

## ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT ("Purchase Agreement") is made and entered into this 7th day of July, 2005, by and between RADIO STATION KMJY, LLC, a Delaware Limited Liability Corporation ("Seller"), and PRO-ACTIVE COMMUNICATIONS, INC., a Nevada corporation in formation or assigns ("Buyer"). The parties hereto are collectively referred to herein as the "Parties".

### WITNESSETH:

WHEREAS, Seller is the owner and operator of radio station KMJY-FM, licensed to Newport, Washington, Facility ID #29911 and is the Permittee of Auxiliary Station KMJY-FM, Facility ID #29911, Newport, Washington and the Booster Station KMJY-FM1, Facility ID #159514, Spokane, Washington (collectively and individually the "Stations"), pursuant to licenses, permits, and authorizations issued by the Federal Communications Commission ("FCC" or "Commission");

WHEREAS, Buyer desires to acquire all of Seller's tangible and intangible assets used and useful in the operation of the Stations and Seller has agreed to sell, transfer, and assign same to Buyer;

WHEREAS, Buyer desires to acquire and Seller has agreed to assign subject to any restrictions on transfer, all of the licenses, permits, applications, and authorizations issued by the FCC to Seller for the operation of the Stations (the "FCC Licenses");

WHEREAS, in order to expedite the construction of the Booster Station during the period of negotiations leading to the execution of this Purchase Agreement, Buyer made a Construction Loan to Seller in the amount of Fifty Thousand Dollars (\$50,000.00), evidenced and secured by a Demand Note, a Security Agreement, and a Personal Guaranty (the "Loan Documents") all dated as of April 15, 2005;

WHEREAS, the Parties have agreed to regard the sale of the tangible assets as an "as is, where is" sale, subject only to those limited representations and warranties set forth herein; and

WHEREAS, this Purchase Agreement will not be consummated nor the FCC Licenses assigned until the Commission has granted its consent and approval to the transaction contemplated by this Purchase Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the Parties intending to be legally bound agree as follows:

1. Assets to be Conveyed. On the Closing Date, as defined below in Paragraph 36, at the Closing Place, mutually agreed to by the Parties, Seller will sell, assign, convey, transfer, and deliver to Buyer, and Buyer will acquire, purchase, and accept all of the following (hereinafter collectively referred to as the "Assets");

(a) All FCC Licenses, applications, permits and authorizations of Seller associated with the Station, subject to any restrictions on transfer, copies of which are attached hereto as Exhibit A, and made a part of this Purchase Agreement, including all of Seller's right, title, and interest in and to the Stations' call letters;

(b) All other governmental licenses, permits, and authorizations, to the extent lawfully transferable, which are used, useful, or intended to be used in the operation of the Stations;

(c) All of the tangible personal property listed in Exhibit B attached hereto (the "Tangible Personal Property") together with any replacements thereof or additions thereto made between the date hereof and the Closing Date, less any retirements made in the ordinary and usual course of business due to the acquisition of similar property or assets of greater or equal value, free and clear of all mortgages, liens, charges, claims, pledges, security interests, and other encumbrances whatsoever;

(d) The lease agreements relating to the property used for the Stations' various transmitter sites (the "Transmitter Site Leases") and the Stations' office/studio (the "Studio Lease"), as listed in Exhibit C, attached hereto, to the extent the Leases can be assigned, Buyer will assume and perform all of the executory obligations of Seller under such leases from and after the Closing;

(e) All FCC logs pertaining to the local operation of the Stations and the Stations' Public File; and

(f) All contracts for the sale of advertising time on the Stations whether for cash or for trade (the "Contracts"), as listed in Exhibit E, to the extent these Contracts can be assigned. All payments received post-Closing for advertising content aired and billed before Closing shall promptly be remitted to Seller on a monthly basis.

2. Excluded Assets, Liabilities, and Contracts.

(a) The Assets being sold to Buyer do not include cash, accounts receivable, or prepaid deposits of Seller in existence on the Closing Date. The Assets being sold to Buyer also do not include any Tangible Personal Property of Seller which is not specifically listed in Exhibit B;

(b) Except as otherwise provided herein, Seller shall be solely responsible, and there shall be no assumption of liability by Buyer under any agreements of Seller, other than executory rights and obligations under the Transmitter Site Leases, the Studio Lease and the Contracts;

(c) Buyer shall not assume nor be liable for any liability or obligation of Seller arising out of:

(i) Any contract of employment, collective bargaining agreement, insurance, pension, retirement, deferred compensation, incentive bonus, or profit sharing plan or trust; or

(ii) Any litigation, proceeding or claim of any person or entity relating to the business or operation of the Stations prior to the Closing Date, whether or not such litigation, proceeding, or claim is pending, threatened, or asserted (collectively, "Claims") before, on, or after the Closing Date. The Buyer covenants to promptly notify Seller in writing of any Claims received after the Closing Date.

3. Seller's Demand Note.

(a) On April 15, 2005, Buyer made a Construction Loan to Seller in the amount of Fifty Thousand Dollars (\$50,000.00) with which to expedite the construction of the Booster Station. The Construction Loan was evidenced and secured by a Demand Note, other Loan Documents, and the terms and conditions contained herein, with specific reference to Paragraph 17 hereinbelow, all in anticipation of the mutual execution of this Purchase Agreement and the filing of an Assignment Application with the FCC.

4. Purchase Price and Payment. The purchase price for the Assets to be conveyed pursuant to this Purchase Agreement is Two Million and No/100 Dollars (\$2,000,000.00) (the "Purchase Price") payable as follows:

(a) On the Closing Date, the principal and any interest, deferred and accrued on the Demand Note shall be credited to Buyer's account and the principal of the Demand Note shall be forgiven.

(b) On the Closing Date, Buyer shall deliver to Seller via wire funds, cashier's check, or banker's equivalent, the cash payment of One Million Dollars (\$1,000,000.00)

(c) On the Closing Date, Buyer shall deliver to Seller its Secured Promissory Note (the "Note") in the amount of Nine Hundred Fifty Thousand Dollars (\$950,000.00) substantially in the form of Attachment 1 attached hereto and by reference incorporated herein. The Note shall be secured by a Security Agreement substantially in the form of Attachment 2 attached hereto and by reference incorporated herein, and a Personal Guaranty substantially in the form of Attachment 3 attached hereto and by reference incorporated herein.

