

ASSET PURCHASE AGREEMENT

by and between

Moon Song Communications, Inc.

and

North American Broadcasting Co., Inc.

for the Sale and Purchase of

Station WALE

Greenville, Rhode Island

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("Agreement"), made and entered into as of this ___ day of April, 2002, by and between North American Broadcasting Co., Inc., a Rhode Island corporation ("Seller") and Moon Song Communications, Inc., a Maine corporation ("Buyer").

WITNESSETH:

WHEREAS, Seller holds certain licenses, permits and authorizations issued by the Federal Communications Commission (the "Commission") for the operation of Station WALE, Greenville, Rhode Island (the "Station"); and

WHEREAS, the Seller owns or leases and desires to sell and/or assign, and Buyer desires to purchase and/or assume certain of the assets, property and business used in the operation of the Station; and

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

SECTION 1

ASSETS TO BE SOLD

1.1 On the Closing Date, Seller shall sell, assign, transfer, convey, set over, and deliver to Buyer, and Buyer shall purchase and/or accept assignment of the following (hereinafter collectively the "Assets"):

1.1.1 **Authorizations.** All licenses, permits and authorizations issued or granted by the Commission for the operation of, or used in connection with the operation of the Station (hereinafter "Commission Authorizations") as listed in Schedule 1.1.1.

1.1.2 **Real Property.** All of Seller's rights in and to the land, buildings, improvements, and other real property and all leaseholds and other interests in real property and

the buildings and improvements thereon (hereinafter collectively the "Real Property"), consisting of all real property and leases, contracts and agreements creating such interests listed and described in Schedule 1.1.2.

1.1.3 **Tangible Personal Property.** All of Seller's rights in and to the fixed and tangible personal property used in the operation of the Station, including, but not limited to the physical assets and equipment, leasehold improvements, furniture, fixtures, receivers, programming, tapes, transmitters, switches and related equipment, and music libraries listed in Schedule 1.1.3, together with replacements thereof, additions and alterations thereto, and substitutions therefor, made between the date hereof and the Closing Date (hereinafter collectively the "Tangible Personal Property").

1.1.4 **Agreements.** All Seller's rights to and in the contracts and agreements, and leases to which Seller or the Station are a party listed in Schedule 1.1.4 (hereinafter collectively "Agreements"), together with all contracts, agreements and leases, entered into or acquired by the Seller between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement.

1.1.5 **Intangibles.** All right, title and interest of Seller in and to the call letters "WALE", together with other intangible property of Seller used or useful in the operation of or otherwise pertaining to the Station as set forth on Schedule 1.1.5 attached hereto and made a part hereof (hereinafter collectively the "Intangibles").

1.1.6 **Business Records.** All of Seller's financial records, engineering reports, advertising reports, programming studies, consulting reports, computing software, marketing data, ledger sheets, customer lists and business and personnel records relating solely to the business or operation of the Station (hereinafter collectively "Business Records") or to

assets or agreements purchased by Buyer.

1.2 **Excluded Assets.** The Assets shall not include the following assets along with all rights, title and interest therein which shall be referred to as the "Excluded Assets":

1.2.1 All cash, cash equivalents or similar type investments of Seller, such as certificates of deposit, Treasury bills and other marketable securities on hand and/or in banks;

1.2.2 All tangible and intangible personal property disposed of or consumed in the ordinary course of business between the date of this Agreement and the Closing Date, or as permitted under the terms hereof;

1.2.3 The Accounts Receivable of the Station as of 11:59 p.m., local time, on the day prior to the Closing Date;

1.2.4 All agreements that have terminated or expired prior to the Closing Date in the ordinary course of business and as permitted hereunder;

1.2.5 Seller's minute books, charter documents, stock record books and such other books and records as pertaining to the organization, existence or share capitalization of Seller and duplicate copies of such records as are necessary to enable Seller to file its tax returns and reports as well as any other records or materials relating to Seller generally and not involving specific aspects of the Station's operation;

1.2.6 Contracts of insurance, including the cash surrender value thereof, and all insurance proceeds or claims made by Seller relating to property or equipment repaired, replaced or restored by Seller prior to the Closing Date;

1.2.7 Any and all other claims made by Seller with respect to transactions prior to the Closing Date and the proceeds thereof to the extent the Station has been made whole for any loss or damage they or their assets may have suffered or incurred as a result of the item,

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event or occurrence giving rise to such claim; and

1.2.8 All pension, profit sharing or cash or deferred (Section 401(k)) plans and trusts and the assets thereof and any other employee benefit plan or arrangement and the assets thereof, if any, maintained by Seller.

SECTION 2

PURCHASE PRICE

2.1 **Purchase Price.** In consideration of Seller's performance of this Agreement, the sale, assignment, transfer, conveyance, setting over, and delivery of the Assets as defined hereinabove to Buyer, the total purchase price (the "Purchase Price") to be paid by Buyer shall be the sum of ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000.00)

2.2 **Payment of Purchase Price.** The Purchase Price shall be paid to Seller as follows:

(a) Upon the full and complete execution of this Agreement, Buyer shall deliver to Escrow Agent an earnest money escrow deposit in the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) (the "Escrow Earnest Deposit") in the form of a cashier's check or by wire transfer of immediately available funds. This amount shall be deposited in an interest bearing insured account pursuant to the terms of an Escrow Agreement as set forth in Exhibit A. The Escrow Earnest Deposit shall be applied at the closing toward the purchase price and the accrued interest shall be paid to Buyer.

(b) Upon the acceptance for filing of the application (FCC Form 314) by the Commission to assign the WALE license to Moon Song Communications, Inc., Buyer shall pay to the Seller TWO HUNDRED THOUSAND DOLLARS (\$200,000) to be applied toward the purchase price. In addition, the ONE HUNDRED THOUSAND DOLLAR Escrow

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Earnest Deposit shall be released. At the time of the payment of these moneys, Buyer shall have a first lien on all of the Station's assets. In this regard, Seller shall furnish Buyer a UCC search dated as of the date of the payment of the aforementioned moneys showing good and marketable title to the Real Property and Tangible Personal Property, free and clear of all liens, mortgages, pledges, covenants, easements, restrictions, encroachments, leases, charges and other claims and encumbrances of any nature whatsoever.

(c) At the Closing Date, Buyer will pay to Seller in the form of a cashier's check or by wire transfer of immediately available funds to a bank designated by Seller the sum of SEVEN HUNDRED THOUSAND DOLLARS (\$700,000.00), as adjusted to reflect any Adjustments made at Closing pursuant to Section 3.

(d) At Closing, Buyer shall execute a promissory note in the amount of TWO HUNDRED THOUSAND DOLLARS (\$200,000) in the form set forth as Exhibit B. The Promissory Note shall be secured by a first mortgage on the real estate and security interest in the proceeds of the sale of the license. This note shall be interest free and be payable in sixty (60) equal monthly payments after execution.

2.3 **Allocation of Purchase Price.** Prior to the Closing Date, the parties agree to allocate the Purchase Price in accordance with the requirements of Section 1060 of the Internal Revenue Code of 1986. In the event that the parties are unable to reach such an agreement prior to the Closing Date, they will select a qualified, independent and nationally recognized appraiser of broadcast properties and that firm's decision shall be binding upon the parties and the fees and expenses shall be borne equally by Buyer and Seller. The parties also agree to use such Purchase Price allocation in completing and filing Internal Revenue Code Form 8594 for federal income tax purposes.

2.4 **Title Insurance**. Within ten (10) business days of the execution of this Agreement, Seller, at Seller's expense, shall order for delivery to Buyer evidence of Seller's title to the Real Property interests with respect to Real Property interests in which Seller has a fee interest, in the form of a commitment for an A.L.T.A. owner's policy of title insurance, with standard exceptions, dated no earlier than ten (10) days before the date of this Agreement, which commitment shall provide for the issuance to Buyer of an A.L.T.A. owner's title insurance policy at the Closing Date, insuring Buyer as the owner of each such Real Property interest, free and clear of all liens and encumbrances whatsoever. If Buyer receives a written opinion of its attorney stating that title is not in the condition required hereunder, the Buyer shall notify the Seller in writing of such defect(s) within fourteen (14) days after Buyer has been supplied with the title insurance commitment required herein and the Seller may, at its option, in good faith and with due diligence, proceed to cure such defect(s), obtain the title insurance commitment as heretofore required, or to find mutually acceptable suitable replacement property. If the Seller elects not to cure such defect(s) or in the event the Seller is unable to cure such defect(s) or obtain such insurance or mutually acceptable suitable replacement property within thirty (30) days after receipt of such notice, Buyer shall have the sole option of (i) waiving such defect(s) and proceeding with the Closing; (ii) curing such defect(s) if it can be cured by the payment of money and deduct the amount thereof from the Purchase Price paid in cash pursuant to Section 2.2(c) at Closing; or (iii) receiving the immediate return of all payments made to Buyer under Section 2.2(b) whereupon this Agreement shall terminate and all liability hereunder shall terminate.

