

W.A.C.
7th

ASSET PURCHASE AGREEMENT

Asset Purchase Agreement ("APA"), made and entered into this 7th day of May, 2010, by and between Penfold Communications, Inc., a California not-for-profit corporation ("Seller"), and Calvary Chapel of Costa Mesa, Inc., a California not-for-profit corporation ("Buyer").

WITNESSETH:

WHEREAS, Seller is the owner of Non-Commercial Educational FM Broadcast Station KRTM, Temecula, California, FCC Facility ID No. 52141 (the "Station"), and holds a license issued by the Federal Communications Commission ("FCC") for the operation of such Station on the frequency 88.9 mHz, Channel 205; and

WHEREAS, Seller desires to sell the Station to Buyer as a going business on the terms and conditions hereinafter set forth, and Buyer desires to purchase same;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants hereinafter set forth, it is agreed as follows:

1. **Effective Date:** This APA shall not become effective and binding on the Buyer until the date when Buyer's Board of Directors has approved the transactions contemplated by this APA (the "Effective Date"). In the event that the Board of Directors does not approve such transactions within sixty (60) days after the date of this APA, this APA shall become a nullity and shall not be binding on either the Seller or the Buyer.

2. **Assets to Be Sold:** The assets to be sold (the "Assets") consist of all of the broadcast equipment and personal property owned by Seller and used in the operation of the Station (a list of such property, satisfactory in form and substance to Buyer, will be furnished to Buyer at least thirty (30) days prior to the closing (the "Closing", as hereinafter defined); all intangibles owned by Seller and used in the operation of the Station, including but not limited to Seller's rights to the call letters KRTM; the license issued by the FCC for the operation of the Station, subject to the prior approval of the FCC to the assignment of such license from Seller to Buyer; and that certain Construction and Lease Agreement between Seller and the Pauma Band of Mission Indians, dated October 8, 2008, pertaining to the transmitter site of the Station, which Construction and Lease Agreement will be assigned from Seller to Buyer at the Closing. Seller's accounts receivable and cash on hand are specifically excluded from this sale and will not be acquired by Buyer.

3. **Accounts Receivable:** At least ten (10) days prior to the Closing Date, as hereinafter defined, Seller will furnish Buyer with a list of Seller's Accounts Receivable. Following the Closing, Buyer will collect such accounts on Seller's behalf and will render an accounting of such collections, along with payment of the proceeds of such collections, at intervals of thirty (30), sixty (60) and ninety (90) days from the Closing. Any accounts not collected prior to a date ninety (90) days from the Closing shall revert to Seller, and Seller shall be at liberty to collect such accounts for its own benefit.

4. **Purchase Price:** The Purchase Price for the Assets described in paragraph 2, *supra*, shall consist of the sum of Three Million Dollars (\$3,000,000.00), payable as follows: a) Within five (5) days of the Effective Date of this APA, Buyer will deposit the sum of One Hundred Fifty Thousand Dollars (\$150,000.00) in escrow with Seller's attorney, John C. Trent (the "Escrow Deposit"). The parties shall enter into an Escrow Agreement, a copy of which is attached hereto as Schedule 2. Subject to paragraph 1, in the event that the transactions contemplated by this APA are not consummated and the fault lies with the Buyer, the aforesaid escrow deposit will be forfeited to Seller as liquidated damages. In the event that the transactions are not consummated and the fault lies with the Seller or the fault lies with neither the Seller nor the Buyer, the aforesaid Escrow Deposit will be returned to Buyer, together with any interest earned; and (b) the remainder of the Purchase Price, consisting of the sum of Two Million Eight Hundred Fifty Thousand Dollars (\$2,850,000.00) shall be payable in readily available funds at the Closing as hereinafter defined.

5. **Application for FCC Consent:** Within five (5) days after the date of execution of this APA, Seller and Buyer will file an electronic application for FCC consent to the transactions contemplated by this APA. Seller and Buyer will each bear their own legal expenses associated with the application, but the filing fees associated with the application will be split equally between Seller and Buyer. Seller and Buyer will vigorously prosecute such application and do all things reasonably necessary and/or appropriate to obtain a grant thereof.

6. **Closing:** Within ten (10) days after the date when the FCC grants the application referred to in paragraph 5, *supra*, and upon five (5) days written notice by Buyer to Seller, a closing (the "Closing") will be held at the offices of Calvary Chapel of Costa Mesa, Inc. in Santa Ana, California, (the "Closing Date"), or such other place as may be convenient to the parties; provided, however, that Buyer shall have the option to postpone the Closing to a date no more than ten (10) days after the FCC order, consenting to the sale, becomes final, *i.e.*, no longer subject to administrative or judicial review. At the Closing Buyer and Seller shall exchange all bills of sale, lease assignments, assignments of FCC license and such other documents as may be necessary and/or appropriate to fully carry out the terms of this APA. Similarly, at the Closing Buyer will convey to Seller the purchase price in readily available funds.