5. Allocation. It is agreed between the Parties that the Purchase Price is being paid for the Assets in the amounts set forth in Exhibit D attached hereto or as further allocated as of Closing. Seller and Buyer agree to jointly complete and separately file Form 8594 with their federal income tax returns for the tax year in which the Closing Date occurs, that neither Seller nor Buyer shall take a position on any income, transfer, or gain tax return, before any governmental agency charged with the collection of any such tax or in any judicial proceeding that is in any manner substantially inconsistent with the terms of any such allocation without the written consent of the other party.

6. Prorations.

(a) Operation of the Stations and the income, expenses, and liabilities attributable thereto through the Closing shall be for the account and obligation of Seller and thereafter for the account and obligation of Buyer. Expenses including, but not limited to, such items as property taxes, insurance premiums, and similar prepaid and deferred items shall be prorated between Seller and Buyer in accordance with generally accepted accounting principles, the proration to be made and paid, insofar as feasible, on the Closing Date (a full list of all items to be prorated shall be delivered by Seller to Buyer seven (7) days prior to the Closing Date), with final prorations due thirty (30) days after the Closing Date. Specifically acknowledged accounts for pro-ration include without limitation the Transmitter Site Lease, the Studio Lease, and any and all FCC Regulatory Fees.

(b) All existing arrangements for the exchange of advertising time for consideration other than money ("Trades") as of the date hereof are listed in Exhibit E, attached hereto.

(i) In the event that upon the Closing Date, trades receivable exceed trades payable, the benefit of such excess shall accrue to Buyer. In the event that upon the Closing Date, trades payable exceed trades receivable by more than One Thousand Dollars (\$1,000.00), Buyer shall receive a credit equal to such excess, and such credit shall be applied to Buyer's account at Closing.

(ii) Between the date hereof and the Closing Date, Seller shall not enter into any new Trades, or extensions, renewals, or modifications to any existing Trades, which pertain to the Stations and which will be in force on the Closing Date, without the prior written consent of Buyer, which such consent shall not be unreasonably denied or delayed.

7. Representations and Warranties of Seller. Seller represents and warrants to Buyer that:

(a) Organization and Standing. Seller is now and on the Closing Date shall be a Limited Liability Company duly organized, validly existing, and in good standing under the laws of the State of Delaware and licensed to do business in the State of Washington;

(b) Authorization. All necessary action to approve the execution, delivery, and performance of this Purchase Agreement and the consummation of the transaction contemplated hereby has been taken by Seller, and this Purchase Agreement constitutes a valid and binding agreement of Seller enforceable in accordance with its terms;

(c) Licenses. From the Date hereof through the Closing Date, Seller is and will be the holder of the FCC Licenses as listed in Exhibit A, attached hereto. To the Seller's knowledge, the FCC Licenses constitute all of the authorizations required for and/or used in the operation of the Stations as currently operated, and the FCC Licenses are now and on the Closing Date will be in full force and effect;

(i) All material ownership reports, renewal applications, and other reports and documents required to be filed by Seller with the FCC or other agencies with respect to the Stations have been and until Closing shall be timely filed, and all such reports, applications and documents are or will be true and correct in all material respects; and

(ii) Seller warrants that the Stations' Public File and all other files, books and records are substantially complete, up-to-date, and in compliance with FCC rules;

(d) FCC Actions. Seller has not received any notice and has no knowledge of any pending, issued, or outstanding order by or before the FCC, or any pending or threatened investigation, Order to Show Cause, Notice of Violation, Notice of Apparent Liability, Notice of Forfeiture, or material complaint against the Stations or Seller. In the event of the occurrence of any such action, or the filing or issuance of any such order, notice, or material complaint, or Seller's learning of the threat thereof, Seller shall notify Buyer of same in writing within five (5) business days of such event and shall take all commercially reasonable measures to contest in good faith or seek removal or rescission of such action, order, notice, or complaint;

(e) Financial Information. The financial disclosures are listed on Schedule 7(e). Any financial information concerning the Stations have been provided by Seller to Buyer and are true and correct in all material respects. All such financial information has been prepared in the usual and ordinary course of business and accurately reflects in all material respects the financial condition and obligations of the Stations for the periods covered thereby;

(f) Personal Property. All of the Tangible Personal Property to be acquired by Buyer is listed and described in Exhibit B, attached hereto. Seller now has, or on the Closing Date shall have, good, valid, and marketable title to the Tangible Personal Property listed and described in Exhibit B, and on the Closing Date be free and clear of all mortgages, liens, charges, claims, pledges, security interests, and encumbrances whatsoever.

(g) Insurance. All the Tangible Personal Property, is now and will be through the Closing Date fully insured by Seller, for replacement value, including but not limited to protection against fire, windstorm, casualty, liability, vandalism, and burglary; and

(h) Condition and Adequacy of Assets. The Tangible Personal Property listed in Exhibit B is sufficient to permit operation of the Stations in compliance with all material requirements of the FCC Licenses, the Communications Act of 1934, as amended, and the rules, regulations, policies, and procedures of the FCC in effect on the Closing Date and, to the Seller's knowledge, rules, regulations, statutes, ordinances, laws, and other requirements of all local, state, and federal governments and governmental agencies. All equipment identified in Exhibit B or acquired to replace items thereon shall as of the Closing meet the equipment performance measurement standards prescribed by the FCC for the Stations and shall materially conform to other good engineering practices customary in the industry. Notwithstanding the foregoing, it is specifically understood that Seller is not warranting the continued operation of said equipment after the Closing Date and that Buyer is to rely solely on its own engineering report(s) with respect to the equipment's state of repair. Buyer acknowledges and agrees that it is purchasing the Tangible Personal Property at Closing on an "as-is, where-is" basis and "with all faults". Seller has not made and does not make any representations as to the physical condition, operation or any other matter affecting or related to such property, except as specifically stated herein, and Buyer hereby acknowledges that no such representations have been made. Seller expressly disclaims and Buyer acknowledges and accepts that, except as specifically stated herein, Seller has disclaimed to the maximum extent permitted by law, any and all representations, warranties or guaranties of any kind, oral or written, express or implied, concerning the Tangible Personal Property, including, without limitation, (i) the value, condition, merchantability, marketability, profitability, suitability or fitness for a particular use or purpose of the property, (ii) the manner or quality of the construction of the materials, if any, incorporated into any of such property and (iii) the manner, quality, state of repair or lack of repair of such property.

