

## **ASSET EXCHANGE AGREEMENT**

THIS ASSET EXCHANGE AGREEMENT is dated as of **January 29, 2016** (this "Agreement"), by and between AMERICAN FAMILY ASSOCIATION, INC. a Mississippi non-profit corporation ("AFA"), and EDUCATIONAL MEDIA FOUNDATION, a California non-profit religious corporation ("EMF").

### **WITNESSETH:**

WHEREAS, AFA is the licensee of KSUR Mart, Texas (Channel 205, 88.9 MHz, FIN: 83542) ("KSUR"); WBFY Pinehurst, North Carolina (Channel 212, 90.3 MHz, FIN: 88048) ("WBFY"); KAPG Bentonville, Arkansas (Channel 201, 88.1 MHz, FIN: 77546) ("KAPG"); KAPK Grants Pass, Oregon (Channel 216, 91.1 MHz, FIN: 1698) ("KAPK"); WZKM Waynesboro, Mississippi (Channel 209, 89.7 MHz, FIN: 90975) ("WZKM"); and K212EF Las Vegas, New Mexico (Channel 212, 90.3 MHz, FIN: 1694) ("K212EF") (collectively, the "AFA Stations"); and

WHEREAS, AFA is the owner of certain tangible personal property used in the operation of the AFA Stations; and

WHEREAS, EMF is the licensee of KMRL Buras, Louisiana (Channel 220, 91.9 MHz, FIN: 16738) ("KMRL"); KKWV Aransas Pass, Texas (Channel 201, 88.1 MHz, FIN: 91069) ("KKWV"); KAWV Alice, Texas (Channel 202, 88.3 MHz, FIN: 91097) ("KAWV"); and WKTZ-AM Jacksonville, Florida (1220 KHz, FIN: 31937) ("WKTZ-AM") (collectively, the "EMF Stations"); and

WHEREAS, on the terms and conditions described herein and subject to the approval of the Federal Communications Commission ("FCC"), EMF desires to acquire and AFA desire to sell certain assets and FCC licenses associated with the AFA Stations, and EMF desires to sell and AFA desire to acquire certain assets and FCC licenses associated with EMF Stations; and

WHEREAS, AFA and EMF are entering into an option agreement (the "Option Agreement") of even date herewith by which EMF is granting AFA an option to acquire FM translator W270CD Jacksonville, Florida (Channel 270, 101.9 MHz, FIN: 140687) or another translator with substantially similar coverage.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises herein, including the execution and delivery of the Option Agreement, 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) **The AFA Stations**

(i) On the Closing Date (as hereinafter defined), AFA shall sell, assign and transfer to EMF, and EMF shall purchase, assume and receive from AFA, those certain assets, properties, interests and rights of AFA which are held by AFA and used in connection with the AFA Stations (the "AFA Assets"), which are identified below:

(A) All equipment, tower and other tangible personal property, used in the operations of the AFA Stations (the "AFA Tangible Personal Property"), (together with such improvements and additions thereto and replacements thereof between the date hereof and the Closing Date), as identified on Schedule 1 hereto;

(B) All of the licenses, construction permits and other authorizations, including the authorizations issued by the FCC (collectively, the "AFA Stations Authorizations"), the Federal Aviation Administration (the "FAA"), if any, and any other federal, state or local governmental authorities, to AFA in connection with the conduct of the business or operations of the AFA Stations (together with such authorizations granted by the FCC between the date hereof and the Closing Date), including without limitation those identified on Schedule 2 hereto; and

(C) All of AFA's right, title and interest in and to the tower leases or licenses used in connection with the AFA Stations (the "AFA Tower Leases") and all of AFA's right, title and interest in and to the real property, building and structures owned by AFA and used as a broadcast tower site in connection with KSUR (the "KSUR Tower Site") and WZKM (the "WZKM Tower Site") including, without limitation, all easements, licenses, rights of access, rights of way and improvements thereto all as more specifically listed and described on Schedule 3 hereto.