SECTION 3

ADJUSTMENTS

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3.1 **Adjustment Time.** The "Adjustment Time" as used herein shall be 12:01 A.M. current local time on the Closing Date.

3.2 **Adjustment Items.** The following items (the "Adjustment Items") shall be prorated as of the Adjustment Time, assuming a 365-day year or a 30-day or 31-day month, as appropriate, and moneys shall be paid at Closing in accordance with Section 3.3 herein below.

3.2.1 Rentals or other charges, payable or paid in respect of leasehold interests or tenancies, or leased transmitter sites, studios, offices or other Real Property or equipment under any lease or tenancy of Real Property, and any and all equipment leases described in Schedule 1.1.2.

3.2.2 Real and personal property taxes and assessments (including sewerage assessments and fees), levied or assessed against or otherwise paid or payable with respect to any of the Assets.

3.2.3 Transferable license, permit, and registration fees, and like items.

3.2.4 Wages and salaries of employees (but not including accruals for bonuses, commissions on the sale of advertising broadcast prior to the Closing Date, vacation pay, sick leave and severance pay, all of which obligations, if any, shall remain the responsibility of Seller), time sales agreements, license fees, and all other income and expenses attributable to the ownership and operation of the Station.

3.2.5 Charges for utilities (including but not limited to electricity, fuel, water, basic monthly telephone charges, long distance telephone calls, and sanitation and garbage disposal) furnished to or in connection with the Station.

3.2.6 License agreements with ASCAP, BMI and SESAC.

3.2.7 Unpaid obligations of Seller with respect to any lease, contract, or

agreement which Buyer assumes, including, without limitation, unpaid prepaid premiums on any insurance policies that Seller has agreed to assign to Buyer and Buyer elects to assume.

3.2.8 In the event Buyer assumes an obligation under any prepaid advertising agreement or barter agreement for which the benefit has already been obtained by Seller prior to Closing, but for which advertising must be aired after the Closing Date, Buyer shall receive a credit for such pending obligation.

3.2.9 Other similar items applicable to the Assets and/or attributable to the operations and/or the business of the Station, it being the intention of the parties that all operations and the business of the Station prior to the Adjustment Time shall be for the account of Seller, and all operations and business of the Station after the Adjustment Time shall be for the account of Buyer.

3.2.10 Security deposits, if any.

3.2.11 If the amount of any real or personal property tax to be prorated is not known on the Closing Date, such tax shall be apportioned on the basis of the most recent tax assessment.

3.3 **Adjustments After Closing Date.** If the amount of any items to be adjusted cannot be readily ascertained or agreed upon on the Closing Date, proration of such items shall be determined within thirty (30) days after the Closing Date and payment therefor shall be made to the party entitled thereto within five (5) days after notice of such determination thereof has been given to Buyer or Seller, as the case may be. In the event of any disputes between the parties as to adjustments, the amounts not in dispute shall nonetheless be paid at the time provided in this Section and such disputes shall be determined by an independent certified public accountant mutually acceptable to the parties. The accountant's resolution of the dispute shall be

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final and binding on the parties, and a judgment may be entered thereon in any court of competent jurisdiction. The fees and expenses of such accountant shall be paid one-half by Seller and one-half by Buyer. The inability of Seller and Buyer to resolve any adjustment shall not entitle Buyer to delay the return of the Accounts Receivable to Seller or any payment due Seller with respect to the Accounts Receivable pursuant to Section 11.

SECTION 4

APPLICATION TO AND CONSENT BY COMMISSION

4.1 **Commission Consent.** Consummation of the purchase and sale provided for herein and the performance of the obligations of Seller and Buyer under this Agreement are subject to the condition that the Commission shall have given its consent in writing, without any condition materially adverse to Buyer or Seller, to the assignment of the Commission Authorizations and all Other Authorizations to Buyer. Such consent shall have become final (i.e. no longer subject to administrative or judicial review). Buyer may in its sole discretion consummate the transaction prior to the date when the FCC approval has become final.

4.2 **Application For Commission Consent.**

(a) Seller and Buyer agree to proceed expeditiously and with due diligence and to use their best efforts and to cooperate with each other in seeking the Commission's approval of the transactions contemplated hereunder. Within fifteen (15) days after the date of this Agreement, each party shall prepare and file with the Commission the Assignment Application and all information, data, exhibits, resolutions, statements, and other materials necessary and proper in connection with such Assignment Application. Each party further agrees expeditiously to prepare Application amendments whenever such amendments are required by the Commission or its rules.

(b) Except as otherwise provided herein, each party will be solely responsible for the expenses incurred by it in the preparation, filing and prosecution of its respective portion of the Assignment Application. All filing fees and grant fees imposed by the Commission should be paid one-half (½) each by Seller and Buyer.

(c) Each party agrees to comply with any condition imposed on it by the Commission, except that no party shall be required to comply with a condition that would have a material adverse effect upon it unless the condition was imposed as the result of a circumstance which constitutes a breach by that party of any of its representations, warranties, or covenants in this Agreement. Buyer and Seller shall oppose any efforts for reconsideration or judicial review of the grant by the Commission of the Assignment Application (but nothing in this Section shall limit any party's right to terminate this Agreement pursuant to Section 17 of this Agreement).

4.3 **Notice of Application**. Seller shall, at its expense, give due notice of the filing of the Assignment Application by broadcasting on the Station, and by such other means as may be required by the rules and regulations of the Commission.

4.4 **Delay in Approval of Application**. Either party at its option may terminate this Agreement by five (5) business days prior written notice to the other party, and without liability to the other party, at any time after one hundred eighty (180) days after the date of this Agreement if the Commission has not granted the Assignment Application within that time, provided that the party requesting termination is not the cause of the Commission failing to timely grant the Assignment Application. In the event of such termination, Seller shall immediately repay to Buyer all moneys paid by Buyer under Section 2.2 of the Agreement. In the event Buyer is unable to procure Commission approval of the Assignment Application due to events arising out of Seller's ownership of the Assets, Seller agrees to undertake to satisfy any

problems or issues with the Commission or, alternatively, Buyer may elect to terminate this Agreement and shall immediately receive a refund of all moneys paid by it.

SECTION 5

ASSUMPTIONS

5.1 **Buyer's Assumed Obligations.** Buyer covenants and agrees to assume at Closing and discharge following the Closing all of the unperformed duties of the Seller accruing under the leases and the Agreements listed in Schedules 1.1.2 and 1.1.4 and under all advertising contracts for the sale of time for cash on the Station, but only to the extent that such duties accrue after the Closing Date based on the operation of the Station by Buyer following the Closing Date.

5.2 **Seller's Liability.** Seller shall remain liable for and covenants to pay, satisfy, or discharge, all liabilities, payments, obligations, and duties under (a) the Agreements and any leases or other instruments transferred or assigned to Buyer hereunder, accruing prior to or by reason of events occurring prior to the Closing Date, and (b) all Agreements not being transferred to Buyer no matter when the obligations occur.

SECTION 6

REPRESENTATIONS AND WARRANTIES OF THE SELLER

6.1 **Organization and Standing.**

6.1.1 Seller is now and on the Closing Date will be a corporation validly existing and in good standing under the laws of the State of Rhode Island. Seller has the full power to own the assets and to carry on the business of the Station as it now is being conducted and is qualified and in good standing in the State of Rhode Island.

6.1.2 Seller has the full power and authority to enter into this Agreement

and all of Seller's Closing Documents that require Seller's signature. The execution, delivery and performance of this Agreement (as of the date of execution of this Agreement and on the Closing Date) and the Seller's Closing Documents (on the Closing Date) are or will be authorized by all necessary action of Seller.