(i) From the date hereof until the Closing Date, the Stations will be operated and maintained in material compliance with all requirements of the Communications Act of 1934, as amended, and the rules, regulations, policies, and procedures of the Commission. All maintenance performed with respect to the operation of the Stations and to any property related to the Stations has been and until Closing will be done in a proper and workmanlike manner; and

(ii) At any reasonable time or times prior to the Closing Date, Buyer or Buyer's engineer(s) may inspect the Tangible Personal Property. Seller agrees to extend full cooperation including such access to the equipment and to logs pertaining thereto at such time or times as reasonably requested.

(i) Litigation. No judgment is issued or outstanding against the Stations or Seller. Except for matters affecting the broadcasting industry generally, no litigation, action, claim, special assessment, suit, fine, judgment, proceeding, or investigation is now or on the Closing Date shall be pending or outstanding before any forum, court, or governmental body, department or agency of any kind, to which Seller or the Stations is/are a party or to the knowledge of Seller is threatened, which could materially or adversely affect the broadcast licenses of the Stations, the Assets, or which has the stated purpose of seeking to enjoin or prevent the consummation of this Purchase Agreement or the transactions contemplated hereby

or to recover damages by reason thereof, or which challenges the validity of any action taken or to be taken pursuant to or in connection with this Purchase Agreement or which would have a material adverse effect upon the Assignment Application;

(j) Contracts.

(i) The Transmitter Site Leases set forth on Exhibit C are now and on the Closing Date shall be in full force and effect and unimpaired by any act of Seller, its employees or agents, and Seller will not modify in any significant respect any of the Transmitter Site Leases without Buyer's written consent, which shall not be unreasonably withheld or delayed.

(ii) Seller shall indemnify, defend, and hold Buyer harmless against all claims, direct or indirect, obligations, liabilities, actions, or causes of action, including Buyer's reasonable attorney's fees and costs, arising out of Seller's contracts not listed in Exhibit C. Seller is now and on the Closing Date shall be in compliance in all material respects with the terms and conditions of the Transmitter Site Leases and the Studio Lease and shall not be in default thereunder; and as of the date hereof there is no claim of such breach or default known to Seller. As of the Closing Date, all rental and other payment obligations of Seller under the Transmitter Site Leases and the Studio Lease shall be currently and timely paid, and Seller shall not be in material default under such lease in any manner;

(k) Taxes and Reports. Seller has and on the Closing Date will have filed all federal, state, and local tax returns, except as to such returns for which a valid extension request has been filed, which are required to be filed as of that date, and has and on the Closing Date will have paid in full when due all taxes, interest, penalties, assessments, and deficiencies which have been assessed or levied against the Stations or any of its Assets or properties, real or personal. Any additional taxes, interest, penalties, assessments, and deficiencies that shall become due and payable with respect to any tax return or tax obligation of Seller arising from the operation of the Stations prior to the Closing Date shall be the responsibility of Seller. Seller has and on the Closing Date will have in a proper and timely manner filed all other reports and returns required by any governmental agency or department. Upon request of Buyer, Seller will provide confirmation of all such payments required hereunder;

(l) Personnel. Buyer shall not be obligated to hire any or all of Seller's employees upon Closing or any time thereafter.

(m) Absence of Restrictions. The execution, delivery, and performance of this Purchase Agreement and the transaction contemplated hereby by Seller do not and on the Closing Date will not:

(i) Violate any material provision of law applicable to Seller or conflict with, result in the termination or breach of any term, condition or provision of, or constitute a default under, any contract, lease, agreement or other instrument or condition of

which the Stations are bound or to which the Assets of the Stations are subject, or result in the creation of any lien, charge, claim, pledge, security interest, or encumbrance which would impair the marketability of the Assets; or

(ii) Cause or result in the advancement or acceleration of maturity of any liability of the Stations or the alteration or modification to the detriment of Buyer of the terms, conditions, or provisions of any contract, lease agreement, or other instrument of condition by which the Stations are bound or to which any of the Assets of the Stations are subject;

(n) Disclosure. Seller has made full disclosure of all material events and facts pertaining to the operation and business of the Stations of which it has knowledge. No covenant, representation, or warranty by Seller herein and no written certificate or exhibit furnished or to be furnished by Seller pursuant hereto or in connection with the transaction contemplated herein contains any untrue statement of a material fact or omits or will omit any material fact necessary to make the statement contained therein not misleading and to provide Buyer with complete and accurate information as to the Stations. Moreover, no material facts of any kind which might affect the FCC Licenses, the Transmitter Site Leases, the Studio Lease, or any other Assets to be acquired, have been intentionally withheld by Seller.

8. Covenants of the Parties.

(a) Between the Date hereof and the Closing Date, Seller shall:

(i) Conduct the business of the Stations in the usual manner, in good faith, and shall at its own expense operate the Stations in all material respects in accordance with the terms of the FCC Licenses and keep all Tangible Personal Property to be transferred hereunder now actively in use in the Stations' operations in substantially the same operating condition and repair as of the date hereof, reasonable wear and tear excepted;

(ii) Provide Buyer and representatives of Buyer with reasonable access during normal business hours to the properties, titles, contracts, books, files, logs, records, and affairs of the Stations; and furnish such additional information concerning the Stations as Buyer may reasonably request; and

(iii) Use all reasonable efforts to obtain the consent of the landlord to assign the Transmitter Site Lease to Buyer; and, if Seller fails to obtain such consent, Buyer shall not be required to perform hereunder, provided, however, that this condition precedent to Close shall apply to an assignment/assumption of the Studio Lease;

(b) Between the date hereof and the Closing Date, Seller shall not (unless consented to in writing by the Buyer);



