

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT, dated as of January __, 2002 (this "Agreement"), by and between GRACE BROADCASTING ("Seller"), and EDUCATIONAL MEDIA FOUNDATION, a California non-profit corporation ("Buyer").

WITNESSETH:

WHEREAS, Seller is the licensee of FM broadcast station KGBM-FM on Channel 209B (89.7 MHz) at Randsburg, California (the "Station"); and

WHEREAS, on the terms and conditions described herein, Seller desires to sell, and Buyer desires to purchase, the Station; and

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Sale of Assets.

(a) On the Closing Date (as hereinafter defined), Seller shall sell, assign and transfer to Buyer, and Buyer shall purchase and assume from Seller, all of the assets, properties, interests and rights of Seller of whatsoever kind and nature, which are owned by Seller and/or used or useful in connection with the operation of the Station (the "Assets") (but excluding the Excluded Assets described in subparagraph (c) below), including without limitation:

(i) All of Seller's equipment, machinery, furniture, furnishings, fixtures, office materials, vehicles and other tangible personal property used or useful in the conduct of the business or operations of the Station (the "Tangible Personal Property"), together with such improvements and additions thereto and replacements thereof between the date hereof and the Closing Date, including without limitation, the property set forth on Schedule 1 hereto;

(ii) All of the licenses, construction permits and other authorizations, including the FCC Authorizations (collectively, the "Licenses"), issued by the FCC, the Federal Aviation Administration (the "FAA"), and any other federal, state or local governmental authorities to Seller in connection with the conduct of the business and the full on-air operations of the Station, including without limitation, those set forth on Schedule 2 hereto;

(iii) All of the Seller's right, title and interest in and to any and all real property or leasehold interests in real property ("Real Property") used in the operation of the Station, as identified on Schedule 3 hereto;

(iv) All logs, books, files, data, software, FCC and other governmental applications, equipment manuals and warranties, and other records relating to the full on-air broadcast

operations of the Station, including without limitation all electronic data processing files and systems, FCC filings and all records required by the FCC to be kept by the Station; and

(v) All of Seller's right, title and interest in and to all copyrights, licenses, patents, trademarks, service marks, logos and trade names (including the call letters KGBM-FM and any variation thereof) used in connection with the operation of the Station and all goodwill associated therewith, including registrations and applications for registration of any of the foregoing, and other similar intangible rights and interests;

(b) The Assets shall be transferred to Buyer free and clear of all debts, security interests, mortgages, trusts, claims, pledges, conditional sales agreements and other liens, liabilities and encumbrances of every kind and nature ("Liens"). Buyer is not agreeing to, and shall not, assume any liability, obligation, undertaking, expense or agreement of Seller of any kind, absolute or contingent, known or unknown, and the execution and performance of this Agreement shall not render Buyer liable for any such liability, obligation, undertaking, expense or agreement. All of such liabilities and obligations shall be referred to herein as the "Retained Liabilities."

(c) The following assets relating to the business of the Station shall be retained by Seller and shall not be sold, assigned or transferred to Buyer (the "Excluded Assets");

(i) Cash on hand and in banks (or their equivalents) and accounts receivable arising out of the operation of the Station prior to Closing;

(ii) All rights of Seller under all contracts, leases (excluding real property leases on Schedule 3 hereto) and agreements, including contracts of insurance and insurance proceeds of settlement and insurance claims made by Seller relating to property or equipment repaired, replaced, restored by Seller prior to the Closing Date;

(iii) Accounts receivable; and

(iv) All deposits and all prepaid expenses and taxes.

2. **Purchase Price.**

(a) Upon the terms and subject to the conditions contained in this Agreement, and in consideration of the sale of the Assets, on the Closing Date Buyer shall pay to Seller by wire transfer of Federal funds the sum of One Hundred One Thousand Dollars (\$101,000) (the "Purchase Price").

(b) Concurrently with the execution of this Agreement, Buyer has delivered to First Liberty National Bank, located in Washington, D.C. (the "Escrow Agent"), the sum of Twenty Thousand Dollars (\$20,000) to be held as an earnest money deposit (the "Earnest Money Deposit") pursuant to an Escrow Agreement of even date herewith. The Earnest Money Deposit shall be paid to

Seller as partial payment of the cash Purchase Price due at Closing to Seller, or shall otherwise be made available to Seller or released to Buyer in accordance with the provisions of this Agreement.

