

July 30, 2001

BY E-MAIL & FACSIMILE

Mr. Pegram Harrison
President
Barnacle Broadcasting, Inc.
P.O. Box 161
Islesboro, ME 04848

Dear Mr. Harrison:

Apex Broadcasting, Inc. ("Apex") hereby offers to purchase all of the assets used and useful in the operation of Station WJKZ (formerly, WHBZ), Port Royal, South Carolina ("Station"), subject to the following terms and conditions:

1. The purchase price for the Broadcasting Assets used or useful in the operation of the Station ("Purchase Price") shall be Two Million Five Hundred Thousand Dollars (\$2,500,000.00) which shall be payable within sixty (60) days of the execution of an Asset Purchase Agreement. The Purchase Price shall be deposited in an escrow or trust account either with a bank or the court of jurisdiction in the pending civil proceeding Barnacle Broadcasting, Inc. v. Baker Broadcasting, Inc. (Civil Action # 97-CP-07-1251). Barnacle Broadcasting, Inc. ("Barnacle") shall take all steps necessary to file a pleading with said court requesting that the court deposit the Purchase Price in an escrow or trust account. If the closing of the transaction proposed here is permitted by the court, the Two Million Five Hundred Thousand Dollars (\$2,500,000.00) placed in escrow plus any and all interest accrued thereon shall be paid to Barnacle Broadcasting, Inc. ("Barnacle") at the closing, subject to customary proration of income and expenses. If the closing does not take place because of breach of the Asset Purchase Agreement by Barnacle or the failure of the court to approve the transaction, the entire amount held in trust or escrow, including any and all interest thereon shall be returned to Apex. If the closing does not take place because of breach of the Asset Purchase Agreement by Apex, Seller shall be entitled to receive as earnest money One Hundred Twenty Five Thousand Dollars (\$125,000.00) of the Purchase Price, including any and all interest earned thereon.

2. Assets to be Purchased. The "Broadcasting Assets" shall include (a) all tangible personal property owned, leased or held by Seller and used or useful in the

Mr. Pegram Harrison
July 30, 2001
Page 2

operation of the Station, including, without limitation, all equipment, office fixtures, office materials and supplies, inventory and spare parts; (b) all lease and operating contracts relating to the continuing operation of the Station unless otherwise specified in the Asset Purchase Agreement; (c) all licenses, permits and authorizations issued to Seller by any governmental authority and used in the operation of the Station, including all rights in and to the call letters of the Station; and (d) all other tangible and intangible assets owned, leased or held by Seller and used or useful by it in connection with the operation of the Station unless otherwise identified in the Asset Purchase Agreement as Excluded Assets (as defined below).

3. Excluded Assets. Excluded Assets shall include (a) all cash and cash equivalents, (b) all contracts and other rights and interests of Seller which relate to the operation of the Station but are identified as Excluded Assets in the Asset Purchase Agreement, (c) all accounts receivable with respect to the Station, (d) the Station's tower located on Coffin Point Road, St. Helena Island, Beaufort County, South Carolina, and (e) such other assets as may be specified in the Asset Purchase Agreement.

4. Liabilities. Seller shall continue to be responsible for all, and Buyer shall not assume any of Seller's debts, liabilities and obligations with respect to the Station, except (a) those arising subsequent to the closing under the continuing contracts referred to in part (c) of Paragraph 2 above, (b) the accounts payable, and (c) other liabilities, if any, specified in the Purchase Agreement.

5. Tower Lease Agreement. At the closing, Barnacle and Apex shall enter into a Tower Lease Agreement which shall contain the following terms: the monthly rental shall be Three Thousand Dollars (\$3,000.00) per month for an initial term of two (2) years and Apex shall at the closing make an advance payment for the entire initial term, i.e. a payment of Seventy Two Thousand Dollars (\$72,000.00); the lease shall be renewable at Apex's option for four (4) successive terms of two (2) years during which time Apex shall pay Barnacle Three Thousand Dollars (\$3,000.00) per month with a Consumer Price Index adjustment which shall be calculated at the beginning of each year.

