

## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "**Agreement**") is dated as of March \_\_\_\_, 2003, by and among Family Stations, Inc., a California not-for-profit corporation ("**Buyer**"), Polar Broadcasting, Inc., a California corporation (the "**Company**"), and the stockholders of the Company listed in Section 3.3 (each individually, a "**Stockholder**" and collectively, the "**Stockholders**").

### RECITALS

A. The Stockholders own all of the issued and outstanding shares of the capital stock of the Company.

B. At Closing the Company will be the licensee of station KBIT-CA, San Francisco, California (the "**Station**"), pursuant to authorizations issued by the Federal Communications Commission ("**FCC**"), and will either own or lease all of the assets used or useful in the conduct of the business and operations of the Station.

C. The Stockholders desire to sell, and Buyer desires to buy, all, but not less than all, of the issued and outstanding shares of the capital stock of the Company, for the price and on the terms and conditions set forth in this Agreement.

### AGREEMENTS

In consideration of the above recitals and of the mutual agreements and covenants contained in this Agreement, Buyer, the Company, and the Stockholders, intending to be bound legally, agree as follows:

#### SECTION 1 DEFINITIONS

The following terms, as used in this Agreement, shall have the meanings set forth in this Section:

"**Assets**" means all the assets of the Company at Closing, including, but not limited to, the Contracts, the FCC Licenses, the Intangibles, the Leased Real Property, the Licenses, and the Tangible Personal Property, except that "**Assets**" shall not include the Excluded Assets.

"**Closing**" means the consummation of the purchase and sale of the Stock pursuant to this Agreement in accordance with the provisions of Section 8.

"**Closing Date**" means the date on which the Closing occurs, as determined pursuant to Section 8.

"**Consents**" means the consents, permits, or approvals of government authorities and other third parties necessary to transfer the Stock to Buyer or otherwise to consummate the transactions contemplated by this Agreement.

"**Contracts**" means all contracts, leases, non-governmental licenses, and other agreements (including leases for tangible personal or real property and employment agreements), written or oral (including any amendments and other modifications thereto), specified in Section 3.8 and set forth on **Schedule 3.8**, to which the Company is a party or which are binding upon the Company and which relate to or affect the Assets or the business or operations of the Station, and (i) which are in effect on the date of this Agreement or (ii) which are entered into by the Company between the date of this Agreement and the Closing Date, as permitted by Section 5.3 hereof.

"**Escrow Agent**" means Irwin, Campbell and Tannenwald, P.C., Washington, D.C.

"**Escrow Agreement**" means the Escrow Agreement dated as of the date of this Agreement among Buyer, the Company, the Stockholders, and Escrow Agent, the form of which is attached hereto as **Exhibit A**.

"**Excluded Assets**" means those assets specified in Section 2.2 and set forth on **Schedule 2.2**.

"**FCC**" means the Federal Communications Commission.

"**FCC Consent**" means action by the FCC granting its consent to the purchase by Buyer of the Stock as contemplated by this Agreement and the FCC transfer application described in Section 6.2.

"**FCC Licenses**" means all licenses, permits, and authorizations issued by the FCC to the Company at the Closing in connection with the business or operations of the Station specified in Section 3.5 and set forth on **Schedule 3.5**.

"**Final Order**" means an action by the FCC that has not been reversed, stayed, enjoined, set aside, annulled, or suspended, and with respect to which (i) no requests are pending for administrative or judicial review, reconsideration, appeal, or stay, and (ii) the time for filing any such requests and the time for the FCC to set aside the action on its own motion have expired.

"**Financial Reporting Date**" is December 31, 2002 as defined in Section 3.17.

"**Intangibles**" means all copyrights, trademarks, trade names, service marks, service names, licenses, patents, permits, jingles, proprietary information, technical information and data, machinery and equipment warranties, and other intangible property rights and interests

(and any goodwill associated with any of the foregoing) applied for, issued to, or owned by the Company or under which the Company is licensed or franchised or which are owned by others but used or useful in the business or operations of the Station specified in Section 3.12 and set forth on **Schedule 3.12**, together with any additions thereto between the date of this Agreement and the Closing Date.

**"Leased Real Property"** means all interests in real property, leaseholds, and subleaseholds, purchase options, easements, licenses, rights of access, and rights of way, and all buildings, towers, and other improvements thereon, leased by the Company or under which the Company has a right or interest or which is held by others but is used or useful in the business or operations of the Station specified in Section 3.6 and set forth on **Schedule 3.6**, together with any additions thereto between the date of this Agreement and the Closing Date.

**"Licenses"** means the FCC Licenses and all licenses, permits, and other authorizations issued by the Federal Aviation Administration, or any other federal, state, or local governmental authorities in connection with the conduct of the business or operations of the Station specified in Section 3.5 and set forth on **Schedule 3.5**, together with any additions thereto between the date of this Agreement and the Closing Date.

**"Material Adverse Effect"** means any event, change, or effect that, when taken individually or together with all other adverse changes and effects, is or is reasonably likely to be materially adverse to the condition of the Assets, the Company, or the Station's properties, assets, liabilities, business, operations, results of or prospects, or to prevent or materially delay consummation of the transactions contemplated under this Agreement or otherwise to prevent such entity from performing its obligations under this Agreement, except for changes applicable to the Class A or low power television industry generally arising as a result of actions of the FCC and changes applicable to the financial condition and operations of the Station arising from the Company's disposition of any Excluded Assets prior to the Closing.

**"Permitted Liens"** means liens for taxes not yet due and payable.

**"Purchase Price"** means the purchase price specified in Section 2.3.

**"Stock"** means all of the issued and outstanding shares of the capital stock of the Company specified in Section 3.3 and set forth on **Schedule 3.3**.

**"Stockholders' Representative"** means the individual Stockholder specified on **Schedule 3.3** or such other Stockholder who shall be appointed as agent and attorney-in-fact for each Stockholder for and on behalf of the Stockholders, to give and receive notices and communications on behalf of the Stockholders, including wiring instructions for the payment of the Purchase Price, to negotiate, agree to, object to, enter into settlements and compromises of, and demand arbitration and comply with orders of courts and awards of arbitrators, and to take all actions necessary or appropriate in the judgment of the Stockholders' Representative for the accomplishment of the foregoing.

**"Tangible Personal Property"** means all machinery, equipment, tools, motor vehicles, furniture, leasehold improvements, office equipment, plant, inventory, spare parts, and other tangible personal property which is owned by the Company as specified in Section 3.7 and set forth on **Schedule 3.7**, in which the Company has an interest, or which is held by others and which is used or useful in the conduct of the business or operations of the Station, together with any additions thereto between the date of this Agreement and the Closing Date, but excluding any Tangible Personal Property consumed in the ordinary course of business between the date hereof and the Closing Date.

**"Taxes"** (and, with correlative meaning, **"Taxable"**) means all federal, state, local, or foreign income, gross receipts, windfall profits, severance, property, production, sales, use, license, excise, franchise, capital, transfer, employment, withholding, tangible, intangible, and other taxes and assessments, together with any interest, additions, or penalties with respect thereto and any interest in respect of such additions or penalties, and **"Tax"** means any one of such Taxes.

**"Tax Returns"** means all federal, state, local, and foreign income, franchise, sales, use, occupation, property, excise, alternative or add-on minimum, social security, employees' withholding, unemployment, disability, transfer, and other tax returns and tax reports, and **"Tax Return"** means any one of such Tax Returns, franchise tax returns, declarations of estimated tax, tax reports, tax statements, and other similar filings required to be filed.

## **SECTION 2**

### **PURCHASE AND SALE OF STOCK**

2.1 **Agreement to Sell and Buy.** Subject to the terms and conditions set forth in this Agreement, the Stockholders hereby agree to sell, transfer, and deliver to Buyer on the Closing Date, and Buyer agrees to purchase on the Closing Date, the Stock, free and clear of any claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, or encumbrances of any nature whatsoever, except for current taxes not yet due and payable. Such Stock represents the complete ownership of the Company, and the Company shall have sole and exclusive title to the Assets listed on Schedules 3.5, 3.6, 3.7, 3.8 and 3.12 at Closing, which Assets shall be owned by the company free and clear of any claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, or encumbrances of any nature whatsoever, except for Permitted Liens.

2.2 **Excluded Assets.** There shall be excluded from the Assets (i) cash on hand or cash equivalents and (ii) the amount of any accounts receivable owing to the Company as of the close of business on the day before the Closing Date for air time broadcast on the Station prior to the Closing Date and all other items listed on **Schedule 2.2**. Company shall have all rights and abilities under this Agreement to take any action to distribute or transfer any Excluded Assets prior to Closing to all or some of the Stockholders or to any other transferee, provided that such distributions or transfers shall impose no liability on Buyer or the company after the Closing.

2.3 **Purchase Price.** The Purchase Price for the Stock shall be Seven Million Dollars (\$7,000,000.00), subject to prorations and adjustments, as provided below.

(a) **Prorations.** The Purchase Price shall be increased or decreased as required to effectuate the proration of expenses as of 11:59 p.m. local time, on the day prior to the Closing Date. All expenses arising from the business or operations of the Station, including business and license fees, utility charges, real and personal property taxes, and assessments levied against the Assets, property, and equipment rentals, applicable copyright or other fees, employee salaries, including any accrued but unpaid bonuses, and accrued but unpaid vacation pay, sales and service charges, taxes, prepaid time sales agreements, FCC regulatory fees due and payable in September 2003, and similar prepaid and deferred items, shall be prorated between Buyer and the Stockholders such that the Stockholders shall be solely responsible for all such expenses, costs, and liabilities allocable to the period prior to the Closing Date (collectively, the "**Closing Accounts Payable**"), and Buyer shall be solely responsible for all such expenses, costs, and liabilities allocable to the period on and after the Closing Date. All income arising from the business or operation of the Station relating to the period prior to the Closing Date shall be for the benefit of the Stockholders, and Buyer shall be entitled to all income relating to the business or operations of the Station on and after the Closing Date. Any prorations and adjustments shall, insofar as feasible, be determined and paid on the Closing Date and provided to Buyer by Stockholders three (3) business days prior to the Closing, with final settlement and payment by the appropriate party occurring no later than ninety (90) days after the Closing Date or such other date as the parties shall mutually agree upon in writing.

(b) **Payment of the Purchase Price.** At the Closing, the Purchase Price after adjustment for the prorations and adjustments set forth above (the "**Remaining Amount**"), shall be paid by wire transfer to the Stockholders in accordance with the following equation: each Stockholder shall receive an amount, rounded to the nearest whole cent, at the Closing equal to (i) the number of shares of Stock being tendered by such Stockholder at the Closing multiplied by (ii) the quotient of (x) the Remaining Amount divided by (y) the aggregate number of shares of Stock being purchased by Buyer from all the Stockholders at the Closing. The pro rata portion of the Remaining Amount shall be delivered by Buyer to each Stockholder by wire transfer of immediately available funds pursuant to wire instructions provided by the Stockholders' Representative to Buyer at least three (3) business days prior to the Closing.

