

AGREEMENT

THIS AGREEMENT (this "Agreement") is made as of March 27, 2014 among The Santa Barbara Foundation/Pacific Broadcasting Company ("SBF"), Santa Monica Community College District ("SMC") and University of Southern California ("USC").

Recitals

A. SBF owns and operates radio station KDB(FM), Santa Barbara, California ("KDB"). KDB's frequency is 93.7 and FCC ID is 51169.

B. USC owns and operates radio station KQSC(FM), Santa Barbara, California ("KQSC"). KQSC's frequency is 88.7 and FCC ID is 69085.

C. SMC owns and operates radio station KCRW(FM), Santa Monica, California ("KCRW"). KCRW's frequency is 89.9 and FCC ID is 59086.

D. The parties desire to provide for the following subject to Federal Communications Commission ("FCC") consent and the other the terms and conditions of this Agreement:

- (i) the conveyance of the KDB Assets (defined below) from SBF to USC;
- (ii) the conveyance of the KQSC Assets (defined below) from USC to SMC; and
- (iii) certain consideration from SMC to SBF.

Agreement

NOW, THEREFORE, taking the foregoing into account, and in consideration of the mutual covenants and agreements set forth herein, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1: AGREEMENT

1.1 Agreement. On the terms and subject to the conditions of this Agreement, at Closing (defined below):

(a) SBF shall assign, transfer, convey and deliver to USC, and USC shall acquire from SBF, all right, title and interest of SBF in and to the KDB Assets (defined below), free and clear of Liens (defined below) except SBF Permitted Liens (defined below) and except for certain KDB Tangible Personal Property, set forth in Schedule 1.1.1(b), which SBF shall assign, transfer, convey and deliver to SMC, and which SMC shall acquire from SBF;

(b) USC shall assign, transfer, convey and deliver to SMC, and SMC shall acquire from USC, all right, title and interest of USC in and to the KQSC Assets

(defined below), free and clear of Liens except USC Permitted Liens (defined below); and

(c) SMC shall pay SBF One Million Three Hundred Thousand Dollars (\$1,300,000), One Million Dollars (\$1,000,000) of which shall be paid by wire transfer of immediately available funds pursuant to the written instructions of SBF delivered by SBF to SMC at least three (3) business days prior to Closing (the “Cash Payment”). In addition, SMC shall deliver at Closing a Promissory Note in the principal amount of Three Hundred Thousand Dollars (\$300,000). The Promissory Note shall be payable in two installments of One Hundred Fifty Thousand Dollars (\$150,000) each, the first of which shall be due and payable on the first anniversary of the date of the Closing, and the second of which shall be due on the second anniversary of the date of the Closing.

1.1.1. KDB Assets. Except as set forth in Section 1.2, the “KDB Assets” consist of the following:

(a) all licenses, permits and other authorizations issued to SBF by the FCC with respect to KDB (the “KDB FCC Licenses”), including those described on *Schedule 1.1.1(a)*, including any renewals or modifications thereof between the date hereof and Closing;

(b) all of SBF’s equipment, transmitters, antennas, cables and other tangible personal property of every kind and description that are used or held for use in the operation of KDB, except for any retirements or dispositions thereof made between the date hereof and Closing in the ordinary course of business (the “KDB Tangible Personal Property”);

(c) SBF’s lease listed on *Schedule 1.1.1(c)* (the “KDB Real Property Lease”);

(d) the contracts listed on *Schedule 1.1.1(d)* (such contracts, together with the KDB Real Property Lease, the “KDB Contracts”);

(e) all of SBF’s rights in and to KDB’s call letters and SBF’s rights in and to the trademarks, trade names, service marks, internet domain names, copyrights, slogans, logos, and other intangible property which are used or held for use in the operation of KDB, including without limitation those listed on *Schedule 1.1.1(e)* (the “SBF Intangible Property”); and

(f) SBF’s rights in and to all the files, documents, records, and books of account (or copies thereof) relating to the operation of KDB, including KDB’s local public file, engineering data, advertising studies, mailing lists, marketing and demographic data, sales correspondence, lists of advertisers, credit and sales reports, and logs, but excluding records relating to SBF Excluded Assets (defined below).

The KDB Assets shall be transferred to USC or SMC, as the case may be, free and clear of liens, claims and encumbrances (“Liens”) except for USC Assumed

Obligations (defined below), liens for taxes not yet due and payable, and liens that will be released at or prior to Closing (collectively, “SBF Permitted Liens”).

1.1.2. KQSC Assets. Except as set forth in Section 1.2, the “KQSC Assets” consist of the following:

(a) all licenses, permits and other authorizations issued to USC by the FCC with respect to KQSC (the “KQSC FCC Licenses”), including those described on *Schedule 1.1.2(a)*, including any renewals or modifications thereof between the date hereof and Closing;

(b) all of USC’s equipment, transmitters, antennas, cables and other tangible personal property of every kind and description that are used or held for use in the operation of KQSC, except for any retirements or dispositions thereof made between the date hereof and Closing in the ordinary course of business (the “KQSC Tangible Personal Property”);

(c) USC’s lease listed on *Schedule 1.1.2(c)* (the “KQSC Real Property Lease”);

(d) the contracts listed on *Schedule 1.1.2(d)* (such contracts, together with the KQSC Real Property Lease, the “KQSC Contracts”); and

(e) USC’s rights in and to all the files, documents, records, and books of account (or copies thereof) relating exclusively to the operation of KQSC, including KQSC’s local public file, engineering data and logs, but excluding records relating to USC Excluded Assets (defined below).

The KQSC Assets shall be transferred to SMC free and clear of Liens except for SMC Assumed Obligations (defined below), liens for taxes not yet due and payable, and liens that will be released at or prior to Closing (collectively, “USC Permitted Liens”).

