

## ASSET PURCHASE AND LEASE MANAGEMENT AGREEMENT

ASSET PURCHASE and LEASE MANAGEMENT AGREEMENT ("Agreement") dated as of July 25, 2002, between Joseph W. Shaffer, an individual, and ("Seller"), and Terry Crosby ("Buyer").

### R E C I T A L S:

WHEREAS, Seller holds certain licenses, permits and authorizations issued by the Federal Communications Commission ("Commission") for the operation of a low power television station K25HP, NTSC Channel 25 ("Station"), to serve the community of Albuquerque, New Mexico for the designated market area of Albuquerque, New Mexico and owns certain assets used in the operation and maintenance of the Station, as more particularly described in this Agreement;

WHEREAS, Seller desires to enter into a Lease Management Agreement ("LMA") and to grant Buyer an option to purchase the Station, and Buyer desires to enter into an LMA for the Station and to acquire an option to purchase the Station, upon the terms and conditions herein set forth; and

WHEREAS, the assignment of such the licenses for the Station are subject to the prior approval of the Commission;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, Seller and Buyer agree as follows:

### ARTICLE 1           TERMS OF THE TRANSACTION

1.1    LMA. Attached hereto as Exhibit 1 is a document entitled "Lease Management Agreement." This document contains the terms of the LMA entered into between Buyer and Seller, is incorporated into this Agreement, and is executed simultaneously with this Agreement:

(1)    Term of LMA. The LMA shall be for an initial term of thirty-six (36) months (the "Term") and shall commence on the date upon which the Seller's existing lease management agreement with Gems International Television (the "Gems Agreement") shall terminate, but in no event earlier than October 1, 2002 (the "Commencement Date"). Immediately following the execution of this Agreement by the parties, Seller shall give such notice as is required pursuant to the Gems Agreement to terminate such agreement at the earliest date practicable thereunder. Promptly following the execution of this Agreement by the parties, Seller shall also use its best efforts to commence broadcast operations on Channel 25. In the event Seller is unable, by October 1, 2002, to: (a) terminate the Gems Agreement; or (b) commence its broadcast operations on Channel 25, Buyer shall have the right, in its sole and exclusive discretion, to terminate this Agreement as well the LMA. Buyer shall exercise its right to terminate the Agreement and the LMA by giving notice to

the Seller who shall promptly return any deposits paid by Buyer. The parties shall, thereafter, have no continuing obligations to each other.

(2) Compensation to Seller for LMA. Seller shall be compensated by Buyer on a monthly basis for leasing the Station according to the following schedule of payments, with such payments due on the first day of the month for which the payment is owed:

- a) Months 1-6 Buyer shall pay Eight Thousand Dollars (\$8,000) per month;
- b) Months 6-12 Buyer shall pay Twelve Thousand Dollars (\$12,000) per month; and
- c) Months 13-36 Buyer shall pay Fourteen Thousand Dollars (\$14,000) per month.

Such monthly payments shall be reduced, pro-rata, for every hour the Station is unable to broadcast at maximum permissible levels, for any reason, in excess of: (i) twelve (12) hours per month; and (ii) such additional time as may be reasonably be required for routine maintenance.

(3) Security Deposit. Buyer shall deposit with Seller within three (3) days of execution hereof the sum of Sixteen Thousand Dollars (\$16,000) as a security deposit ("Security Deposit") as security for Buyer's faithful performance of its obligations under the LMA. If Buyer fails to make its monthly lease payment or otherwise defaults under the LMA, Seller may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Seller or to reimburse or compensate Seller for any liability, expense, loss or damage which Seller may suffer or incur by reason thereof. Within ten (10) days after the termination of the LMA, Seller shall return to Buyer that portion of the Security Deposit not used or applied by Seller.

(4) Use of Airtime. Pursuant to the terms and limitations contained in Exhibit 1, the LMA, Seller shall maintain the broadcast equipment of the Station for the term of the LMA and Buyer shall be entitled to twenty-four hour, seven day a week, use of the Station's airtime.

(5) Maintenance of Broadcast Equipment. Seller shall at all times have a broadcast engineer on retainer who resides in the Albuquerque market ("Maintenance Engineer"). Maintenance Engineer shall perform all required regular maintenance and repairs on the broadcast equipment listed in Paragraph 2.1(3) below. Buyer is authorized to instruct Maintenance Engineer to perform any necessary maintenance or repairs that are necessary to keep the equipment listed in Paragraph 2.1(3) reliably functioning within the equipments' specified design parameters. However, the presence of Seller's Maintenance Engineer and Seller's commitment to maintain the broadcast equipment is not a representation or warranty that there will not be equipment failure or weather condition that will result in cessation of the Station's broadcast. In the event that Station goes off the air, Seller shall use its best efforts, working in conjunction with Buyer, to make all necessary repairs to expeditiously return the Station's signal to full licensed coverage.