(c) The parties agree to prorate all expenses arising out of the operation of the Station which are incurred, accrued or payable, as of 11:59 p.m. local time of the day preceding the Closing. The items to be prorated shall include, but not be limited to, power and utilities charges, FCC regulatory fees, real and personal property taxes upon the basis of the most recent tax bills and information available, security deposits, and similar prepaid and deferred items. On the Closing Date, the prorations shall, insofar as feasible, be determined and paid on the Closing Date, with final settlement and payment to be made within forty-five (45) days after the Closing Date.

(d) The parties have mutually determined an allocation of Purchase Price among the Assets, as set forth on Schedule 4 hereto, that complies with Section 1060 of the Internal Revenue Code of 1986, as amended.

3. **FCC Consent; Assignment Application.** At the earliest mutually agreeable date, but not later than five (5) business days after the date of this Agreement, Buyer and Seller shall execute, file and vigorously prosecute an application with the FCC (the "Assignment Application") requesting its consent to the assignment, from Seller to Buyer, of the Station's FCC Licenses ("FCC Consent"). Buyer and Seller shall take all reasonable steps to cooperate with each other and with the FCC to secure such FCC Consent without delay, and to promptly consummate this Agreement in full.

4. **Closing Date; Closing Place.** The closing (the "Closing") of the transactions contemplated by this Agreement shall occur on a date (the "Closing Date") fixed by Buyer which shall be no later than five days following the date on which the FCC Consent shall have become a Final Order (as hereinafter defined); provided, however, that Buyer may elect, in its sole discretion, to proceed to Closing upon written notice to Seller upon the release of public notice of the grant of the FCC Consent, in which event the Closing shall be held on the fifth (5th) business day after the date of Buyer's notice to Seller. For purposes of this Agreement, the term "Final Order" means action by the FCC consenting to an application which is not reversed, stayed, enjoined, set aside, annulled or suspended, and with respect to which action no timely request for stay, petition for rehearing or appeal is pending, and as to which the time for filing any such request, petition or appeal or reconsideration by the FCC on its own motion has expired. The Closing shall be held by mail or in such other manner as mutually agreed upon by the parties.

5. **Representations and Warranties of Seller.** Seller hereby makes the following representations and warranties to Buyer which shall be true as of the date hereof and on the Closing Date:

(a) Seller has the power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by Seller and no other proceedings on the part of Seller are necessary to authorize this Agreement or to

consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights or the application of principles of equity.

(b) The execution, delivery and performance of this Agreement by Seller will not (i) result in a default (or give rise to any right of termination, cancellation or acceleration) under or conflict with any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation relating to the Station and to which Seller is subject, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained and delivered to Buyer, (ii) violate any law, statute, rule, regulation, order, writ, injunction or decree of any federal, state or local governmental authority or agency and which is applicable to Seller or the Station, (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on the Station, or (iv) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent.

(c) Seller is the authorized legal holder of the FCC Licenses identified on Schedule 2 hereto. The FCC Licenses are validly issued and are in full force and effect. Seller is in compliance in all material respects with all applicable federal, state and local laws, rules and regulations, including, without limitation, the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC (collectively, the "Communications Laws"). There is not now pending or threatened any action by or before the FCC to revoke, cancel, rescind or modify the FCC Licenses.