(i) Enter into any agreement to sell, assign, lease, exchange or otherwise transfer or dispose of the Stations or any of the Stations' Assets, except for retirement in the normal and usual course of business in connection with the acquisition of similar property or assets of greater or equal value;

(ii) Renegotiate (except for the negotiation of a consent to the assignment of the Studio Lease), modify, amend, renew or terminate the Transmitter Site Leases or the Studio Lease, without Buyer's prior written consent which shall not be unreasonably withheld (excepting any termination of the Studio Lease as a result of the sale of the premises);

(iii) Change the Stations' call letters, modify the Stations' facilities, or materially adversely change the Stations' facilities or, except as required by FCC rules or policies, apply to the FCC for any FCC authorizations on behalf of the Station without Buyer's consent, which will not be unreasonably withheld or delayed, or make any material adverse changes in the Stations' real property or leasehold improvements, specifically including all antenna sites, studio sites, and other improvements and fixtures;

(c) Seller shall give Buyer written notice within two (2) business days of any material operating problems or developments between the date hereof and the Closing Date, including, but not limited to, any problems or development which might materially adversely affect the Assets being transferred herewith, and keep Buyer informed about all matters having a material financial impact on Seller; and

(d) Seller shall perform the necessary local public notices required by the FCC concerning the filing of the FCC Form 314 Assignment Application.

9. Buyer's Representations and Warranties. Buyer represents and warrants to Seller that:

(a) Organization and Standing. Upon the Closing Date, Buyer will be a corporation, duly organized, validly existing and in good standing under the laws of the State of Nevada and licensed to do business in the State of Washington;

(b) Authorization. All necessary action to approve the execution, delivery, and performance of this Purchase Agreement and the consummation of the transactions contemplated hereby has been taken by Buyer, and this Purchase Agreement constitutes a valid and binding agreement of Buyer enforceable in accordance with its terms;

(c) Absence of Restrictions. No contract, agreement, or other instrument or condition presently exists, or on the Closing Date will exist, which restricts, limits, or in any manner affects any aspect of this Purchase Agreement or the transaction contemplated hereby, except with respect to which valid waivers of such restrictions or limitations have been obtained. The execution, delivery, and performance of this Purchase Agreement and the transaction contemplated hereby by Buyer do not, and will not at Closing, conflict with or result in the

termination or breach of any terms, condition, or provisions of, or constitute a default under any contract, lease, agreement, or other instrument or condition by which Buyer is bound;

(d) Litigation. There is no litigation, judicial or administrative proceeding, governmental investigation or other similar proceeding pending which would materially adversely affect Buyer's power, authority, or ability to enter into this Purchase Agreement and to carry out the transaction contemplated hereby, and Buyer is aware of no such proceedings threatened or contemplated but not yet commenced, or of any circumstances which might give rise to such proceedings or which has the stated purpose of seeking to enjoin or prevent the consummation of this Purchase Agreement or the transactions contemplated hereby or to recover damages by reason thereof, or which challenges the validity of any action taken or to be taken pursuant to or in connection with this Purchase Agreement or which would have a material adverse effect upon the Assignment Application;

(f) Buyer's Qualifications. Buyer is legally, financially, and otherwise qualified under the FCC's rules to be the licensee of the Stations, and Buyer will not take any action to permit any condition to exist which would disqualify Buyer from becoming such a licensee.

10. Conditions Precedent to Buyer's Obligation to Close. The obligation of the Buyer to consummate the transaction contemplated hereby is subject to the fulfillment prior to and at the Closing Date of each of the following conditions;

(a) Station Booster. Seller shall have completed all construction required of the Booster Station with coverage and signal performance satisfactory in Buyer's sole determination and shall have filed with the FCC its Request for FM Station License on FCC Form 302-FM, however, FCC authorization shall not be a condition precedent to Closing.

(b) [Intentionally Deleted]

(c) Commission Approval. The Commission shall have given its consent to the Parties' Assignment Application approving the assignment of the FCC Licenses from Seller to Buyer;

(b) Representations and Warranties. The representations and warranties of Seller contained in this Purchase Agreement or in any certificate or document delivered pursuant to this Purchase Agreement or in connection with the transaction contemplated hereby shall be true and correct in all material respects on and as of the Closing Date as though such representations and warranties were made at and as of such time;

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

(d) FCC Licenses. On the Closing Date, Seller shall be the holder of the FCC Licenses. No proceedings shall be pending or threatened which may result in the revocation, cancellation, or suspension of any such FCC Licenses;

(e) Consents. Any necessary third-party consents pertaining to an assignment/assumption of authorizations, leases, and contracts shall have been obtained by Seller and delivered to Seller;

(f) Actions. No court or governmental body or authority shall have issued an order barring, enjoining, or restraining the transaction contemplated by this Purchase Agreement which order remains in effect, nor shall there be pending before any court, governmental body, or authority any request for injunction or restraining order barring this transaction which request has not been ruled upon.

(g) Documentation. All of the requirements of Paragraph 23 have been met.

11. Conditions Precedent To Seller's Obligation To Close. The obligation of the Seller to consummate the transactions contemplated hereby is subject to the fulfillment prior to and on the Closing Date of each of the following conditions;

(a) [Intentionally Deleted]

(b) Commission Approval. The Commission shall have given its consent to the Form 314 Application approving the assignment of the FCC Licenses from Seller to Buyer for operation as a commercial station;

(c) Representations and Warranties. The representations and warranties of Buyer contained in this Purchase Agreement or in any certificate or document delivered pursuant to this Purchase Agreement or in connection with the transaction contemplated hereby shall be true and correct in all material respects at and as of the Closing Date as though such representation and warranties were made at and as of such time;

(d) Performance. Buyer shall have in all material respects performed and complied with all covenants, agreements, and conditions required by this Purchase Agreement to be performed or complied with by it prior to and at the Closing Date, to specifically include payment of the Purchase Price as set forth in Section 4 hereinabove.

(e) Actions. No action, suit, or proceeding before any court or any governmental body or authority which relates to Buyer's qualifications and which would be materially adverse to Seller under this Purchase Agreement and the consummation of this Purchase Agreement, shall have been instituted or threatened on or before the Closing Date; and

(f) Documentation. All of the requirements of Paragraph 24 have been met.