2.4 **Escrow Deposit.** Within three (3) business days of the date of this Agreement, Buyer shall deposit with Escrow Agent the sum of Three Hundred Fifty Thousand Dollars (\$350,000.00) (the "**Escrow Deposit**") in accordance with the Escrow Agreement in the form of **Exhibit A** hereof. All such funds deposited with Escrow Agent shall be held and disbursed in accordance with the terms of the Escrow Agreement. Buyer shall be entitled to all earnings generated by the Escrow Deposit.

**SECTION 3**  
**REPRESENTATIONS AND WARRANTIES OF**  
**THE COMPANY AND THE STOCKHOLDERS**

Each of the Company and the Stockholders represents and warrants to Buyer as follows:

3.1 **Organization, Standing, and Authority.** The Company is a California corporation duly organized, validly existing, and in good standing under the laws of the State of California. The Company has all requisite power and authority to (i) own, lease, and use its respective assets as now owned, leased, and used, and (ii) execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by it hereunder and thereunder. The Company has delivered to Buyer complete and correct copies of the Certificate of Incorporation, Bylaws, stock records, and corporate minutes of the Company, all as in effect through the date of such delivery, and shall deliver the originals of such documents to Buyer at the Closing.

3.2 **Authorization and Binding Obligation.** The execution, delivery, and performance of this Agreement by the Company and the Stockholders have been duly authorized by all necessary actions on the part of the Company and the Stockholders. This Agreement has been duly executed and delivered by the Company and the Stockholders and constitutes the legal, valid, and binding obligation of the Company and the Stockholders, enforceable against each of them in accordance with its terms, except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by judicial discretion in the enforcement of equitable remedies.

3.3 **Capital Structure.**

(a) The authorized capital stock of the Company that is issued and outstanding is set forth on **Schedule 3.3.**

(b) Each Stockholder is the sole owner of the shares of Stock indicated next to such Stockholder's name on **Schedule 3.3** and has, and will have, as of the Closing, good, valid, and marketable title to such Stock free and clear of all restrictions, claims, liens, legends, charges, encumbrances, and equities whatsoever. Each Stockholder represents that he or she has, and will have, as of the Closing full right, power, and authority to sell, transfer, and deliver such Stock to Buyer, and, upon delivery of the certificate or certificates therefore duly endorsed for transfer to Buyer and Buyer's payment for and acceptance thereof, shall transfer to Buyer good, valid, and marketable title thereto free and clear of any restriction, claim, lien, charge, encumbrance, or equity whatsoever.

(c) There are no other issued or outstanding shares of capital stock or voting securities, or outstanding commitments to issue any shares of capital stock or voting securities, of the Company. No shares of Stock are held in the treasury of the Company. All outstanding shares of the Company's Stock are duly authorized, validly issued, fully paid and non-

assessable, and free of any liens, encumbrances or security interests of any nature whatsoever, except Permitted Liens.

(d) All outstanding shares of the Company's Stock were issued in compliance with all applicable federal and state securities laws.

(e) Except for rights created pursuant to this Agreement, the Stock is not subject to any options, warrants, calls, rights, puts, commitments, agreements, pledges, or similar arrangements of any nature whatsoever, or encumbered by any obligation of the Company to repay any loan payable to any Stockholder, third party or encumbered by any obligation of any Stockholder to the Company.

(f) There are no contracts, commitments, or agreements relating to the voting, purchase, or sale of the Company's Stock (i) between or among the Company and the Stockholders or (ii) between or among the Company and any other persons or entities.

**3.4 Absence of Conflicting Agreements.** Subject to obtaining the Consents listed on **Schedule 3.9** and the FCC Consent, the execution, delivery, and performance of this Agreement and the documents contemplated hereby (with or without the giving of notice, the lapse of time, or both): (i) do not require the consent of any third party; (ii) do not conflict with any provision of the Certificate of Incorporation or other constituent documents of the Company, (iii) do not conflict with, result in a breach of, or constitute a default under, any law, judgment, order, ordinance, injunction, decree, rule, regulation, or ruling of any court or governmental instrumentality to which the Company or the Stockholders are subject; (iv) do not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, instrument, license, or permit to which the Company or any Stockholder is a party or by which the Company or any Stockholder may be bound; and (v) do not create any claim, liability, mortgage, lien, pledge, condition, charge, or encumbrance of any nature whatsoever upon any of the Assets or the Stock.

### **3.5 Licenses.**

(a) The Station and its operation prior to the date hereof and until the Closing shall be in full compliance in all material respects with all FCC rules, regulations and policies applicable to Class A low power television stations. **Schedule 3.5** includes a true and complete list of the FCC Licenses and other Licenses which will be held by the Company at Closing and which are used or useful in the conduct of the business or operations of the Station as presently operated. The Company has delivered to Buyer true and complete copies of the FCC Licenses and Licenses (including any amendments and other modifications thereto).

(b) The FCC Licenses and Licenses listed on **Schedule 3.5** (i) comprise all of the licenses, permits, and other authorizations required from any governmental or regulatory authority for the lawful conduct of the business and operations of the Station as now conducted; (ii) are all in full force and effect; (iii) will be validly issued to the Company at Closing, and (iv) are not subject to any condition other than such conditions that are set forth

in the FCC Licenses and the Licenses or are imposed by the rules and regulations of the FCC or other governmental entity.

**3.6 Title to and Condition of Leased Real Property.** The Company owns no real property. **Schedule 3.6** contains a complete and accurate description of all the Leased Real Property to be held by the Company at Closing and used in the business or operations of the Station and the Company's interests therein (including street address, legal description, use of, lessor, and the location of all improvements thereon). With respect to each leasehold or subleasehold interest included in the Leased Real Property, so long as the Company fulfills its obligations under the lease or sublease therefor, it has enforceable rights to nondisturbance and quiet enjoyment, and, to the best of each Stockholder's knowledge, no third party holds any interest in the leased premises with the right to foreclose upon the Company's leasehold or subleasehold interest, except mortgagees of record, if any, although no Stockholder is aware of any default of any such mortgage. To the best of each Stockholder's knowledge, the Company has full legal and practical access to the Leased Real Property, all easements, rights-of-way, and real property licenses relating to the Leased Real Property have been properly recorded in the appropriate public recording offices, and all towers, guy anchors, buildings, and improvements included in the Tangible Personal Property are located entirely on the Leased Real Property listed in **Schedule 3.6**. The Company has delivered to Buyer true and complete copies of all leases and subleases of the Leased Real Property. To the best of each Stockholder's knowledge, all Leased Real Property (including the improvements thereon) (i) is in good condition and repair consistent with its present use, (ii) is available for immediate use in the conduct of the business or operations of the Station, and (iii) complies in all material respects with all applicable building or zoning codes and the regulations of any governmental authority having jurisdiction.

**3.7 Title to and Condition of Tangible Personal Property.** **Schedule 3.7** lists all material items of Tangible Personal Property to be held by the Company at Closing and notes whether each item is owned or leased. No Stockholder owns or leases any of the Tangible Personal Property; rather, the Company either directly owns or leases in its own name all of the Tangible Personal Property used in the business or operations of the Station as presently operated. Except as described in **Schedule 3.7**, the Company owns and has good title to each item of Tangible Personal Property, and none of the owned Tangible Personal Property is subject to any security interest, mortgage, pledge, conditional sales agreement, or other lien or encumbrance, except for Permitted Liens, and existing liens and encumbrances that shall be paid off and fully released as of the Closing in accordance with Section 5.16 hereof. A list of all existing liens and encumbrances that will be paid off by the Company prior to the Closing is included on **Schedule 5.5**. Each item of Tangible Personal Property is available for immediate use in the business or operations of the Station; and such Tangible Personal Property that is currently in actual use in the business or operations of the Station, has been maintained by the Company in good operating condition and repair (ordinary wear and tear excepted). All items of transmitting equipment included in the Tangible Personal Property have been maintained in a manner consistent with generally accepted standards of good engineering practice, and permit the Station to operate in compliance with the terms of the FCC Licenses and the rules and regulations of the FCC and the Federal Aviation Administration, and with all other applicable federal, state, and local statutes, ordinances, rules, and regulations.

3.8 **Contracts.** Schedule 3.8 is a true and complete list of all Contracts which shall be held by Company at Closing and which shall be binding on the company after Closing. All Contracts deemed by the Company and Buyer to be material are designated on Schedule 3.8. The Company has delivered to Buyer true and complete copies of all written Contracts listed on Schedule 3.8. Other than the Contracts listed on Schedule 3.8 and the leasehold interests listed on Schedule 3.6, the Company requires no other contract, lease, or other agreement to enable it to carry on the business or operations of the Station as now conducted. All of the Contracts are in full force and effect, and are valid, binding, and enforceable in accordance with their terms, and there is not under any Contract any material default by any party thereto or any event that, after notice or lapse of time or both, could constitute a material default. Neither the Company nor any Stockholder is aware of any intention by any party to any Contract to (i) terminate such Contract or amend the terms thereof, (ii) refuse to renew the Contract upon expiration of its term, or (iii) to the best of each Stockholder's knowledge, renew the Contract upon expiration only on terms and conditions which are more onerous to the Company than those now existing. Except for the need to obtain the Consents listed in Schedule 3.9, the acquisition of control of the Company by Buyer shall not affect the validity, enforceability, or continuation of any of the Contracts.

3.9 **Consents.** Except for the Consents described in Schedule 3.9, no consent, approval, permit, or authorization of, or declaration to, or filing with, any governmental or regulatory authority or any other third party is required (i) to consummate this Agreement and the transactions contemplated hereby, or (ii) to permit the Stockholders to assign or transfer the Stock to Buyer.

3.10 **Reports.** All returns, reports, and statements required to be filed by the Company with any governmental agency have been filed, and all reporting requirements of the FCC and other governmental authorities having jurisdiction over the Company and the Station have been complied with by the Company in all material respects, and all such returns, reports, and statements are substantially complete and correct as filed. Copies of all such reports and filings are available for inspection by Buyer in the corporate records of the Company. The FCC public inspection file for the Station is complete in all material respects.

3.11 **Taxes.**

(a) All Tax Returns required to be filed by or with respect to the Company, the Stock, or the Assets have been timely filed; all Tax Returns filed for the Company for periods prior to the Closing Date are complete and accurate in all respects, and were prepared in accordance with the applicable tax laws. There are no outstanding audits, inquiries, investigations, or similar proceedings pending, or to the knowledge of each Stockholder, threatened with respect to any pending or, to the knowledge of each Stockholder, threatened with respect to any such Tax Return. The Company has delivered to Buyer true and complete copies of all Tax Returns of the Company.

(b) All Taxes for which the Company is liable that are due and payable or required to be withheld on or before the Closing Date, without regard to any extensions,

whether or not arising under the Tax Returns referred to above, have been or shall be paid or withheld in full on or before the Closing Date. Notwithstanding any other provision of this Agreement, any unpaid Taxes of the Company for all periods ending on or prior to the Closing Date shall be the sole responsibility of and shall be paid by the Stockholders.