6. No Financing Contingency. Buyer has adequate financial resources, debt and equity, available to it to consummate the transactions contemplated by this letter. Thus, Buyer's obligations under the Asset Purchase Agreement will not be subject to its ability to provide financing.

7. The Asset Purchase Agreement. Upon execution by you of this letter of intent, Buyer's counsel will commence the drafting of the Asset Purchase Agreement for submission to you and your counsel for review. The Asset Purchase Agreement will

Mr. Pegram Harrison
July 30, 2001
Page 3

contain provisions in accordance with this letter of intent, together with such representations, warranties and covenants as are usual and customary in such an agreement and as shall be mutually acceptable, including, without limitation:

- (a) representations as to the Broadcasting Assets shall be limited to good and marketable title and fitness of use; and
- (b) covenants as to the conduct of the Station prior to the closing; provided, however, that at all times prior to the closing Seller will remain in control of the Station.

The Asset Purchase Agreement shall provide that if the transaction contemplated by the Agreement does not close on or before July 30, 2002, the Agreement shall be terminated, provided that such termination shall not relieve Seller or Buyer of any liability it would otherwise have for a breach of the Agreement.

8. Examination and Investigation. It is understood that Buyer has not had an opportunity to conduct the kind of due diligence investigation of the Station and the Broadcasting Assets customarily performed with respect to transactions of this nature. Seller shall give Buyer and its authorized representatives access to the Station and the Broadcasting Assets and shall furnish such information as Buyer may reasonably request. Buyer will endeavor to conduct such examinations and investigations in a manner that will protect the confidentiality of the transaction contemplated hereby and minimize disruptions to Seller's operation. Buyer shall complete its due diligence investigation within ten (10) days of the execution of this letter by Seller.

9. Cost and Expenses. Each of the parties shall bear all costs and expenses incurred by it in connection with the transactions contemplated hereby, including all legal and accounting fees, whether or not the transactions shall be consummated; provided, however, that the parties shall share equally all FCC filing and grant fees, if any.

10. Carter Bentley. For a period of at least six (6) months following the closing, Buyer shall employ Carter Bentley whose annual compensation shall be Thirty Thousand Dollars (\$30,000.00).

11. Broker Fees. Each party represents that it has not used the services of, or incurred any obligation to, any broker or finder of any fee in connection with the transactions contemplated hereby, other than Don Saylor, whose fee shall be paid by Seller. Each of the parties shall be responsible, and shall indemnify and hold harmless the

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Mr. Pegram Harrison
July 30, 2001
Page 4

other, for any fee, commission or charge of any broker, finder or consultant engaged by it in connection with the transactions contemplated hereby.

12. Section 1071 Exchange by Buyer. Buyer intends that the transfer of all or part of the Broadcasting Assets will be part of an exchange of assets that will qualify, pursuant to Section 1031 of the Internal Revenue Code, and regulations there under, as a deferred like-kind exchange by Buyer. Seller agrees to cooperate with Buyer in arranging and effecting this exchange under Section 1031 of the Code.

13. Press Releases. The parties will advise and consult with one another prior to the issuance of any public announcements pertaining to the transactions contemplated hereby, and no such announcement will be made by either party without the prior written consent of the other, except as otherwise required by law.

This letter is expressly subject to agreement upon all the terms and conditions of the Asset Purchase Agreement and the execution and delivery thereof. This letter shall not create any rights in, or confer any benefits on, any third parties. Neither Buyer nor Seller shall have any obligation to the other until such time as the Purchase Agreement has been executed and delivered by Buyer and Seller.

This letter may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

If the foregoing correctly sets forth the preliminary understanding of the parties, please so indicate by executing in the space provided below and returning to the undersigned the enclosed copy of this letter today; or this letter will have no further force or effect.

Very truly yours,

APEX BROADCASTING, INC.

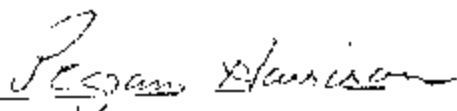
By G. Dean Pearce
G. Dean Pearce
President

AGREED AND ACCEPTED

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Mr. Pegram Harrison
July 30, 2001
Page 5

BARNACLE BROADCASTING, INC.

By 

Pegram Harrison
President

DATED: July 30, 2001