6.2 **Binding Effect of Agreement.** This Agreement constitutes a valid and binding obligation of Seller enforceable against Seller in accordance with the terms of this Agreement. Upon execution, the Seller's Closing Documents will constitute valid and binding obligations of Seller enforceable against Seller in accordance with their terms. The execution, delivery, and performance of this Agreement or any of the Closing Documents does not violate any provision of the Articles of Incorporation or By-laws of Seller, or any contract provision or other commitment to which Seller or any of its officers or directors or the Station is a party or under which it or its property is bound, or any judgment or order, and will not result in the creation or imposition of any lien, charge, security interest, or encumbrance of any nature whatsoever upon any of the Assets.

6.3 **Business Records and Financial Statements.**

6.3.1 Seller has maintained the business records of the Station in the usual, regular and ordinary manner in accordance with good business practices.

6.3.2 Seller has provided Buyer with its financial statements for the Station (the "Financial Statements"). The Financial Statements have been prepared on an accrual basis in accordance with generally accepted accounting principles. The Financial Statements accurately reflect the books, records and accounts of the Station in all material respects and present fairly the financial condition and results of the operation of the Station, as of the dates and for the periods indicated.

6.4 **Real and Tangible Personal Property.**

6.4.1 **Real Property.** Schedule 1.1.2 attached hereto accurately lists and describes all of the Real Property leased or otherwise held or used by the Station which is being assigned or transferred to the Buyer. The Real Property listed in Schedule 1.1.2 comprises all of the real property interests necessary to conduct the business or operations of the Station as now conducted. The Real Property has been maintained in good condition and repair. The structures owned or leased by Seller are in good operating condition and repair and have been reasonably maintained consistent with standards generally followed in the industry (given due account to the age and length of use of service and ordinary wear and tear accepted) and are suitable for their present uses. Seller is unaware of any structural or mechanical defects in any of the buildings or improvements located on the Real Property. Within ten (10) business days prior to its Closing Date, Buyer shall have the right at its sole option to make a pre-closing inspection of the Real Property, or have the Real Property inspected by a person of Buyer's choice at Buyer's expense, to determine that the Real Property remains in good condition and repair and that Seller's representation and warranties as to the Real Property remain accurate. Seller has good and marketable fee simple title, insurable at standard rates, to all of the fee estates (including the improvements thereon) included in the Real Property, free and clear of all liens, mortgages, pledges, covenants, easements, restrictions, encroachments, leases, charges, and other claims and encumbrances of any nature whatsoever, and without reservation or exclusion of any mineral, timber, or other rights or interests, except for liens for real estate taxes not yet due and payable. To the extent the property is subject to any easements, restrictions, encroachments and/or state and local zoning ordinances, these are listed in Schedule 1.1.2. Buyer accepts existing easements, restrictions, encroachments and state and local zoning ordinances, provided none of

them prevent the use of the properties for their present purpose.

6.4.2 **Patents, Trademarks, Copyrights.** The Intangible Property includes all call signs, slogans, and logos used to promote or identify the Station. Seller has no knowledge of any infringement or unlawful or unauthorized use of those promotional rights, including without limitation the use of any call sign, slogan or logo by any broadcast station or cable system in the Providence, Rhode Island, metropolitan area which may be confusingly similar to the call signs, slogans, and logos currently used by the Station.

6.4.3 **Tangible Personal Property.** Schedule 1.1.3 attached hereto accurately lists all the material Tangible Personal Property owned, leased, or otherwise held by the Station and/or Seller which is intended to be conveyed hereunder, except as disclosed in Schedule 1.1.3. Seller is the owner of and at Closing, will have good, clear, marketable, and indefeasible title to all of the Tangible Personal Property listed in Schedule 1.1.3, free and clear of all liens, charges, encumbrances, restrictions, debts, demands, or claims of any kind or nature whatsoever.

6.4.4 **Condition of Tangible Personal Property.** The Tangible Personal Property listed in Schedule 1.1.3 (except as expressly noted therein) is in good maintenance, operating condition, and repair in accordance with generally accepted standards of practice in the broadcast industry, and to Seller's knowledge, is free from defects in materials and workmanship in all material respects.

6.4.5 Buyer has been provided an engineering report which has been completed at the direction of Buyer. Seller agrees, as a condition precedent to Closing, to make any and all necessary repairs or replacement of equipment which are mandated by said report. Failure of Seller to satisfactorily comply with the Report to the reasonable satisfaction of Buyer

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within sixty (60) days after signing this Agreement shall entitle Buyer to reduce the Purchase Price by the sum of FIFTY THOUSAND DOLLARS (\$50,000). This reduction shall be reflected by a reduction in the cash payment made at Closing pursuant to Section 2.2(c) hereof by FIFTY THOUSAND DOLLARS (\$50,000.00).

6.4.6 Any reductions to the Purchase Price shall be taken from the cash payment at closing.

6.4.7 Seller agrees, as a condition precedent to Closing, to clear the transmitter site of all debris and to have the vegetation on the transmitter site lot cut and or mowed to the satisfaction of Buyer.

6.5 **Agreements.**

6.5.1 Schedule 1.1.4 accurately lists all agreements and other contracts (or, when the same are oral, a complete and correct description thereof) with respect to the Station to be conveyed hereby (except for contracts for the sale of advertising time for cash) to which, as of the date hereof, Seller and/or the Station is a party or by which Seller and/or the Station may be bound or obligated in any way.

6.5.2 The Agreements listed in Schedule 1.1.4 are in full force and effect and valid, binding, and enforceable in accordance with their terms, and except as stated in Schedule 1.1.4, are assignable by Seller to Buyer on the same terms and conditions as Seller now enjoys, and to the best of Seller's knowledge, Seller has performed in all material respects, all the obligations imposed upon Seller under any such Agreements or other obligations that are to be performed as of the making of this warranty. Notwithstanding any other Section of this Agreement, to the extent that the consent or approval of any third person is required under any Agreement in order to assign such Agreement from Seller to Buyer, Seller shall in good faith

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endeavor to obtain such consents and approvals. If any such consent or approval is not obtained, then Buyer shall have no obligation to assume that Agreement at Closing.

6.5.3 To Seller's knowledge, there is no default by or claim of default against the Seller or any other party to the Agreements listed in Schedule 1.1.4 or any event occurring that, with or without notice, lapse of time or the occurrence of any other event, would result in a default under any such Agreement by Seller or any other party. There are no contracts or agreements to which the Seller and/or the Station is a party which may be binding upon the Assets to be sold hereunder other than the Agreements expressly set forth in Schedule 1.1.4 and other contracts and agreements entered into in the usual course of business.

6.5.4 **Leases.** Schedule 1.1.2 accurately describes all of the leases which Buyer has agreed to assume to which the Seller and/or the Station are a party or under which Seller and/or the Station are bound for the rental of real property. All such leases are in full force and effect and valid, binding, and enforceable in accordance with their terms, and Seller has duly performed all of its material obligations under such leases. To the best of Seller's knowledge, there is no default by or claim of default against Seller or any other party to such leases, or any event or circumstance that with the passage of time or the giving of notice or both would result in a default by Seller or any other party, or any notice of termination existing with respect to any of such leases. Seller's leases are assignable to Buyer on the same terms and conditions as Seller now enjoys, except as stated in Schedule 1.1.2.

6.6 **Authorizations.**

6.6.1 Seller is the holder of all licenses, permits, and authorizations necessary to operate the business of the Station as it now is being conducted, including, without limitation, all Commission Authorizations listed in Schedule 1.1.1. All such Commission

Authorizations are validly existing authorizations for the operation of the facilities described therein under the Communications Act of 1934, as amended. There is no action pending nor to Seller's knowledge, threatened, before the Commission or other body to revoke, refuse to renew, suspend or modify any of the Commission Authorizations, or any action which may result in the denial of any pending applications, the issuance of any cease and desist orders, or the imposition of any administrative sanctions whatsoever with respect to the Station or its operation, except as required to transfer same to Buyer.

6.6.2 All reports, applications and other documents required to be filed by Seller with the Commission or any other administrative body with respect to the Station or its operations have been filed and all such reports, applications and documents are true and correct in all material respects. There are no matters that might result in the suspension or revocation of any Commission Authorizations or any Other Authorizations pertaining to the Station.