3.12 **Intangibles. Schedule 3.12** is a true and complete list of all Intangibles owned by the Company and used in the operations of the Station (exclusive of the Licenses listed in **Schedule 3.5**) and to be held by the Company at Closing, all of which are valid and in good standing and uncontested. The Company has delivered to Buyer copies of all documents establishing or evidencing all Intangibles. To the best of each Stockholder's knowledge, neither the Company or the Station is infringing upon or otherwise acting adversely to any trademarks, trade names, service marks, service names, copyrights, patents, patent applications, know-how methods, or processes owned by any other person or persons, and there is no claim or action pending or, threatened, with respect thereto.

3.13 **Insurance. Schedule 3.13** is a true and complete list of all insurance policies of the Company and the Station that insure any part of the Assets, Tangible Personal Property, Intangibles, or the business of the Station. All policies of insurance listed in **Schedule 3.13** are in full force and effect.

3.14 **Claims and Legal Actions.** Except as listed on **Schedule 3.14**, there is no claim, legal action, counterclaim, suit, arbitration, governmental investigation, or other legal, administrative, or tax proceeding, or any order, decree, or judgment, in progress or pending, or to the knowledge of the Company or the best of each Stockholder's knowledge, threatened against or relating to the Company or the Stockholders with respect to the Assets, the Stock, or the Station, nor do the Company or the Stockholders know or have reason to be aware of any basis for the same.

3.15 **Compliance with Laws.** Except as set forth on **Schedule 3.15**, the Company is in compliance in all material respects with the Licenses and all federal, state, and local laws, rules, regulations, and ordinances applicable or relating to the ownership and operation of the Station and the Assets. To the Company's and the best of each Stockholder's knowledge, neither the ownership or use of the Assets, nor the conduct of the business or operations of the Station, conflicts with the rights of any other person or entity.

3.16 **Broker.** Neither the Company nor the Stockholders, nor anyone acting on their behalf, has incurred any liability for any finders' or brokers' fees or commissions in connection with the transactions contemplated by this Agreement. Stockholders agree to indemnify and hold harmless Buyer with respect to any claim for a finder's, consultant's broker's or similar commission or fee made by any third party on the basis of the conduct of Stockholders acting individually or on behalf of the Company.

3.17 **Undisclosed Liabilities and Financial Information.**

(a) Except as noted on **Schedule 5.5**, the Company has no debt, liability, or obligation, whether accrued, absolute, contingent, or otherwise, including any liability or

obligation on account of taxes or any governmental charges, penalty, interest, or fines not disclosed on the Company's financial statements. The Company has furnished to Buyer financial statements, a balance sheet and a statement of income and expenses for the Company. December 31, 2002 shall be the "**Financial Reporting Date**" for purposes of this Agreement. Such financial statements have been prepared from the books and records of the Company in a consistent manner, accurately reflect the books, records, and accounts of the Company and the Station, are complete and correct in all material respects, and present fairly the financial condition of the Company and the Station, as of their respective dates, and results of operations for the periods then ended.

(b) As of the date hereof, the Company has no obligations or liabilities of any nature (matured, unmatured, fixed, or contingent) other than those (i) set forth in the financial statements listed above, (ii) incurred in the ordinary course of business and not required to be set forth in the Company's balance sheets under generally accepted accounting principles ("**GAAP**"), (iii) incurred in the ordinary course of business since the Financial Reporting Date and set forth in **Schedule 3.17** hereto and subject to the prior consent of Buyer in accordance with Section 5.18 hereto, (iv) incurred in connection with the execution of this Agreement, and (v) debts to be paid by the Stockholders on or before the Closing Date.

(c) Except as set forth in the Company's current unaudited financial statements, since December 31, 2002, there has not been, occurred, or arisen any:

(i) transaction by the Company except in the ordinary course of business as conducted on that date and consistent with past practices;

(ii) amendments or changes to the Company's Articles of Incorporation or Bylaws;

(iii) destruction of, or damage to, or loss of any Assets (including, without limitation, intangible assets), business or customer of the Company (whether or not covered by insurance) which would constitute a Material Adverse Effect;

(iv) claim of wrongful discharge or other unlawful labor practice or action;

(v) change in accounting methods or practices (including any change in depreciation or amortization policies or rates, any change in policies in making or reversing accruals) by the Company;

(vi) revaluation by the Company of any of the Assets;

(vii) declaration, setting aside, or payment of a dividend or other distribution in respect to the Stock, or any direct or indirect redemption, purchase, or other acquisition by the Company of any of its Stock;

(viii) increase in the salary or other compensation payable or to become payable by the Company to any officers, directors, employees, or consultants of the Company, except in the ordinary course of business consistent with past practice, or the declaration, payment, or commitment or obligation of any kind for the payment by the Company of a bonus or other additional salary or compensation to any such person, except in the ordinary course of business consistent with past practice;

(ix) sale, lease, license, or other disposition of any of the Assets of the Company, except in the ordinary course of business consistent with past practice and not in excess of Two Thousand Dollars (\$2,000.00) individually or Ten Thousand Dollars (\$10,000.00) in the aggregate;

(x) termination or material amendment of any material contract, agreement, or Licenses to which the Company is a party or by which it is bound;

(xi) loan by the Company to any person or entity, or guaranty by the Company of any loan;

(xii) waiver or release of any right or claim of the Company, including any write-off or other compromise of any account receivable of the Company in excess of One Thousand Dollars (\$1,000.00);

(xiii) commencement or notice or threat of commencement of any lawsuit or proceeding against or, to the Company's or any Stockholder's knowledge, investigation of the Company or its affairs;

(xiv) notice of any claim of ownership by a third party of the Company's Intangibles or infringement by the Company of any third party's intellectual property rights;

(xv) issuance or sale by the Company of any of its shares of capital stock, or securities exchangeable, convertible or exercisable therefor, or of any of its securities;

(xvi) change in advertising rates for time on the Station, except in the ordinary course of business consistent with past practice;

(xvii) any application by the Company to the FCC for any modification of the FCC Licenses or any failure to take any action necessary to preserve the FCC Licenses;

(xviii) except for events of a general nature affecting the Station or the Class A or low power broadcasting industry in general, any event or condition of any character that, to the best of each Stockholder's knowledge, has or reasonably could be expected to have a Material Adverse Effect on the Company or operations of the Station, including but not limited to any filing, proceeding or inquiry that challenges the Station's Class A status; or

(xix) agreement by the Company or any officer, director, or Stockholder on behalf of the Company to do any of the things described in the preceding clauses (i) through (xviii) (other than negotiations with Buyer and its representatives regarding the transactions contemplated by this Agreement).

**3.18 Bank Accounts; Powers of Attorney.** **Schedule 3.18** contains a correct and complete list of all accounts or deposits of the Company and the Station with banks or other financial institutions, safe deposit boxes of the Company and the Station, persons authorized to sign or otherwise act with respect thereto as of the date hereof, and powers of attorney for the Company and the Station. Notwithstanding the foregoing, Buyer recognizes that the Stockholders shall retain as Excluded Assets the cash in the Company's checking accounts, among other things, and shall remain liable for the payment of the Closing Accounts Payable prior to the Closing. Prior to the Closing, the Stockholders may take, at their expense, all actions reasonably required to transfer any of the Excluded Assets to their accounts, including but not limited to, establishing additional bank account(s) for transfer of the cash, cash equivalents and accounts receivable and for payment of the Closing Accounts Payable prior to Closing, provided that Buyer shall not be liable for payment of any of the Closing Accounts Payable.

**3.19 Environmental Matters.**

(a) In its operation of the Station and use of the Leased Real Property, the Company has complied in all material respects with all laws, rules and regulations of federal, state, and local governments concerning the environment, public health and safety, and employee health and safety (collectively, the "**Environmental Laws**"), and no charge, complaint, action, suit, proceeding, hearing, investigation, claim, demand or notice has been received by the Company, filed or commenced, or is threatened, against the Company or the Station alleging any failure to comply with or violation of any Environmental Law.

(b) Neither the Company or the Station has manufactured, buried, stored, spilled, leaked, discharged, emitted or released any pollutant, contaminant, or chemical, industrial, hazardous or toxic material or waste on the Leased Real Property. To each Stockholder's best knowledge, no lessor or other lessee of the Leased Real Property or any other third party has engaged in any of these activities on the Leased Real Property. Neither the Company or the Station maintains or has installed an underground storage tank on or under the Leased Real Property. To each Stockholder's best knowledge, no lessor or other lessee of the Leased Real Property or any other third party maintains or has installed an underground storage tank on or under the Leased Real Property.

(c) All equipment used in the operation of the Station wherever located and included in the Assets is and has been free of asbestos and asbestos-related products, PCB's (polychlorinated biphenyls), dioxins, and hazardous substances. To each Stockholder's best knowledge, all other equipment located on the Leased Real Property and owned or used by the lessor, other lessees or other third parties is and has been free of asbestos and asbestos-related products, PCB's (polychlorinated biphenyls), dioxins, and hazardous substances.

3.20 **Employees.** Except as set forth on **Schedule 3.20**, the Company does not maintain, is not required to contribute to, and has no liabilities with respect to any pension, annuity, retirement, stock option, stock purchase, savings, profit sharing, or deferred compensation plan or agreement, or any retainer, consultant, bonus, group insurance, welfare, health and disability plan, fringe benefit, or other incentive or benefit contract, plan, or arrangement applicable to the employees, officers, directors, or consultants (or former employees, officers, directors, or consultants) of the Company ("**Employee Benefit Plans**"). Except as set forth on **Schedule 3.20**, no employee of the Company is a party to an employment contract or consulting agreement with or pertaining to the Company that will be effective on the Closing Date. There are no collective bargaining or other labor agreements with respect to employees of the Company. **Schedule 3.20** contains a description of vacation, severance pay, and sick leave policies (and the extent to which each employee has earned credit thereunder), bonus, incentive compensation, and group insurance plans for the benefit of employees of the Company. The transactions contemplated by this Agreement will not cause or result in any extraordinary payments of any kind to any employee, officer, director or Stockholder of the Company. The Company has adopted, and, to the best of each Stockholder's knowledge, is in compliance in all material respects with, an Equal Employment Opportunity Program in accordance with federal, state, and local laws. The Company has not received any notice of deficiency or non-compliance or inquiry from any governmental entity respecting such program, including any reporting condition or forfeiture. The Company has complied in all material respects with all applicable laws and rules relating to the employment of labor, including those relating to wages, hours, collective bargaining, and the payment of social security and similar taxes. The Company has not received any notice of deficiency or non-compliance or inquiry with respect to such laws and rules.

3.21 **Full Disclosure.** No representation or warranty made by the Company or any Stockholder in this Agreement or in any certificate, document, or other instrument furnished or to be furnished by the Company or the Stockholders pursuant hereto contains or shall contain any untrue statement of a material fact, or omits or will omit to state any material fact that would make any statement made herein or therein misleading.

## **SECTION 4**

### **REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to the Company and the Stockholders as follows:

4.1 **Organization, Standing, and Authority.** Buyer is a not-for-profit corporation duly formed, validly existing, and in good standing under the laws of the State of California. Buyer has all requisite power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by Buyer hereunder.