12. Control of Stations. Between the date of this Purchase Agreement and the Closing Date, control of the Stations shall be the sole responsibility of and in the complete discretion and control of Seller.

13. Commission Approval. Consummation of the purchase and sale provided for herein is conditioned upon the FCC having given its consent to the assignment from Seller to Buyer of all FCC Licenses of Seller set forth in Exhibit A, provided such assignment shall be as a commercial station. The Parties agree to waive the requirement that said consent shall have become a Final Order, in which case the consummation of the purchase and sale of the Assets shall occur promptly following FCC staff approval on a mutually agreeable date, but in any event no later than September 30, 2005, provided FCC staff approval has been granted.

14. Filing of Application. Buyer and Seller agree to proceed as expeditiously as practical to file or cause to be filed an application on FCC Form 314, Application for Consent To Assignment Of Broadcast Station Construction Permit or License, (the "Assignment Application") requesting FCC consent to the transaction herein set forth. The Parties agree that the Assignment Application will be prosecuted in good faith and with due diligence. Each party will be solely responsible for its own expenses incurred in the preparation, filing, and prosecution of said Assignment Application and the FCC filing fees for same shall be paid by Buyer. The Parties agree that in no case shall the Assignment Application be filed later than ten (10) days following the date hereof.

15. Termination by Non-Consummation. Subject to Paragraph 16 below, if the transaction contemplated by this Purchase Agreement has not been consummated within ten (10) months from the date of acceptance for filing of the Assignment Application (the "Outside Date"), either Party may at its option, give notice of termination of this Purchase Agreement to the other, provided that the terminating Party is not in material breach or default hereunder. In the event the notifying Party is Buyer, the Demand Note shall remain in full force and effect and shall not be accelerated as a result of Buyer demand.

16. Termination on Notice of Hearing. If the Commission designates the Assignment Application for hearing on issues related to Buyer's qualifications and Buyer cannot (or elects not to) amend its application to favorably resolve the hearing issue or issues, Buyer shall have the option of terminating this Purchase Agreement by notice to Seller prior to the commencement of the hearing. If, pursuant to this Paragraph 16, Buyer terminates this Purchase Agreement or the Parties have otherwise failed to consummate this transaction as of the Outside Date due to the failure of the FCC to act on the Assignment Application on the basis of such issues, Buyer agrees that upon receipt of written demand from Seller, Buyer shall forgive the Demand Note, provided Seller is not in material breach of this Purchase Agreement.

17. Termination Due to Breach.

(a) In the event of a material breach by Buyer prior to the Closing Date of any covenant, term or condition of this Purchase Agreement or any representation or warranty

contained herein which would render Buyer unable to perform its obligations under this purchase Agreement, and the continuance of said breach without cure for a period of twenty (20) calendar days following written notice by Seller to Buyer, Seller may in its discretion terminate this Purchase Agreement without cost, penalty, or liability of any kind upon written notice to Buyer, and shall be entitled to have the Demand Note forgiven by Buyer, provided Seller is not in breach of this Purchase Agreement. The Parties agree that, in the event of Buyer's material breach prior to Closing, Seller's damages are not susceptible to exact calculation and further agree that forgiveness of the Demand Note as liquidated damages constitutes Seller's sole and exclusive remedy for such breach;

(b) In the event of a material breach by Seller prior to the Closing Date of any covenant, term or condition of this Purchase Agreement or any representation or warranty contained herein, and the continuance of said breach without cure for a period of twenty (20) calendar days following written notice by Buyer to Seller, Buyer may in its discretion terminate this Purchase Agreement without cost, penalty, or liability of any kind upon written notice to Seller, provided the Demand Note shall remain in full force and effect pursuant to its terms and conditions subject only to Buyer's rights to specific performance set forth in Paragraph 17 (c) hereinbelow;

(c) Because the Assets to be transferred pursuant to the terms of this Purchase Agreement are unique and not readily available on the open market, the Buyer will be seriously damaged should this purchase not be consummated through no fault of its own but for reasons attributable to Seller. The Parties agree that, in the event of Seller's material breach, Buyer's damages are not susceptible to exact calculation and further agree that the Buyer shall have the right to seek to enforce the terms of this Purchase Agreement by a decree of specific performance, and such rights of specific performance constitutes Buyer's sole and exclusive remedy for such breach;

18. Risk of Loss. The risk of loss or damage to any of the Assets from fire, windstorm, casualty, liability, vandalism, burglary, or flood, or other causes whatsoever shall be upon Seller at all times prior to the Closing and it shall be the responsibility of Seller to repair or cause to be repaired and to restore the Assets to their current condition . In the event of any such loss or damages, Seller shall notify Buyer of same in writing within five (5) business days, specifying with particularity the loss or damage incurred, the cause thereof, if known or reasonably ascertainable, and the insurance coverage. The proceeds of any claim for any loss payable under any insurance policy with respect thereto shall be used to repair, replace, or restore any such Assets to their former condition. If the Assets are not completely repaired, replaced, or restored on or before the Closing, the Buyer, at its sole option:

(i) May postpone the Closing Date until such time as the Assets have been completely repaired, replaced or restored to Buyer's reasonable satisfaction and, if necessary, the Parties shall join in an application or applications requesting the Commission to extend the effective period of its consent to the Assignment Application;

(ii) May consummate the Closing and accept the Assets in their then-existing condition, in which event Seller shall assign to Buyer all proceeds of insurance covering the Assets involved; or

(iii) May rescind this Purchase Agreement at no cost or expense and declare it of no further force and effect, in which event the Demand Note shall remain in full force and effect pursuant to its terms and conditions.

19. Broadcast Transmission of the Stations Prior to Closing Date. If prior to the Closing Date, any event occurs which prevents the regular broadcast transmissions of the Stations, in the normal and usual manner in which the Stations have heretofore been operating, Seller shall give written notice thereof to Buyer within five (5) business days and Buyer shall be entitled, by giving written notice to Seller, to terminate this Purchase Agreement without any further obligation hereunder by either party and the Demand Note shall remain in full force and effect pursuant to its terms and conditions, in the event:

(a) Broadcast transmissions are not commenced at least on a temporary basis within fifteen (15) days, or

(b) Such facilities are not restored so that normal and usual transmissions are resumed by the earlier of (i) thirty (30) days after such event or (ii) the Closing Date.

