto (the "Tangible Personal Property"), together with such modifications, improvements and additions thereto and replacements thereof between the date hereof and the Closing Date;

(ii) All of the licenses, 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 full on-air operations of the Station, set forth on Schedule 2 hereto;

(iii) The Station's tower lease pertaining to the Station's transmission site (the "Tower Lease"), as further identified and described on Schedule 3 hereto;

(iv) All assets related to the Station's transmitter site as further identified and described on Schedule 3 but excluding those specific items listed in Schedule 3 as

being retained by Seller;

(v) All of Seller's logs, books, files, data, software, FCC and other governmental applications, equipment manuals and assignable 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 related thereto, FCC filings and all records required by the FCC to be kept by the Station; and

(vi) Seller's rights to the call sign of the Station.

(b) The Assets shall be transferred by Seller 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 (i) liens for taxes not due and payable or, that are being contested in good faith by appropriate proceedings; and (ii) liens or mortgages, in each case that will be released on or before the Closing or otherwise satisfied by Seller with Buyer's consent. Except as expressly set forth at Section 1(a)(iii) hereof with respect to the Tower Lease, 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, and the execution and performance of this Agreement shall not render Buyer liable for any such liability, obligation, undertaking, expense or agreement unless otherwise specifically agreed to herein. All of such liabilities and obligations which are to be assumed by Buyer, shall be referred to herein as the "Assumed Liabilities." All such liabilities not specifically assumed by Buyer shall be retained by Seller and are referred to herein as the "Retained Liabilities". Without limiting the generality of the foregoing, it is understood and agreed that Buyer is not agreeing to, and shall not, assume (i) any liability or obligation of Seller to Seller's employees under any existing written or oral agreements with Seller, including any such liability or obligation in respect of wages, salaries, bonuses, accrued vacation or sick pay or any other matter, or (ii) any liability arising out of any termination by Seller of the employment of any employee of the Station or any liability for any employee benefit plan or arrangement of Seller for Station employees.

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

(i) Any and all cash, cash equivalents, cash deposits to secure contract obligations, all inter-company receivables from any affiliate of Seller and all other accounts receivable, bank deposits and securities held by Seller in respect of the Station at the Closing Date;

(ii) Any and all claims of Seller with respect to transactions prior to the Closing;

(iii) All prepaid expenses;

(iv) All contracts of insurance and claims against insurers;

(v) All employee benefit plans and the assets thereof and all employment contracts;

(vi) All contracts that are terminated in accordance with the terms and provisions of this Agreement or have expired prior to Closing in the ordinary course of business, and all loans and loan agreements;

(vii) All tangible personal property disposed of or consumed between the date hereof and Closing in the ordinary course of business;

(viii) Seller's corporate records;

(ix) All commitments, contracts and agreements, other than the Tower Lease;

(x) All of Seller's intellectual property used in the operation of the Station and the Assets, other than the call sign;

(xii) Any other items identified on Schedule 1.1 or Schedule 3 under the heading of Retained Assets.

## **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 aggregate sum of Seventy-five Thousand Dollars (\$75,000) (the "Purchase Price") of which:

(i) On the Closing Date, the sum of Thirty Thousand Dollars (\$30,000) shall be paid by Buyer in cash by wire transfer of same day Federal funds to an account designated by Seller at least two (2) business days before the Closing Date.

(ii) On the Closing Date, Buyer shall execute and deliver to Seller a promissory note substantially in the form attached hereto as Exhibit A (the "Note") in the aggregate principal amount of Forty-five Thousand Dollars (\$45,000). The principal of the Note shall be amortized over a term of sixty (60) months. The loan evidenced by the Note shall not bear interest unless it is in default. Buyer shall pay monthly, in arrears, installments of principal in the amount of \$750.00 each, commencing on the 30<sup>th</sup> day after the Closing Date 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) To secure Buyer's payment obligations under the Note, Buyer shall execute and deliver to Seller on the Closing Date a Security Agreement substantially in the form of Exhibit B hereto (the "Security Agreement") granting a first priority security interest in the Assets conveyed to Buyer hereunder, excluding the FCC Authorizations solely, but including all proceeds from the FCC Authorizations.

(b) Concurrently with the execution of this Agreement, Buyer has delivered to

WashingtonFirst Bank (the "Escrow Agent") the sum of Three Thousand Seven Hundred Fifty Dollars (\$3,750.00) to be held as an earnest money deposit (the "Earnest Money Deposit") pursuant to an Escrow Agreement (the "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 shall include, but not be limited to, power and utilities charges, FCC regulatory fees, personal property taxes upon the basis of the most recent tax bills and information available, security deposits, and similar prepaid and deferred items. The prorations shall, insofar as feasible, be determined and paid on the Closing Date, with final settlement and payment to be made within sixty (60) days after the Closing Date.

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

(a) At a date not later than five (5) business days after the execution of this Agreement, Buyer and Seller shall execute, file and vigorously prosecute an application with the FCC (the "Assignment Application") requesting its consent to the assignment, from Seller to Buyer, of all FCC Authorizations pertaining to the Station (the "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.