4.2 **Authorization and Binding Obligation.** The execution, delivery, and performance of this Agreement by Buyer have been duly authorized by all necessary actions on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and

constitutes the legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by judicial discretion in the enforcement of equitable remedies.

4.3 **Absence of Conflicting Agreements.** Subject to obtaining the Consents and the FCC Consent, the execution, delivery, and performance by Buyer of this Agreement and the documents contemplated hereby (with or without the giving of notice, the lapse of time, or both): (i) do not require the consent of any third party; (ii) do not conflict with the organizational documents of Buyer; (iii) do not conflict with, result in a breach of, or constitute a default under, any law, judgment, order, injunction, decree, rule, regulation, or ruling of any court or governmental instrumentality; or (iv) do not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, instrument, license, or permit to which Buyer is a party or by which Buyer may be bound, such that Buyer could not acquire the Stock or the Assets.

4.4 **Broker.** Neither Buyer nor any person acting on Buyer's behalf has incurred any liability for any finders' or brokers' fees or commissions in connection with the transactions contemplated by this Agreement. Buyer agrees to indemnify and hold harmless Stockholders with respect to any claim for a finder's, consultant's, broker's or similar commission or fee made by any third party on the basis of the conduct of Buyer.

4.5 **Buyer Qualifications.** Buyer is legally, financially, and otherwise qualified to acquire and own the Stock and the Assets without obtaining any rule waiver by the FCC. Buyer shall not take any action that is inconsistent with its obligations under this Agreement or that could hinder or delay the consummation of the transactions contemplated by this Agreement.

4.6 **Investment Purpose.** Buyer is acquiring the Stock for investment for its own account and not with a view to the sale or distribution of any part thereof, except for collateral assignments or pledges of the Stock for financing purposes, Buyer has no present intention of selling, granting participation in, or otherwise distributing the Stock. Buyer certifies that it is a sophisticated investor, understands that it is buying unregistered stock or securities and may lose its investment relating thereto, and has sufficient financial resources to undertake any risk that may arise pursuant to the purchase of the Stock.

4.7 **Full Disclosure.** No representation or warranty made by Buyer in this Agreement or in any certificate, document, or other instrument furnished or to be furnished by Buyer pursuant hereto contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact and required to make any statement made herein or therein misleading.

## **SECTION 5**

### **OPERATIONS PRIOR TO CLOSING**

Between the date hereof and the Closing Date, each of the Company and the Stockholders agrees that:

5.1 **Generally.** The Company shall operate its business diligently in the ordinary course of business in accordance with its past practices and in compliance with the affirmative and negative covenants set forth in this Section 5 (or elsewhere in this Agreement), except where such noncompliance is undertaken with the prior written consent of Buyer.

5.2 **Compensation.** Neither the Company nor the Stockholders shall increase the compensation, bonuses, or other benefits payable or to be payable to any person employed in connection with the conduct of the business or operations of the Company or the Station, except in accordance with scheduled increases that are consistent with past practices, and which have been provided to Buyer prior to the date hereof. The Stockholders shall be responsible for all obligations to employees of the Station and the Company accrued or owing to such employees on or prior to the Closing Date in accordance with Section 2.3(a) hereof.

5.3 **New and Amended Contracts.**

(a) Neither the Company nor the Stockholders shall, without the prior written consent of Buyer, which consent shall not be unreasonably withheld, enter into any contract or commitment relating to the Stock, the Station, or the Assets, or amend or terminate any Contract, waive any material right thereunder, or incur any obligation (including obligations relating to the borrowing of money or the guaranteeing of indebtedness) which will not be satisfied prior to the Closing Date. Prior to the Closing Date, the Company shall deliver to Buyer a list of all Contracts entered into between the date of this Agreement and the Closing Date consistent with this Section 5.3, together with copies of such Contracts.

(b) The Company shall not enter into any new trade or barter agreement without the prior written consent of Buyer. The Company shall complete its obligations and satisfy all trade and barter agreements owed by the Station prior to the Closing.

(c) The Company and the Stockholders shall cooperate with Buyer in order to terminate any contracts and agreements listed on Schedule 3.8 prior to or effective as of the Closing Date that Buyer requests be terminated in writing delivered to the Company within thirty (30) days of the date hereof, provided that the Stockholders shall not be required to incur any liability for such terminations.

5.4 **Disposition of Assets.** Neither the Company nor the Stockholders shall sell, assign, lease, or otherwise transfer or dispose of any of the Assets or the Tangible Personal Property, except for retirements or replacements of items of Tangible Personal Property consistent with past practices, and provided that such items are replaced by items of similar

type and value, and except for the distribution or transfer of any Excluded Assets to the Stockholders or any other transferee in accordance with Section 2.2 hereof.

5.5 **Permitted Liens.** Neither the Company nor the Stockholders shall create, assume, or permit to exist any claim, liability, mortgage, lien, pledge, condition, charge, or encumbrance of any nature whatsoever upon the Assets, except for (i) liens for current taxes not yet due and payable and (ii) liens, encumbrances, and security interests, if any, which shall be paid off and fully released at the Stockholders' sole expense on or prior to the Closing Date and which are listed on **Schedule 5.5** hereto.

5.6 **Rights.** Neither the Company nor the Stockholders shall waive any right against any third party relating to any of the Assets.

5.7 **No Inconsistent Action.** Neither the Company nor the Stockholders shall take any action that is inconsistent with their respective obligations under this Agreement or that could hinder or delay the consummation of the transactions contemplated by this Agreement.

5.8 **Access to Information.** The Company and the Stockholders shall give Buyer and its authorized representatives reasonable access to the Assets and to all other properties, equipment, books, records, financial records and information, including such information relating to payables and receivables, and Contracts, for the purpose of audit and inspection.

5.9 **Consents.** The Company and the Stockholders shall use commercially reasonable efforts to obtain the Consents without any change in the terms or conditions of any Contract that could be less advantageous to Buyer than those pertaining under the Contract as in effect on the date of this Agreement; provided, however, that the Company's or the Stockholders' failure to obtain any Consent shall not constitute a material breach of this Agreement by the Stockholders but shall entitle Buyer, at its option, to terminate this Agreement without further liability or obligation. The Company and the Stockholders shall promptly advise Buyer of any difficulties experienced in obtaining any of the Consents and of any conditions proposed, considered, or requested for any of the Consents. As used in this Section 5.9, "commercially reasonable efforts" shall not require the Company or the Stockholders to pay consideration to obtain any third party consents.

5.10 **Books and Records.** The Company shall maintain its books and records in accordance with its past practices.

5.11 **Compliance with Laws.** The Company shall comply in all material respects with all laws, rules, and regulations applicable or relating to the ownership and operation of the Station and the Assets.

5.12 **Financing Leases.** The Company shall satisfy at or prior to Closing all outstanding obligations under such capital and financing leases with respect to any of the Assets and obtain good title to the Assets leased by the Company pursuant to those leases so that the Assets shall be at Closing free of any interest of the lessors.

5.13 **Mergers.** The Company shall not reorganize, liquidate, merge, or consolidate with any other entity.

5.14 **Amendments.** The Company shall not amend, change, or modify its Certificate of Incorporation or Bylaws.

5.15 **Transactions Involving the Stock.** Neither the Company nor the Stockholders shall, or agree to, (a) issue, sell, or otherwise dispose of any of shares of Stock; (b) acquire (through redemption or otherwise) any shares of Stock; (c) grant any options, warrants, or other rights to acquire any of shares of Stock; or (d) issue, sell, or otherwise dispose of any stock options, bonds, notes, or other securities.

5.16 **Removal and Release of Encumbrances.** Notwithstanding any other provision of this Agreement, on or before the Closing Date, the Stockholders, at their sole expense, shall be responsible to pay off and have fully released any and all debt obligations of the Company and remove any liens, encumbrances and security interests of any nature whatsoever on the Assets. **Schedule 5.5** hereto is a complete and accurate list of all such debt obligations, liens, encumbrances and security interests. Buyer agrees that the Stockholders shall have the right to use the Company's cash on hand prior to the Closing for the payment of such debt obligations.

5.17 **Insurance.** The Company and Stockholders shall maintain all existing insurance in effect and shall within ten (10) business days of the date of this Agreement, maintain libel insurance providing liability coverage and commercial umbrella liability in accord with industry practices and shall promptly provide Buyer with written confirmation of such coverages, which shall be maintained in effect until the Closing.

5.18 **Creation of Post-Closing Obligations.** Except with the prior written consent of Buyer, neither the Company or the Stockholders shall create any new obligations or liabilities of the Company that will be binding on Buyer after the Closing.

## **SECTION 6**

### **SPECIAL COVENANTS AND AGREEMENTS**

6.1 **Assets Owned By the Stockholders.** If any Stockholder owns any Assets used in the operation of the Station that are listed on any of the Schedules hereto, such Stockholder shall transfer, assign, and deliver title to such asset to the Company at no charge to the Company and free and clear of any and all encumbrances whatsoever prior to Closing.

6.2 **FCC Application.** Buyer, the Company, and the Stockholders shall promptly prepare an appropriate application for the FCC Consent to the transfer of the Stock to Buyer and shall file the application with the FCC within fifteen (15) business days of the execution of this Agreement. The parties shall prosecute the application with all reasonable diligence and otherwise use their reasonable best efforts to obtain a grant of such application as expeditiously as practicable. Each party agrees to comply with any condition imposed on it by the FCC Consent, except that no party shall be required to comply with a condition if compliance with

the condition would have a material adverse effect upon it. Buyer, the Company, and the Stockholders shall oppose any requests for reconsideration or judicial review of the FCC Consent; provided, however, that the parties shall continue to have all rights available to them pursuant to Section 9 hereof and neither Buyer, the Company or Stockholders shall have any obligation to participate in any evidentiary hearing on the assignment application to obtain the FCC Consent.

6.3 **Confidentiality.** Except as necessary for the consummation of the transactions contemplated by this Agreement, including sharing the information herein with each party's accountants, attorneys, financial advisors, and lenders, and except as and to the extent required by law, including, without limitation, disclosure requirements of federal or state securities laws and the rules and regulations of securities markets, each party shall keep confidential any information obtained from the other party in connection with the transactions contemplated by this Agreement. If this Agreement is terminated, each party shall return to the other party all information obtained by such party from the other party in connection with the transactions contemplated by this Agreement, including, but not limited to confidential material provided to Buyer by the Company and the Stockholders in connection with Buyer's due diligence inspection of the Station and the Company.

6.4 **Cooperation.** Buyer, the Company, and the Stockholders shall cooperate fully with each other and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement. Each party shall execute such other documents as may be necessary and desirable to the implementation and consummation of this Agreement, and otherwise use its best efforts to consummate the transactions contemplated hereby and to fulfill its obligations under this Agreement. Notwithstanding the foregoing, Buyer shall have no obligation to (i) expend funds to obtain any of the Consents or Material Consents or (ii) agree to any adverse change in any Contract to obtain a Consent or Material Consent required with respect thereto.