(d) Schedule 3 hereto contains a complete description of all real property ("Real Property") used in connection with the operation of the Station, including street address (if available), legal description, owner and use. Seller has no owned Real Property used in the operation of the Station. Seller has a valid leasehold interest in all of the Real Property described on Schedule 3, free and clear of all liens, mortgages, pledges, covenants, restrictions, encroachments, leases, charges, or other claims or encumbrances of any nature whatsoever, except for current real estate taxes not yet due and payable. The Real Property constitutes the only real property required to operate the Station in the manner in which it is presently operated. There is full legal and practical access to the Real Property and all utilities necessary for Buyer's use of the Real Property are installed and are in good working order, and, to Seller's knowledge, are subject to valid easements, where necessary. Except as set forth on Schedule 3, to Seller's knowledge, the Real Property and improvements constructed thereon, as well as the present uses thereof, conform in all material respects with all restrictive covenants and with all applicable zoning, environmental and building codes, laws, rules and regulations, including set back restrictions. To Seller's knowledge, the buildings, towers, guys and other fixtures situated on the Real Property, are free of structural defects and, are suitable for their intended uses, are in a good state of maintenance and repair (ordinary wear and tear excepted), are contained entirely within the bounds of the Real Property, and do not encroach upon any other property except in cases where valid easements (that are included in the Assets) have been obtained. To Seller's knowledge, there is no pending condemnation or similar proceeding affecting the Real Property or any portion thereof, and no such action is presently contemplated or threatened.

(e) There is no broker or finder or other person who would have any valid claim against Buyer for a commission or brokerage in connection with this Agreement or the transaction contemplated hereby as a result of any agreement, understanding or action by Seller.

(f) There is no litigation pending by or against, or to the best of Seller's knowledge after due inquiry, threatened against Seller which relates to the Station.

(g) No representation or warranty made by Seller in this Agreement, and no statement made in any certificate, document, exhibit or schedule furnished or to be furnished in connection with the transactions herein contemplated, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make such representation or warranty or any such statement not misleading to Buyer.

6. **Representations and Warranties of Buyer.** Buyer hereby makes the following representations and warranties to Seller which shall be true as of the date hereof and on the Closing Date:

(a) Buyer is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California, and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Buyer has the power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by Buyer and no other proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding agreement of Buyer enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights or the application of principles of equity.

(c) The execution, delivery and performance of this Agreement by Buyer will not (i) conflict with or result in any breach of any provision of the articles of incorporation or by-laws of Buyer, or (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under or conflict with any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation, relating to its own business, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained and delivered to Seller, (iii) violate any law, statute, rule, regulation, order, writ, injunction or decree of any federal, state or local governmental authority or agency and which is applicable to Buyer, or (iv) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent.

(d) There is no broker or finder or other person who would have any valid claim against Seller for a commission or brokerage in connection with this Agreement or the transactions contemplated hereby as a result of any agreement, understanding or action by Buyer.

(e) Buyer is legally, financially and technically qualified to acquire the Station.

(f) There is no litigation, proceeding or governmental investigation pending or to the knowledge of Buyer, threatened, in any court, arbitration board, administrative agency, or tribunal against or relating to Buyer or to its principals that would prevent or materially impede the consummation by Buyer of the transactions contemplated by this Agreement.

7. **Seller Covenants**. Seller covenants with Buyer that, between the date hereof and the Closing Date, it shall act in accordance with the following:

(a) Seller shall render accurate at and as of the Closing Date the representations and warranties made by it in this Agreement, and between the date hereof and the Closing Date Seller shall operate the Station only in the ordinary course of business.

(b) If any event should occur which would prevent the consummation of the transactions contemplated hereunder (other than an event proximately caused by Buyer), Seller shall use its best efforts to cure such event as expeditiously as possible.

8. **Buyer Covenants**. Buyer covenants with Seller that, between the date hereof and the Closing Date, it shall act in accordance with the following:

(a) Buyer shall render accurate at and as of the Closing Date the representations and warranties made by it in this Agreement.

(b) If any event should occur which would prevent the consummation of the transactions contemplated hereunder (other than an event proximately caused by Seller), Buyer shall use its best efforts to cure such event as expeditiously as possible.

9. **Conditions Precedent to Obligation to Close**.

(a) The performance of the obligations of Seller hereunder is subject to the satisfaction of each of the following express conditions precedent:

(i) Buyer shall have performed and complied in all material respects with all of the agreements, obligations and covenants required by this Agreement to be performed or complied with by Buyer prior to or as of the Closing Date;

(ii) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of the Closing Date; and

(iii) Public notice of the FCC Consent contemplated by this Agreement shall have been released.