(ii) The AFA Assets shall be transferred to EMF free and clear of all liens, mortgages, pledges, covenants, easements, restrictions, encroachments, leases, charges, or other claims or encumbrances of any nature whatsoever ("Liens"), except for taxes not yet due and payable ("Permitted Liens"). Except as expressly set forth herein, EMF is not agreeing to, and shall not, assume any liability, obligation, undertaking, expense or agreement of AFA of any kind, absolute or contingent, known or unknown, specifically including, without limitation, any liability, obligation or agreement with regard to AFA employees, or with respect to the termination thereof, or with respect to any employee benefit or expense. The execution and performance of this Agreement shall not render EMF liable for any such liability, obligation, undertaking, expense or agreement. All of such liabilities and obligations shall be referred to herein as the "AFA Retained Liabilities."

(iii) Except as expressly set forth in this Section 1(a), the AFA Assets shall not include any other properties, assets, privileges, rights, interests and claims, real and personal, tangible and intangible, of every type and description, wherever located, of AFA or any of its affiliates (the "AFA Excluded Assets"), including, without limitation, the following:

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

(B) All rights of AFA under all contracts, leases and agreements unless specifically assumed herein by EMF, including contracts of insurance and insurance proceeds of settlement and insurance claims made by AFA;

(C) All pension, profit-sharing, retirement, stock purchase or savings plans or trusts and any assets thereof and all other employee benefit plans;

(D) All deposits and all prepaid expenses and taxes; and

(E) AFA's corporate records.

(b) **The EMF Stations.**

(i) On the Closing Date (as hereinafter defined), EMF shall sell, assign and transfer to AFA, and AFA shall purchase, assume and receive from EMF, those certain assets, properties, interests and rights of EMF which are held by EMF and used in connection with the EMF Stations (the "EMF Assets"), which are identified below:

(A) All equipment, tower and other tangible personal property, used in the operations of the EMF Stations (the "EMF Tangible Personal Property"), (together with such improvements and additions thereto and replacements thereof between the date hereof and the Closing Date), as identified on Schedule 4 hereto;

(B) All of the licenses, construction permits and other authorizations, including the authorizations issued by the FCC (collectively, the "EMF Stations Authorizations"), the Federal Aviation Administration (the "FAA"), if any, and any other federal, state or local governmental authorities to EMF in connection with the conduct of the business or operations of the EMF Stations identified on Schedule 5 hereto; and

(C) All of EMF's right, title and interest in and to the tower leases or licenses used in connection with the AFA-EMF Stations (the "EMF Tower Leases") and all of EMF's right, title and interest in and to the real property, building and structures owned by EMF and used as a broadcast tower site in connection with WKTZ-AM (the "WKTZ-AM Tower Site") including, without limitation, all easements, licenses, rights of access, rights of way and improvements thereto all as more specifically listed and described on Schedule 6 hereto.

(ii) The EMF Assets shall be transferred to AFA free and clear of all Liens, except Permitted Liens. Except as expressly set forth herein, AFA is not agreeing to, and shall not, assume any liability, obligation, undertaking, expense or agreement of EMF of any kind, absolute or contingent, known or unknown, specifically including, without limitation, any liability, obligation or agreement with regard to EMF employees, or with respect to the termination thereof, or with respect to any employee benefit or expense. The execution and

performance of this Agreement shall not render AFA liable for any such liability, obligation, undertaking, expense or agreement. All of such liabilities and obligations shall be referred to herein as the “EMF Retained Liabilities.”

(iii) EMF shall not sell, assign or transfer to AFA any assets, of whatever kind or nature, wherever located, which are held by EMF and used or useful in connection with the operations of any station or stations other than EMF Stations, including any privileges, rights, interests and claims associated therewith (the “EMF Excluded Assets”), and specifically including, without limitation, the following:

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

(B) All rights of EMF under all contracts, leases and agreements unless specifically assumed by AFA herein, including contracts of insurance and insurance proceeds of settlement and insurance claims made by EMF;

(C) All pension, profit-sharing, retirement, stock purchase or savings plans or trusts and any assets thereof and all other employee benefit plans;

(D) All deposits and all prepaid expenses and taxes; and

(E) EMF’s corporate records.