6.5 **Access to Books and Records.** Buyer shall provide the Stockholders' Representative reasonable access and the right to copy for a period of three (3) years from the Closing Date any books and records relating to the Assets.

6.6 **Tax Matters.**

(a) **Indemnification.**

(i) The Stockholders agree to pay and to indemnify, reimburse, and hold harmless Buyer and the Company and their respective successors, officers, directors, employees, agents, and representatives from and against any and all Taxes of the Company payable with respect to, and any and all claims, liabilities, losses, damages, costs, and expenses (including, without limitation, court costs and reasonable professional fees incurred in the investigation, defense, or settlement of any claims covered by this indemnity) (herein referred to as "**Indemnifiable Tax Damages**") arising out of or in any manner incident, relating, or attributable to Taxes of the Company payable with respect to, or Tax Returns required to be filed by, the Company with respect to, (i) any taxable year (or other applicable

reporting period) ("**Reporting Period**") of the Company ending on or before the Closing Date, and (ii) any period beginning on the first day of any Reporting Period that is not completed as of the Closing Date, but only for that portion of such period ending on the Closing Date (a "**Short Period**").

(ii) Buyer agrees to pay and to indemnify, reimburse, and to hold harmless the Stockholders and their respective successors, officers, directors, employees, agents, and representatives from and against any and all Taxes of the Company payable with respect to, and any and all Indemnifiable Tax Damages arising out of or in any manner incident to, relating or attributable to Taxes of the Company payable with respect to, or Tax Returns required to be filed by, the Company with respect to, (A) any Reporting Period of the Company beginning on or after the Closing Date; and (B) any Reporting Period that includes the Closing Date but only for that portion of such period commencing the day after the Closing Date.

(b) Except as otherwise provided in this Section 6.6, any amounts owed by any Stockholder to any party under this Section 6.6 shall be paid within ten (10) business days of notice from such party. Except as otherwise provided in this Section 6.6, any amounts owed by Buyer to any party under this Section 6.6 shall be paid within ten (10) business days of notice from such party.

(c) Buyer shall promptly notify the Stockholders' Representative in writing of any notice, letter, correspondence, claim, determination, decision, or decree ("**Tax Claim**") received by Buyer or the Company or their successors for any Reporting Period ending on or before the Closing Date and any Short Period that might raise a claim for indemnification hereunder. The Stockholders, at their cost and expense, shall have the sole and exclusive right to (and shall promptly notify Buyer as to whether they shall) handle, answer, defend, compromise, or settle such Tax Claim and any tax examination, audit, contest, or litigation in connection therewith. If the Stockholders fail within a reasonable time after notice to defend or handle any Tax Claim or any examination, audit, contest, or litigation as provided herein, the Stockholders shall be bound by the results obtained by Buyer or the Company or their respective successors or assigns in connection with such Tax Claim and such examination, audit, contest, or litigation. Notwithstanding the foregoing, no Stockholder shall agree, without the written consent of Buyer (which consent shall not be unreasonably withheld or delayed), to any adjustment or settlement for any period ending on or prior to the Closing Date which shall legally bind Buyer for any period after the Closing Date, and Buyer shall not agree, without the written consent of the Stockholders' Representative (which consent shall not be unreasonably withheld or delayed), to any adjustment or settlement for any Reporting Period after the Closing Date which shall legally bind the Stockholders for any Reporting Period prior to the Closing Date.

(d) The Stockholders shall be responsible for preparing and filing on behalf of the Company all Tax Returns for Reporting Periods of the Company ending on or before the Closing Date, including Tax Returns of the Company for such periods which are due after the Closing Date, and the Stockholders shall be responsible for the contents of such returns; provided, however, that the Stockholders shall furnish Buyer with copies of such returns of the

Company within thirty (30) days prior to the filing date for its reasonable review and approval. Buyer shall be responsible for preparing and filing on behalf of the Company all Tax Returns for Reporting Periods of the Company ending on or after the Closing Date (including for Reporting Periods beginning before and ending after the Closing Date) but shall not be liable for any taxes owed or attributable to the Short Period.

#### 6.7 **Risk of Loss.**

(a) The risk of any loss, damage, impairment, confiscation, or condemnation of any of the Assets from any cause whatsoever shall be borne by the Company and the Stockholders at all times prior to the Closing, and by Buyer after the Closing.

(b) If any damage or destruction of the Assets or any other event occurs which causes the Station to cease broadcasting operations for a period of three (3) or more days, whether consecutive or not, or prevents in any material respect signal transmission by the Station in the normal and usual manner and the Stockholders fail to restore or replace the Assets so that normal and usual transmission is resumed within seven (7) days of the damage, destruction, or other event, Buyer, in its sole discretion, may (i) terminate this Agreement forthwith without any further liability or obligations hereunder upon written notice to the Stockholders' Representative, in which event all funds held by the Escrow Agent pursuant to the Escrow Agreement, including all interest and other proceeds from the investment of such funds, shall immediately be returned to Buyer, (ii) postpone the Closing until the Stockholders restore or replace the Assets so that normal and usual transmission is resumed, or (iii) proceed to consummate the transactions contemplated by this Agreement and complete the restoration and replacement of the Assets after the Closing Date, in which event the Stockholders shall deliver to Buyer all insurance proceeds received, or assign to Buyer the right to receive all insurance proceeds, in connection with such damage, destruction, or other event; provided however, that this Section 6.7(b)(iii) shall not apply to the proceeds of any business interruption insurance, which proceeds relate to any period prior to the Closing Date.

### **SECTION 7** **CONDITIONS TO OBLIGATIONS OF BUYER AND** **THE STOCKHOLDERS AT CLOSING**

7.1 **Conditions to Obligations of Buyer.** All obligations of Buyer at the Closing are subject at Buyer's option to the fulfillment prior to or at the Closing Date of each of the following conditions:

(a) **Representations and Warranties.** All representations and warranties of the Company and the Stockholders contained in this Agreement shall be true and complete in all respects at and as of the Closing Date as though made at and as of that time.

(b) **Covenants and Conditions.** The Company and the Stockholders shall have performed and complied in all material respects with all covenants, agreements, and

conditions required by this Agreement to be performed or complied with by them prior to or on the Closing Date.

(c) **Consents.** All Consents designated as "Material" on **Schedule 3.8** shall have been obtained and delivered to Buyer without any adverse change in the terms or conditions of any such agreement or any governmental license, permit, or other authorization.

(d) **FCC Consent.** The FCC Consent shall have been granted without the imposition on Buyer of any material adverse condition, and, at Buyer's sole option, the FCC Consent shall have become a Final Order.

(e) **Deliveries.** The Company and the Stockholders shall have made or stand willing to make all the deliveries to Buyer set forth in Section 8.2.

(f) **Material Adverse Effect.** Between the Financial Reporting Date and the Closing Date, there shall have been (i) no Material Adverse Effect or (ii) no material adverse change in the Assets that materially affects the ability of the Station to operate with its currently licensed facilities and its Class A FCC license.

(g) **Permitted Liens or Undisclosed Liabilities.** The Assets shall be free and clear of all liens, encumbrances, mortgages, and security interests of any nature whatsoever except for current taxes not yet due and payable, and there shall exist no liabilities of the Company not disclosed in accordance with Section 3.17 hereof.

(h) **Environmental Audit.** Buyer shall have received, within 60 days of the execution of this Agreement, at Buyer's option and expense, completed Phase I environmental audit reports (the "**Phase I Reports**") regarding the Leased Real Property, which Phase I Reports shall be satisfactory to Buyer in all respects. If, in Buyer's reasonable judgment, Phase II environmental audit reports (the "**Phase II Reports**") are necessary in light of the contents of the Phase I Reports, Buyer shall receive such Phase II Reports, at Buyer's sole expense, which shall be satisfactory to Buyer in all respects. In the event that the Phase I Reports and/or Phase II Reports disclose an environmental condition or matter that is unsatisfactory to Buyer, Buyer, at its option, may terminate this Agreement without liability to Buyer, the Company, or the Stockholders. The failure of Buyer to obtain Phase I Reports within sixty (60) days of the date of this Agreement, or to advise the Stockholders Representative that an unsatisfactory environmental condition or matter exists within seventy (70) days of the date of this Agreement, shall constitute a waiver of this condition by Buyer. The Company and the Stockholders shall cooperate with Buyer and provide Buyer with reasonable access to the Station and all Leased Real Property in order to permit Buyer to complete a Phase I or Phase II audit.

(i) **Title Insurance and Surveys.** Buyer shall have received, within 60 days of the execution of this Agreement, at the Buyer's option and expense, commitments from ALTA title insurance policies with respect to the Leased Real Property acceptable to Buyer (the "**Titles**") and staked-on-ground boundary surveys of the Leased Real Property reasonably acceptable to Buyer, certified current as of the date of delivery thereof, prepared by a duly

licensed and registered land surveyor acceptable to Buyer (the "**Surveys**"). The Title and Surveys shall be ordered by Buyer and shall in all respects be acceptable to Buyer and in substance and form consistent with the normal and customary practice in the State of California. In the event that the Titles and/or Surveys reveal a condition or conditions that would or could materially impair the use of the Leased Real Property for the operation of the Station or create any material future liability on the part of Buyer or the Company, or in the event title to the tower leasehold estate is not insurable pursuant to such title insurance commitments, subject only to exceptions acceptable to Buyer, Buyer, at its option, may terminate this Agreement without liability to Buyer, the Company, or the Stockholders, provided that if Buyer fails to exercise its right to terminate this Agreement pursuant to this Section 7.1(i) within seventy (70) days, Buyer shall be deemed to have waived such right. If Buyer elects to close the transaction notwithstanding such condition(s), such condition(s) shall not constitute a breach of this Agreement by the Company or the Stockholders. The Company and the Stockholders shall cooperate with Buyer and provide Buyer with reasonable access to the Station and all Leased Real Property in order to permit Buyer to complete the Surveys.

(j) **Sale of KFTL(TV).** Buyer shall have consummated the sale of KFTL(TV), Stockton, California. Buyer shall have the obligation to pursue in good faith the consummation of the sale of KFTL(TV).

7.2 **Conditions to Obligations of the Stockholders.** All obligations of the Stockholders at the Closing are subject at the Stockholders' option to the fulfillment prior to or at the Closing Date of each of the following conditions:

(a) **Representations and Warranties.** All representations and warranties of Buyer contained in this Agreement shall be true and complete in all material respects at and as of the Closing Date as though made at and as of that time.

(b) **Covenants and Conditions.** Buyer shall have performed and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) **Deliveries.** Buyer shall have made or stand willing to make all the deliveries set forth in Section 8.3.

(d) **FCC Consent.** The FCC Consent shall have been granted without the imposition on the Stockholders of any material adverse conditions.