(6) Possession and Control of Station. Between the date of this Agreement and the

Closing Date, Buyer shall not control the operation of the Station, but such operation shall be the responsibility of Seller. Notwithstanding the foregoing, Seller and Buyer hereby acknowledge that they have agreed to a lease management arrangement whereby Buyer shall present programming on the Station until the Closing Date. Both parties further acknowledge that, pursuant to the rules and policies of the Federal Communications Commission, as reflected by the terms of the LMA, Seller remains in ultimate control of the overall operation of the Station.

1.2 Option and Escrow Deposit. Seller hereby grants to Buyer an option to acquire the Station at the expiration of the 36 month term of the LMA for the sum of Nine Hundred Sixty Thousand Dollars (\$960,000.00) reduced by an amount that is equal to the product of the number of whole calendar months that have passed from the Commencement Date of the LMA multiplied by Four Thousand Dollars (\$4,000.00) ("Purchase Price"). Notwithstanding the foregoing, the option shall not be considered to have been exercised by Buyer until the entire Purchase Price is deposited in escrow, with Seller's counsel serving as Escrow Agent. At the time the option is exercised, the parties shall execute an Escrow Agreement in the form substantially identical to the Escrow Agreement attached hereto as Exhibit 1.2. The application for Commission consent, referred to in Section 5.3 herein, shall not be filed until the full Purchase Price is deposited into escrow.

(1) Exercise of Option. Buyer shall exercise its option to purchase the station by providing written notice of its election to purchase the Station. Such notice shall be given no later than the first day of the thirtieth (30<sup>th</sup>) month of the LMA term. Such advance notice is required so as to allow the parties time to complete the Commission assignment application process prior to the expiration of the LMA.

(2) Early Exercise of Option. Buyer may exercise its option at anytime prior to the first day of the thirtieth (30<sup>th</sup>) month of the LMA term by providing written notice of Buyer's intent to exercise its option. In the event of early exercise of Buyer's option, Buyer shall pay as the price for the Station a sum equal to the Purchase Price.

## ARTICLE 2                   UPGRADE OF STATION FACILITIES

2.1 Buyer and Seller agree that it is in their mutual best interests to upgrade the Station facilities. Within three (3) days from the execution of this Agreement, Buyer shall deposit with Seller the sum of Sixty Thousand Dollars (\$60,000) which shall be applied to the following expenditures:

Thirty-Five Thousand Dollars (\$35,000) to Seller as compensation for an Acrodyne TLU-1KE transmitter never placed in service since purchased new, serial #3172.

Eight Thousand One Hundred Eighty Dollars (\$8,180) to Seller as reimbursement for amounts paid to Systems With Reliability, Inc. for channel 25 antenna (Model #SWLP8NCS/25) and installation.

Seven Thousand Dollars (\$7,000) (estimated) to Acrodyne industries for changing the above transmitter to channel 25 at Acrodyne's factory, and for prepaid shipping and insurance to Albuquerque.

Three Thousand Dollars (\$3,000) (estimated) to RJ Communications in Albuquerque for receiving, offloading, installation and setup at the transmitter site.

Ten Thousand Dollars (\$10,000) (estimated) to undetermined vendor(s) for providing environmentally controlled equipment space.

One Thousand Eight Hundred Twenty Dollars (\$1,820) (estimated) for contingencies, requiring approval of both Buyer and Seller.

Upon completion of the above upgrades, Seller shall promptly return any remaining funds to Buyer. The actual amount expended hereunder shall be applied as a credit to Buyer against the Purchase Price if Buyer's purchase option, as set forth in Section 1.2 herein, is exercised. If Buyer exercises its termination option under 1.1 (1) herein, then Seller shall promptly return the actual amount expended hereunder, less the sum of Ten Thousand Dollars (\$10,000).

### ARTICLE 3            ASSETS

3.1    Assets to be Transferred. In the event Buyer exercises its option to purchase the Station, at each Closing, Seller shall assign, or cause to be assigned, to Buyer, the appropriate percentage interest in all of the following assets of Seller existing on the Closing Date:

(1)    All licenses, permits and authorizations issued or granted by the Commission for the operation of or used in connection with the operation of the Station (collectively, "Commission Authorizations") including, without limitation, Commission Authorization/License for K25HP

(2)    Leased Real Property. The leasehold estate comprising Seller's tower site and transmitter storage location for the Station located at coordinates 35-04-06, 106-46-46, at the site commonly known as West Mesa, in Albuquerque, New Mexico ("Tower Lease"). A copy of such Tower Lease has been provided to the Buyer prior to the execution of this Agreement.

(3)    Tangible Personal Property. All of Seller's rights in and to the fixed and tangible personal property owned by Seller and used in the operation of the Station, consisting of the physical assets, below described, together with replacements thereof, and additions and alterations thereto, made between the date hereof and the Closing Date:

- (a) Transmitter
- (b) EAS Decoder
- (c) Satellite Dish; and
- (d) Satellite Receiver
- (e) Antenna

All such property (the Broadcast Equipment") shall be in good working order on each Closing Date.

(4) Warranties. The balance of any warranty covering the Broadcast Equipment, if any.