(b) At a date not later than ten (10) business days after the acceptance for filing of the Assignment Application, Seller shall file an application for a modification of the Station license ("Modification Application") specifying San Manuel, Arizona as the city of license and reducing the ERP to 200 watts.

**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 Seller upon at least five (5) business days prior written notice to the Buyer on a date which shall be after the FCC Consent has been granted and no later than ten (10) days following the date on which the FCC Consent shall have become a Final Order (as hereinafter defined) and the other conditions to closing set forth in Section 8 have either been waived or satisfied. 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 at the offices of Wilkinson, Barker, Knauer, LLP, 2300 N Street NW, Suite 700, Washington, DC, 20037, or at any other location agreed upon by Buyer and Seller, or by mail.

**5. Representations and Warranties of Seller.** Seller hereby makes the following representations and warranties to Buyer:

(a) Seller is a non-profit, religious corporation duly organized, validly existing and in good standing under the laws of the State of California, and is authorized to transact business in the State of Arizona. Seller 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 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) constitute a violation of or conflict with Seller's organizational documents, (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 the business of the Station and to which Seller or any of the Assets may be 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, (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 Seller or any of the Assets, (iv) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on any of the Assets, or (v) require the consent or approval of any governmental authority or other third party other than the FCC Consent.

(c) Schedule 1 hereto contains a list of the tangible personal property owned by Seller for use in connection with the operation of the Station that will be acquired by Buyer at Closing. Seller owns and has, and will have on the Closing Date, good and marketable title to the Tangible Personal Property. The assets listed in Schedule 1 hereto include all Material Tangible Personal Property necessary to conduct the operation of the Station in accordance with FCC rules and policies (other than those assets which are Excluded Assets). Each material item of Tangible Personal Property that has been maintained by Seller (i) is in good condition and repair, ordinary wear and tear excepted, (ii) has been maintained in a manner consistent with generally accepted standards of good engineering practice, (iii) is operating in substantial compliance with the FCC Authorizations and rules and regulations of the FCC and FAA, and (iv) to Seller's best knowledge, does not contain any PCBs. For purposes of this Section, "Material Tangible Personal Property" shall be such items of tangible personal property valued at One Thousand Dollars (\$1,000) or more.

(d) Schedule 2 hereto contains a true and complete list of the FCC Authorizations 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 lawfully holds each of the FCC Authorizations and other licenses, permits and authorizations listed on Schedule 2, and such FCC Authorizations are in full force and effect, have been renewed by the FCC in the ordinary course, and are not subject to any condition except for those conditions appearing on the face of the FCC Authorizations and conditions applicable to broadcast radio licenses generally. Except

as set forth in Schedule 2, Seller is operating the Station in all material respects in accordance with the FCC Authorizations, and all rules, regulations and policies of the FCC (the "Communications Laws"). There is not now pending or, to Seller's knowledge, threatened any action by or before the FCC to revoke, cancel, rescind, modify or refuse to renew any of such FCC Authorizations, and 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. Except as set forth in Schedule 2, all material reports and filings required to be filed with the FCC by Seller with respect to the operation of the Station have been timely filed, and all such reports and filings are accurate and currently are in material compliance. Seller maintains a public inspection file for the Station and, to Seller's knowledge, such file complies with the Communications Laws. To Seller's knowledge, there is no material fact or circumstance that relating to the Station or Seller that would cause the FCC to deny the Assignment Application.

(e) Schedule 3 contains a description of the Tower Lease used in connection with the Seller's operation of the Station. The Tower Lease is in full force and effect, and neither Seller and, to Seller's knowledge, the Landlord, is in default thereunder. The Tower Lease constitutes the only real properties required to operate the Station in the manner in which it is presently operated. There is full legal and practical access to the tower site, and all utilities necessary for Buyer's use of the tower site are installed and, to Seller's knowledge, are subject to valid easements, where necessary. There is to Seller's knowledge no pending condemnation or similar proceeding affecting the Tower Lease, and no such action is presently contemplated or threatened. Seller has made all required payments to the Landlord under the Tower Lease.

(f) The instruments to be executed by Seller and delivered to Buyer at the Closing, conveying the Assets to Buyer, will transfer good and marketable title to the Assets free and clear of all Liens other than Permitted Liens.

(g) Buyer shall have no obligation to offer employment to any employee of Seller or the Station, and shall have no liability with respect to any such employee or for benefits of any kind or nature.

(h) There is no broker or finder or other person who would have any valid claim 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.

(i) Except as set forth on Schedule 4 hereto, there is no material litigation pending by or against, or to the best of Seller's knowledge, threatened against Seller or the Station. To Seller's knowledge, Seller has complied in all material respects with all applicable laws, regulations, orders or decrees with respect to 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.

(j) There is now, and through the Closing there shall be, in full force and effect with reputable insurance companies fire and property insurance with respect to all material



Tangible Personal Property in commercially reasonable amounts sufficient to repair or replace the applicable Assets.

(k) 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 prior to the Closing Date. No event has occurred which imposes on Buyer any liability for any taxes, penalties or interest due or to become due from Seller from any taxing authority.