## **SECTION 8**

### **CLOSING AND CLOSING DELIVERIES**

#### **8.1 Closing.**

(a) **Closing Date.** The Closing shall take place at 10:00 a.m. ten (10) business days after the FCC releases its FCC Consent, or, at Buyer's sole option, ten (10)

business days after the FCC Consent becomes a Final Order, or at some other mutually agreed upon date and time. Notwithstanding the foregoing, the parties agree to jointly request additional time from the FCC to consummate the Closing in the event all conditions to each party's obligation to close have not been satisfied as of the Closing Date established pursuant to this Section 8.1(a), including but not limited to Buyer's prior consummation of the sale of KFTL(TV), Stockton, California, as provided in Section 7.1(j). Notwithstanding anything herein to the contrary, this Section 8.1(a) is subject to Seller's right under Sections 9.1(c) and 9.2(c).

(b) **Closing Place.** The Closing shall be held at the offices of Buyer's counsel or any other mutually agreeable location. Closing may be conducted by mail or facsimile and the parties need not be present.

8.2 **Deliveries by the Stockholders.** Prior to or on the Closing Date, the Stockholders shall deliver to Buyer the following, in form and substance reasonably satisfactory to Buyer and its counsel:

(a) **Stock.** Certificates representing all of the Stock, which shall be either duly endorsed or accompanied by stock powers duly executed in favor of Buyer;

(b) **Resignations.** Written resignations, effective on the Closing Date, of all of the officers and directors of the Company and any Stockholders of the Company who are also employees of the Company;

(c) **Certificate of Incorporation.** The Certificate of Incorporation of the Company certified, as of the Closing Date, by its Secretary;

(d) **Certificate of Good Standing.** An original Certificate of Good Standing for the Company, certified as of a date not earlier than ten (10) days prior to the Closing Date by the Secretary of the State of California;

(e) **Bylaws.** Copies of the Bylaws of the Company certified, as of the Closing Date, by its Secretary as complete and accurate in all respects;

(f) **Resolutions.** Copies of resolutions adopted by the Board of Directors of the Company, authorizing and approving the execution of this Agreement and the consummation of the transactions contemplated hereby, certified by the Company's Secretary as being true and complete on the Closing Date;

(g) **Consents.** Executed originals of any document evidencing receipt of any Consent or Material Consent;

(h) **Officer's Certificates.**

(i) A certificate, dated as of the Closing Date, executed on behalf of the Company by its President, certifying (A) that the representations and warranties of the

Company contained in this Agreement are true and complete in all material respects as of the Closing Date as though made on and as of that date; and (B) that the Company has in all material respects performed and complied with all of its obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date; and

(ii) A certificate, dated as of the Closing Date, executed on behalf of the Stockholders by the Stockholders' Representative, certifying (A) that the representations and warranties of the Stockholders contained in this Agreement are true and complete in all material respects as of the Closing Date as though made on and as of that date; and (B) that each Stockholder has in all material respects performed and complied with all of his or her obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date;

(i) **Corporate, Financial, Tax, and Business Records.** The Company seal and originals of all corporate records (including Certificate of Incorporation, Bylaws, minute books, stock books, and registers), financial, tax and business records of the Company, including the FCC public inspection file;

(j) **Contracts, Business Records, Etc.** Originals of all Contracts not previously delivered to Buyer, blueprints, schematics, working drawings, plans, projections, engineering records, vehicle titles, if any, and all files and records used by the Company in connection with its business or operations;

(k) **Lien Releases.** Evidence of the release of all liens on the Assets;

(l) **General Releases.** General releases in favor of the Company and Buyer executed by the Stockholders releasing the Company and Buyer from all claims of any nature whatsoever relating to or arising under their ownership of the Stock, operation of the Station, and involvement with the Company, except for claims permitted under the indemnification provisions of this Agreement; and

(m) **Title Requirements.** Those instruments required to insure title to the Leased Real Property, Buyer's option to secure such title insurance in accordance with Section 7.1(i) above.

8.3 **Deliveries by Buyer.** Prior to or on the Closing Date, Buyer shall deliver to the Stockholders the following, in form and substance reasonably satisfactory to the Stockholders and their counsel:

(a) **Purchase Price.** The full amount of the Purchase Price, as detailed in Section 2.3;

(b) **Resolutions.** Copies of resolutions adopted by the Board of Directors of Buyer, authorizing and approving the execution of this Agreement and the consummation of

the transactions contemplated hereby, certified by the Assistant Secretary of Buyer, as being true and complete on the Closing Date;

(c) **Officer's Certificate.** A certificate, dated as of the Closing Date, certifying that (i) the representations and warranties of Buyer contained in this Agreement are true and complete in all material respects as of the Closing Date as though made on and as of that date, and (ii) Buyer has in all material respects performed and complied with all of its obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date; and

(d) **General Release.** General releases of each of the Stockholders from all claims of any nature whatsoever relating to or arising under their ownership of the Stock, operation of the Station and involvement with the Company prior to the Closing, except for claims permitted under the indemnification provisions of this Agreement.

## **SECTION 9** **TERMINATION**

9.1 **Termination by the Stockholders.** This Agreement may be terminated by the Stockholders, if the Company or the Stockholders are not then in material default, upon written notice to Buyer, and only upon the occurrence of any of the following:

(a) **Conditions.** If, on the date that would otherwise be the Closing Date, the Stockholders' Representative shall have notified Buyer in writing that one or more of the conditions precedent to the obligations of the Stockholders to close set forth in this Agreement have not been satisfied or waived in writing and such condition or conditions shall not have been satisfied by Buyer or waived in writing by the Stockholders' Representative within fifteen (15) days following such notice.

(b) **Judgments.** If, on the date that would otherwise be the Closing Date, there is in effect any judgment, decree, stay or order that would prevent or make unlawful the Closing.

(c) **Upset Date.** If the Closing shall not have occurred within six (6) months of the date of filing by the parties of the appropriate application to obtain FCC Consent in accordance with Section 6.2 .

9.2 **Termination by Buyer.** This Agreement may be terminated by Buyer, if Buyer is not then in material default, upon written notice to the Stockholders' Representative, upon the occurrence of any of the following:

(a) **Conditions.** If, on the date that would otherwise be the Closing Date, Buyer shall have notified the Stockholders' Representative in writing that one or more of the conditions precedent to the obligations of Buyer to close set forth in this Agreement have not been satisfied or waived in writing by Buyer and such condition or conditions shall not have

been satisfied by the Stockholders or waived in writing by Buyer within fifteen (15) days following such notice, provided, however, if the failure of Buyer involves payment of the Purchase Price, Buyer's cure period shall be two (2) business days.

(b) **Judgments.** If, on the date that would otherwise be the Closing Date, there is in effect any judgment, decree, stay or order that would prevent or make unlawful the Closing.

(c) **Upset Date.** If the Closing shall not have occurred within six (6) months of the date of filing by the parties of the appropriate application to obtain FCC Consent in accordance with Section 6.2.

### 9.3 **Rights on Termination.**

(a) If this Agreement is terminated pursuant to Section 9.1 or Section 9.2 and neither party is in material breach of any provision of this Agreement, the parties hereto shall have no liability to each other as a result of such termination, and Buyer shall be entitled to the return of the Escrow Deposit plus all earnings thereon.

(b) If this Agreement is terminated by the Stockholders or the Company due to Buyer's material breach of this Agreement, then the Stockholders shall be entitled to the Escrow Deposit as liquidated damages which shall constitute full payment and the exclusive remedy for any damages suffered by the Company and the Stockholders by reason of Buyer's material breach of this Agreement. The Company, the Stockholders, and Buyer agree in advance that actual damages would be difficult to ascertain and that the amount of the Escrow Deposit is a fair and equitable amount to reimburse the Company and the Stockholders for damages sustained due to Buyer's material breach of this Agreement. Buyer shall be entitled to all earnings on the Escrow Deposit under this Section 9.3(b).

(c) The parties recognize that if the Company or the Stockholders breach this Agreement and refuse to perform under the provisions of this Agreement, monetary damages alone would not be adequate to compensate Buyer for its injury. Buyer shall, therefore, be entitled to specific performance of the terms of this Agreement. If any action is brought by Buyer to enforce this Agreement, the Company and the Stockholders shall waive the defense that there is an adequate remedy at law.

9.4 **Attorneys' Fees.** In the event of a default by any party hereto which results in a lawsuit or other proceeding for any remedy available under this Agreement, the prevailing party shall be entitled to reimbursement from the other party of its reasonable legal fees and expenses in addition to other relief.

**SECTION 10**  
**SURVIVAL OF REPRESENTATIONS AND**  
**WARRANTIES; INDEMNIFICATION**

10.1 **Representations and Warranties.** All representations and warranties contained in this Agreement shall be deemed continuing representations and warranties and shall survive the Closing and expire one (1) year after the Closing, except to the extent any claim is made hereunder prior to the expiration of such one (1) year period, and except that any claims relating to Taxes, title to the Assets and the Stock and claims asserted against the Station or the Company for damages of any nature whatsoever by third parties shall survive as long as the applicable statute of limitations allows. Any investigations by or on behalf of any party hereto shall not constitute a waiver as to enforcement of any representation, warranty, or covenant contained in this Agreement. No notice or information delivered by the Company or the Stockholders' Representative, except for disclosures and exceptions expressly set forth on the Schedules to this Agreement, shall affect Buyer's right to rely on any representation or warranty made by the Company or the Stockholders or relieve the Company or the Stockholders of any obligations or liability under this Agreement as the result of a breach of any of their representations and warranties.

10.2 **Indemnification by the Stockholders.** Each of the Stockholders hereby agrees to indemnify and hold Buyer harmless against and with respect to, and shall reimburse Buyer for:

(a) Any and all losses, liabilities, or damages resulting from any untrue representation, breach of warranty, or material omission or nonfulfillment of any covenant by the Company or the Stockholders contained in this Agreement or in any certificate, schedule, document, or instrument delivered to Buyer under this Agreement;

(b) Any and all losses, liabilities, or damages, contingent or otherwise, resulting from the operation or ownership of the Station or ownership of the Stock prior to the Closing Date, including any liabilities arising under the Licenses or the Contracts which relate to events occurring prior to the Closing Date and third-party claims against the Company and/or the Station which relate to events occurring prior to the Closing Date;

(c) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs, and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity; and

(d) Closing Accounts Payable not paid by the Company at the expense of the Stockholders prior to the Closing.

10.3 **Indemnification by Buyer.** Buyer hereby agrees to indemnify and hold the Stockholders harmless against and with respect to, and shall reimburse the Stockholders for:

(a) Any and all losses, liabilities, or damages resulting from any untrue representation, breach of warranty, or material omission or nonfulfillment of any covenant by Buyer contained in this Agreement or in any certificate, schedule, document or instrument delivered to the Stockholders under this Agreement;

(b) Any and all obligations of the Company assumed by Buyer pursuant to this Agreement;

(c) Any and all losses, liabilities, or damages contingent or otherwise, resulting from the operation or ownership of the Station or the Stock on and after the Closing; and

(d) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

10.4 **Procedure for Indemnification.** The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "**Claimant**") shall promptly give notice to the party from which indemnification is claimed (the "**Indemnifying Party**") of any claim, whether between the parties or brought by a third party, specifying in reasonable detail the factual basis for the claim. If the claim relates to an action, suit, or proceeding filed by a third party against Claimant, such notice shall be given by Claimant as soon as practicable after written notice of such action, suit, or proceeding was received by Claimant.