All the assets, rights and properties being transferred to Buyer pursuant to this Agreement are collectively referred to herein as the "Assets".

3.2 Liabilities Assumed by Buyer. As further consideration for the transfer of the Assets to Buyer, Buyer agrees, upon the terms and subject to the conditions set forth herein, to assume, at the Closing (as defined herein), and thereafter to pay, perform and discharge the Tower Lease. Buyer shall assume no other liabilities.

3.3 Closing; Closing Date. The closing of the transactions contemplated hereby (the "Closing") shall take place (i) at Seller's personal residence located in Prescott, Arizona, on the last day prior to the expiration of the LMA, or (ii) at the above indicated place but at such earlier time to be set at the discretion of the Buyer, or (iii) at such other time or place or on such other date as the parties hereto shall agree. The date on which the Closing is required to take place is herein referred to as the "Closing Date".

3.4 At the Closing, subject to the satisfaction or waiver of the conditions to its obligations set forth in this Agreement, each of the parties hereto shall make the following deliveries or such deliveries in substitution therefor as are satisfactory to the indicated recipient:

3.5 Deliveries by Seller.

(1) Seller shall deliver to Buyer a Bill of Sale substantially in the form of Exhibit 2 (the "Bill of Sale") that reflects the interest in the assets being transferred;

(2) Assignment of the Tower Lease, properly executed and acknowledged by Seller, and accompanied by all consents of lessor required by this Agreement and the lease being assigned;

(3) Simultaneously with the consummation of the transfer, Seller, through its officers, agents, and employees, such documents as will put Buyer into full possession and enjoyment of all Assets to be conveyed and transferred by this Agreement;

(4) Seller, at any time before or after the Closing Date, will execute, acknowledge, and deliver any further deeds, assignments, conveyances, and other assurances, documents, and instruments of transfer, reasonably requested by Buyer, and will take any other action consistent with the terms of this Agreement that may reasonably be requested by Buyer for the purpose of assigning, transferring, granting, conveying, and confirming to Buyer, or reducing to possession, any or all Assets to be conveyed and transferred under this Agreement.

3.6 Deliveries by Buyer.

- (1) Buyer shall deliver to Seller the Purchase Price.
- (2) Buyer shall deliver to Seller the Bill of Sale.

ARTICLE 4                      WARRANTIES OF SELLER

Seller represents and warrants to Buyer that as of the date hereof and as of the date of each Closing:

4.1 Authority Relative to this Agreement. Seller has full power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

4.2 Exclusive Operation of Station. Seller holds an authorized license for the Station, which license was issued by the Commission.

4.3 Title to Assets. Seller is the owner of, and has good and indefeasible title to, all the Assets, free and clear of all encumbrances. Upon Seller's transfer of the Assets to Buyer pursuant to this Agreement, Buyer will have good and indefeasible title to all the Assets, free and clear of all encumbrances.

4.4 Sufficiency and Condition of Assets. All the Assets will be on each Closing Date, in the case of tangible assets and properties, in the same operating condition and repair (ordinary wear and tear excepted) as they are on the date of this Agreement and have been maintained in accordance with sound engineering practice. All tangible assets and properties included in the Assets are in Seller's possession or under its control.

4.5 Representations and Warranties True. All the representations and warranties of Buyer contained in this Agreement on or prior to the Closing Date, shall be true and correct as of the date made and shall be true and correct on and as of the Closing Date.

4.6 Absence of Litigation. Seller has no knowledge of any pending or threatened litigation that would adversely effect the transaction contemplated by this Agreement.

ARTICLE 5                      ADDITIONAL AGREEMENTS

5.1 Third Party Consents. Seller shall use its best efforts to obtain all consents, approvals, orders, authorizations, and waivers of, and to effect all declarations, filings, and registrations with, all third parties (including Governmental Entities) that are necessary, required, or deemed by Buyer to be desirable to enable Seller to transfer the Assets to Buyer as contemplated by this Agreement and to otherwise consummate the transactions contemplated hereby.

5.2 Best Efforts. Each party hereto agrees that it will not voluntarily undertake any course of action inconsistent with the provisions or intent of this Agreement and will use its best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things reasonably necessary, proper or advisable under Applicable Laws to consummate the transactions contemplated by this Agreement.

5.3 Commission Consent.

(1) Commission Consent. Consummation of the purchase and sale provided for herein and the performance of the obligations of Seller and Buyer under this Agreement are subject to the condition that the Commission shall have given its consent in writing, without any condition other than in the ordinary course that is materially adverse to Buyer or Seller, to the assignment of the Commission Authorizations to Buyer.

(2) Application for Commission Consent. Within five (5) days after Buyer notifies Seller of its exercise of its option to purchase the Station, Seller shall open a FCC CDBS e-filing account so that both Buyer and Seller can complete their respective portions of the electronic filing required to effect transfer of the Station. Such filings shall be completed by both parties within five (5) business days after the opening of such account. Each party further agrees expeditiously to prepare and file such amendments, respond to oral or written inquiries and answer pleadings whenever such documents are required by the Commission or its rules.