6.7 **Litigation and Insurance.**

6.7.1 **Litigation; Compliance With Law.** The Station is in compliance in all material respects with all applicable federal, state and local laws, ordinances and regulations, including compliance with the Communications Act and all rules and regulations issued thereunder. Other than proceedings affecting the broadcasting industry in general, there is no complaint, claim, litigation, investigation, or judicial, administrative, or other proceeding of any nature, including, without limitation, a grievance, arbitration, or insolvency or bankruptcy proceeding, pending, or to the best of Seller's knowledge, threatened, against the Station, Seller, or any of the Assets being sold or transferred to Buyer, including, without limitation, any proceeding which may (a) adversely affect the Assets or the Commission Authorizations to be assigned hereunder, or the operation of the Station, or the ability of Buyer to own and operate the

Station, or the use, ownership, or operation of any of the Assets by Buyer, (b) restrain or enjoin the Closing or the consummation of the transactions contemplated hereby, or (c) result in the revocation, modification or suspension of the Commission Authorizations, or the issuance or imposition of any administrative sanction that might adversely affect the Assets or the Commission Authorizations, or the operation of the Station or the ability of Buyer to own and operate the Station or the use, ownership, or operation of any of the Assets by Buyer. In addition, to Seller's knowledge, no such litigation, investigation, or proceeding has been threatened. Seller will give Buyer prompt notice of its discovery of any such basis or the institution or the threat of any such litigation, investigation, or proceeding. Seller is not in default in respect to any judgment, order, writ, injunction, decree, rule, or regulation of any applicable court or governmental body, which default could have a materially adverse effect on the Assets or the Station.

6.7.2 **Insurance.** All of the Tangible Personal Property listed in Schedule 1.1.3 is insured under the policies listed and described in Schedule 6.7.2, including, without limitation, public liability and broadcaster's liability insurance for the Station. All such policies are legal, valid, binding and in full force and effect and will continue to be legal, valid, binding and in full force and effect on identical terms through the Closing Date, and all premiums for all such fire, flood, and extended coverage insurance and such public liability and broadcaster's liability insurance have been paid when due. The policies ensure against risks of the kind customarily carried by businesses similarly situated and provide adequate business coverage for the Assets and the Station (including the business and operation thereof). There is no default with respect to any provisions contained in any such policy and no notice of cancellation or non-renewal with respect to any such policy has been received by Seller.

6.8 **Employees and Labor Relations.**

6.8.1 Seller: (a) is not a party to any collective bargaining agreement covering or relating to any of Station's employees and has not recognized, and to Seller's knowledge, is not required to recognize, and has received no demand for recognition by any contract with any of the employees of the Station or to any other employment contract, labor agreement, or union agreement, written or oral; (b) other than as disclosed in the Schedules, has not promulgated any policy or entered into any agreement relating to the payment of pensions, profit sharing, or bonuses to any of its employees whose employment, if terminated or suspended, for which Buyer will be liable; and (c) to Seller's knowledge, has not committed any unfair labor practices.

6.8.2 Seller has complied in all material respects with all applicable laws, rules and regulations relating to the employment of labor, including those relating to rates, hours, equal employment opportunity, collective bargaining, and the withholding and payment of taxes and contributions and has withheld all amounts required by law or agreement to be withheld from the wages or salaries of the Station's employees and is not liable to the employees or any government body for arrears of wages or for any tax or penalty for failure to comply with the foregoing.

6.8.3 Seller has delivered to Buyer a list of all employees, their salaries, benefits and other job related matters for Buyer's review. Buyer does not assume any obligations or liabilities of any kind, whether express or implied, between Seller and any employees of Seller. Buyer shall have no obligation to employ any of Seller's employees, however, Buyer may, following the execution of this Agreement, interview and consider extension of offers of employment to any current employees of Seller.

6.9 **Taxes and Other Matters.**

6.9.1 **Payment of Taxes.** All returns and reports concerning franchise taxes, unemployment insurance, withholding and payroll taxes, sales taxes, personal property taxes, license taxes, social security taxes, and all other reports required to have been filed by the Seller relating to the Assets, the Station, and/or its operation pursuant to any law or regulation either have been duly filed, and all taxes, interest, assessments, and penalties which are due to any taxing authority, federal, state, or local, with respect to any tax period ending on or prior to the making of this warranty have been duly paid or shall be filed and paid on or before the date of closing.

6.9.2 **Insolvency Proceedings.** No insolvency proceedings of any kind, including without limitation bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Seller or the Purchased Assets are pending or threatened. Seller has not made an assignment for the benefit of creditors or taken any action with a view to, or that would constitute a valid basis for, the institution of any such insolvency proceedings.

6.9.3 **Intangibles.** Seller has full and exclusive right, title to or interest in and to all of the Intangibles, including, without limitation, the call letters "WALE" and all copyrights, patents, program rights, trade names, trade marks, logos, service marks, proprietary information, and other similar rights or symbols associated therewith, together with all goodwill associated therewith and all intellectual properties, as described on Schedule 1.1.5, free from infringements, interferences, litigation and disputes of any kind or nature whatsoever.

6.9.4 **Environmental Matters.**

(a) Seller has complied in all material respects with all laws, rules

and regulations of all federal, state, and local governments (and all agencies thereof) concerning the environment, public health and safety, and employee health and safety, and no charge, complaint, action, suit, proceeding, hearing, investigation, claim, demand, or notice has been filed or commenced against Seller alleging any failure to comply with any such law, rule or regulation. Seller further warrants that there are no environmental problems associated with the assets except that there is an old transmitter at the site, which might contain PCB's. Seller, at its expense, shall remove the transmitter and clean up any contamination to the site.

(b) After due investigation, Seller has no liability and Seller has not handled or disposed of any substance, arranged for the disposal of any substance, or owned or operated any property or facility in any manner that could form the basis for any present or future charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand (under the common law or pursuant to any statute) against Seller giving rise to any liability for damage to any site, location, or body of water (surface or subsurface) or for illness or personal injury.

6.9.5 **No Untrue Statements or Omission.** No representation or warranty made by Seller in this Agreement or any Schedule, exhibit, statement, certificate, or other document heretofore or hereafter furnished by Seller, or on its behalf, to Buyer and pursuant to this Agreement or in connection with the transactions contemplated hereby contains or will contain any knowingly untrue statement or knowingly omits to state a material fact necessary to make the statements contained therein not misleading. All representations and warranties of Seller set forth in this Agreement shall be true, complete and accurate in all material respects as of the Closing Date as if made on that date.

SECTION 7

WARRANTIES, REPRESENTATIONS AND COVENANTS OF BUYER

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Buyer covenants, represents, and warrants as follows:

7.1 **Organization and Standing.** Buyer is now or on the Closing Date will be a corporation validly existing and in good standing under the laws of the State of Delaware and at Closing Buyer will be qualified and in good standing in the State of Rhode Island.

7.2 **Authorization and Binding Obligation.** Buyer has all necessary power and authority to enter into this Agreement and to execute all of Buyer's Closing Documents that require Buyer's signature. Appropriate resolutions to that effect shall be provided at closing. The execution, delivery and performance of this Agreement (as of the date of execution of this Agreement and on the Closing Date) and the Buyer's Closing Documents (on the Closing Date) are or will be authorized by all necessary action of Buyer. This Agreement constitutes a valid and binding obligation of Buyer enforceable against Buyer in accordance with the terms of this Agreement. Upon execution, the Buyer's closing documents will constitute valid and binding obligations of Buyer enforceable against Buyer in accordance with their terms.

7.3 **No Contravention.** The execution, delivery and performance of this Agreement or any of Buyer's Closing Documents does not violate any provision of the Articles of Incorporation or By-laws of Buyer, or any contract provision or other commitment to which Buyer or any of its officers or directors is bound, or any judgment or order.

7.4 **Litigation.** Except for administrative rule making or other proceedings of general applicability to the broadcast industry, there is no litigation, proceeding, judgment, claim, action, investigation or complaint, before the Commission, other governmental body, or court, of any nature pending or, to the best of Buyer's knowledge, threatened against or affecting it which would affect Buyer's authority or ability to carry out this Agreement.

7.5 **Information Held in Confidence.** From the date hereof until the Closing Date,

Buyer and other representatives of Buyer, including Buyer's lenders, if any, will hold in strict confidence, and will not disclose to any third party, any data and information obtained in connection with this transaction with respect to the business of Seller, except insofar as any of such data and information may be required by law to be publicly disclosed or submitted to the Commission. If the transactions contemplated by this Agreement are not consummated, Buyer will return to Seller all such data and information, including, but not limited to, all documents, copies of documents and memoranda or other materials prepared by Buyer which incorporate data or information obtained from Seller and all other data and information made available to Buyer in connection with this transaction, except that which may be required to be submitted to the Commission.

7.6 **Access.** Seller and its authorized representatives shall have, after the Closing Date, the right to obtain, upon prior request, access to originals or copies of all logs, books, relevant records, contracts and documents relating to ownership of the Station by Seller.