(b) With respect to claims solely between the parties, following receipt of notice from the Claimant of a claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the claim, at its expense, as the Indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant agrees to make available to the Indemnifying Party and/or its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of the 30-day period (or any mutually agreed upon extension thereof) to the validity and amount of such claim, the Indemnifying Party shall immediately pay to the Claimant the full amount of the claim. If the Claimant and the Indemnifying Party do not agree within the 30-day period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate remedy under the arbitration provisions of this Agreement, as applicable.

(c) With respect to any claim by a third party as to which the Claimant is entitled to indemnification under this Agreement, the Indemnifying Party shall have the right at its own expense, to participate in or assume control of the defense of such claim, and the Claimant shall cooperate fully with the Indemnifying Party subject to reimbursement for reasonable actual out-of-pocket expenses incurred by the Claimant as the result of a request by the Indemnifying Party. If the Indemnifying Party elects to assume control of the defense of any third-party claim, the Claimant shall have the right to participate in the defense of such

claim at its own expense. If the Indemnifying Party does not elect to assume control or otherwise participate in the defense of any third party claim, it shall be bound by the results obtained by the Claimant with respect to such claim.

(d) If a claim, whether between the parties or by a third party, requires immediate action, the parties shall use their reasonable best efforts to reach a decision with respect thereto as expeditiously as possible.

(e) The indemnification rights provided in Sections 10.2 and 10.3 shall extend to the shareholders, members, directors, officers, employees, and representatives of any Claimant; provided, however, for the purpose of the procedures set forth in this Section 10.4, any indemnification claims by such parties shall be made by and through the Claimant.

**10.5 Extent of Each Stockholder's Liability.** Each Stockholder's liability for indemnification of Buyer under this Section 10 shall be joint and several, but shall not exceed under any circumstances more than one hundred twenty-five percent (125%) of such Stockholder's equity interest in the Company. For example, if Buyer is entitled to \$1,000,000 in indemnification, the indemnification liability of a Stockholder with a 20% equity interest in the Company would not exceed 25% of the indemnification amount, which, in this example would be \$250,000.

**10.6 Minimum Claim for Indemnification.** Buyer shall not be entitled to indemnification for any claim unless and until the aggregate of all such claims equals or exceeds Twenty Thousand Dollars (\$20,000.00). If the aggregate amount of Buyer's claims exceeds Twenty Thousand Dollars (\$20,000.00), Buyer shall be entitled to recover the full amount of its claim(s), including the first Twenty Thousand Dollars (\$20,000.00) of such claim(s).

**10.7 Survival.** This Section 10 shall survive the Closing; provided, however, that with the exception of claims relating to Taxes, title to Assets and the Stock and claims by third parties, the indemnification obligation herein shall expire twelve (12) months following the Closing, except for claims commenced prior to the expiration of such twelve-month period, which shall remain subject to indemnification until they are resolved.

## **SECTION 11** **MISCELLANEOUS**

**11.1 Fees and Expenses.** Any federal, state, or local sales or transfer tax arising in connection with the conveyance of the Stock by the Stockholders to Buyer pursuant to this Agreement shall be paid by the party upon whom such tax is imposed by law. Except as otherwise provided in this Agreement, each party shall pay its own expenses incurred in connection with the authorization, preparation, execution, and performance of this Agreement, including all fees and expenses of counsel, accountants, agents, and representatives, and each party shall be responsible for all fees or commissions payable to any finder, broker, advisor, or similar person retained by or on behalf of such party. Buyer and the Stockholders shall each

pay one-half of the fee payable to the FCC in connection with the filing of the application for FCC Consent, and one-half of legal fees and expenses payable to Irwin, Campbell & Tannenwald, P.C.

11.2 **Arbitration.** Except as otherwise provided to the contrary below, any dispute arising out of or related to this Agreement that Buyer, the Company, and the Stockholders are unable to resolve by themselves shall be settled by arbitration in Sacramento, California by a neutral arbitrator who shall be selected in accordance with the procedures set forth in the commercial arbitration rules of the American Arbitration Association. The person selected as arbitrator shall have prior experience in the broadcasting industry but need not be a professional arbitrator, and persons such as lawyers, accountants, brokers, and bankers shall be acceptable. Before undertaking to resolve the dispute, the arbitrator shall be duly sworn faithfully and fairly to hear and examine the matters in controversy and to make a just award according to the best of his or her understanding. The arbitration hearing shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association. The written decision of the arbitrator shall be final and binding on Buyer, the Company, and the Stockholders. The costs and expenses of the arbitration proceeding shall be assessed between Buyer and the Stockholders in a manner to be decided by the arbitrator, and the assessment shall be set forth in the decision and award of the arbitrator. Judgment on the award, if it is not paid within thirty (30) days, may be entered in any court having jurisdiction over the matter. No action at law or suit in equity based upon any claim arising out of or related to this Agreement shall be instituted in any court by Buyer, the Company, or the Stockholders against the other except (i) an action to compel arbitration pursuant to this Section, (ii) an action to enforce the award of the arbitration panel rendered in accordance with this Section, or (iii) a suit by Buyer for specific performance pursuant to Section 9.3(c).

11.3 **Notices.** All notices, demands, and requests required or permitted to be given under the provisions of this Agreement shall be (i) in writing, (ii) (ii) deemed to have been given three (3) days mailing, and (iii) addressed as follows:

If to the Company or the Stockholders:

Mr. Warren Trumbly  
Polar Broadcasting, Inc.  
P.O. Box 12517  
Zephyr Cove, NV 89448

If to Buyer:

Mr. Harold Camping  
Family Stations, Inc.  
290 Hegenberger Road  
Oakland, CA 94621

or to any other or additional persons and addresses as the parties may from time to time designate in a writing delivered in accordance with this Section 11.3.

11.4 **Benefit and Binding Effect.** No party hereto may assign this Agreement without the prior written consent of the other parties hereto; provided, however, that Buyer may assign its rights and obligations under this Agreement, in whole or in part, to one or more

subsidiaries or commonly controlled affiliates of Buyer without seeking or obtaining the Company's or the Stockholders' prior approval, provided that such assignment shall not constitute a release of Buyer's obligations hereunder, and the assignee agrees to be bound by the terms of this Agreement, and provided further, such assignment shall not delay receipt of the FCC Consent or the Closing. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

11.5 **Further Assurances**. The parties shall take any actions and execute any other documents that may be necessary or desirable to the implementation and consummation of this Agreement, including, in the case of the Stockholders, any additional stock powers or other transfer documents that, in the reasonable opinion of Buyer, may be necessary to ensure, complete, and evidence the full and effective transfer of the Stock to Buyer pursuant to this Agreement.

11.6 **Governing Law**. Except to the extent governed by federal law, this Agreement shall be governed, construed, and enforced in accordance with the laws of the State of California (without regard to the choice of law provisions thereof).

11.7 **Headings**. The headings in this Agreement are included for ease of reference only and shall not control or affect the meaning or construction of the provisions of this Agreement.

11.8 **Gender and Number**. Words used in this Agreement, regardless of the gender and number specifically used, shall be deemed and construed to include any other gender, masculine, feminine, or neuter, and any other number, singular or plural, as the context requires.

11.9 **Entire Agreement**. This Agreement, the schedules hereto, and all documents, certificates, and other documents to be delivered by the parties pursuant hereto, collectively represent the entire understanding and agreement among the parties with respect to the subject matter hereof. This Agreement supersedes all prior negotiations between the parties and cannot be amended, supplemented, or changed except by an agreement in writing that makes specific reference to this Agreement and which is signed by the party against which enforcement of any such amendment, supplement, or modification is sought.

11.10 **Severability**. If any provision of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law. In the event that the FCC alters or modifies its rules or policies in a fashion which would raise a substantial and material question as to the validity of any provision of this Agreement, the parties hereto shall negotiate in good faith to revise any such provision of this Agreement with a view toward assuring compliance with all then-existing FCC rules and policies which may be applicable, while attempting to preserve, as closely as possible, the intent of the parties as embodied in the provision of this Agreement which is to be so modified.

**11.11 Waiver of Compliance; Consents.** Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement, or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 11.11.

**11.12 Press Release.** Prior to the Closing, no party hereto shall publish any press release, make any other public announcement, or otherwise communicate with any news media concerning this Agreement or the transactions contemplated hereby without the prior written consent of the other parties hereto; provided, however, that nothing contained herein shall prevent any party from promptly making all filings with governmental authorities as may in its judgement be required or advisable in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

**11.13 Counterparts.** This Agreement may be signed in counterparts with the same effect as if the signature on each counterpart were upon the same instrument. This Agreement shall be effective and legally binding upon delivery of signatures by facsimile transmission.

[Signatures on following page.]

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

FAMILY STATIONS, INC.

By: Harold Camping 3/21/03  
Name: Harold Camping  
Title: President

POLAR BROADCASTING, INC.

By: \_\_\_\_\_  
Name: Warren L. Trumbly  
Title: President

WARREN L. TRUMBLY AND LINDA K. TRUMBLY, jointly

\_\_\_\_\_  
Warren L. Trumbly

\_\_\_\_\_  
Linda K. Trumbly

KALEB C. TRUMBLY AND CHRSTIANN M. TRUMBLY, jointly

\_\_\_\_\_  
Kaleb C. Trumbly

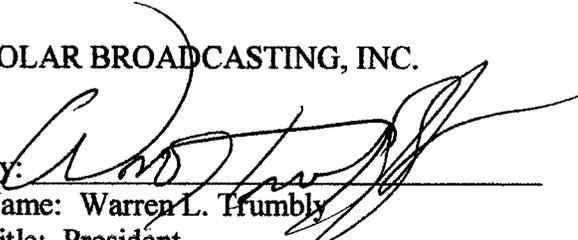
\_\_\_\_\_  
Christiann M. Trumbly

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

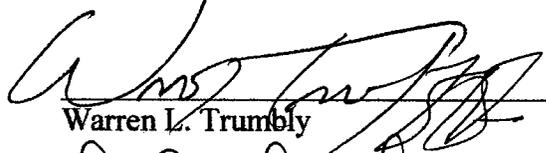
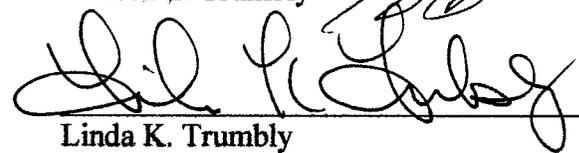
FAMILY STATIONS, INC.

By: \_\_\_\_\_  
Name: Harold Camping  
Title: President

POLAR BROADCASTING, INC.