5.4 Transfer of Certain Contracts. Seller agrees that between the date hereof and the Closing Date it will use its best efforts to obtain or cause to be obtained the necessary consents to the transfer of the Tower Lease.

5.5 Public Announcements. Except as may be required by Applicable Law, neither Buyer nor Seller shall issue any press release or otherwise make any public statement with respect to this Agreement or the transactions contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld).

5.6 Fees and Expenses. Except as otherwise expressly provided in this Agreement, all fees and expenses, including fees and expenses of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fee or expense, whether or not a Closing shall have occurred. Buyer shall pay the filing fee required by the Commission when applying for consent to assign the license for the Station.

5.7 Change of Station Call Letters. Upon the request of Buyer to change the call letters for the Station to a new specified set of call letters, Seller shall apply and use its best efforts to obtain the call letters requested by Buyer.

## ARTICLE 6

### CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment on or prior to each Closing Date of each of the following conditions:

6.1 Representations and Warranties True. All the representations and warranties of Buyer contained in this Agreement shall be true and correct.

6.2 Final Order of Commission. The grant by the Commission of the Assignment Application shall have become a Final Order. For purposes of this Agreement, the term "Final Order" shall mean an Order of the FCC granting its consent and approval to the assignment of the Station licensee and authorizations from Seller to Buyer, which is no longer subject to rehearing, reconsideration or review by the FCC, or to a request for stay, an appeal or review by any court under the Communications Act of 1934, or the Rules and Regulations of the FCC.

## ARTICLE 7

### CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment on or prior to each Closing Date of each of the following conditions:

7.1 Representations and Warranties True. All the representations and warranties of Seller contained in this Agreement shall be true and correct on and as of the Closing Date.

7.2 Final Order of Commission. The grant by the Commission of the Assignment Application shall have become a Final Order.

## ARTICLE 8

### MISCELLANEOUS

8.1 Notices. All notices, requests, demands, and other communications required or permitted to be given or made hereunder by any party hereto shall be in writing and shall be deemed to have been duly given or made if (i) delivered personally, (ii) transmitted by first class registered or certified mail, postage prepaid, return receipt requested, (iii) sent by prepaid overnight courier service, (iv) sent by telecopy or facsimile transmission, answer back requested, or (v) sent by electronic mail, with confirmation of receipt, to the parties at the following addresses (or at such other addresses as shall be specified by the parties by like notice):

If to Buyer:

Terry Crosby  
8 Cerchio Alto  
Lake Las Vegas  
Henderson, NV 89011  
Email: [TerryTV44@aol.com](mailto:TerryTV44@aol.com)



With a copy to: Randy E. Nonberg, Esquire  
15233 La Cruz Drive  
Pacific Palisades, California 90272  
Fax: 310-573-1636  
Email: rnonberg@udorealestate.com

If to Seller: Joseph W. Shaffer  
655 Happy Valley Road  
Prescott, AZ 86305  
Fax: 928-717-0594  
Email: [jshaffer@shafcom.com](mailto:jshaffer@shafcom.com)

With a copy to: Cary Tepper, Esquire  
Booth, Freret, Inlay & Tepper  
7900 Wisconsin Avenue, Suite 304  
Bethesda, MD 20814  
Fax: 202-686-7799  
Email: [Tepperlaw@aol.com](mailto:Tepperlaw@aol.com)

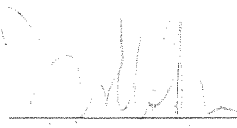
8.2 Entire Agreement. This Agreement, together with the Exhibits attached hereto constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

8.3 Governing Law. This Agreement shall be governed by the laws of the State of New Mexico, without regard to the principles of the conflicts of laws.

8.4 Assignment. The Buyer and Seller may freely assign their rights under this Agreement. This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors, and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed by their duly authorized representatives, all as of the day and year first above written.

SELLER:



Joseph W. Shaffer

Date: July 30, 2002

BUYER:

Name: Terry E. Crosby  
Terry Crosby  
Date: July 25, 2002

## EXHIBIT 1

### LEASE MANAGEMENT AGREEMENT

Lease Management Agreement ("Agreement") dated as of July 25, 2002, by and between Joseph W. Shaffer ("Lessor"), the licensee of LPTV station K25HP, Albuquerque, New Mexico ("Station") and Terry Crosby ("Lessee").

WHEREAS, Lessor's station has available broadcast time; and

WHEREAS, Lessee desires to avail itself on the Station's broadcast time for the presentation of programming service, including the sale of advertising time;

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the parties hereto have agreed and do agree as follows:

1. **Facilities.** Lessor agrees to make broadcasting facilities available to Lessee and to allow Lessee to broadcast on the Station, or cause to be broadcast, Lessee's programs.
2. **Payments.** Lessee hereby agrees to pay Lessor the following monthly fees:
  - a) Months 1-6 Buyer shall pay Eight Thousand Dollars (\$8,000) per month;
  - b) Months 6-12 Buyer shall pay Twelve Thousand Dollars (\$12,000) per month; and
  - c) Months 13-36 Buyer shall pay Fourteen Thousand Dollars (\$14,000) per month.