7. **Seller's Warranties:** Seller makes no warranties concerning the physical condition of the personal property being conveyed to Buyer, except that Seller shall have good and marketable title to all such property free and clear of all liens and encumbrances at the Closing. The license issued by the FCC for the operation of the Station will, at the Closing, be in good standing and in full force and effect; provided, however, that there is pending before the FCC an application for a license to cover a construction permit for a minor change in the facilities of the Station which has not yet been granted. If that application has not been granted by the time of closing, Seller will, at the Closing, amend the application to substitute Buyer as the applicant therein.

8. **Buyer's Warranties:** Buyer warrants, covenants and represents that it is financially qualified to carry out the terms of this APA and that it knows of no reason why the FCC will not consent to the transactions contemplated by this APA.

9. **Assignment:** This APA shall be binding upon the heirs, successors and assigns of the parties hereto. Neither party may assign its rights and/or obligations under this APA to any third party; provided, however, that Buyer shall have the right to assign its rights and obligations under this APA to a new corporation or limited liability company, provided that such new corporation or limited liability company is controlled by Buyer.

10. **No Broker:** No broker brought about this APA, and no broker's fee, finder's fee or similar fee is payable to anyone in connection with the transactions contemplated by this APA.

11. **Contracts to Be Assigned:** Schedule 1 is a list of contracts of the Seller, including licenses to be assigned to Buyer at the Closing and performed by Buyer. Except for the contracts listed in Schedule 1, Buyer is not assuming any other obligations of the Seller, whatsoever. Those contracts requiring third party consent to an assignment are marked with an asterisk, and the appropriate consents will be obtained.

12. **Specific Performance:** The radio station which is the subject of this APA is unique, so that mere money damages would be insufficient to compensate Buyer for the loss of such Station. Therefore, Buyer may enforce this APA by a suit for specific performance and it shall be no defense to any such action that Buyer, allegedly, has an adequate remedy at law.

13. **Risk of Loss:** The risk of any loss, damage or destruction to any of the property or assets to be transferred to the Buyer hereunder from fire or other casualty or cause shall be borne by the Seller at all times prior to the Closing hereunder. Upon the occurrence of any material loss or damage to any of the tangible property or assets to be transferred hereunder as a result of fire, casualty or other causes prior to Closing, Seller shall notify the Buyer of same in writing immediately stating with particularity the extent of loss or damage incurred, the cause thereof if known and the extent to which restoration, replacement and repair of the property or assets lost or destroyed will be reimbursed under any insurance policy with respect thereto. Upon receipt of such notice, Buyer shall have the option to either (a) terminate this Agreement; or (b) accept the insurance proceeds (if any) and proceed to Closing.

14. **Notices:** Any notice required hereunder shall be in writing and any payment, notice or other communications shall be deemed given when delivered personally, or mailed by certified mail or Federal Express, postage prepaid, with return receipt request, and addressed as follows:

If to Seller:

Penfold Communications, Inc.
ATTN: Jeffrey W. Smith
159 Crooked Creek
Aledo, TX 76008

With a copy to:

John C. Trent, Esq.
Putbrese, Hunsaker & Trent, P.C.
200 South Church Street
Woodstock, VA 22664

If to Buyer:

Calvary Chapel of Costa Mesa, Inc.
ATTN: Charles W. Smith, President
3000 W. MacArthur Boulevard
Suite 500
Santa Ana, CA 92704

With a copy to:

Lauren A. Colby, Esq.
10 E. Fourth Street
P.O. Box 113
Frederick, MD 21705-0113

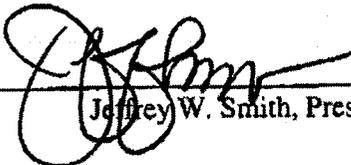
15. California Contract: This APA is a California contract and shall be construed and interpreted in accordance with the laws of that state (other than those laws relating to conflict of laws).

16. Counterparts: This APA may be executed in counterpart and/or by telecopy and, when so executed the counterparts taken together shall constitute a complete and binding agreement.

17. Time Brokerage Agreement: No later than ten (10) days after the Effective Date of this APA, Seller and Buyer will enter into a Time Brokerage Agreement ("TBA"), providing for Seller to sell and Buyer to purchase substantially all of the broadcast time on the Station at a monthly compensation equal to the actual operating expenses of the Station, plus Twenty Thousand Dollars (\$20,000.00). The TBA shall remain in effect so long as this APA remains in effect, terminating when Buyer becomes the owner of the Station.

IN WITNESS WHEREOF, the parties to this APA have set the hands and seals of their authorized representative, as of the date first above written.

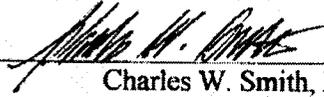
PENFOLD COMMUNICATIONS, INC.

By: 

Jeffrey W. Smith, President

CALVARY CHAPEL OF COSTA MESA, INC.

By:



Charles W. Smith, President

SCHEDULE 1

Contracts to Be Assumed

- (1) Transmitter site lease with Pauma Indians, fully described in this Agreement.
- (2) Studio lease dated June, 2008, with Rancho Temecula Plaza

SCHEDULE 2

Escrow Agreement