By:  \_\_\_\_\_  
Name: Warren L. Trumbly  
Title: President

WARREN L. TRUMBLY AND LINDA K.  
TRUMBLY, jointly

 \_\_\_\_\_  
Warren L. Trumbly  
 \_\_\_\_\_  
Linda K. Trumbly

KALEB C. TRUMBLY AND CHRSTIANN M.  
TRUMBLY, jointly

\_\_\_\_\_  
Kaleb C. Trumbly

\_\_\_\_\_  
Christiann M. Trumbly

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

**FAMILY STATIONS, INC.**

By: \_\_\_\_\_  
Name: Harold Camping  
Title: President

**POLAR BROADCASTING, INC.**

By: \_\_\_\_\_  
Name: Warren L. Trumbly  
Title: President

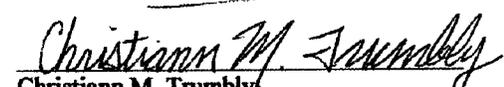
**WARREN L. TRUMBLY AND LINDA K. TRUMBLY, jointly**

\_\_\_\_\_  
Warren L. Trumbly

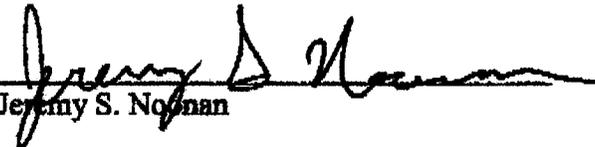
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Linda K. Trumbly

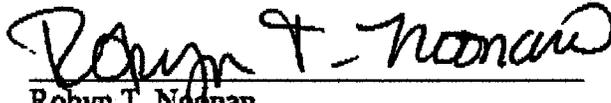
**KALEB C. TRUMBLY AND CHRSTIANN M. TRUMBLY, jointly**

  
\_\_\_\_\_  
Kaleb C. Trumbly

  
\_\_\_\_\_  
Christiann M. Trumbly

JEREMY S. NOONAN AND ROBYN T.  
NOONAN, jointly

  
\_\_\_\_\_  
Jeremy S. Noonan

  
\_\_\_\_\_  
Robyn T. Noonan

ART SANCHEZ AND ROSE SANCHEZ, jointly

\_\_\_\_\_  
Art Sanchez

\_\_\_\_\_  
Rose Sanchez

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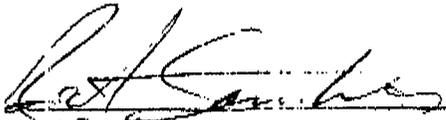
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JEREMY S. NOONAN AND ROBYN T.  
NOONAN, jointly

\_\_\_\_\_  
Jeremy S. Noonan

\_\_\_\_\_  
Robyn T. Noonan

ART SANCHEZ AND ROSE SANCHEZ, jointly

  
\_\_\_\_\_  
Art Sanchez

  
\_\_\_\_\_  
Rose Sanchez

## **Schedules**

- Schedule 2.2 – Excluded Assets
- Schedule 3.3 – Capital Structure
- Schedule 3.5 – Licenses
- Schedule 3.6 – Leased Real Property
- Schedule 3.7 – Personal Property
- Schedule 3.8 – Contracts
- Schedule 3.9 – Consents
- Schedule 3.12 – Intangibles
- Schedule 3.13 – Insurance
- Schedule 3.14 – Claims and Legal Actions
- Schedule 3.15 – Compliance with Laws
- Schedule 3.17 – Financial Information
- Schedule 3.18 – Powers of Attorney
- Schedule 3.20 – Employees
- Schedule 5.5 – Permitted Liens

**Schedule 2.2**  
**Excluded Assets**

1. Building lease: Office of KAXT-CA TV22  
1640 Alum Rock Ave.  
San Jose, CA 95116
  
2. Office Equipment:\* KAXT-CA TV22  
1640 Alum Rock Ave.  
San Jose, CA 95116
  
3. Studio Equipment: KAXT-CA TV22  
1640 Alum Rock Ave.  
San Jose, CA 95116
  
4. Master Control Equipment:\* KAXT-CA TV22  
1640 Alum Rock Ave.  
San Jose, CA 95116
  
5. Office Supplies: Office of KAXT-CA TV22  
1640 Alum Rock Ave.  
San Jose, CA 95116
  
6. Web Site: KBITV.COM

\*Except Items identified in list of assets

**Schedule 3.3**  
**Capital Structure**

Polar Broadcasting, Inc. is a Sub Chapter C corporation, formed under the laws of California as a California corporation. The total number of stock that has been issued is 50,500 shares. The shareholder and the number of shares before and after the sale of stock is as follows:

Stockholders	<b>Before: Number of shares</b>	<b>Before: Percent of shares</b>	<b>After: Number of shares</b>	<b>After: Perce nt of shares</b>
Warren Trumbly and Linda Trumbly	32,825	65 %	0	0 %
Kaleb Trumbly and Christiann Trumbly	7,575	15 %	0	0 %
Jeremy Noonan and Robyn Noonan	7,575	15 %	0	0 %
Art Sanchez and Rose Sanchez	2,525	5 %	0	0 %
TOTAL:	50,500	100 %	0	0 %

All outstanding stock is accounted for and included in the chart above. All stock is free and clear of any and all encumbrances.

Warren Trumbly has been designated the Stockholders' Representative for purposes of this Agreement.

**Schedule 3.5**  
**Licenses**

The following is a complete list of all FCC Licenses held by Polar Broadcasting, Inc.

1. KBIT-CA, Channel 28, San Francisco-Oakland-San Jose, CA, Facility ID 52887
2. WPQP226, TS - TV Studio Transmitter Link: FRN: 000 7447733
3. WPQP227, TS - TV Studio Transmitter Link: FRN: 000 7447733

No other licenses are included.

**Schedule 3.6**  
**Leased Real Property**

Subleased is the Monument Peak KBIT-CA transmitter site, located on East Bay Regional Parks land in Alameda County, California. The site is subleased from Action 36, with a master lease held by Action 36 (KICU-TV, KTVU-TV, Cox Broadcasting)

SCHEDULE 3.7  
Personal Property

Item #	Description	Model #	Location
1	ITS- 5 kW UHF Television Transmitter System (in operation) Includes: Gentner Remote Control	ITS-235A	Weller Rd. Monument Pk
2	EM- Microwave 13 GHz bi-directional STL-TSL system with 4 ft antennas	FV-104	½ @ Studio Alum Rock Ave. San Jose ½ @ Monument Pk
3	Knox- Audio/Video 4 by 4 router	RS4X4HB	Weller Rd. Monument Pk
4 5	Leader- Waveform monitor Leader- Vector scope (in frame)	LBO 5860A 5850A	Weller Rd. Monument Pk
6	Linc- Video Processing Amplifier	PRC-970	Weller Rd. Monument Pk
7	VideoTek UHF Frequency agile with 100% video modulation chopper	DM-154	Weller Rd. Monument Pk
8	Approx. 500 ft. -Cablewave 3" air dielectric transmission line with hangers and connectors (on tower)		Weller Rd. Monument Pk
9	Superior Broadcast Products - UHF Panel antenna	SBP UP-8-65	Weller Rd. Monument Pk
10	Misc. Items including cables, jumpers, spare parts.		Weller Rd. Monument Pk
11	Nitsuko- Multibutton - Multiline Telephone System. Including: 23 Multibutton phone sets, with intercom, paging, conferencing, parking calls, conferencing, repeat dial, time/date. Also includes voice mail system.	Nitsuko 28i	Alum Rock Ave. San Jose.

**Schedule 3.8**  
**Contracts**

Following is a list of contracts held by Polar Broadcasting, Inc., in effect at closing.

Contracts for Programming	Contract with:	Terms:	Effective Date	Current Pmt.
HSN programming	Home Shopping Network	3 Yrs + 3 yr option Mon - Fri: 6:00 a.m. B 8:00 p.m. Saturday: 9:00 a.m. B 8:00 p.m. Sunday: 6:00 a.m. B 7:00 a.m. and 10:00 a.m. B 8:00 p.m.	1/16/02	\$13,000
MTV / 2 programming	MTV Via Com	Month to Month: Sun - Fri: 12:00 a.m. - 6:00 a.m. Saturday: 12:00 a.m. - 9:00 a.m.		\$9,000
Korean Programming	Korean Television Network of San Francisco	3 Yrs + 2 yr renewal option Mon - Sun: 8:00 p.m. - 12:00 a.m. \$26,000/ mon 4%/ yr increase (been paying \$25,200/mon.) Pmt 1 month in advance. Deposit of \$14,000 for last month of air time.	3/11/02	\$25,200

**Schedule 3.9**  
**Consents**

All contracts for leases, programming and activities of the Polar Broadcasting, Inc., were signed on behalf of the Polar Broadcasting Inc., by Warren Trumbly President. Therefore all such agreements will not be adversely affected.

The Stockholders will convert the building lease at 1640 Alum Rock Ave., in San Jose, from Polar Broadcasting Inc, (personally guaranteed by Warren Trumbly) to KAXT-CA or assigns. Therefore, it is an Excluded Asset and is included on Schedule 2.2.

**Schedule 3.12**  
**Intangibles**

Intangibles included in the SPA are the station call signs KBIT-CA, KBIT-TV, and KBIT-TV 28, specific to the station call letters and all other rights and privileges associated with the FCC licenses held by Polar Broadcasting, Inc.

**Schedule 3.13**  
**Insurance**

Casualty:

Polar Broadcasting Inc., is insured for loss of equipment, revenue, and liability by The Hartford Casualty Insurance Company, Hartford Plaza, Hartford, CT 06115. By policy number: 57 SBA AT3568 DX.

This plan also included the equipment and operation of KAXT-CA, located in the same office and production facility.

The policy period is from 10/21/02 to 10/21/03 for 1 year.

Worker's Compensation and Employer's Liability:

Polar Broadcasting, Inc., is insured for Worker's Compensation by The Hartford. The policy number is 57WEC GV8422.

The policy period is from 01/01/03 to 01/01/04 for 1 year.

The Worker's Compensation policy will be transferred over to KAXT-CA to follow the employees.

Health Insurance:

Kaiser Permanente, Kaiser Foundation Health Plan, Inc, provides health insurance for several select individuals through Polar Broadcasting, Inc. This plan will be moved to the account of KAXT-CA to follow the employees.

**Schedule 3.14**  
**Claims and Legal Actions**

None.

**Schedule 3.15**  
**Compliance with Laws**

None.

**Schedule 3.17**  
**Financial Information**

None.

**Schedule 3.18**  
**Power of Attorney**

A Durable Power of Attorney by all stockholders authorizes Warren Trumbly, current President of Polar Broadcasting, Inc., to negotiate and execute all documents on their behalf for the sale of all stock.

**Schedule 3.20**  
**Employees**

A thirty day notice of termination will be given to all employees along with offer of new employment. No employees will be included in this SPA agreement. All employees of Polar Broadcasting, Inc, will be offered a new position with station KAXT-CA with the same pay and benefits and without any loss of accrued benefits. Any outstanding employee benefit plans with the Company will be terminated prior to Closing and so are not listed here.

**Schedule 5.5**  
**Permitted Liens**

There will be no liens on any stock, any equipment, any property leases, any tax or insurance at Closing.