1.2 Excluded Assets. Notwithstanding anything to the contrary contained herein, the assets to be conveyed under this Agreement shall not include the following assets or any rights, title and interest therein (the “SBF Excluded Assets” or the “USC Excluded Assets” as applicable):

(a) all cash and cash equivalents, including without limitation certificates of deposit, commercial paper, treasury bills, marketable securities, money market accounts and all such similar accounts or investments;

(b) all tangible and intangible personal property retired or disposed of between the date of this Agreement and Closing in accordance with Article 4;

(c) all contracts that are terminated or expire prior to Closing in accordance with Article 4;

(d) all trade names not exclusive to the operation of KDB or KQSC, as applicable, the respective corporate names of the parties and their respective affiliates, charter documents, and books and records relating to organization, existence or ownership, duplicate copies of records, and all records not relating to the operation of KDB or KQSC, as applicable;

(e) all contracts of insurance, all coverages and proceeds thereunder and all rights in connection therewith, including without limitation rights arising from any refunds due with respect to insurance premium payments to the extent related to such insurance policies;

(f) all pension, profit sharing plans and trusts and the assets thereof and any other employee benefit plan or arrangement and the assets thereof, if any;

(g) all receivables and any other rights to payment of cash consideration for advertising or underwriting sold or provided prior to the Effective Time (defined below) or otherwise arising during or attributable to any period prior to the Effective Time (the “Underwriting”);

(h) any non-transferable shrink-wrapped computer software and any other non-transferable computer licenses that are not material to the operation of KDB or KQSC, as applicable;

(i) all rights and claims of each conveying party, whether mature, contingent or otherwise, against third parties with respect to KDB or KQSC, as applicable, to the extent arising during or attributable to any period prior to the Effective Time;

(j) all deposits and prepaid expenses (and rights arising therefrom or related thereto), except to the extent the conveying party receives a credit therefor under Section 1.6;

(k) all contracts other than those listed on *Schedule 1.1.1(d)* and *Schedule 1.1.2(d)*;

(l) the following assets of the conveying party: (i) each studio; (ii) all assets used or held for use by any other station; (iii) all computers and other similar assets and any other operating systems, except any used solely for the operation of the conveyed station and (iv) all programs, programming material and programming information and studies;

(m) call sign KQSC, USC’s donor/ mailing lists, lists of USC’s underwriters and underwriting information and data, and all trademarks, trade names, service marks, internet domain names, copyrights, slogans, logos and other intangible property which are used or held for use in the operation of KQSC; and

(n) the USC equipment listed on *Schedule 1.2*.

1.3 Deposit. Within one business day of the date of this Agreement, SMC shall deposit the sum of Two Hundred Fifty Thousand Dollars (\$250,000) (the “Deposit”) with Montecito Bank & Trust (the “Escrow Agent”) pursuant to an Escrow Agreement (the “Escrow Agreement”) of even date herewith among the parties. At Closing, the Deposit shall be disbursed to SBF and applied to the Cash Payment (and any interest accrued thereon shall be disbursed to SMC). If this Agreement is terminated pursuant to Section 10.1(d) then the Deposit shall be disbursed to SBF as liquidated damages and shall be the sole and exclusive remedy of SBF. If this Agreement is terminated for any other reason, the Deposit and any interest accrued thereon shall be disbursed to SMC. The parties shall each instruct the Escrow Agent to disburse the Deposit and all interest accrued thereon to the party or parties entitled thereto and shall not, by any act or omission, delay or prevent any such disbursement.

1.4 USC Assumed Obligations. On the Closing Date (defined below), USC shall assume the obligations of SBF arising during, or attributable to, any period of time on or after the Closing Date under the KDB Contracts and any other liabilities of SBF to the extent USC receives a credit therefor under Section 1.6 (collectively, the “USC Assumed Obligations”). Except for the USC Assumed Obligations, USC does not assume, and will not be deemed by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby to have assumed, any other liabilities or obligations of SBF (the “SBF Retained Obligations”).

1.5 SMC Assumed Obligations. On the Closing Date, SMC shall assume the obligations of USC arising during, or attributable to, any period of time on or after the Closing Date under the KQSC Contracts and any other liabilities of USC to the extent SMC receives a credit therefor under Section 1.6 (collectively, the “SMC Assumed Obligations”). Except for the SMC Assumed Obligations, SMC does not assume, and will not be deemed by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby to have assumed, any other liabilities or obligations of USC (the “USC Retained Obligations”).

1.6 Prorations and Adjustments. All prepaid and deferred income and expenses arising from the operation of KDB and KQSC shall be prorated between USC, SBF and SMC in accordance with generally accepted accounting principles (“GAAP”) as of 11:59 p.m. on the day immediately preceding the Closing Date (the “Effective Time”). Such prorations shall include without limitation all ad valorem, real estate and other property taxes (except transfer taxes as provided by Section 11.1), music and other license fees, utility expenses, rent and other amounts under contracts and similar prepaid and deferred items. Each conveying party shall receive a credit for deposits and prepaid expenses. Sales commissions related to the sale of advertisements or underwriting broadcast prior to Closing shall be the responsibility of conveying party, and sales commissions related to the sale of advertisements or underwriting broadcast after Closing shall be the responsibility of the acquiring party. Prorations and adjustments shall be made no later than ninety (90) calendar days after Closing.

1.7 Allocation. Each conveying and acquiring party shall allocate the respective fair market values of assets conveyed and acquired hereunder in accordance

with the requirements of Section 1060 of the Internal Revenue Code of 1986, as amended.

1.8 Closing. The consummation of the conveyance of assets provided for in this Agreement (the “Closing”) shall take place on or before the tenth business day after the date of the latest of the FCC Consents pursuant to the FCC’s initial order or on such other day after such consent as the parties may mutually agree, subject to the satisfaction or waiver of the conditions set forth in Articles 6 or 7 below. The date on which the Closing is to occur is referred to herein as the “Closing Date.”

1.9 FCC Consent.

(a) Within five (5) business days of the date of this Agreement, the parties shall file one or more applications with the FCC (collectively, the “FCC Applications”) requesting: (i) FCC consent to the assignment of the KDB FCC Licenses and the KQSC FCC Licenses as contemplated by this Agreement; (ii) conversion of KDB to noncommercial educational status upon Closing; (iii) a waiver of the FCC’s “main studio rule” for KDB upon Closing; and (iv) a waiver of the FCC’s “main studio rule” for KQSC upon Closing. FCC consent to the FCC Applications without any material adverse conditions other than those of general applicability is referred to herein as the “FCC Consents”. The parties shall diligently prosecute the FCC Applications and otherwise use their commercially reasonable efforts to obtain the FCC Consents as soon as possible.