Payment is due and payable in full on the first day of each month. Such monthly payments shall be reduced, pro-rata, for every hour the Station is unable to broadcast at maximum permissible levels, for any reason, in excess of: (i) twelve (12) hours per month; and (ii) such additional time as may be reasonably be required for routine maintenance.

Lessee has deposited with Lessor the sum of Sixteen Thousand Dollars (\$16,000) as a security deposit ("Security Deposit") as security for Lessor's faithful performance of its obligations under this Agreement. If Lessee fails to make its monthly lease payment or otherwise defaults under this Agreement, and such default remains uncured, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. Within ten (10) days after the termination of this Agreement, Lessor shall return to Lessee that portion of the Security Deposit not used or applied by Lessor.

2. **Term.** The term of this Agreement shall be for a period of thirty-six (36) months from the commencement date of this Lease. The commencement date is determined pursuant to the Agreement to which this document is attached as Exhibit 1.

3. **Programs.** Lessee shall furnish or cause to be furnished the artistic personnel and material for the programs as provided by this Agreement and all programs shall be in good taste and in accordance with Federal Communications Commission ("FCC") requirements. All advertising spots and promotional material or announcements shall comply with all applicable federal, state, and local regulations and policies.

4. **Station Facilities: Operation of Station.** The Station operates on Channel 25. Throughout the term of this Agreement, Lessor shall make the Station available to Lessee for operation with the maximum authorized facilities twenty-four hours a day, seven days a week, except for downtime occasioned by routine maintenance not to exceed two hours each Sunday

morning between the hours of 12 Midnight and 6:00 A.M. Any maintenance work affecting the operation of the Station at full power should be scheduled upon at least forty-eight (48) hours prior notice with the agreement of the Lessee, such agreement not to be unreasonably withheld.

5. **Responsibility for Employees and Expenses.** Lessee shall employ and be responsible for the salaries, taxes, insurance, and related costs for all personnel used in the production of its programming (including salespeople, traffic personnel, board operators, and programming staff). Lessor shall employ Station personnel as required under the rules, regulations and policies of the FCC and will be responsible for the salaries, taxes, insurance and related costs for all the Lessor Station personnel used in the operation of the Station. Whenever on the Station's premises, all personnel shall be subject to the supervision and the direction of Lessor's personnel. Lessee shall pay for all telephone calls associated with program production and listener responses, for all fees to ASCAP, BMI, and SESAC, for any other copyright fees attributable to its programming broadcast on the Station and for all utility bills directly attributable to Lessee's use. Lessor shall pay the tower rent and transmitter electric bill.

6. **Advertising and Programming Revenues.** Lessee shall retain all revenues for the sale of advertising time on the programs it delivers to the Station and may sell such advertising in combination with the sale of advertising on any other broadcasting stations of its choosing.

7. **Operation of Station.** Notwithstanding anything to the contrary in this Agreement, Lessor shall have full authority and power over the operation of the Station during the term of this Agreement. Lessor shall retain control, to be reasonably exercised, over the policies, programming and operations of the Station, including, without limitation, the right to decide whether to accept or reject any programming or advertisements; the right to preempt any programs in order to broadcast a program deemed to be by Lessor of greater national, regional, or local interest; and the right to take any other actions necessary for compliance with the laws of the United States, the State of New Mexico, the rules, regulations, and policies of the FCC (including the prohibition on unauthorized transfers of control) and rules, regulations and policies of other federal governmental authorities, including the Federal Trade Commission and the Department of Justice. Lessor shall at all times be solely responsible for meeting all of the FCC's requirements for maintaining the political inspection files. Lessee shall, upon request, provide information to enable Lessor to prepare records, reports, and logs required by the FCC or other local, state, or federal government agencies. Notwithstanding the foregoing, (i) Seller shall not be required to receive or handle mail, cables, telegraph or telephone calls directed to Buyer in connection with the programs broadcast under the terms of this Agreement unless the Seller, at the request of Buyer, has agreed in writing to do so, and (ii) Seller and Buyer shall not open any type of joint bank account nor create any joint billing arrangement with any business, company, vendor or financial institution regarding any of the business of the Station.

8. **Displacement.** In the event that Station is displaced from its currently authorized television channel (25) by a full power analog or digital television station, then Lessor shall take all reasonable steps to apply to the FCC for modification of its license to operate on an alternate channel. If Lessor is unable to obtain FCC authorization for such modification (which may be by the grant of a displacement application, by a public notice that the displacement application has been placed on the Proposed Grant List, or by the grant of Special Temporary Authority to operate on an alternate channel) within one hundred twenty (120) days of the FCC order to cease operation on its then current channel, then Lessee shall have the right thereafter to terminate this Agreement, in its sole discretion, upon written notice to Seller. During the pendency of any such

procedures and prior to Lessee exercising its termination option hereunder, the payments due Lessor under Section 2 of this Agreement shall be reduced to fifty percent (50%) of the then current schedule, notwithstanding the pro-rata reduction provisions of Section 2 hereof.