(b) The performance of the obligations of Buyer hereunder is subject to the satisfaction of each of the following express conditions precedent:

(i) Seller shall have performed and complied in all material respects with all the agreements, obligations and covenants required by this Agreement to be performed or complied with by Seller prior to or as of the Closing Date;

(ii) The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of the Closing Date;

(iii) The FCC Consent contemplated by this Agreement shall have become a Final Order;

(iv) No suit, action, claim or governmental proceeding shall be pending, and no order, decree or judgment of any court, agency or other governmental authority shall have been rendered, against any party hereto which: (x) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (y) questions the validity or legality of any transaction contemplated hereby; or (z) seeks to enjoin any transaction contemplated hereby; and

(v) There shall not be any Liens on the Assets or any financing statements of record other than those created by Buyer in favor of Seller, and Seller shall have delivered to Buyer lien search reports, in form and substance satisfactory to Buyer and dated no earlier than thirty (30) days prior to the Closing, reflecting the results of UCC, tax and judgment lien searches conducted at Secretary of State offices of the State of California and in the County Clerk's Office of each county in which the Assets are located.

10. **Closing Deliveries.**

(a) At the Closing, Seller will deliver to Buyer the following, each of which shall be in form and substance satisfactory to Buyer and its counsel:

(i) (i) A bill of sale in a form acceptable to Buyer and other instruments of transfer and conveyance, dated the Closing Date, in form and substance so as to

effectively and legally transfer and assign to Buyer the Assets and effectively vest in Buyer good and marketable title to the Assets;

(ii) An Assignment and Assumption of FCC Authorizations;

(iii) An Assignment and Assumption with respect to each leasehold interest in Real Property identified in Schedule 3 hereto;

(iv) A consent to assignment (if required under the lease) and estoppel certificate in customary form from each landlord of a leasehold interest in Real Property identified on Schedule 3 hereto;

(v) A certificate, dated the Closing Date, executed by the Seller, certifying the fulfillment of the conditions set forth in Section 8.1(b)(i) and (ii) hereof;

(vi) A joint notice to the Escrow Agent directing the Escrow Agent to release the Earnest Money Deposit to Seller as payment of a portion of the Purchase Price due from Buyer;

(vii) UCC-3 termination statements with respect to any lien of record shown on the reports delivered pursuant to Section 8(b)(v) hereof; and

(viii) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement or as Buyer shall reasonably request, each in form and substance satisfactory to Buyer and its counsel.

(b) Prior to or at the Closing, Buyer will deliver to Seller the following, each of which shall be in form and substance satisfactory to Seller and its counsel:

(i) The Purchase Price as defined in Section 2(a);

(ii) An Assignment and Assumption of FCC Authorizations;

(iii) An Assignment and Assumption of Leases;

(iv) The joint notice to the Escrow Agent;

(v) Certified copies of the resolutions of the Board of Directors of Buyer authorizing and approving the execution and delivery of this Agreement and each of the other documents to be delivered in connection herewith and authorizing the consummation of the transactions contemplated hereby and thereby;

(vi) A certificate, dated the Closing Date, executed by the President of Buyer, certifying the fulfillment of the conditions set forth in Section 8.1(a)(i) and (ii) hereof; and

(vii) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement or as Buyer shall reasonably request, each in form and substance satisfactory to Seller and its counsel.

11. **Indemnification.**

(a) Following the Closing Seller shall indemnify, defend and hold harmless Buyer with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including, without limitation, interest, penalties, court costs and reasonable attorneys' fees) ("Damages") asserted against, resulting from, imposed upon or incurred by Buyer directly or indirectly relating to or arising out of: (i) the breach by Seller of any of its representations or warranties, or failure by Seller to perform any of its covenants, conditions or agreements set forth in this Agreement; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to Seller's ownership of the Station prior to the Closing.

(b) Following the Closing Buyer shall indemnify, defend and hold harmless Seller with respect to any and all Damages asserted against, resulting from, imposed upon or incurred by Seller directly or indirectly relating to or arising out of: (i) the breach by Buyer of any of its representations, warranties, or failure by Buyer to perform any of its covenants, conditions or agreements set forth in this Agreement; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to the ownership of the Station subsequent to the Closing.