(b) With respect to call sign KQSC (which is an Excluded Asset), within ten (10) business days after the date hereof, SMC shall request FCC consent to change such call sign subject to and effective upon Closing. If SMC does not timely file such request, or it is withdrawn, dismissed or not prosecuted, then USC may designate any available call sign and request FCC consent to a call sign change for KQSC subject to and effective upon Closing.

(c) The parties shall notify each other of all documents filed with or received from any governmental agency with respect to this Agreement or the transactions contemplated hereby. The parties shall furnish each other with such information and assistance as the others may reasonably request in connection with their preparation and prosecution of any governmental filing hereunder.

1.10 Representations and Warranties. Each of SBF, USC and SMC makes the following representations and warranties to the other parties:

(a) Organization. It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

(b) Authorization. It has the requisite power and authority to execute, deliver and perform this Agreement and all of the other agreements and instruments to be made by it pursuant hereto and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by it have been duly

authorized and approved by all necessary action of it and do not require any further authorization or consent of it. This Agreement is a legal, valid and binding agreement of it enforceable in accordance with its terms, except in each case as such enforceability may be limited by bankruptcy, moratorium, insolvency, reorganization or other similar laws affecting or limiting the enforcement of creditors' rights generally and except as such enforceability is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) No Conflicts. Except for the FCC Consent and consents to assign certain of the contracts and leases (as applicable), the execution, delivery and performance by it of this Agreement and the consummation by it of the transactions contemplated hereby does not conflict with any of its organizational documents or any contract or agreement to which it is a party or by which it is bound, or any law, judgment, order, or decree to which it is subject, or require the consent or approval of, or a filing by it with, any governmental or regulatory authority or any third party.

(d) Litigation. There is no action, suit or proceeding pending or, to its knowledge, threatened against it which questions the legality or propriety of the transactions contemplated by this Agreement or could materially adversely affect its ability to perform its obligations hereunder. It is not operating under or subject to any order, writ, injunction or decree of any court or governmental authority relating to it which would have a material adverse effect on its ability to enter into this Agreement or consummate the transactions contemplated hereby, other than those of general applicability.

(e) SMC Qualification. SMC represents and warrants that it is qualified to be the licensee of, acquire, own and operate KQSC under the Communications Act of 1934, as amended (the "Communications Act") and the rules, regulations and policies of the FCC without need for a waiver of FCC rules or policy.

(f) USC Qualification. USC represents and warrants that it is qualified to be the licensee of, acquire, own and operate KDB under the Communications Act and the rules, regulations and policies of the FCC without need for a waiver of FCC rules or policy, except for the request for waiver of the FCC's "main studio rule."

ARTICLE 2: SBF REPRESENTATIONS AND WARRANTIES

SBF makes the following representations and warranties to USC:

2.1 FCC Licenses. Except as set forth on *Schedule 1.1.1(a)*:

SBF is the holder of the KDB FCC Licenses described on *Schedule 1.1.1(a)*, which are all of the licenses, permits and authorizations required for the present operation of KDB. The KDB FCC Licenses are in full force and effect and have not been revoked, suspended, canceled, rescinded or terminated and have not expired. There is not pending, or, to SBF's knowledge, threatened, any action by or before the FCC to revoke, suspend, cancel, rescind or materially adversely modify any of the KDB FCC Licenses

(other than proceedings to amend FCC rules of general applicability). There is not issued or outstanding, by or before the FCC, any order to show cause, notice of violation, notice of apparent liability, or order of forfeiture against KDB or against SBF with respect to KDB that could result in any such action. KDB is operating in compliance in all material respects with the KDB FCC Licenses, the Communications Act, and the rules, regulations and policies of the FCC. All material reports and filings required to be filed with the FCC by SBF with respect to KDB have been timely filed. All such reports and filings are accurate and complete in all material respects.

2.2 Taxes. SBF has, in respect of KDB's business, filed all foreign, federal, state, county and local income, excise, property, sales, use, franchise and other tax returns and reports which are required to have been filed by it under applicable law, and has paid all taxes which have become due pursuant to such returns or pursuant to any assessments which have become payable.

2.3 Personal Property. *Schedule 1.1.1(b)* contains a list of material items of KDB Tangible Personal Property included in the KDB Assets. SBF has good and marketable title to the KDB Tangible Personal Property free and clear of Liens other than SBF Permitted Liens. All material items of KDB Tangible Personal Property are in good operating condition, ordinary wear and tear excepted.

2.4 Real Property. The KDB Real Property Lease is the only real property used or held for use in the operation of KDB except for the KDB studio site. Subject to the terms thereof, SBF holds the leasehold interest described in the KDB Real Property Lease. To SBF's knowledge, the real property subject to the KDB Real Property Lease is not subject to any suit for condemnation or other taking by any public authority.

2.5 Contracts. The KDB Contracts requiring the consent of a third party to assignment are identified with an asterisk on *Schedule 1.1.1(c)* and *Schedule 1.1.1(d)*. Each of the KDB Contracts (including without limitation the KDB Real Property Lease) is in effect and is binding upon SBF and, to SBF's knowledge, the other parties thereto (subject to bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally). SBF has performed its obligations under each of the KDB Contracts in all material respects, and is not in material default thereunder, and to SBF's knowledge, no other party to any of the KDB Contracts is in default thereunder in any material respect.

2.6 Environmental. To SBF's knowledge, no hazardous or toxic substance or waste regulated under any applicable environmental, health or safety law has been generated, stored, transported or released on, in, from or to the real property subject to the KDB Real Property Lease in violation of any such law. To SBF's knowledge, SBF has complied in all material respects with all environmental, health and safety laws applicable to KDB.