9. **Force Majeure.** Any failure or impairment of the Station facilities or any delay or interruption in broadcasting programs, or the failure at any time to furnish facilities, in whole or in part, for broadcasting, due to acts of God, strikes, or threats thereof, force majeure, or to causes beyond the control of Lessor, shall not constitute a breach of this Agreement, and Lessor will not be liable to Lessee.

10. **Right to Use the Programs.** The right to use the programs produced by Lessee and to authorize their use in any manner and in any media whatsoever shall be, and remain, vested in Lessee.

11. **Payola.** Lessee agrees that it will not accept any compensation of any kind of gift or gratuity of any kind whatsoever, regardless of its value or form, including, but not limited to, a commission, discount, bonus, materials, supplies, or other merchandise, services, or labor. Whether or not pursuant to written contracts or agreements between Lessee and merchants or advertisers, unless the payer is identified in the program as having paid for or furnished such consideration in accordance with FCC requirements.

12. **Indemnification Warranty.** Buyer will indemnify and hold and save the Seller harmless against all liability for libel, slander, illegal competition or trade practice, infringement of trade marks, trade names, or program titles, violation of rights or privacy, infringement of copyrights and proprietary rights, FCC forfeitures, or from any liability (including reasonable legal fees and other expenses incidental thereto resulting from the programming furnished by Buyer and broadcast on the Station. Further, Buyer warrants that the broadcast of its programs will not violate any rights of others, and Buyer agrees to hold harmless the Seller, the Station, and their respective officers, directors, agents, stockholders, employees and assigns, from any and all claims, damages, liability, costs and expenses, including counsel fees (at trial and on appeal), arising, directly or indirectly, from the production or broadcast of the programs. The Seller reserves the right to refuse to broadcast any program containing matter which is, or in the reasonable opinion of the Seller may be, or which a third party claims to be, violative of any right of theirs or which may constitute a personal attack as the term is defined by the FCC. Buyer's obligation to hold the Seller harmless against the liabilities specified above shall survive any termination of this contract.

13. **Events of Default: Cure Periods and Remedies.**

a. **Events of Default.** The following shall, after the expiration of the applicable cure periods, constitute Events of Default under the Agreement:

- i. **Non-Payment.** Lessee's failure to timely pay the consideration provided for in Paragraph 2 hereof;
- ii. **Default in Covenants or Adverse Legal Action.** The default by either party hereto in the material observance or performance of any material covenant, condition or agreement contained herein, or if either party shall (a) make a general assignment for the benefit of creditors, or (b) files or has filed against it a petition for bankruptcy, for reorganization or an arrangement, or for the appointment of a receiver.

b. **Cure Periods.** An Event of Default shall not be deemed to have occurred until twenty (20) business days after the nondefaulting party has provided the

defaulting party with written notice specifying the event or events that if not cured would constitute an Event of Default and specifying the actions necessary to cure within such period.

14. **Asset Purchase Agreement.** Lessor and Lessee have entered into an Asset Purchase Agreement that contains an option in favor of Lessee for the assignment of the Station.

15. **Assignment.** The Lessor and Lessee may freely assign their rights under this Agreement. This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors, and assigns.

16. **Lessor's Representations, Warranties, and Covenants: Facilities.** Lessor warrants that the Station's broadcast equipment shall be available for use by Lessee during the term of this Agreement and that such facilities shall be in good working order and in compliance with the Station's license and the rules and regulations of the FCC. The Station's facilities will be operated, in all material respects, in accordance with the maximum facilities permitted by the FCC authorizations for the Station and with good engineering standards necessary to deliver a high quality technical signal to the area served by the Station.

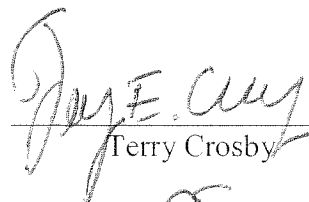
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LESSOR:

  
\_\_\_\_\_  
Joseph W. Shaffer

Date: July 25, 2002

LESSEE:

  
\_\_\_\_\_  
Terry Crosby

Date: July 25, 2002

## EXHIBIT 1.2

### ESCROW AGREEMENT

THIS ESCROW AGREEMENT has been made and entered into as of the \_\_\_\_ day of \_\_\_\_, 20\_\_, by and between JOSEPH W. SHAFFER ("Seller"), TERRY CROSBY ("Buyer"), and Cary S. Tepper, Esquire, ("Escrow Agent").

### WITNESSETH

WHEREAS, Seller and Buyer have entered into an Asset Purchase Agreement (the "APA") whereby Seller proposes to sell to Buyer, subject to the prior approval of the Federal Communications Commission ("FCC"), low power television station K25HP at Albuquerque, New Mexico and related authorizations, broadcast equipment and associated assets (hereinafter "the Station"); and

WHEREAS, Buyer has exercised its option to purchase the Station, thereby triggering Seller's and Buyer's desire that the Escrow Agent hold, and Escrow Agent is willing to hold, certain deposit monies in escrow pursuant to the terms of this Escrow Agreement.