**6. Representations and Warranties of Buyer.** Buyer hereby makes the following representations and warranties to Seller:

(a) Buyer is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of Arizona 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 agreements of Buyer enforceable in accordance with their respective 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) Buyer is legally, financially and technically qualified to acquire and become the FCC licensee of the Station and to operate the Station in the manner contemplated.

(e) 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 including without limitation, any voluntary or involuntary petition under Federal bankruptcy law or any state receivership or similar proceedings, that would prevent or materially impede the consummation by Buyer of the transactions

contemplated by this Agreement, nor does Buyer know of, or have any reasonable ground to know of, in view of its present situation or action it now contemplates taking, any basis for such litigation, proceeding or investigation.

(f) There is no broker or finder or other person who would have any valid claim 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.

## **7. Covenants.**

(a) Seller covenants with Buyer that, between the date hereof and the Closing Date, Seller shall act in accordance with the following, unless the Buyer otherwise agrees in writing:

(i) 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.

(ii) Seller shall continue to operate and maintain the Station in accordance with the terms of the FCC Authorizations and in material compliance with all applicable laws and FCC rules and regulations. Seller will deliver to Buyer, promptly after filing, copies of any reports, applications or responses to the FCC or any communications from the FCC or any other party directed to the FCC related to the Station which are filed between the date of this Agreement and the Closing Date. Seller will not file any application to modify the Station's facilities except as specified herein, or as are required by the public interest as determined in the sole discretion of Seller, exercised in good faith after consultation with Buyer. Seller shall take all actions necessary to keep the Licenses valid and in full force and effect.

(iii) Seller shall use commercially reasonable efforts to maintain insurance upon all of the Tangible Personal Property in such amounts as necessary to repair or rebuild the applicable Assets.

(iii) Prior to the Closing Date, Seller shall not, without the prior written consent of Buyer, which consent shall not be unreasonably withheld, sell, lease, transfer or agree to sell, lease or transfer any of the 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, other than a Permitted Lien.

(iv) From the date hereof to the Closing Date, Seller shall afford, and shall cause its respective officers, directors, employees and agents to afford, to Buyer and its officers, employees, advisors and agents reasonable access during regular business hours to Seller's officers, employees, independent contractors, agents, properties, records and contracts relating to the Assets, and shall furnish Buyer all operating and other data and information with respect to the Assets as Buyer, through its respective officers, employees, advisors or agents, may reasonably request.

(v) On or before the Closing Date, Seller shall furnish to Buyer revised



Schedules to this Agreement as may be necessary to render such Schedules accurate and complete as of the Closing Date. Seller shall give detailed written notice to Buyer promptly upon the occurrence of or becoming aware of the impending or threatened occurrence of, any event which would cause or constitute a breach or would have caused a breach had such event occurred or been known to Seller prior to the date hereof, of any of Seller's representations or warranties contained in this Agreement or in any Schedule. Seller shall promptly disclose to Buyer any significant problems or developments with respect to the Assets. Seller shall give prompt written notice to Buyer if the Assets shall have suffered damage on account of fire, explosion or other cause of any nature that is sufficient to prevent operation of the Station.

(vi) Seller shall be in material compliance with all federal, state and local laws, rules and regulations.

(vii) Seller shall give detailed written notice to Buyer promptly on learning of the occurrence of any event that would cause or constitute a breach, or that would have caused a breach had such event occurred or been known to Seller on or before the date of this Agreement, of any of Seller's representations or warranties contained in this Agreement or in any Schedule attached hereto. Any such notice to Buyer, similar informal notice by Seller to Buyer, or independent investigation, examination, or other source of knowledge by Buyer regarding a breach of Seller's representations and warranties shall not in any way diminish or obviate any representations or warranties of Seller made in this Agreement, the Schedules and documents delivered pursuant to this Agreement.

(b) Buyer covenants with Seller that, between the date hereof and the Closing Date, it shall act in accordance with the following:

(i) Buyer shall give detailed written notice to Seller promptly on learning of the occurrence of any event that would cause or constitute a breach, or that would have caused a breach had such event occurred or been known to Buyer on or before the date of this Agreement, of any of Buyer's representations or warranties contained in this Agreement or in any Schedule attached hereto. Any such notice to Seller, similar informal notice by Buyer to Seller, or independent investigation, examination, or other source of knowledge by Seller regarding a breach of Buyer's representations and warranties shall not in any way diminish or obviate any representations or warranties of Buyer made in this Agreement, the Schedules and documents delivered pursuant to this Agreement.

(ii) Buyer shall maintain its qualifications to be the FCC licensee of the Station.

(iii) Subject to the provisions of this Agreement, Buyer shall fulfill and perform all conditions and obligations on its part to be fulfilled and performed under this Agreement and to cause the transactions contemplated by this Agreement to be fully carried out. 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 notify Seller of such event and shall use its best efforts to cure such event as expeditiously as possible.

(c) Subject to the terms and conditions of this Agreement, each of the parties hereto

will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable to satisfy any condition to the parties' obligations hereunder in its power to satisfy and to consummate and make effective as soon as practicable the transactions contemplated by this Agreement.