2.7 Intangible Property. *Schedule 1.1.1(e)* contains a description of the material SBF Intangible Property included in the KDB Assets. To SBF's knowledge, SBF's use of the SBF Intangible Property does not infringe upon any third party rights in

any material respect. No material SBF Intangible Property is the subject of any pending, or, to SBF's knowledge, threatened legal proceedings claiming infringement or unauthorized use. SBF has not received any written notice that its use of any material SBF Intangible Property is unauthorized or infringes upon the rights of any other person. To SBF's knowledge, SBF owns or has the right to use the SBF Intangible Property free and clear of Liens other than SBF Permitted Liens.

2.8 Employees. SBF has complied in all material respects with all labor and employment laws, rules and regulations applicable to KDB's business, including without limitation those which relate to prices, wages, hours, discrimination in employment and collective bargaining. There is no unfair labor practice charge or complaint against SBF in respect of KDB's business pending or, to SBF's knowledge, threatened before the National Labor Relations Board, any state labor relations board or any court or tribunal, and there is no strike, dispute, request for representation, slowdown or stoppage pending or threatened in respect of KDB's business. SBF is not party to any collective bargaining, union or similar agreement with respect to the employees of SBF at KDB, and to SBF's knowledge, no union represents or claims to represent or is attempting to organize such employees.

2.9 Insurance. SBF maintains insurance policies or other arrangements with respect to KDB and the KDB Assets in commercially reasonable amounts, and will maintain such policies or arrangements until the Effective Time.

2.10 Compliance with Law. SBF has complied in all material respects with all laws, rules and regulations, including without limitation all FCC and Federal Aviation Administration rules and regulations applicable to the operation of KDB or to any of the KDB Assets, and all decrees and orders of any court or governmental authority which are applicable to the operation of KDB or to any of the KDB Assets. To SBF's knowledge, there are no governmental claims or investigations pending or threatened against SBF in respect of KDB except those affecting the industry generally.

2.11 Litigation. SBF is not operating under or subject to any order, writ, injunction or decree of any court or governmental authority relating to KDB or the KDB Assets which would have a material adverse effect on the condition of KDB or any of the KDB Assets, other than those of general applicability.

ARTICLE 3: USC REPRESENTATIONS AND WARRANTIES

USC hereby makes the following representations and warranties to SMC:

3.1 FCC Licenses. Except as set forth on *Schedule 1.1.2(a)*:

USC is the holder of the KQSC FCC Licenses described on *Schedule 1.1.2(a)*, which are all of the licenses, permits and authorizations required for the present operation of KQSC. The KQSC FCC Licenses are in full force and effect and have not been revoked, suspended, canceled, rescinded or terminated and have not expired. There is not pending, or, to USC's knowledge, threatened, any action by or before the FCC to revoke, suspend, cancel, rescind or materially adversely modify any of the KQSC FCC

Licenses (other than proceedings to amend FCC rules of general applicability). There is not issued or outstanding, by or before the FCC, any order to show cause, notice of violation, notice of apparent liability, or order of forfeiture against KQSC or against USC with respect to KQSC that could result in any such action. KQSC is operating in compliance in all material respects with the KQSC FCC Licenses, the Communications Act, and the rules, regulations and policies of the FCC. All material reports and filings required to be filed with the FCC by USC with respect to KQSC have been timely filed. All such reports and filings are accurate and complete in all material respects.

3.2 Taxes. USC has, in respect of KQSC's business, filed all foreign, federal, state, county and local income, excise, property, sales, use, franchise and other tax returns and reports which are required to have been filed by it under applicable law, and has paid all taxes which have become due pursuant to such returns or pursuant to any assessments which have become payable.

3.3 Personal Property. *Schedule 1.1.2(b)* contains a list of material items of KQSC Tangible Personal Property included in the KQSC Assets. USC has good and marketable title to the KQSC Tangible Personal Property free and clear of Liens other than USC Permitted Liens. All material items of KQSC Tangible Personal Property are in good operating condition, ordinary wear and tear excepted.

3.4 Real Property. The KQSC Real Property Lease is the only real property used or held for use in the operation of the KQSC except for the KQSC studio site (if any). Subject to the terms thereof, USC holds the leasehold interest described in the KQSC Real Property Lease. To USC's knowledge, the real property subject to the KQSC Real Property is not subject to any suit for condemnation or other taking by any public authority.

3.5 Contracts. The KQSC Contracts requiring the consent of a third party to assignment are identified with an asterisk on *Schedule 1.1.2(c)* and *Schedule 1.1.2(d)*. Each of the KQSC Contracts (including without limitation the KQSC Real Property Lease) is in effect and is binding upon USC and, to USC's knowledge, the other parties thereto (subject to bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally). USC has performed its obligations under each of the KQSC Contracts in all material respects, and is not in material default thereunder, and to USC's knowledge, no other party to any of the KQSC Contracts is in default thereunder in any material respect.

3.6 Environmental. To USC's knowledge, no hazardous or toxic substance or waste regulated under any applicable environmental, health or safety law has been generated, stored, transported or released on, in, from or to the real property subject to the KQSC Real Property in violation of any such law. To USC's knowledge, USC has complied in all material respects with all environmental, health and safety laws applicable to KQSC.

3.7 Insurance. USC maintains insurance policies or other arrangements with respect to KQSC and the KQSC Assets consistent with its practices for other Station, and will maintain such policies or arrangements until the Effective Time.

3.8 Compliance with Law. USC has complied in all material respects with all laws, rules and regulations, including without limitation all FCC and Federal Aviation Administration rules and regulations applicable to the operation of KQSC or to any of the KQSC Assets, and all decrees and orders of any court or governmental authority which are applicable to the operation of KQSC or to any of the KQSC Assets. To USC's knowledge, there are no governmental claims or investigations pending or threatened against USC in respect of KQSC except those affecting the industry generally.

3.9 Litigation. USC is not operating under or subject to any order, writ, injunction or decree of any court or governmental authority relating to KQSC or the KQSC Assets which would have a material adverse effect on the condition of KQSC or any of the KQSC Assets, other than those of general applicability.