20. Indemnification by Seller.

(a) It is understood and agreed that Buyer does not assume, and shall not be obligated to pay, any liability of Seller under the terms of this Purchase Agreement or otherwise and shall not be obligated to perform any obligations of Seller of any kind or manner, except the Transmitter Site Leases and/or the Studio Lease and any other Contract, expressly assumed by the Buyer hereunder (as well as any obligations prorated in Buyer's favor under Section 6 above). Seller hereby agrees to indemnify, defend and hold harmless the Buyer, its successors and assigns, from and against:

(i) Any and all claims, demands, liabilities, obligations, actions, suits, proceedings, losses, damages, costs, expenses, assessments, judgments, recoveries, and deficiencies, including interest, penalties, and reasonable attorneys' fees, of any kind and description, contingent or otherwise (the foregoing hereinafter collectively referred to as "Damages"), occasioned by, arising out of or resulting from the operation of the Stations prior to the Closing, including without limitation any breach or default by Seller under the Transmitter Site Lease prior to Closing. (This Paragraph shall not apply to any acts of Buyer or Buyer's representative, i.e., Seller shall not indemnify Buyer from such acts); and

(ii) Any and all Damages occasioned by, arising out of or resulting from any misrepresentation, breach of warranty or non-fulfillment of any covenant, or default or non-fulfillment of any agreement on the part of Seller under this Purchase Agreement.

(b) Buyer shall notify Seller in writing within thirty (30) days of the occurrence of any event, or of its discovery of any facts, which in the opinion of its counsel would entitle or may entitle it to indemnification under this Paragraph 20, provided, however, that failure to give such notice within such thirty (30) day period shall not affect the liability of Seller under this Paragraph 20 unless the failure to give such notice within such time period adversely affects to a material degree Seller's ability to defend itself against a claim of Buyer or to cure the default giving rise to the claim for indemnification on account thereof. With respect to threatened or asserted claims of third parties, Seller shall promptly defend such claim by counsel of its own choosing; and

(c) If, within a reasonable period of time after notice of a claim, Seller fails to defend Buyer, Buyer shall be entitled to undertake the defense, compromise or settlement of such claim at the expense of and for the account and risk of Seller, subject to the right of the Seller to assume the defense of such claim at any time prior to the settlement, compromise, or final determination thereof. Anything in this subparagraph to the contrary notwithstanding;

(i) If there is a reasonable probability that a claim may materially and adversely affect Buyer, Buyer will have the right, at its own cost and expense (including final settlement/judgment costs) to defend, compromise or settle such claim; and

(ii) Seller will not, without Buyer's written consent, settle or compromise any claim or consent to any entry of judgment which does not include as an unconditional term thereof the giving by the claimant and/or the plaintiff to Buyer of a release from all liability in respect to such claim.

(d) No claim for indemnification pursuant to this Paragraph 20 shall be made unless the amount, for which indemnity is claimed singly or in the aggregate, shall exceed Ten Thousand Dollars (\$10,000.00).

(e) The aggregate amount of all damages payable by the Seller with respect to all claims for indemnification shall not exceed the Purchase Price.

## 21. Indemnification by Buyer.

(a) Buyer herewith agrees to indemnify and hold Seller and its successors and assigns harmless against:

(i) Any and all Damages occasioned by, arising out of or resulting from the operation of the Stations subsequent to the Closing, including without limitation any breach of default by Buyer under the Transmitter Site Lease and/or the Studio Lease following the Closing. (This Paragraph shall not apply to any acts of Seller or Seller's representatives: i.e., Buyer shall not indemnify Seller from such acts); and

(ii) Any and all Damages occasioned by, arising out of or resulting from any misrepresentation, breach of warranty, or non-fulfillment of any covenant, or default or non-fulfillment of any agreement on the part of Buyer under this Purchase Agreement.

(b) Seller shall notify Buyer in writing within thirty (30) days of the occurrence of any event, or of the discovery of any facts, which in the opinion of counsel entitles or may entitle it to indemnification under this Paragraph 21, provided, however, that failure to give such notice within such thirty (30) day period shall not affect the liability of Buyer under this Paragraph 21 unless the failure to give such notice within such time period adversely affects to a material degree Buyer's ability to defend itself against a claim of Seller or to cure the default giving rise to the claim for indemnification on account thereof. With respect to threatened or asserted claims of third parties, Buyer shall promptly defend such claim by counsel of its own choosing; and

(c) If, within a reasonable period of time after notice of claim, Buyer fails to defend Seller, Seller shall be entitled to undertake the defense, compromise, or settlement of such claim at the expense of and for the account and risk of Buyer, subject to the right of the Buyer to assume the defense of such claim at any time prior to the settlement, compromise, or final determination thereof. Anything in this Subparagraph to the contrary notwithstanding;

(i) If there is a reasonable probability that a claim may materially and adversely affect Seller, Seller will have the right, at its own cost and expense, to defend such claim but not to compromise or settle such claim without Buyer's prior written consent; and

(ii) Buyer will not, without Seller's written consent, settle or compromise any claim or consent to any entry of judgment which does not include as an unconditional term thereof the giving by the claimant and/or the plaintiff to Seller of a release from all liability in respect to such claim.

(d) No claim for indemnification pursuant to this Paragraph 21 shall be made unless the amount, for which indemnity is claimed singly or in the aggregate, shall exceed Ten Thousand Dollars (\$10,000.00).

(e) The aggregate amount of all damages payable by Buyer with respect to all claims for indemnification shall not exceed the Purchase Price.

22. Bulk Sales Law. Buyer hereby waives compliance by Seller with the provisions of any bulk sales law, if applicable, and Seller warrants and agrees to pay and discharge when due all claims of creditors which could be asserted against Buyer by reason of such noncompliance to the extent that such liabilities arise before the Closing and are not specifically assumed by Buyer under this Purchase Agreement, and agrees to protect, defend, save harmless and indemnify Buyer from and against any and all such claims and demands pursuant to the procedures set forth in Paragraph 20 hereof which shall apply thereto in all respects.