**8. 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, unless waived in writing by Seller:

(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;

(iii) The FCC Consent contemplated by this Agreement shall be effective;

(iv) Buyer shall have delivered to Seller, on the Closing Date, the Purchase Price and the documents required to be delivered pursuant to Section 9(b); and

(v) Buyer shall not be the subject of any voluntary or involuntary petition under Federal bankruptcy law, or any state receivership or similarly proceeding.

(b) The performance of the obligations of Buyer hereunder is subject to the satisfaction of each of the following express conditions precedent, unless waived in writing by Buyer:

(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) None of the events or conditions referenced in Section 19 below shall have occurred and not been remedied as set forth in Section 19;

(iv) The FCC Consent contemplated by this Agreement shall be effective and shall have become a Final Order;

(v) The Modification Application shall have been granted by the FCC and shall have become a Final Order;

(vi) There shall not be any Liens on the Assets or any financing statements of record other than Permitted Liens and those to be satisfied by Seller on or before the Closing Date; and

(vii) Seller shall have delivered to Buyer, on the Closing Date, the documents required to be delivered pursuant to Section 9(a).

**9. Closing Deliveries.**

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

(i) A Bill of Sale 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 personal property Assets and effectively vest in Buyer good and marketable title to the personal property Assets;

Authorizations; (ii) An Assignment and Assumption of the Station's FCC

(iii) An Assignment and Assumption of the Tower Lease;

(iv) The Landlord's Consent, if required, and the Estoppel Certificate;

(v) A certificate, dated the Closing Date, executed by an officer of Seller, certifying the fulfillment of the conditions set forth in Section 8(b)(i) and (ii) hereof;

(vi) A joint notice to the Escrow Agent;

(vii) The Security Agreement;

(viii) A Closing Statement; and

(ix) 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.

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

Agreement; (i) The Purchase Price, including the Note and the Security

Authorizations; (ii) An Assignment and Assumption of the Station's FCC

(iii) An Assignment and Assumption of the Tower Lease;

(iv) A joint notice to Escrow Agent;

(v) A certificate, dated the Closing Date, executed by an officer of Buyer, certifying the fulfillment of the conditions set forth in Section 8(a)(i) and (ii) hereof;

(vi) A certificate of good standing for Buyer from the Secretary of State of Arizona;

(vii) The Promissory Note and Security Agreement; 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.

#### **10. 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 that survive the Closing, or failure by Seller to perform any of its covenants, conditions or agreements set forth in this Agreement that survive the Closing; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to the ownership and operation of the Station prior to the Closing, including the Retained Liabilities and with respect to the Excluded Assets.

(b) Following the Closing, Buyer shall indemnify, defend and hold Seller harmless 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 or warranties that survive Closing, or failure by Buyer to perform any of its covenants, conditions or agreements set forth in this Agreement that survive Closing; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to the ownership and operation of the Station, as conducted by Buyer, subsequent to the Closing.

(c) If either party hereto (the "Indemnitee") receives notice or otherwise obtains knowledge of any matter with respect to which another party hereto (the "Indemnifying Party") may be obligated to indemnify the Indemnitee under this Section 10, then the Indemnitee shall promptly deliver to the Indemnifying Party written notice describing such matter in reasonable detail and specifying the estimated amount of the Damages or liability that may be incurred by the Indemnitee in connection therewith. The Indemnifying Party shall have the right, at its option, to assume the complete defense of such matter at its own expense and with its own counsel, provided such counsel is reasonably satisfactory to the Indemnitee. If the Indemnifying Party elects to assume the defense of such matter, then (i) notwithstanding anything to the contrary herein contained, the Indemnifying Party shall not be required to pay or otherwise indemnify the Indemnitee against any such matter following the Indemnifying Party's election to assume the defense of such matter, (ii) the Indemnitee shall fully cooperate as reasonably requested by the Indemnifying Party in the defense or settlement of such matter, (iii) the Indemnifying Party shall keep the Indemnitee informed of all material developments and events

relating to such matter, and (iv) the Indemnitee shall have the right to participate, at its own expense, in the defense of such matter. In no event shall the Indemnifying Party be liable for any settlement or admission of liability with respect to such matter without its prior written consent.

(d) Except for Section 5(c) as it relates to title, which shall survive through the applicable statute of limitations, the several representations and warranties of Seller and Buyer contained in or made pursuant to this Agreement shall expire on the date that is twelve (12) months after the Closing Date.

## **11. 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: (a) 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, provided however that such opportunity to cure shall not apply to the failure of a party to perform its obligations set forth in Section 4 or Section 9, hereof; or (b) if the Assignment Application is denied by Final Order; or (c) if there shall be in effect any judgment, final decree or order that would prevent or make unlawful the Closing of this Agreement; or (d) if the Closing has not occurred within twelve (12) months after the date hereof.

Upon a 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 by Buyer to Seller, as liquidated damages and not as a penalty, of an amount equal to the Earnest Money ("Liquidated Damages").