2. **Purchase Price.**

(a) Upon the terms and subject to the conditions contained in this Agreement, and in consideration of the transfer of the AFA Assets to EMF and the EMF Assets to AFA, other than the exchange of assets, no additional monetary consideration will be due to or from either party on the Closing Date, except to the extent of net prorations.

3. **FCC Consent; Assignment Application.**

(a) At the earliest mutually agreeable date, but not later than ten (10) business days after the date of this Agreement, EMF and AFA shall execute, file and vigorously prosecute applications with the FCC (each an “Assignment Application,” together the “Assignment Applications”) requesting the FCC’s consent (the “FCC Consent”) to the assignment (i) from AFA to EMF of the AFA Stations Authorizations and (ii) from EMF to AFA of the EMF Stations Authorizations. EMF and AFA shall take all reasonable steps to cooperate with each other and with the FCC to secure such FCC Consents without delay, and to promptly consummate this Agreement in full.

(b) Within ten (10) business days following the date of this Agreement, EMF and AFA may file a contingent applications to modify the EMF Stations licenses and the AFA Stations licenses to request a waiver of the FCC’s “main studio” rules from and after the Closing

Date under the procedures of Section 73.3517(a) of the Commission's rules (the "Non-Commercial Application"), and AFA and EMF will provide a written statements authorizing the filing of the Non-Commercial Applications, as required by FCC rules.

5. **Closing Date; Closing Place.** Subject to Section 12 (Termination), the closing (the "Closing") of the transaction described herein shall take place remotely by facsimile and email, or in such other manner and at such other place as AFA and EMF may agree in writing. Such Closing date shall be no later than ten (10) days following the date on which both the AFA Stations FCC Consent and the EMF Stations FCC Consent shall have become Final Orders (as hereinafter defined) and the other conditions to closing set forth in Section 10 have either been waived or satisfied. (the "Closing Date"). The Closing shall be effective as of 12:00am on the Closing Date. 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.

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

(a) AFA is a corporation duly organized, validly existing and in good standing under the laws of the State of Mississippi with authority to own property and conduct business in each state in which the AFA Stations and the EMF Stations are located. AFA has the requisite organizational 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 AFA and no proceedings (other than relating to the grant of FCC consent by Final Order on the part of AFA are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement and each ancillary document and instrument to be executed and delivered hereunder by the AFA have been and will be duly and validly executed and delivered by AFA and constitutes and will constitute the legal, valid and binding agreement of AFA 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 AFA will not (i) conflict with or result in any breach of any provision of the governing documents of AFA, 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 the business of AFA or the AFA Stations and to which AFA or any of the AFA Assets may be 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 EMF at Closing, (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on any of the AFA

Assets, or (v) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent and a landlord's consent to assignment where required by an AFA Tower Lease;

(c) Schedule 1 hereto contains a list of the AFA Tangible Personal Property used in connection with the operation of AFA Stations. AFA owns and has, and will have on the Closing Date, good and marketable title to the AFA Tangible Personal Property. The assets listed in Schedule 1 hereto include all material AFA Tangible Personal Property necessary to conduct the business and operations of AFA Stations as now conducted (other than those assets which are AFA Excluded Assets). Each material item of AFA Tangible Personal Property (i) is in good condition and repair, ordinary wear and tear excepted, (ii) is operating in substantial compliance with the AFA Stations Authorizations and rules and regulations of the FCC and FAA, and (iii) does not contain any PCBs. For purposes of this Section, material AFA Tangible Personal Property shall be such items of property valued at One Thousand Dollars (\$1000) or more;