23. Seller's Performance at Closing. On the Closing Date at the Closing Place, Seller shall execute and deliver or cause to be delivered to Buyer, in form and substance reasonably satisfactory to Buyer and its counsel:

(a) A Bill of Sale conveying to Buyer all of the Tangible Personal Assets to be acquired by Buyer hereunder;

(b) One or more assignments assigning to Buyer the FCC Licenses to be acquired by Buyer hereunder;

(c) An assignment assigning to Buyer the Transmitter Site Leases and/or Studio Lease, together with any necessary consent thereto and the original copies of said leases, if available;

(d) A certificate of Seller stating:

(i) That all representations and warranties of Seller as set forth in this Purchase Agreement and in the other instruments delivered by Seller are true and correct in all material respects as of the Closing Date;

(ii) Seller has, in all material respects, performed and complied with all covenants, agreements, and conditions required by this Purchase Agreement to be performed or complied with by Seller at or prior to the Closing Date; and

(iii) The Commission has granted its consent and approval to the Assignment Application and to the transaction contemplated hereunder;

(e) Copies of the files and logs referred to in Paragraph 1 hereof; and

(f) Such other assignments, bills of sale, or instruments of conveyance and other conveyance documents as reasonably may be requested by Buyer to consummate this Purchase Agreement and the transaction contemplated hereby.

24. Buyer's Performance at Closing. On the Closing Date at the Closing Place, Buyer shall execute and deliver or cause to be delivered to Seller, in form and substance reasonably satisfactory to Seller and its counsel:

(a) The purchase price as set forth in Paragraph 4 (a), (b), and (c) hereof;

(b) A certificate of Buyer stating:

(i) That all representations and warranties of Buyer as set forth in this Purchase agreement are true and correct in all material respects as of the Closing Date; and

(ii) Buyer has, in all material respects, performed and complied with all covenants, agreements, and conditions required by this Purchase Agreement to be performed or complied with by Buyer at or prior to the Closing Date;

(e) Certified copies of resolutions approved by the Buyer authorizing and approving the execution, delivery, and performance of this Purchase Agreement and the transactions contemplated hereby; and

(f) Such other documents as reasonably may be requested by Seller to consummate this Purchase Agreement and the transaction contemplated hereby.

25. Survival of Covenants, Representations and Warranties. All representations, warranties, covenants, and agreements contained in this Purchase Agreement shall survive the Closing Date for a period of two (2) years.

26. Finders, Consultants and Brokers.

(a) The Parties hereto hereby represent and warrant to one another that there has been no finder, broker, or consultant involved in the negotiations leading up to the execution of this Purchase Agreement other than MCH Enterprises, Inc., who has acted as broker for the Parties in this transaction. The Parties agree that Seller will be solely responsible for the broker's compensation to be in full at Closing.

27. Notices. All notices, demands, and requests required or permitted to be given under the provisions of this Purchase Agreement shall be in writing and shall be deemed duly given when given personally or mailed by registered or certified mail, return receipt requested, postage prepaid; recognized overnight courier; or transmitted by facsimile, as follows:

(a) If to Seller:

Mr. Thomas D. Hodgins, Managing Member  
Radio Station KMJY, LLC  
1600 Gray Lynn Drive  
Walla Walla, WA 99362

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

Mr. Christopher A. McVety, Esq.  
Sachnoff & Weaver  
10 South Wacker Dr., 40<sup>th</sup> Floor  
Chicago, IL 60606-7507

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

Mr. Robert L. Thompson, Esq.  
Smithwick & Belendiuk, P.C.  
5028 Wisconsin Ave., S.W., Ste. 301  
Washington, DC 20016

(b) If to Buyer:

Mr. Gregory McMillion, Chief Operating Officer  
Pro-Active Communications, Inc.  
10391 E. Lylewood Way  
Clovis, CA 93611

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

Mr. Gerald Clifton, Chief Executive Officer  
Pro-Active Communications, Inc.  
7829 East Highland Ave.  
Scottsdale, AZ 85251

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

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

or any such other addresses as the Parties may from time to time designate in writing.

28. Assignability. This Purchase Agreement cannot be assigned without approval from the non-requesting party, which consent shall not be unreasonably withheld or delayed.

29. Confidentiality. The Parties agree to use their best efforts to keep confidential any and all information furnished to either of them by a party in the course of the negotiations and the business, technical, and legal reviews, except such information as may be available to the public or to the other party from another source not under an obligation of confidentiality. In this regard, the Parties agree to execute and be bound by such written confidentiality agreements as shall be reasonably requested by either Party.

30. Other Documents. The Parties shall execute and deliver on a timely basis all such further and additional documents as shall be convenient, necessary, or desirable to the implementation and consummation of this Purchase Agreement.

31. Waiver. No waiver by a Party of any provision of this Purchase Agreement shall be considered a waiver of any other provision of any subsequent breach of the same or any other provision, including the time for performance of any such provision. The exercise by a Party of any remedy provided in this Purchase Agreement or at law shall not prevent the exercise by that Party of any other remedy provided in this Purchase Agreement or at law.

32. Exhibits. All exhibits attached to this Purchase Agreement shall be deemed part of this Purchase Agreement and incorporated herein, where applicable, as if fully set forth therein.

33. Governing Law. This Purchase Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Washington except for the choice of law rules utilized in that state, and the obligations of the parties hereto are subject to all federal, state, and local laws and regulations now or hereafter in force and to the rules, regulations, and policies of the FCC and all other governmental entities or authorities presently or hereafter to be constituted.

34. Entire Agreement. This Purchase Agreement (including the attached exhibits) shall constitute the full and entire understanding of the Parties with respect to the subject matter hereof, and any prior agreement or understanding concerning the same is hereby terminated and canceled in its entirety and is of no further force and effect.