THE DELIVERY OF THE LIQUIDATED DAMAGES AMOUNT TO SELLER SHALL BE CONSIDERED LIQUIDATED DAMAGES AND NOT A PENALTY, AND SHALL BE THE RECIPIENT'S SOLE REMEDY AT LAW OR IN EQUITY FOR A BREACH HEREUNDER IF CLOSING DOES NOT OCCUR. BUYER AND SELLER EACH ACKNOWLEDGE AND AGREE THAT THIS LIQUIDATED DAMAGE AMOUNT IS REASONABLE IN LIGHT OF THE ANTICIPATED HARM WHICH WILL BE CAUSED BY A BREACH OF THIS AGREEMENT, THE DIFFICULTY OF PROOF OF LOSS, THE INCONVENIENCE AND NON-FEASIBILITY OF OTHERWISE OBTAINING AN ADEQUATE REMEDY, AND THE VALUE OF THE TRANSACTION TO BE CONSUMMATED HEREUNDER.

If Seller is entitled to the Liquidated Damages, Buyer shall take all actions as are reasonably necessary or convenient in order to cause the Escrow Agent to promptly deliver the Earnest Money Deposit to Seller and shall refrain from any action which would cause any delay in the making of such payment to Seller.

(b) Upon a termination of this Agreement due to a breach by Seller of any of its material obligations under this Agreement, Buyer shall be entitled to the release of the Earnest Money Deposit, and Buyer may seek all rights and remedies that it may have in equity or at law.

(c) Subject to Section 12 hereof, upon a termination of this Agreement for any reason other than as a result of a breach by either party of any of its material obligations under this Agreement, Buyer shall be entitled to the release of the Earnest Money Deposit, and thereafter neither party will have any further liability or obligation to the other with respect to this Agreement, except with respect to the confidentiality provisions herein.

**12. Specific Performance.** Seller acknowledges that the Station is a unique asset not readily obtainable on the open market and that, in the event that Seller fails to perform its obligation to consummate the transaction contemplated hereby, money damages alone will not be adequate to compensate Buyer for its injury. Therefore, Seller 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, (in lieu of any other rights and remedies on account of such failure if such relief is granted), to specific performance of the terms of this Agreement and of Seller's obligation to consummate the transaction contemplated hereby. If any action is brought by Buyer to enforce this Agreement, Seller shall waive the defense that there is an adequate remedy at law, and Buyer shall be entitled to receive from Seller all court costs, attorney's fees and other out-of-pocket expenses incurred by Buyer in enforcing its rights under this provision.

**13. Confidentiality.**

(a) Each party shall hold, and shall cause its officers, employees, agents and representatives, including, without limitation, attorneys, accountants, consultants and financial advisors who obtain such information to hold, in confidence, and not use for any purpose other than evaluating the transactions contemplated by this Agreement, any confidential information of another party obtained through the investigations permitted hereunder, which for the purposes hereof shall not include any information which (i) is or becomes generally available to the public other than as a result of disclosure by the party which alleges the information is confidential or its affiliates, (ii) becomes available to a party on a nonconfidential basis from a source, other than the party which alleges the information is confidential or its affiliates, which has represented that such source is entitled to disclose it, or (iii) was known to a party on a nonconfidential basis prior to its disclosure to such party hereunder. If this Agreement is terminated, each party shall deliver, and cause its officers, employees, agents, and representatives, including, without limitation, attorneys, accountants, consultants and financial advisors who obtain confidential information of another party pursuant to investigations permitted hereunder to deliver to such other party all such confidential information that is written (including copies or extracts thereof), whether such confidential information was obtained before or after the execution. The parties acknowledge that a copy of this Agreement, redacted where appropriate, will be included in the Assignment Application.

(b) If a party or a person to whom a party transmits confidential information of another party is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, criminal or civil investigative demand or similar process) to disclose any of such confidential information, such party or person will provide the other applicable party with prompt written notice so that such party may seek a protective order or other appropriate remedy or waive compliance with Section 13(a). If such protective order or other remedy is not obtained, or if the applicable party waives compliance with Section 13(a), the party subject to the request will furnish only that portion of such



confidential information which is legally required and will exercise its best efforts to obtain reliable assurance that confidential treatment will be accorded such confidential information.

(c) In the event that either party determines in good faith that a press release or other public announcement is desirable under any circumstances, the parties shall consult with each other to determine the appropriate timing, form and content of such release or announcement.

**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, 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 Buyer, to:

Calvary Chapel of Tucson  
5170 S. Julian Drive  
Tucson, AZ 85706  
Attn: Troy Stokoe

If to Seller, to:

Educational Media Foundation  
5700 West Oaks Boulevard  
Rocklin, CA 95765  
Attn: Mike Novak, President/CEO

**15. Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Arizona, without giving effect to the choice of law principles thereof.

**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. This Agreement may be executed and exchanged by facsimile or electronic transmission, with the same legal effect as if the signatures had appeared in original handwriting on the same physical document. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the

use of a facsimile machine or other electronic means to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or other electronic means as a defense to the formation of a contract and each such party forever waives any such defense.