(d) Schedule 2 hereto contains a true and complete list of the AFA Stations Authorizations that are required for the lawful conduct of the business and operations of the AFA Stations. AFA is the authorized legal holder of the AFA Stations Authorizations identified on Schedule 2 hereto, none of which is subject to any restrictions or conditions that would limit in any material respect the broadcast operations of the AFA Stations, except such conditions as are stated on the face thereof and as identified on Schedule 2 hereto. The AFA Stations Authorizations are validly issued and are in full force and effect unimpaired by any act or omission of AFA. Other than the proceedings affecting the radio broadcasting industry generally, to AFA's knowledge, (i) there is not now pending or threatened any action by or before the FCC to revoke, cancel, rescind, modify or refuse to renew any of the AFA Stations Authorizations, and (ii) AFA has not received any notice of and has no knowledge of any pending, issued or outstanding order by or before the FCC, or of any investigation, order to show cause, notice of violation, notice of apparent liability, notice of forfeiture, or material complaint against either the AFA Stations or AFA with respect to AFA Stations. AFA is operating the AFA Stations in accordance with the AFA Stations Authorizations, and all rules, regulations and policies of the FCC, including that each of the AFA Stations is capable of transmitting on a continuous basis at not less than 90% of its authorized power;

(e) The existing towers used in the operation of AFA Stations are obstruction-marked and lighted to the extent required by, and in accordance with, the rules and regulations of the FAA and the FCC. The AFA and the existing tower owners have complied in all material respects with all requirements of the FCC and the Federal Aviation Administration with respect to the construction and/or alteration of antenna structures, and "no hazard" determinations for each antenna structure have been obtained, where required.

(f) AFA has a valid leasehold interest in the AFA Tower Leases as described on Schedule 3, free and clear of all liens, mortgages, pledges, covenants, restrictions, leases, charges or other claims or encumbrances of any nature whatsoever, and no party is in material breach or default with respect to the same. To AFA's knowledge, there is full legal and practical

access to the AFA tower site properties and all utilities necessary for EMF's use of the AFA tower site properties as a radio tower facility are installed and are in good working order, and are subject to valid easements, where necessary. The buildings, towers, guys and other fixtures situated on the AFA tower site properties, are free of structural defects and, suitable for their intended uses, and are in good state of maintenance and repair (ordinary wear and tear excepted).

(g) Schedule 3 contains a complete description of all real property owned in connection with the KSUR and WZKM Tower Sites. The KSUR and WZKM Tower Sites constitute the only real properties required to operate the transmission facilities of KSUR and WZKM, respectively, in the manner in which they are presently operated. AFA has fee simple title to the KSUR and WZKM Tower Sites described in Schedule 3, free and clear of all Liens of any nature whatsoever except Permitted Liens. There is full legal and practical access to the KSUR and WZKM Tower Sites and all utilities necessary for EMF's use of the KSUR and WZKM Tower Sites as a radio tower facility are installed and are in good working order, and, are subject to valid easements were necessary. The buildings, towers, guys and other fixtures situated on the KSUR and WZKM Tower Sites, are free of structural defects and, are suitable for their intended uses, and are in a good state of maintenance and repair (ordinary wear and tear excepted), are contained entirely within the bounds of the KSUR and WZKM Tower Sites, and do not encroach upon any other property except in cases where valid easements (that are included in the Assets) have been obtained. Except as set forth on Schedule 3, the KSUR and WZKM Tower Sites 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 AFA's knowledge, there is no pending condemnation or similar proceeding affecting the KSUR and WZKM Tower Sites or any portion thereof, and no such action is presently contemplated or threatened.

(h) There is no broker or finder or other person who would have any valid claim against EMF 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 AFA;

(i) AFA is not subject to any order, writ, injunction, judgment, arbitration decision or decree having binding effect and affecting the business of AFA Stations or the AFA Assets or which restrains or enjoins the transactions contemplated hereby, and no such proceeding is pending. There is no litigation pending by or against, or to the knowledge of AFA, threatened against AFA which could prevent or materially impede the consummation by AFA of the transactions contemplated by this Agreement. AFA, with respect to AFA Stations, has complied in all material respects with all applicable laws, regulations, orders or decrees;

(j) All of the AFA Assets that are insurable in character are insured against loss, injury or damage to the full extent of their replacement value; and

(k) No event has occurred which could impose on EMF any liability for any taxes, penalties or interest due or to become due from AFA from any taxing authority.