7.7 **Buyer's Qualifications.** There is no fact that would, under present law (including the Communications Act of 1934, as amended) and the present rules and regulations of the Commission, disqualify Buyer from being the assignee of the Station or that would delay Commission approval of the Assignment Application. Should Buyer become aware of any such fact, it will so inform Seller and will use its best efforts to remove any such disqualification. Buyer will not take any action that Buyer knows, or has reason to believe, would result in such disqualification.

7.7.1 **Insolvency Proceedings.** No insolvency proceedings of any kind, including without limitation bankruptcy, receivership, reorganization, composition, or arrangement with creditors, voluntary or involuntary affecting Buyer are pending or threatened. Buyer has not

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made any assignment for the benefit of creditors or taken any action with a view to or that would constitute a valid basis for, the institution of any such insolvency proceedings.

7.8 **No Untrue Statements or Omission.** No representation or warranty made by Buyer in this Agreement or any Schedule, exhibit, statement, certificate, or other document heretofore or hereafter furnished to Seller and pursuant to this Agreement or in connection with the transactions contemplated hereby contains or will contain any knowingly untrue statement or knowingly omits to state a material fact necessary to make the statement contained therein not misleading.

SECTION 8

SELLER'S CONDUCT OF BUSINESS PRIOR TO CLOSING AND BUYER'S ACCESS TO INFORMATION

8.1 **Affirmative Covenants of Seller.** From the date of this Agreement until the Closing Date, Seller shall have complete control and supervision of and sole responsibility for the Station and its operation, and during such period, Seller shall:

8.1.1 Operate the Station in good faith and, in a manner consistent with the normal and prudent operation of commercial broadcast stations and in accordance with the rules and regulations of the Commission, and the Commission Authorizations.

8.1.2 Keep and preserve the Business Records in accordance with good business practice.

8.1.3 Make reasonable efforts to endeavor to protect the service area of the Station from interference from other Stations, existing or proposed, of which Seller has actual knowledge, to the extent such interference is prohibited by the Commission's rules and regulations, and promptly give Buyer notice of any proposed interference.

8.1.4 Maintain all of the Real Property and the Tangible Personal Property, as specified in Schedules 1.1.2 and 1.1.3, so, that when the same are delivered to Buyer, they shall satisfy all the warranties in all material respects on the part of Seller set forth herein, subject to reasonable wear and tear.

8.1.5 Maintain the existing inventory levels of the Station (including office supplies, spare parts, tubes, equipment and the like) and replace inventory items expended, depleted or worn out.

8.1.6 Deliver to Buyer, within five (5) business days after filing thereof with the Commission, copies of any and all reports, applications, and/or responses relating to the Station which are filed with the Commission on or prior to the Closing Date, including a copy of any Commission inquiries to which the filing is responsive (in the event of an oral Commission inquiry, Seller will furnish a written summary thereof).

8.1.7 Give prompt notice to Buyer of any occurrence that comes to Seller's attention that may constitute a misrepresentation, breach of warranty, or nonfulfillment of any covenant or condition on the part of the Seller or Buyer contained in this Agreement.

8.2 **Negative Covenants of Seller.** Between the date hereof and the Closing Date, Seller shall not, with respect to the Assets, the Station, or the operation thereof, without the consent of Buyer, which consent shall not be unreasonably withheld:

8.2.1 Cancel, modify, alter, amend, encumber, or any way discharge, terminate, or impair any material Agreements or leases pertaining to the Station.

8.2.2 By any act or omission surrender, modify adversely, forfeit, or fail to renew under regular terms the Commission Authorizations with respect to the Station or give the Commission grounds to institute any proceeding for the revocation, suspension or modification

of any such Commission Authorization, or fail to prosecute with due diligence any pending applications with respect to such Commission Authorizations.

8.2.3 Other than in the usual and ordinary course of business, sell or dispose of any of the Assets. Seller shall replace all Assets thus disposed of in the usual and ordinary course of business with assets having an aggregate value at least equal to the aggregate value of the Assets sold or otherwise disposed of.

8.2.4 Create or suffer or permit the creation of any mortgage, conditional sales agreement, security interest, lien, hypothecation, pledge, encumbrance, restriction, liability, charge, claim or imperfection of title on any of the Assets or with respect thereto.

8.2.5 Take any action that would prevent Seller from consummating the transactions contemplated in this Agreement.

8.2.6 Enter into any new Agreements or barter agreement which will be binding upon Buyer after the Closing Date without Buyer's consent. In the event Buyer assumes an obligation under any prepaid advertising agreement or barter agreement for which the benefit has already been obtained by Seller prior to Closing, Buyer shall receive a credit for such pending obligation at Closing, which shall be considered an Adjustment Item under Section 3.2 hereof.

8.3 **Access to Information.**

8.3.1 **Access to the Assets.** Between the date hereof and the Closing Date, upon reasonable notice Seller will give to Buyer and its authorized representatives and agents, including engineers, accountants, lawyers, and other representatives, reasonable access during reasonable business hours to the Assets. Such access shall remain subject to the reasonable availability of representatives of Seller to accompany Buyer's representatives. Seller shall

furnish to Buyer such information and materials concerning the Station's affairs as Buyer may reasonably request, so far as such access, information and materials pertain to the operation of the Station.

8.4 **Restrictions on Buyer.** Nothing contained in this Agreement shall give Buyer any right to control the programming or operations of the Station prior to the Closing Date and Seller shall have complete control of the programming and operation of the Station between the date hereof and the Closing Date and shall operate the Station in conformity with the public interest, convenience and necessity and with all other requirements of law and this Agreement.

8.5 **Buyer's Covenants.** From the date of this Agreement until the Closing Date, Buyer covenants that it will take no action, or fail to take any action, that would disqualify it from becoming the licensee of the Station or delay the grant of the Assignment Application by the Commission. Furthermore, Buyer shall give prompt notice to Seller of any occurrence that comes to Buyer's attention that may constitute a misrepresentation, breach of warranty or nonfulfillment of any covenant or condition on the part of Buyer or Seller contained in this Agreement.

8.6 **Environmental Assessments.** Buyer may, with respect to the Real Property and the physical assets, obtain a current Phase I environment site assessment (the "Environmental Review") from an environmental consultant or engineer, at its own cost, to be completed within fifty (50) days from the date of execution of this Agreement, to determine whether the Real Property and physical assets are free of environmental hazards, including hazardous substances, asbestos, lead based paint, radon, termite/wood-destroying insect infestation or damage and serious structural problems. If Buyer reasonably believes that such Environmental Review or subsequent intervening events indicate that a Phase II environmental assessment or any remedial

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actions are reasonably necessary to make the representations and warranties contained in Section 6.9.4 (unqualified by any knowledge standard) (“Environmental Compliance”) true and correct, Buyer shall notify Seller in writing within five (5) days of the actions it believes, based on such assessment, are required. Seller shall have no obligation to take any remedial action. In the event Seller fails to take any remedial action in response to the environmental review or assessment that discloses any previously unknown environmental hazard, Buyer shall have the option to terminate this Agreement without liability, costs, or penalty to Buyer or Seller and Buyer shall receive an immediate refund of those moneys paid to Seller pursuant to Section 2.2 hereof. If Buyer chooses not to terminate this Agreement, Seller shall have no liability or obligation concerning any matter disclosed as a result of the environmental review or assessment.

SECTION 9

CONDITIONS FOR CLOSING

9.1 **Closing.** The Closing of this Agreement shall take place at the offices of Buyer, or such other place as shall be mutually agreed upon by Buyer and Seller, within ten (10) days after the grant by the Commission of the Assignment Application has become final (i.e. no longer subject to administrative or judicial review). Buyer may, however, elect to close prior to finality. For purposes of this Agreement, a "Final Order" means that the grant by the Commission to the consummation of the transactions contemplated by this Agreement is in full force and is no longer subject to administrative or judicial review, recall or reconsideration.

9.2 **Conditions Precedent to Obligations of Buyer.** The performance of the obligations of the Buyer under this Agreement is subject to the satisfaction of each of the following express conditions precedent, provided that Buyer may, at its election, waive any of

such conditions on the Closing Date, notwithstanding that such condition is not fulfilled on the Closing Date:

9.2.1 Seller shall have delivered to Buyer the Seller's Closing Documents as described in Section 10.1 below.

9.2.2 Each of the Seller's representations and warranties contained in this Agreement or in any Schedule, certificate, or document delivered pursuant to the provisions hereof, or in connection with the transactions contemplated hereby, shall be true and correct in all material respects at and as of the Closing Date with the same force and effect as if each such representation or warranty were made at and as of such time, except with respect to such changes as are contemplated or permitted by this Agreement.