**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. All federal, state, local and other transfer and sales taxes applicable to, imposed upon, or arising out of the transfer to Buyer of the Assets as contemplated hereby shall be paid by the party responsible for such amounts under applicable law.

**19. Risk of Loss.** The risk of loss to any of the Assets on or prior to the Closing Date shall be upon Seller. Seller shall use all commercially reasonable efforts to repair or replace any damaged or lost Assets, provided, however, that in the event that the Assets with a value of greater than Ten Thousand Dollars (\$10,000) are damaged or lost on the date otherwise scheduled for Closing, Buyer may, at its option, either (i) postpone Closing for a period of up to sixty (60) days while Seller repairs or replaces such Assets, or (ii) elect to close with the Assets in their current condition, in which case Seller shall assign all proceeds from insurance on such lost or damaged Assets to Buyer, and Buyer shall have the responsibility to repair or replace the Assets. Seller shall have no responsibility to repair or replace damaged or destroyed Assets not covered by insurance if the cost of such repair exceeds Fifty Thousand Dollars (\$50,000), provided, however, that should Seller not advise Buyer within five (5) days after being requested to do so that Seller will repair or replace such Assets, Buyer may terminate this Agreement without penalty upon written notice to Seller. Should the Station (i) not operate for a period in excess of seventy-two (72) consecutive hours, or (ii) not operate with full licensed facilities for a period of ten (10) consecutive days, or if the Station is not operating at no less than 90% of its full authorized power as of the scheduled Closing Date and it is reasonably expected that the condition set forth in either clause (i) or (ii) of this sentence would be satisfied other than for the originally scheduled Closing Date, Buyer may either elect to terminate this Agreement without penalty upon written notice to Seller or postpone the Closing for a period of up to sixty (60) days while Seller attempts to cure the condition described in the preceding sentence of this Section 19.

**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 and Schedules 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.

**22. Schedules and Exhibits.** Unless otherwise specified herein, each Schedule and Exhibit

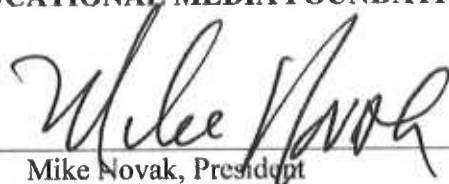
referred to in this Agreement is attached hereto, and each such Schedule and Exhibit is hereby incorporated by reference and made a part hereof as if fully set forth herein.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

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

Seller:

**EDUCATIONAL MEDIA FOUNDATION**

A handwritten signature in black ink, appearing to read "Mike Novak", is written over a horizontal line.

Mike Novak, President

Buyer:

**CALVARY CHAPEL OF TUCSON**

---

By: Troy Stokoe

Title: Assistant Pastor

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

Seller:

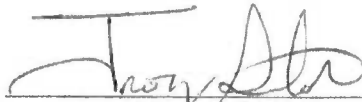
**EDUCATIONAL MEDIA FOUNDATION**

---

Mike Novak, President

Buyer:

**CALVARY CHAPEL OF TUCSON**

A handwritten signature in dark ink, appearing to read "Troy Stokoe", is written over a horizontal line.

By: Troy Stokoe

Title: Assistant Pastor

**Exhibit A**  
**Promissory Note**



## PROMISSORY NOTE

\$45,000.00

Date: \_\_\_\_\_, 201\_\_

FOR VALUE RECEIVED, the undersigned Calvary Chapel of Tucson ("Maker"), hereby promises to pay to the order of Educational Media Foundation ("Holder") at 5700 West Oaks Blvd., Rocklin, CA 95765 or at such other address specified by Holder to Maker, in lawful money of the United States of America and in immediately available funds, the principal amount of FORTY- FIVE THOUSAND DOLLARS (\$45,000.00).

This principal shall be repaid over a term of sixty (60) months and continuing until the principal has been fully repaid. Maker shall make 60 installments of principal in the amount of SEVEN HUNDRED FIFTY DOLLARS (\$750.00) each month (the "Monthly Payments") commencing on the 30<sup>th</sup> day following the date of execution of this Note continuing on the same date of each succeeding month during the remainder of the term of the Note until paid in full. If any payment date shall be due on a day that is not a regular business day, then payment shall be due on the next regular business day thereafter. Maker may prepay all or any portion of the principal of this Note from time to time without penalty.

This Promissory Note shall not accrue interest so long as Maker duly and faithfully pays the Monthly Payments in full on or before the date upon which they are due.

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

- (a) Default by Maker in the payment of any installment of principal on this Note when the same becomes due and payable, which default continues uncured for a period of ten (10) business days after written notice of such default has been given by Holder to Maker;
- (b) 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; or
- (c) There shall be filed against 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.

Then, and in any such event, Holder may at any time, by written notice to Maker, declare the entire amount of the all principal remaining unpaid on this Note due and payable, whereupon the same shall forthwith become due and payable. If an Event of Default occurs and Holder accelerates the payment as provided herein, then this Promissory Note shall thereafter bear interest on the unpaid principal and accrued interest at the rate of 10% per annum until the

Principal and interest is fully repaid. Interest shall be calculated on the basis of a year consisting of Three Hundred Sixty-Five (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.