ARTICLE 4: COVENANTS

4.1 SBF Covenants. Between the date hereof and Closing, except as permitted by this Agreement or with the prior written consent of USC, which shall not be unreasonably withheld, delayed or conditioned, SBF shall:

(a) operate KDB in the ordinary course of business and in all material respects in accordance with FCC rules and regulations and with all other applicable laws, regulations, rules and orders;

(b) not modify, and in all material respects maintain in full force and effect, the KDB FCC Licenses;

(c) not other than in the ordinary course of business, sell, lease or dispose of or agree to sell, lease or dispose of any of the KDB Assets unless replaced with similar items of substantially equal or greater value and utility, or create, assume or permit to exist any Liens upon the KDB Assets, except for SBF Permitted Liens;

(d) maintain the KDB Tangible Personal Property in the ordinary course of business;

(e) upon reasonable notice, give USC and its representatives reasonable access during normal business hours to the KDB Assets, and furnish USC with information relating to the KDB Assets that USC may reasonably request, provided that such access rights shall not be exercised in a manner that interferes with the operation of KDB; and

(f) not enter into any agreement or arrangement that will be binding upon USC after Closing or amend any existing KDB Contracts.

4.2 USC Covenants. Between the date hereof and Closing, except as permitted by this Agreement or with the prior written consent of SMC, which shall not be unreasonably withheld, delayed or conditioned, USC shall:

- (a) operate KQSC in the ordinary course of business and in all material respects in accordance with FCC rules and regulations and with all other applicable laws, regulations, rules and orders;
- (b) not modify, and in all material respects maintain in full force and effect, the KQSC FCC Licenses;
- (c) not other than in the ordinary course of business, sell, lease or dispose of or agree to sell, lease or dispose of any of the KQSC Assets unless replaced with similar items of substantially equal or greater value and utility, or create, assume or permit to exist any Liens upon the KQSC Assets, except for USC Permitted Liens;
- (d) maintain the KQSC Tangible Personal Property in the ordinary course of business;
- (e) upon reasonable notice, give SMC and its representatives reasonable access during normal business hours to the KQSC Assets, and furnish SMC with information relating to the KQSC Assets that SMC may reasonably request, provided that such access rights shall not be exercised in a manner that interferes with the operation of KQSC or USC's other stations; and
- (f) not enter into any agreement or arrangement that will be binding upon SMC after Closing or amend any existing KQSC Contracts.

ARTICLE 5: JOINT COVENANTS

The parties hereby covenant and agree as follows:

5.1 Confidentiality. Subject to the requirements of applicable law, all non-public information regarding the parties and their business and properties that is disclosed in connection with the negotiation, preparation or performance of this Agreement (including without limitation all financial information) shall be confidential and shall not be disclosed to any other person or entity, except the parties' representatives and lenders for the purpose of consummating the transaction contemplated by this Agreement.

5.2 Announcements. Prior to Closing, no party shall, without the prior written consent of the others, issue any press release or make any other public announcement concerning the transactions contemplated by this Agreement, except to the extent that such party is so obligated by law, in which case such party shall give advance notice to the others, and except as necessary to enforce rights under or in connection with this Agreement. Notwithstanding the foregoing, the parties acknowledge that this Agreement and the terms hereof will be filed with the FCC Applications and thereby become public, and that FCC rules and regulations require local public notice of the FCC Applications.

5.3 Control.

(a) USC shall not, directly or indirectly, control, supervise or direct the operation of KDB prior to Closing. Consistent with the Communications Act and the FCC rules and regulations, control, supervision and direction of the operation of KDB prior to Closing shall remain the responsibility of the holder of the KDB FCC Licenses.

(b) SMC shall not, directly or indirectly, control, supervise or direct the operation of KQSC prior to Closing. Consistent with the Communications Act and the FCC rules and regulations, control, supervision and direction of the operation of KQSC prior to Closing shall remain the responsibility of the holder of the KQSC FCC Licenses.

5.4 Risk of Loss.

(a) With respect to the KDB Assets and the KQSC Assets, as applicable, the conveying party shall bear the risk of any loss of or damage to any of its assets at all times until the Effective Time, and the acquiring party shall bear the risk of any such loss or damage thereafter.

(b) If prior to Closing KDB or KQSC is off the air or operating at a power level that results in a material reduction in coverage (a “Broadcast Interruption”), then the conveying party shall use commercially reasonable efforts to return the station to the air and restore prior coverage as promptly as possible in the ordinary course of business. Notwithstanding anything herein to the contrary, if prior to Closing there is a Broadcast Interruption in excess of 24 hours, then the acquiring party may postpone Closing until the date five (5) business days after the station returns to the air and prior coverage is restored in all material respects, subject to Section 10.1.

5.5 Consents. The parties shall use commercially reasonable efforts to obtain (i) any third party consents necessary for the assignment of any KDB Contract and any KQSC Contract (which shall not require any payment to any such third party), and (ii) execution of reasonable estoppel certificates by the lessors under the KDB Real Property Lease and the KQSC Real Property Lease, but no such consents or estoppel certificates are conditions to Closing except that (i) receipt of consent to assign the KDB Real Property Lease to USC (if consent is required thereunder) is a condition precedent to USC’s obligation to close under this Agreement (the “SBF Required Consent”) and (ii) receipt of consent to assign the KQSC Real Property Lease to SMC (if consent is required thereunder) is a condition precedent to SBF’s obligation to close under this Agreement (the “USC Required Consent”).

5.6 Employees. There are no USC employees available for hire. If USC hires any employees of SBF (the “Transferred Employees”), which it may, but is not required to do, SBF shall be responsible for all compensation and benefits arising prior to the Effective Time (in accordance with SBF’s employment terms), and USC shall be responsible for all compensation and benefits arising after the Effective Time (in accordance with USC’s employment terms). For each Transferred Employee, SBF will

request employee consent to the transfer of accrued unused vacation from SBF to USC. With respect to each employee who gives such consent, USC shall grant credit to such employee for all unused vacation accrued as of the Effective Time as an employee of SBF, and USC shall assume and discharge SBF's obligation to provide such leave to such employees (such obligations being a part of the USC Assumed Obligations). With respect to each such employee who does not give such consent, USC is not obligated to grant such credit, but as a part of the prorations under Section 1.6, USC shall reimburse SBF for any accrued vacation payment required by applicable law that is attributable to the calendar year in which Closing occurs.