9.2.3 Seller shall have performed and complied in all material respects with all covenants, agreements and obligations required by this Agreement to be performed or complied with by it prior to the Closing Date and shall be in full compliance therewith on the Closing Date.

9.2.4 Seller shall be the holder of the requisite Commission Authorizations.

9.2.5 All outstanding mortgages, liens, security agreements, and other charges and encumbrances on the Assets, shall have been discharged and satisfied, or arrangements made to discharge same at Closing.

9.2.6 Seller shall have delivered to Buyer an inventory of the Tangible Personal Property to be conveyed, current as of the Closing Date. There shall be no material changes between Schedule 1.1.3 and the inventory of Tangible Personal Property as of the Closing Date other than changes that have been agreed to and accepted by Buyer, in its reasonable discretion.

9.2.7 Seller shall have delivered to Buyer an opinion dated the Closing Date from counsel for Seller, in form and substance reasonably satisfactory to counsel for Buyer.

9.2.8 Seller shall have obtained all consents, approvals, and waivers of other persons or parties as may be required for the consummation of the transactions contemplated by this Agreement and such consents shall contain terms no less favorable than now enjoyed by Seller, including consents to assign the Agreements listed in Schedules 1.1.2 and 1.1.4.

9.3 **Conditions Precedent to Obligations of Seller.** The performance of the obligations of the Seller under this Agreement is subject to the satisfaction of each of the following express conditions precedent, provided that Seller may, at its election, waive any of such conditions at Closing, notwithstanding that such condition is not fulfilled on the Closing Date:

9.3.1 Buyer shall have delivered to Seller the Buyer's Closing Documents (as defined in Section 10.2 below).

9.3.2 Each of Buyer's representations and warranties contained in this Agreement or in any Schedule, certificate or document delivered pursuant to the provisions hereof, or in connection with the transactions contemplated hereby, shall be true and correct in all material respects at and as of Closing Date, as though each such representation or warranty was made at and as of such time, except in respect of such changes as are contemplated or permitted by this Agreement.

9.3.3 Buyer shall have performed all of the obligations set forth in Section 2.2 of this Agreement with respect to the payment of the Purchase Price.

9.3.4 Buyer shall have agreed in a form reasonably acceptable to Seller to assume all obligations under the Agreements assigned to Buyer arising on or after the Closing

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Date.

9.3.5 Seller shall have received an opinion dated the Closing Date from counsel for Buyer, in form and substance reasonably satisfactory to counsel for Seller.

9.4 **Failure of Conditions Precedent to Obligations of Buyer.** In case of the failure of any of the conditions precedent described in Section 9.2 hereof, and if Seller, after having received written notice of such failure from Buyer and having had a reasonable opportunity (i.e. fifteen (15) days) has failed to cure same, Buyer shall have the right to terminate this Agreement without liability. In addition, if the failure of such condition precedent constitutes a material default by Seller, Buyer shall have the right, at its option, to exercise any or all of its rights or remedies for default provided in Section 17 hereof. Buyer shall not be deemed to have waived any failure by Seller to fulfill any of the conditions precedent described in Section 9.2 if Buyer does not have actual knowledge of such failure at the time of Closing.

9.5 **Failure of Conditions Precedent to Obligations of Seller.** In case of the failure of any of the conditions precedent described in Section 9.3 hereof, and if Buyer, after having received written notice of such failure from Seller and having had a reasonable opportunity (i.e. fifteen (15) days) has failed to cure the same, Seller shall have the right to terminate this Agreement upon the payment to Buyer of all moneys Buyer has paid to Seller. In addition, if the failure of such condition precedent results from a material default by Buyer, Seller shall have the right, at its option, to exercise any or all of its rights or remedies for default provided in Section 17 hereof. Seller shall not be deemed to have waived any failure by Buyer to fulfill any of the conditions precedent described in Section 9.3 if Seller does not have actual knowledge of such failure at the time of Closing.

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OBLIGATIONS AT CLOSING

10.1 **Closing Documents to be Delivered by Seller.** At the Closing, Seller shall deliver to Buyer the following ("Seller's Closing Documents"):

10.1.1 An executed Bill of Sale in form and substance reasonably satisfactory to Buyer transferring to Buyer all Tangible Personal Property to be transferred hereunder.

10.1.2 A special warranty deed in the usual form in the State of Rhode Island, conveying good and marketable title to the Real Property and any improvements thereon, with all required documentary stamps attached and in proper form for recording.

10.1.3 An executed Assignment and Assumption Agreement in form and substance reasonably satisfactory to Buyer assigning to Buyer the Agreements to be assigned hereunder.

10.1.4 An executed Assignment and Transfer in form and substance reasonably satisfactory to counsel for Buyer assigning and transferring to Buyer all of the Commission Authorizations and the Intangibles.

10.1.5 A certified copy of the resolutions of Seller authorizing the execution, delivery, and performance of this Agreement by Seller and the consummation of the transactions provided for herein, attested to by the Secretary of Seller.

10.1.6 An opinion of Seller's counsel, dated as of the Closing Date.

10.1.7 A certificate executed by Seller's chief executive officer stating that (a) all of the representations and warranties of Seller set forth in this Agreement are in all material respects true, correct, and accurate as of the Closing Date, and (b) all covenants set forth in this Agreement to be performed by Seller on or prior to the Closing Date have been performed in all material respects.

10.1.8 All Business Records not retained by Seller pursuant hereto.

10.1.9 Possession and/or ownership of and all right, title and/or interest in and to the Assets.

10.1.10 An assignment of the Accounts Receivable for collection only pursuant to Section 11 hereof.

10.1.11 Consents referred to in Section 9.2.8.

10.2 **Closing Documents to be Delivered by Buyer.** At the Closing, Buyer shall deliver to Seller the following ("Buyer's Closing Documents"):

10.2.1 The Purchase Price as provided in Section 2.2.

10.2.2 A certificate executed by Buyer's chief executive officer stating that; (a) all of the representations and warranties of Buyer set forth in this Agreement are in all material respects true, correct, and accurate as of the Closing Date, and (b) all covenants set forth in this Agreement to be performed by Buyer on or prior to the Closing Date have been performed in all material respects.

10.2.3 An Assignment and Assumption Agreement executed by Buyer, in form and substance reasonably satisfactory to Seller.

10.2.4 An opinion of Buyer's counsel, dated as of the Closing Date

10.2.5 A certified copy of the resolutions of Buyer authorizing the execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions provided for herein, attested to by the Secretary of Buyer.

SECTION 11

ACCOUNTS RECEIVABLE

11.1 **Collection Procedures**. Seller shall assign to Buyer all of the Accounts Receivable for purposes of collection only. Buyer shall use such efforts as are reasonable and in the ordinary course of business to collect the Accounts Receivable for a period of sixty (60) days following the Closing Date (the "Collection Period"). This obligation, however, shall not extend to the institution of litigation, employment of counsel, or any other extraordinary means of collection. So long as the Accounts Receivable are in Buyer's possession, neither Seller nor its agents shall make any solicitation of them for collection purposes nor institute litigation for the collection of any amounts due thereunder. All payments received by Buyer during the Collection Period from any person obligated with respect to any of the Accounts Receivable shall be applied first to Seller's account and only after full satisfaction thereof to Buyer's account; provided, however, that if during the Collection Period any account debtor contests in writing the validity of its obligation with respect to any Account Receivable, then Buyer may return that Account Receivable to Seller after which Seller shall be solely responsible for the collection thereof. Except for the payment of all salesperson's, agency, and representative commissions due with respect to the Accounts Receivable, Buyer shall not incur or cause to be incurred any collateral or outside fees, costs or charges in connection with its efforts at collection of the Accounts Receivable without first having obtained the authorization in writing of Seller. Buyer shall remit all amounts collected on Seller's behalf no less often than the fifth (5th) business day after the close of each month during which any amounts due to Seller are collected. Within five (5) business days following the expiration of the Collection Period, Buyer shall furnish Seller with a list of the Accounts Receivable collected during the Collection Period accompanied by a payment equal to the amount of such collections, to the extent not already paid, minus commissions. Any of the Accounts Receivable that are not collected during the Collection

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Period shall be reassigned to Seller after which Buyer shall have no further obligation to Seller with respect to the Accounts Receivable; provided, however, that all funds subsequently received by Buyer (without time limitation) that can be specifically identified, whether by accompanying invoice or otherwise, as a payment on any Account Receivable shall be promptly paid over or forwarded to Seller. Buyer shall not have the right to compromise, settle, or adjust the amounts of any of the Accounts Receivable without Seller's prior written consent, or to withhold any proceeds of the Accounts Receivable or to retain any uncollected Accounts Receivable after the expiration of the Collection Period for any reason whatsoever. To the extent not already paid, Seller shall be responsible for the payment of all salesperson's, agency, and representative commissions due with respect to the Accounts Receivable and shall defend and hold Buyer harmless against any claims for such commissions.