35. Attorneys' Fees for Actions Under This Purchase Agreement. If any suit, action or proceeding is commenced by either party to this Purchase Agreement against the other to obtain any relief by reason of any alleged breach of the representations, warranties, indemnities, or covenants contained in this Purchase Agreement, or to enforce any of the provisions of this Purchase Agreement or to determine either or both of the Parties' rights, duties or obligations hereunder, the prevailing party shall be entitled to recover reasonable attorneys' fees and all costs and expenses relating to such suit, action, or proceeding.

36. Effective Date and Closing Date. The Closing Date means a date to be mutually agreed upon by the Parties which will not be sooner than the receipt of FCC approval nor later than September 30, 2005, provided FCC staff approval has been granted.

37. Binding Effect. This Purchase Agreement is binding upon and shall inure to the benefit of the Parties hereto, their respective agents, representatives, officers, directors, shareholders, affiliates, assigns, heirs, and successors in interest.

38. Warranty of Signatories. Each of the persons signing this Purchase Agreement on behalf of an entity warrants and represents that he has the right power, legal capacity and authority to execute this Purchase Agreement on behalf of such entity, without the concurrence or approval of any other person, any entity or any Court, and to thereby bind such entity to this Purchase Agreement.

39. Headings. The headings of the Paragraphs of this Purchase Agreement are inserted as a matter of convenience and for reference purposes only and in no respect define, limit, or describe the scope of this Purchase Agreement or the intent of any Paragraph hereof.

40. Counterparts. This Purchase Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were on the same instrument. Each fully executed set of counterparts shall be deemed to be an original, and all of the signed counterparts together shall be deemed to be one and the same instrument.

41. Amendments. This Purchase Agreement may be amended by mutual consent of the Parties, but only by a written instrument duly signed by the Parties to the Purchase Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Purchase Agreement on the day and year first above written.

SELLER  
RADIO STATION KMJY, LLC

BY: \_\_\_\_\_  
Thomas D. Hodgins, Managing Member

BUYER  
PRO-ACTIVE COMMUNICATIONS, INC.

BY: \_\_\_\_\_  
Gerald D. Clifton, Chief Executive Officer

## EXHIBIT A: FCC LICENSES

1. KMJY-FM License to Operate: BLH20031017ACO
2. KMJY-FM Construction Permit – Auxiliary Station: BXPB20031009ABD
3. KMJY-FM1 Construction Permit – Booster Station: BNPFTB20031008ADA

## EXHIBIT B: TANGIBLE PERSONAL PROPERTY

### OFFICE FURNITURE AND EQUIPMENT

- 2 File Cabinet 4 Drawers
- 1 Metal Cabinet
- 2 Metal Storage Shelf Units
- 2 Fax Machine
- 4 Radio Shack Telephones
- 1 Answering Machine
- 1 Office Computer
- 1 17" Computer Monitor
- 1 Office Desk and Chair

### STUDIO EQUIPMENT

- 1 Wheatstone R-5 Console
- 2 15" LCD Computer Monitors
- 2 EV RE 20 Microphones
- 2 Shock Mount for RE 20
- 2 Mic Boom
- 2 Mic Boom Risers
- 1 10 inch Clock
- 1 Rotel Monitor Amp
- 3 Pioneer CD Players
- 3 Magnavox CD Player
- 1 Sony Cassette Deck
- 1 Production Computer
- 1 On Air Computer
- 2 Antex Audio Card LX 24m
- 2 Breakout Cable for LX24
- 1 PCI Trigger Card
- 1 PCI Switcher Card
- 1 WaveStation Software
- 1 Genter 2x12 phone system
- 1 Behringer Mixer
- 2 Padded Barstool Chairs

### RACK ROOM EQUIPMENT

- 1 Broadcast Tools 8x2 Switcher
- 1 DBX 160A Compressor
- 1 Broadcast Tools Silence Monitor
- 1 Broadcast Tools Dial Up Control
- 1 Network Hub
- 1 Optimod 8200

- 1 Gorman Redlich EAS Unit
- 1 Satellite Dish
- 1 Starguide Satellite Receiver
- 1 Wheatstone Distribution Amplifier

#### MOON HILL TRANSMITTER SITE

- 1 Scala Paraflector Antenna
- 1 FX 30 Exciter
- 1 Armstrong STL-10 Receiver
- 1 Armstrong 10kw Transmitter
- 1 Shively FM Antenna
- 1 Sine Systems Remote Control
- 1 190 Foot Steel Tower
- 220 Coaxial Transmission Line

#### HOODOO MOUNTAIN RELAY SITE

- 1 Armstrong STL-10 Transmitter
- 1 TFT STL Receiver
- 1 Scala Paraflector Antenna
- 1 Scala MiniFlector Antenna
- 2 Coaxial Cable

#### EQUIPMENT FOR BACK UP SITE

- 1 TFT STL receiver
- 1 Scala Paraflector Antenna

#### CABLE HEAD END SITE

- 1 TFT STL Transmitter
- 1 Scala MiniFlector Antenna
- 1 Coaxial Cable

#### BOOSTER STATION EQUIPMENT

- 1 Nicom STL Transmitter
- 1 Nicom STL Receiver
- 1 Armstrong STL Transmitter
- 1 Armstrong STL Receiver
- 4 Scala PR-950 Paraflector antennas
- 1 Armstrong TX 300 FM Exciter
- Coax cables and connectors



## EXHIBIT C: CONTRACTS, LEASES AND AGREEMENTS

- A. The Transmitter Site Leases:
  - 1. Main Transmitter Site (Moon Hill):
  - 2. 1<sup>st</sup> STL Hop Site (Hoodoo Mt.):
  - 3. Booster/Auxiliary Site (Dowdy Rd.):
- B. Office/Studio Lease (Newport, Washington)
- C. Other Assumed Agreements:

#### EXHIBIT D: PURCHASE PRICE ALLOCATION

1. Tangible Personal Property:	\$300,000	
2. Intangible Assets:	\$300,000	
3. Goodwill:	\$500,000	
4. FCC Licenses & Authorizations:	\$900,000	
	Total:	\$200,000,000

## EXHIBIT E: TRADE ACCOUNTS

ATTACHMENT 1  
SECURED PROMISSORY NOTE

ATTACHMENT 2  
SECURITY AGREEMENT

ATTACHMENT 3  
GUARANTY AGREEMENT