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

(a) EMF is a non-profit religious corporation, duly organized, validly existing and in good standing under the laws of the State of California with authority to own property and conduct business in each state in which the AFA Stations and the EMF Stations are located. EMF has the requisite organizational 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 EMF and no other proceedings on the part of EMF are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement and each ancillary document and instrument to be executed and delivered hereunder by EMF have been and will be duly and validly executed and delivered by EMF and constitutes and will constitute the legal, valid and binding obligation of EMF 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 EMF will not (i) conflict with or result in any breach of any provision of the governing documents of EMF, 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 the business of the EMF Stations and to which EMF or any of the EMF Assets may be 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 AFA at Closing, (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on any of the EMF Assets, or (v) will not require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent;

(c) Schedule 4 hereto contains a list of the EMF Tangible Personal Property owned by EMF for use in connection with the operation of EMF Stations. EMF owns and has, and will have on the Closing Date, good and marketable title to the EMF Tangible Personal Property. The assets listed in Schedule 4 hereto include all material EMF Tangible Personal Property necessary to conduct the business and operations of EMF Stations as licensed (other than those assets which are EMF Excluded Assets). Each material item of EMF Tangible Personal Property (i) is in good condition and repair, ordinary wear and tear excepted, (ii) is operating in substantial compliance with the EMF Stations Authorizations and rules and regulations of the FCC and FAA, and (iii) does not contain any PCBs. For purposes of this Section, material EMF Tangible Personal Property shall be such items of property valued at One Thousand Dollars (\$1000) or more;

(d) Schedule 5 hereto contains a true and complete list of the EMF Stations Authorizations that are required for the lawful conduct of the business and operations of EMF



Stations. EMF is the authorized legal holder of the EMF Stations Authorizations identified on Schedule 5 hereto, none of which is subject to any restrictions or conditions that would limit in any respect the broadcast operations of EMF Stations, except such conditions as are stated on the face thereof. The EMF Stations Authorizations are validly issued and are in full force and effect.

Other than the proceedings affecting the radio broadcasting industry generally, to EMF's knowledge (i) there is not now pending or threatened any action by or before the FCC to revoke, cancel, rescind, modify or refuse to renew any of the EMF Stations Authorizations, and (ii) EMF has not received any notice of and has no knowledge of any pending, issued or outstanding order by or before the FCC, or of any investigation, order to show cause, notice of violation, notice of apparent liability, notice of forfeiture, or material complaint against either the EMF Stations or EMF with respect to EMF Stations. EMF is operating the EMF Stations in accordance with the EMF Stations Authorizations, and all rules, regulations and policies of the FCC, including that each of the EMF Stations is capable of transmitting on a continuous basis at not less than 90% of its authorized power.

(e) The existing towers used in the operation of EMF Stations are obstruction-marked and lighted to the extent required by, and in accordance with, the rules and regulations of the FAA and the FCC. The EMF and the existing tower owners have complied in all material respects with all requirements of the FCC and the Federal Aviation Administration with respect to the construction and/or alteration of antenna structures, and "no hazard" determinations for each antenna structure have been obtained, where required

(f) EMF has a valid leasehold interest in the EMF Tower Leases as described on Schedule 6, free and clear of all liens, mortgages, pledges, covenants, restrictions, leases, charges or other claims or encumbrances of any nature whatsoever, and no party is in material breach or default with respect to the same. To EMF's knowledge, there is full legal and practical access to the EMF tower site properties and all utilities necessary for AFA's use of the EMF tower site properties as a radio tower facility are installed and are in good working order, and are subject to valid easements, where necessary. The buildings, towers, guys and other fixtures situated on the EMF tower site properties, are free of structural defects and, suitable for their intended uses, and are in good state of maintenance and repair (ordinary wear and tear excepted).