SECTION 12

BROKERAGE

Seller and Buyer each represent and warrant to the other that neither Buyer nor Seller has engaged any broker, finder or agent in connection with the transactions contemplated by this Agreement, other than Seller's engagement of Patrick Communications, L.L.C. ("Broker"). Neither Seller nor Buyer have incurred any unpaid liability or agreed to pay any broker's, finder's or consultant's fee in connection with the transactions contemplated by this Agreement other than the fee of Broker, the payment of which shall be the sole responsibility of Seller. Seller agrees to indemnify Buyer and Buyer agrees to indemnify Seller against any claims asserted against the other party for any such fees or commissions by any person purporting to act or to have acted for or on behalf of the indemnifying party. Notwithstanding any other provision

of this Agreement, this representation and warranty shall survive the Closing Date without limitation as to time.

SECTION 13

INDEMNIFICATIONS

13.1 **Breach of Seller's Agreements, Representations, and Warranties.** Seller shall reimburse Buyer for, and indemnify and hold harmless Buyer from and against, any loss, damage, liability, obligation, deficiency, claim, suit, cause of action, demand, judgment, or expense (including without limitation, payments, fines, penalties, interest, taxes, assessments, and reasonable attorneys' fees and accounting fees of any kind or nature), contingent or otherwise, whether incurred or asserted prior to or after the Closing Date, arising out of or sustained by Buyer by reason of:

(a) any material breach of any warranty, representation, or agreement of Seller contained under this Agreement or in any certificate or other instrument furnished to Buyer pursuant to this Agreement or in connection with any of the transactions contemplated hereby;

(b) the operation of the Station or the ownership of the Assets prior to Closing (including, but not limited to, any and all claims, liabilities, and obligations arising or required to be performed prior to the Closing Date under this Agreement, or any other lease, contract, or agreement);

(c) any transaction entered into by Seller or arising in connection with the Station or the operation of the business thereof or any of the Assets prior to the Closing; or

(d) any and all liabilities or obligations of Seller not specifically assumed by Buyer pursuant to this Agreement; or

(e) any and all actions, suits, or proceedings, incident to any of the foregoing.

13.2 **Breach of Buyer's Agreements, Representations and Warranties.** Buyer shall reimburse Seller for, and indemnify and hold harmless Seller from and against, any loss, damage, liability, obligation, deficiency, claim, suit, cause of action, demand, judgment, or expense (including without being limited to, payments, fines, penalties, interest, taxes, assessments, reasonable attorneys' fees and accounting fees of any kind or nature), contingent or otherwise, whether incurred or asserted prior to or after the Closing Date, arising out of or sustained by Seller by reason of:

(a) any material breach of any warranty, representation, or agreement of Buyer contained under this Agreement or any certificate or other instrument furnished by Buyer pursuant to this Agreement or in connection with any of the transactions contemplated hereby;

(b) the operation of the Station or the ownership of the Assets subsequent to Closing (including, but not limited to, any and all claims, liabilities and obligations first arising or required to be performed subsequent to the Closing Date under the Agreement);

(c) any transaction entered into by Buyer or first arising in connection with the Station or the operation of the business thereof or any of the Assets subsequent to the Closing;

(d) any and all liabilities or obligations of Seller specifically assumed by Buyer pursuant to this Agreement; or

(e) any and all actions, suits, or proceedings incident to any of the foregoing.

13.3 **Notice of Claim.** Buyer and Seller agree to give prompt written notice to each other of any claim for indemnification under Sections 13.1 or 13.2 hereof ("Notice of Claim"), which amount is believed to be required to discharge the obligations of the indemnifying party resulting therefrom. Within ten (10) days after having been given the Notice of Claim, the indemnifying party may deliver to the other party (i) a written notice of objection to the payment

of such claim ("Notice of Objection"), which Notice of Objection shall set forth the basis for such objection; or (ii) a written notice that the indemnifying party intends to defend against such claim in good faith ("Notice of Intention to Defend"). If such a Notice of Intention to Defend is delivered, the indemnified party shall have the right to hold in abeyance its claim for indemnification if and so long as such defense is conducted by the indemnifying party at the latter's expense in a manner effective to protect the indemnified party against such claim. If no Notice of Objection or Notice of Intention to Defend is given within the prescribed ten (10) day period, the indemnifying party shall promptly pay to the indemnified party the amount set forth in the Notice of Claim. If the parties are unable to resolve any Notice of Claim and corresponding Notice of Objection, either party may take whatever action it deems reasonable, including without limitation, the filing of a claim, petition, or other pleading in a court of competent jurisdiction.

13.4 **Sole Remedy.** Except as provided to the contrary in this Section, the right to indemnification pursuant to this Section shall be the sole and exclusive remedy of each party in connection with any breach or other violation by the other party of its representations, warranties, or covenants contained in this Agreement.

SECTION 14

RISK OF LOSS

The risk of any loss or damage to the Assets by fire, theft, breakage, explosion, earthquake, accident, flood, rain, storm, riot, act-of-God, or public enemy, or any other casualty or cause, reasonable wear and tear excepted, prior to the Closing Date, is assumed and shall be borne by the Seller at all times before the Closing Date. If any such loss or damage occurs, Seller shall give prompt written notice of the loss or damage to Buyer and shall promptly take all

steps to rebuild, replace, restore or repair any such damaged property at its own cost and expense. In the event that Seller does not fully replace or restore any such lost or damaged Asset or Assets by the time the Closing otherwise would be held, Buyer may, at its option, upon written notice to Seller, either (i) terminate this Agreement, or (ii) elect to close without restoration, in which event Seller will deliver all insurance proceeds paid or payable by reason of the loss or damage to Buyer. If Buyer terminates this Agreement under this Section, each party shall bear its own expenses, and Seller shall immediately return all moneys paid by Buyer pursuant to Section 2.2 hereof to Buyer. Buyer's option to terminate this Agreement under this Section 14 shall arise only if such damage to the Station is so substantial that it prevents the Station from operating in its normal and customary manner for a period of three (3) consecutive days. Buyer's failure to terminate this Agreement under Section 14 in the event damage to the Station is substantial does not affect its right to other remedies under this Section 14.

SECTION 15

FEES AND EXPENSES

Each party shall pay its own attorneys' fees and expenses which it initiates, creates, or incurs in connection with the negotiation, preparation and execution of this Agreement. Real estate transfer and recording fees assessed or levied in connection with the sale of the Real Property to the Buyer hereunder shall be paid in accordance with the custom prevailing in Greenville, Rhode Island, on the Closing Date. All other expenses incurred in connection with this transaction shall be borne by the party incurring same.

SECTION 16

BULK SALES LAW

The parties do not believe that any bulk sales or fraudulent conveyance statute applies to

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the transactions contemplated by this Agreement. Buyer therefore waives compliance by Seller with the requirements of any such statutes, and Seller agrees to indemnify and hold Buyer harmless against any claim made against Buyer by any creditor of Seller as a result of a failure to comply with any such statute.

SECTION 17

DEFAULT AND TERMINATION

17.1 A party shall "default" under this Agreement if it knowingly makes any material misrepresentation to the other party in connection with this Agreement, or materially breaches or fails to perform any of its representations, warranties, or covenants contained in this Agreement. Non-material breaches or failures shall not be grounds for declaring a party to be in default, postponing the Closing, or terminating this Agreement.

17.2 If either party believes the other to be in default hereunder, the former party shall provide the other with written notice specifying in reasonable detail the nature of such default. If the default is not curable or has not been cured within ten (10) days after delivery of that notice (or such additional reasonable time as the circumstances may warrant provided the party in default undertakes diligent, good faith efforts to cure the default within such ten (10) day period and continues such efforts thereafter), then the party giving such notice may terminate this Agreement and/or exercise the remedies available to such party pursuant to this Agreement, subject to the right of the other party to contest such action through appropriate proceedings.