NOW, THEREFORE, in consideration of the material covenants contained herein, the parties, intending to be legally bound, agree as follows:

1. **ESCROW DEPOSIT.** By its signature below, Escrow Agent acknowledges receipt from Buyer of an escrow deposit in the form of cash, certified check or wire transfer in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the "Escrow Deposit"). The Escrow Deposit shall be deposited in the Columbia Bank at Bethesda, Maryland, which is a member of the Federal Deposit Insurance Corporation ("FDIC"). The Escrow Deposit constitutes a portion of the monetary consideration that will be paid by Buyer to Seller at Closing pursuant to the Agreement. The Escrow Deposit shall be held and released by the Escrow Agent in accordance with the terms of this Escrow Agreement. Any interest earned on the Escrow Deposit shall be released to Buyer.

2. **RELEASE FROM ESCROW.** The Escrow Agent shall release the Escrow Deposit only upon receipt of (i) joint written instructions executed by each of Seller and Buyer or (ii) a final order of an arbitration panel selected by Seller and Buyer (if Seller and Buyer otherwise agree to arbitration) or of a court of competent jurisdiction. An order shall be deemed to be a "final order" when, by lapse of time or otherwise, it is no longer subject to review, reconsideration, appeal or stay. The Escrow Agent shall in no event be required to resolve any controversy concerning the Escrow Deposit or take any action concerning any such controversy. Upon termination of the escrow provided for herein, Seller and Buyer agree to execute and deliver to the Escrow Agent such further documents as it may reasonably request to evidence the termination of this Escrow Agreement and to cause the Escrow Agent to release the Escrow Deposit.

### 3. CONCERNING THE ESCROW AGENT.

3.1 Fees and Expenses. The Escrow Agent shall not charge any fees for its services hereunder. However, Buyer shall be responsible for the payment of any bank fees associated with the maintenance of the Escrow Account and any fees imposed for the transfer of funds into and out of the Escrow Account.

3.2 Resignation and Removal. The Escrow Agent may resign and be discharged from its duties hereunder at any time by giving notice of such resignation to the other parties hereto specifying a date (not less than thirty (30) days after the giving of such notice) when such resignation shall take effect. Promptly after such notice, successor Escrow Agent shall be appointed by mutual agreement of Seller and Buyer, such successor to become the Escrow Agent hereunder upon the resignation date specified in such notice. If Seller and Buyer are unable to agree upon successor Escrow Agent within twenty (20) days after such notice, the Escrow Agent shall be entitled to appoint its successor. The Escrow Agent shall continue to serve as Escrow Agent until its successor has assumed in writing the Escrow Agent's obligations hereunder and receive the Escrow Deposit. Seller and Buyer may agree at any time to substitute successor Escrow Agent by giving notice thereof to the Escrow Agent then acting.

3.3 Performance. The duties and responsibilities of the Escrow Agent are limited to those specifically set forth herein. The Escrow Agent shall not be liable for any mistake of fact or error of judgment made in good faith or for any acts or omissions by it of any kind other than willful misconduct or gross negligence. The Escrow Agent shall be entitled to rely, and shall be protected in doing so, upon (i) any written notice, instrument or signature believed by it to be genuine and to have been signed or presented by the proper party or parties duly authorized to do so, and (ii) the advice of counsel (which may be of the Escrow Agent's own choosing). The Escrow Agent shall have no responsibility for the contents of any writing submitted to it hereunder and shall be entitled in good faith to rely without any liability upon the contents thereof.

3.4 Indemnification. Seller and Buyer, jointly and severally agree to indemnify the Escrow Agent and hold it harmless against any and all liabilities incurred by it hereunder, except for liabilities incurred by the Escrow Agent resulting from its own willful misconduct or gross negligence. As between Seller and Buyer, each party shall be responsible for the payment of one-half of any such liabilities.

3.5 Interpleader. If, at any time prior to the termination of this Escrow Agreement by the Escrow Agent's delivery of the Escrow Deposit as provided herein, either Seller or Buyer should make demand upon or file suit against the Escrow Agent for the Escrow Deposit, the Escrow Agent shall be authorized to bring an Interpleader action in any court of competent jurisdiction. If a suit is commenced against the Escrow Agent, it may answer by way of Interpleader and name Seller and Buyer (or either of them) as additional parties to such action, and the Escrow Agent may tender the Escrow Deposit into such court for determination of the respective rights of Seller and Buyer thereto. Upon such tender, the Escrow Agent shall be entitled to receive from Seller and Buyer its



reasonable attorney fees and expenses incurred in connection with said interpleader action. As between Seller and Buyer, such fees, expenses and other sums shall be paid by the party which fails to prevail in the proceedings brought to determine the appropriate distribution of the Escrow Deposit. If and when the Escrow Agent shall so interplead such parties, or either of them, and deliver the Escrow Deposit to the clerk of such court, all of Escrow Agent's duties shall cease and he shall have no further obligation hereunder. Nothing herein shall prejudice any other right or remedy of the Escrow Agent.