5.7 Underwriting. The acquiring party shall not collect any of the conveying party's Underwriting unless requested by the conveying party. The acquiring party shall promptly pay over to the conveying party any of the conveying party's Underwriting it receives, without offset.

5.8 KDB. Prior to Closing, the parties will use commercially reasonable efforts (without obligation to increase costs) to work together to make the sound quality of KDB as of Closing comparable to that currently of KQSC.

5.9 Actions. With respect to KDB and KQSC, as applicable, after Closing the acquiring party shall cooperate with the conveying party in the investigation, defense or prosecution of any action which is pending or threatened against the conveying party or its affiliates, whether or not any party has notified the other of a claim for indemnification with respect to such matter; provided, however that the conveying party shall reimburse the acquiring party for the out-of-pocket costs reasonably incurred by the acquiring party as a result of its compliance with this Section. Without limiting the generality of the foregoing, the acquiring party shall make available its employees to give depositions or testimony and shall preserve and furnish all documentary or other evidence that the conveying party may reasonably request.

5.10 FCC Compliance. If after Closing the FCC Consent is reversed or otherwise set aside by final order of the FCC (or court of competent jurisdiction), then the conveyance of assets under this Agreement shall be rescinded. In such event, USC shall reconvey to SBF the KDB Assets free and clear of Liens other than SBF Permitted Liens, and SMC shall reconvey to USC the KQSC Assets free and clear of Liens other than USC Permitted Liens, and SBF shall refund the Cash Payment to SMC. Any such rescission shall be consummated on a mutually agreeable date within thirty days of such final order (or, if earlier, within the time required by such order). In connection therewith, the parties shall each execute such documents (including instruments of conveyance and instruments of assumption) and make such payments as are necessary to give effect to such rescission.

ARTICLE 6: GENERAL CLOSING CONDITIONS

The obligation of each party to consummate the Closing hereunder is subject to satisfaction, at or prior to Closing, of each of the following conditions:

6.1 Proceedings. No party shall be subject to any court or governmental order or injunction restraining or prohibiting the consummation of the transactions contemplated hereby.

6.2 FCC Authorization. The FCC Consents pursuant to the FCC's initial order shall have been obtained.

6.3 Deliveries. Each other party shall have complied with its obligations set forth in Article 8.

6.4 Required Consents. The SBF Required Consent (if any) and the USC Required Consent shall have been obtained.

ARTICLE 7: ADDITIONAL CLOSING CONDITIONS

The obligation of each party to consummate the Closing hereunder is subject to satisfaction, at or prior to Closing, of the following additional conditions:

(a) The representations and warranties of each other party made to it under this Agreement shall be true and correct in all material respects as of the Closing Date, except for changes permitted or contemplated by the terms of this Agreement.

(b) The covenants and agreements to be complied with and performed by each other party at or prior to Closing shall have been complied with or performed in all material respects.

(c) It shall have received a certificate dated as of the Closing Date from each other party to the effect that the conditions set forth in Sections (a) and (b) above have been satisfied.

ARTICLE 8: CLOSING DELIVERIES

8.1 SBF Documents. At Closing, SBF shall deliver or cause to be delivered to USC and SMC (as applicable):

(i) a certificate executed by SBF certifying its good standing and the due authorization of this Agreement, together with copies of SBF's authorizing resolutions;

(ii) the certificates described in Section 7(c);

(iii) an assignment of FCC authorizations assigning the KDB FCC Licenses from SBF to USC;

(iv) an assignment and assumption of contracts with respect to the KDB Contracts;

- (v) an assignment and assumption of lease with respect to the KDB Real Property Lease;
- (vi) an assignment of marks assigning KDB's registered marks listed on *Schedule 1.1.1(e)* (if any) from SBF to USC;
- (vii) domain name transfers assigning KDB's domain names listed on *Schedule 1.1.1(e)* (if any), following customary procedures of the domain name administrator;
- (viii) a bill of sale conveying the other KDB Assets from SBF to USC or SMC, as the case may be;
- (ix) any consents and estoppel certificates obtained by SBF; and
- (x) any other instruments of conveyance that may be reasonably necessary to consummate the conveyance of the KDB Assets as set forth in this Agreement.

8.2 USC Documents. At Closing, USC shall deliver or cause to be delivered to SBF and SMC (as applicable):

- (i) a certificate executed by USC certifying its good standing and the due authorization of this Agreement, together with copies of USC's authorizing resolutions;
 - (ii) the certificates described in Section 7(c);
 - (iii) an assignment of FCC authorizations assigning the KQSC FCC Licenses from USC to SMC;
 - (iv) an assignment and assumption of contracts with respect to the KDB Contracts and an assignment and assumption of contracts with respect to the KQSC Contracts;
 - (v) an assignment and assumption of lease with respect to the KDB Real Property Lease and an assignment and assumption of lease with respect to the KQSC Real Property Lease;
 - (vi) domain name transfers assuming KDB's domain names listed on *Schedule 1.1.1(e)* (if any), following customary procedures of the domain name administrator;
 - (vii) a bill of sale conveying the other KQSC Assets from USC to SMC;
 - (viii) any consents and estoppel certificates obtained by USC;
- and

(ix) any other instruments of conveyance or assumption that may be reasonably necessary to consummate the conveyance of assets as set forth in this Agreement.

8.3 SMC Documents. At Closing, SMC shall deliver or cause to be delivered to SBF and USC (as applicable):

- (i) the Cash Payment;
- (ii) a certificate executed by SMC certifying its good standing and the due authorization of this Agreement, together with copies of SMC's authorizing resolutions;
- (iii) the certificates described in Section 7(c);
- (iv) an assignment and assumption of contracts with respect to the KQSC Contracts;
- (v) an assignment and assumption of lease with respect to the KQSC Real Property Lease; and
- (vi) any other instruments of assumption that may be reasonably necessary to consummate the assumption of the SMC Assumed Obligations as set forth in this Agreement.