17.3 Buyer recognizes that if the transaction contemplated by this Agreement is not consummated as a result of Buyer's default, Seller would be entitled to compensation, the extent of which is extremely difficult and impractical to ascertain. To avoid this problem, the parties agree that if this Agreement is not consummated due to the default of Buyer, Seller shall be

entitled to receive as liquidated damages the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00). The parties agree that such amount (i.e. ONE HUNDRED THOUSAND DOLLARS (\$100,000.00)) shall constitute liquidated damages and shall be in lieu of any other remedies to which Seller might otherwise be entitled due to Buyer's wrongful failure to consummate the transaction contemplated by this Agreement. Buyer and Seller each acknowledge and agree that the liquidated damage amount is reasonable in light of the anticipated harm which will be caused by Buyer's 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. The liquidated damage amount shall be drawn by Seller from those moneys paid by Buyer to Seller pursuant to Section 2.2 hereof and the remainder of those moneys paid by Buyer to Seller shall be returned immediately to Buyer.

17.4 Seller agrees that the Assets include unique property that cannot be readily obtained on the open market and that Buyer will be irreparably injured if this Agreement is not specifically enforced. Therefore, Buyer shall have the right specifically to enforce Seller's performance under this Agreement, and Seller agrees to waive the defense in any such suit that Buyer has an adequate remedy at law and to interpose no opposition, legal or otherwise, as to the propriety of specific performance as a remedy. In the event Buyer elects to terminate this Agreement as a result of Seller's default instead of seeking specific performance, Buyer shall be entitled to the immediate return of those moneys paid to Seller pursuant to Section 2.2 hereof, and Buyer shall be entitled to receive from Seller as liquidated damages the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00).

17.5 If by the Closing Date, Seller cannot show good and merchantable title to the Real

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Property and Tangible Personal Property, free and clear of all liens, mortgages, pledges, covenants, easements, restrictions, encroachments, leases, charges and other claims and encumbrances of any nature whatsoever, then Buyer may elect to terminate this Agreement and Buyer shall be entitled to the immediate return of those moneys paid by Buyer to Seller under Section 2.2 hereof as a result of such termination.

SECTION 18

SURVIVAL OF WARRANTIES

18.1 All of the representations, warranties, and covenants (collectively the “Warranties”) made by the parties in this Agreement shall be deemed made for the purpose of inducing the other to enter into this Agreement, and (other than the Warranties of the Seller contained in Sections 6.9.1 and 6.9.4 hereof) shall survive the Closing Date and remain operative and in full force and effect for a period of twenty-four (24) months following the Closing Date and shall be effective with respect to any breach hereof or claim hereunder, notice of which shall have been given to the other party within the twenty-four month period. The Warranties of the Seller contained in Sections 6.9.1 and 6.9.4 shall survive the Closing Date and continue in force and effect for a period until ninety (90) days after the expiration of all time periods in which a claim covered by such Warranties arising out of or relating to occurrences prior to the Closing Date that can be brought against Buyer by either a governmental authority or private litigant.

18.2 Neither the acceptance nor the delivery of property hereunder shall constitute a waiver of any covenant, representation, warranty, agreement, obligation, undertaking, or indemnification of Seller or Buyer contained in this Agreement, all of which shall, unless otherwise specifically provided, survive the Closing hereunder in accordance with the terms of this Agreement and shall be binding upon and inure to the benefit of all of the parties hereto,

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their heirs, legal representatives, successors and assigns.

SECTION 19

NOTICES

19.1 All notices, requests, demands, waivers, consents and other communications required or permitted hereunder shall be in writing and be deemed to have been duly given when delivered in person (against receipt) to the party to be notified at the address set out below or sent by registered or certified mail, or by express mail or courier, postage prepaid, return receipt requested, addressed to the party to be notified, as follows:

If to Seller:

North American Broadcasting Co., Inc.
Francis Battaglia, President
2001 N. 3rd Street, Suite 102
Phoenix, Arizona 85004

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

Lauren A. Colby, Esq.
10 East Fourth Street
Frederick, MD 21701

If to Buyer:

Moon Song Communications, Inc.
Jerry Evans, President
45 Linden Street
Bangor, ME 04401-3440

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

Aaron P. Shainis, Esquire
Shainis & Peltzman, Chartered
1850 M Street, N.W., #240
Washington, D.C. 20036

Either party may change its address for notices by written notice to the other given

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pursuant to this Section. Any notice purportedly given by a means other than as provided in this Section shall be invalid and shall have no force or effect.

SECTION 20

MISCELLANEOUS

20.1 **Headings.** The headings of the Sections of this Agreement are for convenience of reference only, and do not form a part thereof, and do not in any way modify, interpret or construe the meaning of the sections themselves or the intentions of the parties.

20.2 **Assignability.** Subject to the consent of Seller, Buyer may assign its rights under this Agreement to a third party. Such consent shall not be unreasonably withheld. Notwithstanding the above, Buyer may assign its rights under this Agreement without Seller's consent to an entity which is a subsidiary, affiliate to or parent of Buyer or to another entity owned by Buyer or its principals, provided Buyer provides written notice to Seller.

20.3 **Entire Agreement.** This Agreement and any other agreements entered into contemporaneously herewith set forth the entire agreement of the parties and are intended to supersede all prior negotiations, understandings, and agreements and cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment, change or modification shall have been agreed to by each of the parties hereto and reduced to writing in its entirety and signed and delivered by each party. No provision, condition or covenant of this Agreement shall be waived by either party hereto except by a written instrument delivered to the other party and signed by the party consenting to and to be charged with such waiver.

20.4 **Binding Effect and Assignment.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective successors and assigns. Seller may not assign this Agreement or its rights and obligations hereunder

without the written consent of Buyer. Buyer may make a collateral assignment of its rights under this Agreement to any institutional lender who provides funds to Buyer for the acquisition or operation of the Stations or to any other entity or individual prior to the filing of the assignment application with the FCC. Seller agrees to execute acknowledgments of such assignment(s) and collateral assignments in such forms as Buyer or Buyer's institutional lender(s) may from time to time request, provided that such acknowledgments create no liability for Seller. In the event of a proposed assignment by Buyer, the provisions of this Agreement shall inure to the benefit of and be binding upon Buyer's assigns. Nothing in this Agreement, express or implied, is intended to or shall confer on any person other than the parties hereto and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 **Additional Documents.** The parties hereto agree to execute, acknowledge and deliver, at or after the Closing Date, such other and further instruments and documents as may be reasonably necessary to implement, consummate and effectuate the terms of this Agreement, the effective vesting in Buyer of title to the Assets, and/or the successful processing by the Commission of the application to be filed with it, as provided in Section 4.

20.6 **Counterparts.** This Agreement may be executed in one or more counterparts, all of which together shall comprise one and the same instrument.

20.7 **Legal Actions.** If either Seller or Buyer initiates any legal action or lawsuit against the other involving this Agreement, the prevailing party in such action or suit shall be entitled to receive reimbursement from the other party for all reasonable attorney's fees and other costs and expenses incurred by the prevailing party in respect of that litigation, including any appeal, and such reimbursement may be included in the judgment or final order issued in such

proceeding. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum rate of interest allowed by law.

20.8 **Governing Law.** The parties agree that this Agreement and the transaction herein contemplated shall be interpreted, construed, and enforced under and according to the laws of the State of Rhode Island.

20.9 **Counsel.** Each party has been represented by its own counsel in connection with the negotiation and preparation of this Agreement and, consequently, each party hereby waives the application of any rule of law to the effect that any provision of this Agreement shall be interpreted or construed against the party whose counsel drafted that provision.

20.10 **Time is of the Essence.** Time shall be of the essence in this Agreement and the performance of each and every provision hereof.

20.11 **Severability.** If any term or provision of this Agreement or its application, to any extent, is declared to be invalid or unenforceable, the remaining terms and provisions shall not be affected and shall remain in full force and effect and to such extent are severable.

20.12 **Publicity.** Seller and Buyer agree that all public announcements relating to this agreement or the transactions contemplated hereby, including announcements to employees, will be made only as may be mutually agreed upon by the parties, which consent shall not be unreasonably withheld.

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

WITNESSES:

SELLER:

NORTH AMERICAN BROADCASTING CO., INC.

BY: _____
Name
President

BUYER:

Moon Song Communications, Inc.

BY: _____
Name
President