All notices and other communication 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 b like notice):

If to Holder, to:  
Educational Media Foundation  
5700 West Oaks Blvd.  
Rocklin, CA 95765

If to Maker, to:  
Calvary Chapel of Tucson  
5170 S. Julian Drive  
Tucson, AZ 85706  
Attn: Troy Stokoe

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 Arizona. 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.

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

Maker:

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

**Exhibit B**  
**Security Agreement**

## **SECURITY AGREEMENT**

THIS SECURITY AGREEMENT, dated as of \_\_\_\_\_, 201\_\_, is by and between Calvary Chapel of Tucson, an Arizona corporation ("Debtor"), and EDUCATIONAL MEDIA FOUNDATION, a California non-profit corporation (the "Secured Party").

Concurrently herewith, and in accordance with that certain Asset Purchase Agreement, dated as of \_\_\_\_\_, 201\_\_ (the "Purchase Agreement"), entered into by and between Debtor and Secured Party, pursuant to which Debtor agreed to purchase from Secured Party the assets and licenses used in the operation of radio Station KAIC, Tucson, Arizona (the "Station"), Secured Party is lending an aggregate principal amount of Thirty-five Thousand Dollars (\$35,000) to Debtor, which is evidenced by a certain Promissory Note of even date herewith in favor of 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 \$35,000 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 Debtor in favor of 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) 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, (ii) 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, (iii) liens created by this Security Agreement, (iv) dispositions of items of Equipment no longer useful to Debtor in the ordinary course of business, (v) 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, and (vi) sale of the Station in which the net proceeds as defined in the Note are paid to Secured Party at the closing of the sale transaction.

(b) Debtor will have and maintain insurance on the Collateral 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 (including but not limited to a UCC-1 Financing Statement), 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 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 of Debtor's Obligations, and Debtor shall remain liable for any deficiency.

(c) If an Event of Default shall have occurred the Secured Party may, at its sole option, either with or without entry or taking possession as hereinabove provided or otherwise, proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy under the Uniform Commercial Code: (a) to enforce payment of the Note or the performance of any term hereof or any other right; (b) to foreclose this Security Agreement and to sell, as an entirety or in separate lots, the Collateral, under the judgment or decree of a court or courts of competent jurisdiction; and, (c) to pursue any other remedy lawfully available to it, all as the Secured Party shall deem most effectual for such purposes. The Secured Party shall take



action either by proceedings or by the exercise of its powers with respect to entry or taking possession, as the Secured Party may determine. The Secured Party shall have the continuing option to enforce payment of all sums secured by this Security Agreement by action at law on the Note or by suit in equity to foreclose this Security Agreement, either or both, concurrently or singularly, and one action or suit shall not abate or be a bar to or waiver of Secured Party's right to institute or maintain the other

(d) 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.

(e) The Debtor agrees to the full extent permitted by law, that in case of a default under the Note or this Security Agreement, neither the Debtor nor anyone claiming through or under it shall or will seek to abuse the process of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force, in order to unduly delay, prevent or hinder the enforcement or foreclosure of this Security Agreement, or the absolute sale of the property hereby conveyed, to the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat; and the Debtor, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully do so, the benefit of all rights to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof and agrees that the Secured Party or any court having jurisdiction to foreclose such lien may sell the Collateral as an entirety or in separate lots. Nothing herein contained shall be construed to prevent the Debtor, upon default or thereafter from paying off Secured Party in full and redeeming the property from foreclosure.

(f) If an Event of Default shall occur, then upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Secured Party, the Secured Party to the extent permitted by law shall be entitled to seek the appointment of a receiver to enter upon and take possession of the Collateral, subject to the prior consent and approval of the FCC. The receiver shall collect all rents, revenues, issues, income, products and profits thereof, pending such FCC approval proceedings and apply the same as the court may direct. The receiver shall have all rights and powers permitted under the laws of the State of Arizona and such other powers as the court making such appointment shall confer, but further subject to the rules and regulations of the FCC. The expenses, including receiver's fees, counsel fees, costs and agent's compensation, incurred pursuant to the powers herein contained shall be secured by this Security Agreement. The right to enter and take possession of, to manage and operate, the Collateral, to collect the rents, issues and profits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrent therewith or independently thereof. Secured Party shall be liable to account only for such rents, issues and profits actually received by Secured Party.

(g) In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Debtor, its creditors, or its property, the Secured Party, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Secured Party allowed in such proceedings for the entire amount due and payable by the Debtor under this Security Agreement at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Debtor hereunder after such date.

#### **SECTION 4. Collection.**

Upon the occurrence of an Event of Default pursuant to Section 3(a) hereof:

(a) 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), 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, including but not limited to FCC and FAA consents and/or authorizations.

(b) 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.