(g) Schedule 6 contains a complete description of all real property owned in connection with the WKTZ-AM Tower Site. The WKTZ-AM Tower Site constitutes the only real properties required to operate the transmission facilities of WKTZ-AM in the manner in which they are presently operated. EMF has fee simple title to the WKTZ-AM Tower Site described in Schedule 6, free and clear of all Liens of any nature whatsoever except Permitted Liens. There is full legal and practical access to the WKTZ-AM Tower Site and all utilities necessary for AFA's use of the WKTZ-AM Tower Site as a radio tower facility are installed and are in good working order, and, are subject to valid easements were necessary. The buildings, towers, guys and other fixtures situated on the WKTZ-AM Tower Site, are free of structural defects and, are suitable for their intended uses, and are in a good state of maintenance and repair (ordinary wear and tear excepted), are contained entirely within the bounds of the WKTZ-AM Tower Site, and do not encroach upon any other property except in cases where valid easements (that are included in the Assets) have been obtained. Except as set forth on Schedule 6, the

WKTZ-AM Tower Site 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 EMF's knowledge, there is no pending condemnation or similar proceeding affecting the WKTZ-AM Tower Site or any portion thereof, and no such action is presently contemplated or threatened.

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

(i) EMF is not subject to any order, writ, injunction, judgment, arbitration decision or decree having binding effect and affecting the business of the EMF Stations. There is no litigation, proceeding or governmental investigation pending or to the knowledge of EMF, threatened, in any court, arbitration board, administrative agency, or tribunal relating to the EMF Stations or that could prevent or materially impede the consummation by EMF of the transactions contemplated by this Agreement.

8. **AFA Covenants.** AFA covenant with EMF that, between the date hereof and the Closing Date, it shall act in accordance with the following:

(a) AFA will not, without the prior written consent of EMF, (i) create any Lien on the AFA Assets or (ii) sell, lease, transfer or agree to sell, lease or transfer any of the AFA Assets without replacement thereof with an equivalent asset of equivalent kind and value, which permitted replacement shall not include replacement of the AFA Stations Authorizations;

(b) AFA shall continue to operate and maintain the AFA Stations in accordance with the terms of the AFA Stations Authorizations and in compliance in all material respects with applicable laws and FCC rules and regulations. AFA will deliver to EMF, promptly after filing, copies of any reports, applications or responses to the FCC or any communications from the FCC or any other party directed to the FCC related to the AFA Stations which are filed between the date of this Agreement and the Closing Date. AFA will not file any application to modify the AFA Stations' facilities without EMF's prior written consent, which consent may not be unreasonably withheld. AFA shall take all actions necessary to keep the AFA Stations Authorizations, including all material permits and applications pending before the FCC, valid and in full force and effect. Except as disclosed in writing to and approved by EMF, AFA shall operate the AFA Stations solely in the ordinary course of business;

(c) AFA will maintain the AFA Tangible Personal Property in customary repair, maintenance and condition, consistent with prior practice, normal wear and tear excepted;

(d) AFA will continue to perform AFA's obligations under the AFA Tower Leases and shall not cause a default under the AFA Tower Leases. AFA shall obtain written consent to assign the AFA Tower Leases to EMF, and shall use commercially reasonable efforts

to obtain estoppel certificates from the landlords, identifying the AFA Tower Leases and any amendments or modifications thereto, the term and amount of monthly payments due thereunder, and certifications from the landlords that such AFA Tower Leases are in full force and effect and there are no uncured defaults.

9. **EMF Covenants.** EMF covenants with AFA that, between the date hereof and the Closing Date, EMF shall act in accordance with the following:

(a) EMF will not, without the prior written consent of AFA, (i) create any Lien on the EMF Assets or (ii) sell, lease, transfer or agree to sell, lease or transfer any of the EMF Assets without replacement thereof with an equivalent asset of equivalent kind and value, which permitted replacement shall not include replacement of the EMF Stations Authorizations;

(b) EMF shall maintain EMF Stations in accordance with the terms of the EMF Stations Authorizations and in material compliance with all applicable laws and FCC rules and regulations. EMF will deliver to AFA, promptly after filing, copies of any reports, applications or responses to the FCC or any communications from the FCC or any other party directed to the FCC related to the EMF Stations which are filed between the date of this Agreement and the Closing Date. EMF will not file any application to modify the EMF Stations' facilities without AFA's prior written consent, and EMF shall take all reasonable actions necessary to keep the EMF Stations Authorizations, including all material permits and applications pending before the FCC, valid and in full force and effect. In all other respects, except as disclosed in writing to and approved by AFA, EMF shall operate the EMF Stations solely in the ordinary course of business.