ARTICLE 9: SURVIVAL; INDEMNIFICATION

9.1 Survival. The representations and warranties in this Agreement shall survive Closing for a period of twelve (12) months from the Closing Date whereupon they shall expire and be of no further force or effect, except (i) those under Section 2.2 and 3.5 (Taxes), Section 2.6 and 3.6 (Environmental), and those under Sections 2.3, 2.4, 3.3 and 3.4 solely with respect to title, all of which shall survive until the expiration of any applicable statute of limitations, and (ii) that if within such applicable period the indemnified party gives the indemnifying party written notice of a claim for breach thereof describing in reasonable detail the nature and basis of such claim, then such claim shall survive until the earlier of resolution of such claim or expiration of the applicable statute of limitations. The covenants and agreements in this Agreement shall survive Closing until performed.

9.2 Indemnification.

(a) From and after Closing, each party shall defend, indemnify and hold harmless each other party from and against any and all losses, costs, damages, liabilities and expenses, including reasonable attorneys' fees and expenses ("Damages") incurred by such other party arising out of or resulting from:

- (i) any default by it of any covenant or agreement made under this Agreement; or

(ii) any breach by it of any representation or warranty made to such other party under this Agreement; or

(iii) with respect to any station conveyed by it hereunder, the business or operation thereof prior to the Effective Time, except for obligations assumed by the acquiring party pursuant to the terms of this Agreement; or

(iv) with respect to any station acquired by it hereunder, the business or operation thereof after the Effective Time, except for obligations retained by the conveying party pursuant to the terms of this Agreement.

(b) Notwithstanding the foregoing or anything else herein to the contrary, after Closing, no party shall have liability under clause (ii) of Section 9.2(a) until the aggregate Damages of the other parties exceed \$25,000, after which such threshold amount shall be included in, not excluded from, any calculation of Damages.

9.3 Procedures.

(a) The indemnified party shall give prompt written notice to the indemnifying party of any demand, suit, claim or assertion of liability by third parties that is subject to indemnification hereunder (a "Claim"), but a failure to give such notice or delaying such notice shall not affect the indemnified party's rights or the indemnifying party's obligations except to the extent the indemnifying party's ability to remedy, contest, defend or settle with respect to such Claim is thereby prejudiced and provided that such notice is given within the time period described in Section 9.1.

(b) The indemnifying party shall have the right to undertake the defense or opposition to such Claim with counsel selected by it. In the event that the indemnifying party does not undertake such defense or opposition in a timely manner, the indemnified party may undertake the defense, opposition, compromise or settlement of such Claim with counsel selected by it at the indemnifying party's cost (subject to the right of the indemnifying party to assume defense of or opposition to such Claim at any time prior to settlement, compromise or final determination thereof).

(c) Anything herein to the contrary notwithstanding:

(i) the indemnified party shall have the right, at its own cost and expense, to participate in the defense, opposition, compromise or settlement of the Claim;

(ii) the indemnifying party shall not, without the indemnified party's written consent, settle or compromise any Claim or consent to entry of any judgment which does not include the giving by the claimant to the indemnified party of a release from all liability in respect of such Claim;

(iii) in the event that the indemnifying party undertakes defense of or opposition to any Claim, the indemnified party, by counsel or other representative of its own choosing and at its sole cost and expense, shall have the right to consult with

the indemnifying party and its counsel concerning such Claim and the indemnifying party and the indemnified party and their respective counsel shall cooperate in good faith with respect to such Claim; and

(iv) no party shall have any liability to the others under any circumstances for special, indirect, consequential, punitive or exemplary damages or lost profits or similar damages of any kind, whether or not foreseeable.

(d) After Closing, all claims for breach of representations or warranties under this Agreement shall be subject to the limitations set forth in Section 9.2(b).

ARTICLE 10: TERMINATION AND REMEDIES

10.1 Termination. Subject to Section 10.3, this Agreement may be terminated prior to Closing as follows:

- (a) by mutual written consent of USC, SBF and SMC;
- (b) by written notice of USC or SMC to the other parties if SBF breaches its representations or warranties or defaults in the performance of its covenants contained in this Agreement and such breach or default is material in the context of the transactions contemplated hereby and is not cured within the Cure Period (defined below);
- (c) by written notice of SBF or SMC to the other parties if USC breaches its representations or warranties or defaults in the performance of its covenants contained in this Agreement and such breach or default is material in the context of the transactions contemplated hereby and is not cured within the Cure Period;
- (d) by written notice of SBF or USC to the other parties if SMC breaches its representations or warranties or defaults in the performance of its covenants contained in this Agreement and such breach or default is material in the context of the transactions contemplated hereby and is not cured within the Cure Period; or
- (e) by written notice of any party to the other parties if Closing does not occur by the date twelve (12) months after the date of this Agreement.

10.2 Cure Period. Each party shall give the other parties prompt written notice upon learning of any breach or default by a party under this Agreement. The term “Cure Period” as used herein means a period commencing on the date a party receives from one of the other parties written notice of breach or default hereunder and continuing until the earlier of (i) twenty (20) calendar days thereafter or (ii) the Closing Date determined under Section 1.9; provided, however, that if the breach or default is non-monetary and cannot reasonably be cured within such period but can be cured before the Closing Date determined under Section 1.9, and if diligent efforts to cure promptly commence, then the Cure Period shall continue as long as such diligent efforts to cure continue, but not beyond the Closing Date determined under Section 1.9.

10.3 Survival. The termination of this Agreement shall not relieve any party of any liability for breach or default under this Agreement prior to the date of termination. Notwithstanding anything contained herein to the contrary, Sections 5.1 (Confidentiality) and 11.1 (Expenses) shall survive any termination of this Agreement.

10.4 Specific Performance. In the event of failure or threatened failure by any party to comply with the terms of this Agreement, each other party shall be entitled to an injunction restraining such failure or threatened failure and, subject to obtaining any necessary FCC consent, to enforcement of this Agreement by a decree of specific performance requiring compliance with this Agreement.