#### **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; or
- (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) 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 Arizona, without regard to its principles of conflict of laws, except to the extent that the Uniform Commercial Code of a jurisdiction shall govern assets located in that specific jurisdiction. 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 Debtor, to:

Calvary Chapel of Tucson  
5170 S. Julian Drive  
Tucson, AZ 85706  
Attn: Troy Stokoe

If to Secured Party, to:

Educational Media Foundation  
5700 West Oaks Boulevard  
Rocklin, CA 95765  
Attn: Mike Novak, President/CEO

(d) No waiver of any default hereunder shall extend to or shall affect any subsequent or any other then existing default or shall impair any right, power or remedy consequent thereon. If the Secured Party: (a) grants forbearance or an extension of time for the payment of any sums secured hereby; (b) takes other or additional security for the payment of any sums secured hereby; (c) waives or does not exercise any right granted herein or in the Note; (d) releases any part of the Collateral from the Note or Security Agreement; or, (e) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under the Note, Security Agreement or otherwise of the Debtor or any subsequent purchaser of the Collateral or any part thereof; nor shall any such act or omission preclude the Secured Party from exercising any right, power or remedy herein granted or intended to be granted in the event of any other default then made or of any subsequent default nor, except as otherwise expressly provided in an instrument or instruments executed by the Secured Party, shall the lien of this Security Agreement be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Collateral, the Secured Party, without notice to any person or corporation, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Collateral or the indebtedness secured hereby, or with reference to any of the terms or conditions hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any of the liabilities or undertakings hereunder.

(e) Secured Party shall not assume or be responsible for the performance of any of Debtor's obligations with respect to the Collateral under any circumstances. Debtor shall immediately provide Secured Party with written notice of and indemnify and hold Secured Party and its shareholders, directors, officers, employees and agents harmless from all claims, damages, liabilities (including attorneys' fees and legal expenses), causes of action, actions, suits and other legal proceedings (cumulatively 'Claims') pertaining to Debtor's business operations or the Collateral. Debtor, upon the request of Secured Party, shall hire legal counsel to defend Secured Party from such Claims, and pay the attorneys' fees, legal expenses and other costs incurred in connection therewith. In the alternative, Secured Party shall be entitled to employ its own legal counsel to defend such Claims at Debtor's cost.

(f) Debtor agrees to pay to the Secured Party, on demand, all costs, charges, expenses, disbursements and reasonable attorney's fees not to exceed ten per cent of the amount of principal and interest then outstanding under the Note ("Attorney's Fees and Expenses"):

1. in enforcing the terms of the Note and/or this Security Agreement, whether suit be brought or not;
2. in collecting amounts owed under the Note, whether suit be brought or not;
3. in any action, proceeding or dispute concerning the Note or this Security Agreement;
4. in any action, proceeding or dispute in which the Secured Party is made a party or appears as a party plaintiff or party defendant because of the failure of the Debtor to promptly and fully to perform and comply with all conditions and covenants of this Security Agreement or the Note,

provided, however, that if Secured Party is not the prevailing party in any such litigation, then Secured Party shall be liable to Maker for its Attorney's Fees and Expenses.

All such costs, charges, expenses, disbursements and attorney's fees, shall bear interest thereon at the default rate of interest specified in this Note, from the date incurred by the Secured Party until paid.

All such costs, charges, expenses, disbursements and attorney's fees, and all of the accrued interest thereon: (a) shall become due and payable whether or not there be notice, demand, attempt to collect or suit pending; (b) shall be secured by the lien of this Security Agreement.

Wherever provision is made for payment of attorney's or counsel's fees or expenses incurred by the Secured Party, said provision shall include, but not be limited to, reasonable attorney's or counsel's fees or expenses incurred in any and all judicial, bankruptcy, reorganization, administrative, or other proceedings, including appellate proceedings, whether such proceedings arise before or after entry of a final judgment.

(g) SECURED PARTY AND DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THE PROMISSORY NOTE, THIS AGREEMENT AND ANY OTHER AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith OR THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR SECURED PARTY MAKING THE LOAN EVIDENCED BY THE PROMISSORY NOTE.

#### **SECTION 8. FCC Approval.**

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 to 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 Security Agreement to be executed by their duly authorized officers as of the date and year first above written.

**EDUCATIONAL MEDIA FOUNDATION**

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

Mike Novak, President and CEO

**CALVARY CHAPEL OF TUCSON**

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

Troy Stokoe, Assistant Pastor



## SCHEDULE 1

The following assets used or useful in the operation of radio Station KAIC (the "Station") are collectively referred to as the "Collateral":

(a) All personal property of Debtor located at the Station's tower facility site and used in connection with the operation of the Station (the "Equipment"). Debtor shall not remove any of the Equipment from its location at the Station's tower facility site except for dispositions of items of Equipment no longer useful to Debtor in the ordinary course of business that are replaced by items of equivalent or greater value to be retained at the Station's tower facility site.

(b) All of the Debtor's inventory, merchandise and goods in all forms, used solely in connection with the operation of the Station, whether now existing or hereafter acquired, and the proceeds and products thereof (but excluding any inventory, merchandise and goods 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 the economic interests in the Station (including 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").

(e) All accessions, accessories, additions, amendments, attachments, modifications, replacements and substitutions to any of the above.

(f) All proceeds and products of any of the above.

(g) All books and records pertaining to any of the above

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, (b) 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 used in connection with Debtor's other operations interests.

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.