3.6 **Discharge by Delivery.** After the Escrow Agent has delivered the Escrow Deposit pursuant to the terms of this Escrow Agreement, the Escrow Agent shall have discharged all of its obligations hereunder and neither Seller nor Buyer shall thereafter have any claim against the Escrow Agent on account of this Escrow Agreement.

3.7 **Conflict.** In the event of any conflict between the terms and provisions of this Escrow Agreement and those of the APA, the terms and provisions of this Escrow Agreement shall control as to the rights, duties, obligations and liabilities of the Escrow Agent, and the terms of the APA shall control as to the respective rights, duties, obligations and liabilities thereunder of Seller and Buyer.

4. **MISCELLANEOUS.**

4.1 **Assignment.** Except as may be provided in the APA and Section 3.2 of this Escrow Agreement, no party hereto may assign its rights and obligations hereunder without the prior written consent of the other parties hereto.

4.2 **Binding Effect.** This Escrow Agreement will be binding upon, inure to the benefit of, and be enforceable by the respective successors and assignees of the parties hereto.

4.3 **Entire Agreement: Amendments.** This Escrow Agreement, as read in conjunction with the APA, contains the entire understanding of the parties with respect to the subject matter hereof, and may be amended only by a written instrument duly executed by all the parties hereto.

4.4 **Notices.** All notices, requests, demands, and other communications required or permitted under this Escrow Agreement shall be in writing and shall be deemed to have been duly given when delivered personally (which shall include delivery by Federal Express or other recognized overnight courier service that issues a receipt or other confirmation of delivery) to the party for whom such communication is intended, postage prepaid, addressed as follows:

If to Seller:

Joseph W. Shaffer  
P.O. Box 10310  
Prescott, AZ 86304

If to Buyer: Terry Crosby  
8 Cerchio Alto  
Lake Las Vegas  
Henderson, NV 89011

If to Escrow Agent: Cary S. Tepper, Esquire  
Booth, Frerat, Imlay & Tepper, PC  
7900 Wisconsin Avenue  
Suite 304  
Bethesda, MD 20814-3828

4.5 **Governing Law.** This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Maryland, without regard to the conflict of law rules utilized in that jurisdiction.

4.6 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

4.7 **Continuing Effect.** This Agreement shall remain in full force and effect until the Escrow Agent has delivered, in accordance with the terms hereof, the Escrow Deposit, the interest earned thereon, and any other monies and instruments held in escrow by them pursuant to this Agreement.

4.8 **Headings.** Section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, and to evidence their consent to the foregoing, the parties hereto have executed this Escrow Agreement as of the date first above written.

JOSEPH W. SHAFFER

TERRY CROSBY

By: \_\_\_\_\_  
Joseph W. Shaffer

By: \_\_\_\_\_  
Terry Crosby

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ESCROW AGENT

By: \_\_\_\_\_  
Cary S. Tepper, Esq.

Date: \_\_\_\_\_

## **EXHIBIT 2**

### **BILL OF SALE**

Bill of Sale (the "Conveyance"), dated as of \_\_\_\_\_, between Joseph W. Shaffer ("Grantor") and Terry Crosby, or assignee ("Grantee").

#### **RECITALS:**

WHEREAS, Grantor holds the license issued by the Federal Communications Commission (the "Commission") for the operation of commercial low power television station K25HP in Albuquerque, New Mexico (the "Station");

WHEREAS, Grantor desires to assign the Assets for the Station to the Grantee, and Grantee desires to acquire such licenses, upon the terms and subject to the conditions set forth in the Asset Purchase and Lease Management Agreement dated as of \_\_\_\_\_ ("Agreement");

NOW, THEREFORE, in consideration of the premises and the mutual terms, covenants and conditions herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

#### **TRANSFER OF ASSETS**

Grantor has SOLD, TRANSFERRED, GRANTED, CONVEYED and ASSIGNED, and by these presents does hereby SELL, TRANSFER, GRANT, CONVEY and ASSIGN the Assets for the Station unto Grantee, subject to the terms and provisions of the Agreement; TO HAVE AND TO HOLD the license for the Station, together with all and singular the rights thereto in anywise belonging, unto Grantee, its successors, assigns and legal representatives, forever; and Grantor does hereby warrant and covenant that (1) Grantor is the sole owner of the Assets for the Station; and (2) that the Assets for the Station are so owned, free and clear of all encumbrances of any kind, and Grantor does hereby bind itself, its successors, personal representatives, heirs, and assigns to WARRANT AND FOREVER DEFEND the title to the Assets for the Station unto Grantee, its successors and assigns from and against every person claiming the same or any part thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Bill of Sale to be executed on the dates of their respective acknowledgments set forth below.

GRANTOR:

By: \_\_\_\_\_  
Joseph W. Shaffer

Date: \_\_\_\_\_

GRANTEE:

By: \_\_\_\_\_  
Terry Crosby

Date: \_\_\_\_\_