(c) The several representations and warranties of Seller and Buyer contained in or made pursuant to this Agreement shall be deemed to have been made on the date of this Agreement and on the Closing Date, shall survive the Closing Date for a period of one (1) year following the Closing Date or, in the case of a third-party claim, until the applicable statute of limitations with respect to such claim shall have expired.

12. **Termination.**

(a) This Agreement may be terminated by either Buyer or Seller, if the party seeking to terminate is not in default or breach of any of its material obligations under this Agreement, upon written notice to the other upon the occurrence of any of the following: (i) if, on or prior to the Closing Date, the other party breaches any of its material obligations contained herein, and such breach is not cured by the earlier of the Closing Date or thirty (30) days after receipt of the notice of breach from the non-breaching party; or (ii) if the Assignment Application is denied by Final Order; or (iii) if there shall be in effect any judgment, final decree or order that would prevent or make unlawful the Closing of this Agreement; or (iv) if the Closing has not occurred prior to December 31, 2003.

(b) Subject to Buyer's right to pursue specific performance as provided in Section 13 below, upon termination of this Agreement by Buyer due to a breach by Seller of any of its material obligations under this Agreement, and Buyer may seek all rights and remedies that it may have in equity or at law. Upon termination of this Agreement by Seller due to a breach by Buyer of any of its material obligations under this Agreement, and Seller may seek all rights and remedies that it may have in equity or at law.

13. **Specific Performance.** Seller and Buyer each recognize and acknowledge that in the event Seller fails to perform its obligation to consummate the transaction contemplated hereby, money damages alone will not be adequate to compensate Buyer for its injury. Seller and Buyer, therefore, each agree and acknowledge that in the event of Seller's failure to perform its obligation to consummate the transaction contemplated hereby, Buyer shall be entitled to specific performance of the terms of this Agreement and of Seller's obligation to consummate the transaction contemplated hereby. If any action is brought by Buyer to enforce this Agreement, Seller shall waive the defense that there is an adequate remedy at law.

14. **Notices.** All notices, elections and other communications permitted or required under this Agreement shall be in writing and shall be deemed effectively given or delivered upon personal delivery (or refusal thereof), or twenty-four (24) hours after delivery to a courier service which guarantees overnight delivery, or five (5) days after deposit with the U.S. Post Office, by registered or certified mail, postage prepaid, and, in the case of courier or mail delivery, addressed as follows (or at such other address for a party as shall be specified by like notice):

If to Seller, to:

George Chambers, Director
Grace Broadcasting
2009 South Sweet Gum Avenue
Broken Arrow, OK 74012

If to Buyer, to:

Educational Media Foundation
1425 North Market Boulevard, Suite 9
Sacramento, CA 95834
Attn: Richard Jenkins, President

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

Bryan T. McGinnis, Esq.
Shaw Pittman

2300 N Street, N.W.
Washington, D.C. 20037-1128

15. **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the choice of law principles thereof. Any action to enforce or interpret this Agreement shall be brought in any State or Federal court located within the State of California.

16. **Partial Invalidity**. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any provision contained herein shall, for any reason, be held to be invalid or unenforceable, such provision shall be ineffective to the extent of such invalidity or unenforceability without invalidating the remainder of such provision or any other provisions hereof, unless such a construction would be unreasonable.

17. **Counterparts**. This Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

18. **Expenses**. Except as otherwise set forth in this Section, each party hereto shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement. Any sales or transfer taxes and fees relating to the conveyance of the Station to Buyer shall be borne by Buyer and Seller in accordance with applicable law or local custom and practice.

19. **Assignment**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party may voluntarily or involuntarily assign its interest or delegate its duties under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed.

20. **Entire Agreement**. This Agreement, and the exhibits attached hereto, supersede all prior agreements and understandings between the parties with respect to the subject matter hereof and may not be changed or terminated orally, and no attempted change, amendment, or waiver of any of the provisions hereof shall be binding unless in writing and signed by both parties.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

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

GRACE BROADCASTING

By:_____

EDUCATIONAL MEDIA FOUNDATION

By:_____

Richard Jenkins
President