ARTICLE 11: MISCELLANEOUS

11.1 Expenses. Each party shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement. All governmental fees and charges applicable to the requests for FCC Consents and any transfer taxes applicable to the conveyance of assets under this Agreement shall be shared evenly by all parties. Each party is responsible for any commission, brokerage fee, advisory fee or other similar payment that arises as a result of any agreement or action of it or any party acting on its behalf in connection with this Agreement or the transactions contemplated hereby.

11.2 Further Assurances. After Closing, each party shall from time to time, at the request of and without further cost or expense to the other, execute and deliver such other instruments of conveyance and assumption and take such other actions as may reasonably be requested in order to more effectively consummate the transactions contemplated hereby.

11.3 Assignment. No party may assign this Agreement without the prior written consent of the other parties hereto, except that a party may assign to an affiliate its right to acquire assets under this Agreement upon written notice to (but without need for the consent of) the other parties if (i) any such assignment does not delay processing of the FCC Application, grant of the FCC Consent or Closing, (ii) the assignee delivers to the other parties a written assumption of this Agreement, (iii) the assignor shall remain liable for all of its obligations hereunder, and (iv) the assignor shall be solely responsible for any third party consents necessary in connection therewith (none of which are a condition to Closing). The terms of this Agreement shall bind and inure to the benefit of the parties' respective successors and any permitted assigns, and no assignment shall relieve any party of any obligation or liability under this Agreement.

11.4 Notices. Any notice pursuant to this Agreement shall be in writing and shall be deemed delivered on the date of personal delivery or confirmed facsimile transmission or confirmed delivery by a nationally recognized overnight courier service, and shall be addressed as follows (or to such other address as any party may request by written notice):

if to SBF:	<p>The Santa Barbara Foundation/Pacific Broadcasting Company 1111 Chapala Street Suite 200 Santa Barbara, CA 93101 Attention: Ronald Gallo, President and CEO Facsimile: 805-966-2345</p>
with a copy (which shall not constitute notice) to:	<p>Fletcher, Heald & Hildreth PLC 1300 North 17th St., 11th Floor Arlington, VA 22209 Attention: Anne Goodwin Crump Facsimile: (703) 812-0486</p>
if to USC:	<p>University of Southern California 1149 S. Hill – Suite H-100 Los Angeles, California 90015 Attention: Brenda Barnes Facsimile: (213) 225-7461</p>
with a copy (which shall not constitute notice) to:	<p>University of Southern California Administration 352 Los Angeles, California 90089 Attention: Stephen A. Yamaguchi, University Counsel Facsimile: (213) 740-3249</p>
and to:	<p>Wiley Rein LLP 1776 K Street, N.W. Washington, D.C. 20006 Attention: John Fiorini Facsimile: (202) 719-7049</p>
if to SMC:	<p>Santa Monica Community College District 1900 Pico Boulevard Santa Monica, CA 90405 Attention: Chui L. Tsang, Superintendent/President Facsimile: (310) 434-4386</p>
with a copy (which shall not constitute notice) to:	<p>Garvey Schubert Barer Fifth Floor 1000 Potomac Street, N.W. Washington, DC 20007 Attention: John Crigler Facsimile: (202) 965-1729</p>

and to:

Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, CA 90405
Attention: Robert Myers, Campus Counsel
Facsimile: (310) 434-4386

11.5 Amendments. No amendment or waiver of compliance with any provision hereof or consent pursuant to this Agreement shall be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of such amendment, waiver, or consent is sought.

11.6 Entire Agreement. This Agreement (including the Schedules hereto) constitutes the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings with respect to the subject matter hereof, except any confidentiality agreement among the parties, which shall remain in full force and effect. No party makes any representation or warranty with respect to the transactions contemplated by this Agreement except as expressly set forth in this Agreement.

11.7 Severability. If any court or governmental authority holds any provision in this Agreement invalid, illegal or unenforceable under any applicable law, then, so long as no party is deprived of the benefits of this Agreement in any material respect, this Agreement shall be construed with the invalid, illegal or unenforceable provision deleted and the validity, legality and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby.

11.8 No Beneficiaries. Nothing in this Agreement expressed or implied is intended or shall be construed to give any rights to any person or entity other than the parties hereto and their successors and permitted assigns.

11.9 Governing Law. The construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to the choice of law provisions thereof. The prevailing party in a lawsuit brought to enforce the performance or compliance of any provision of this Agreement may recover reasonable attorneys' fees and costs from the non-prevailing party.

11.10 Counterparts. This Agreement may be executed in separate counterparts, each of which will be deemed an original and all of which together will constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

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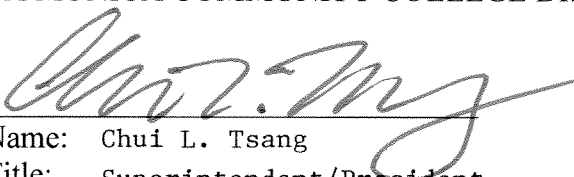
SIGNATURE PAGE TO AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

THE SANTA BARBARA FOUNDATION/PACIFIC
BROADCASTING COMPANY

By: _____
Name:
Title:

SANTA MONICA COMMUNITY COLLEGE DISTRICT

By: 
Name: Chui L. Tsang
Title: Superintendent/President

UNIVERSITY OF SOUTHERN CALIFORNIA

By: _____
Name:
Title:

SIGNATURE PAGE TO AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

THE SANTA BARBARA FOUNDATION/PACIFIC
BROADCASTING COMPANY

By: Ronald V. Gallo
Name: Ronald V. Gallo
Title: President & CEO

SANTA MONICA COMMUNITY COLLEGE DISTRICT

By: _____
Name:
Title:

UNIVERSITY OF SOUTHERN CALIFORNIA

By: _____
Name:
Title:

SIGNATURE PAGE TO AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.


THE SANTA BARBARA FOUNDATION/PACIFIC
BROADCASTING COMPANY

By: _____
Name:
Title:

SANTA MONICA COMMUNITY COLLEGE DISTRICT

By: _____
Name:
Title:

UNIVERSITY OF SOUTHERN CALIFORNIA

By:  _____
Name: **Robert Abeles**
Title: **SVP, Finance & CFO**