(c) EMF will maintain the EMF Tangible Personal Property in customary repair, maintenance and condition, consistent with prior practice, normal wear and tear excepted.

(d) EMF will continue to perform EMF's obligations under the EMF Tower Leases and shall not cause a default under the EMF Tower Leases. EMF shall obtain written consent to assign the EMF Tower Leases to AFA, and shall use commercially reasonable efforts to obtain estoppel certificates from the landlords set forth in the EMF Tower Leases, identifying the EMF Tower Leases and any amendments or modifications thereto, the term and amount of monthly payments due thereunder, and certifications from the landlords that such EMF Tower Lease is in full force and effect and there are no uncured defaults.

10. **Conditions Precedent to Obligation to Close.**

(a) EMF's obligation to Close the transactions contemplated herein is subject to the satisfaction of each of the following express conditions precedent:

(i) AFA 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 AFA prior to or as of the Closing Date;

(ii) The representations and warranties of AFA 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 Consents 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: (A) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (B) questions the validity or legality of any transaction contemplated hereby; or (C) seeks to enjoin any transaction contemplated hereby;

(v) There shall not be any Liens on the AFA Assets, other than Permitted Liens, or any financing statements of record other than those to be satisfied by AFA on or before the Closing Date;

(vi) AFA shall have obtained and delivered the consents as set forth in Section 8(d) and

(vii) AFA shall have delivered to EMF, on the Closing Date, the documents required to be delivered pursuant to Section 11(a).

(b) AFA's obligation to Close the transactions contemplated herein is subject to the satisfaction of each of the following express conditions precedent:

(i) EMF 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 EMF prior to or as of the Closing Date;

(ii) The representations and warranties of EMF 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 Consents 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: (A) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (B) questions the validity or legality of any transaction contemplated hereby; or (C) seeks to enjoin any transaction contemplated hereby;

(v) There shall not be any Liens on the EMF Assets, other than Permitted Liens, or any financing statements of record other than those to be satisfied by EMF on or before the Closing Date;

(vi) EMF shall have granted AFA and option to acquire W270CD or another translator of with substantially similar coverage for a purchase price of One Dollar (\$1).

(vii) EMF shall have obtained and delivered the landlord consents as set forth in Section 9(d).

(viii) EMF shall have delivered to AFA, on the Closing Date, the documents required to be delivered pursuant to Section 11(b).

11. **Closing Deliveries.**

(a) Prior to or at the Closing, AFA will execute and deliver to EMF the following, each of which shall be duly executed as required and in form and substance satisfactory to EMF and its counsel:

(i) A Bill of Sale to transfer the AFA Tangible Personal Property to EMF;

(ii) An Assignment and Assumption of the AFA Stations Authorizations;

(iii) An Assignment and Assumption of the EMF Stations Authorizations;

(iv) An Assignment and Assumption of the AFA Tower Site Leases together with consents to the assignment thereof to the extent required by the AFA Tower Site Leases;

(v) General Warranty Deeds conveying the KSUR and WZKM Tower Sites to EMF;

(vi) A certificate, dated the Closing Date, executed by an officer of AFA, certifying the fulfillment of the conditions set forth in Section 10(a)(i) and (ii) hereof;

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

(b) Prior to or at the Closing, EMF will execute and deliver to AFA the following, each of which shall be duly executed as required and in form and substance satisfactory to AFA and its counsel:

- (i) A Bill of Sale to transfer EMF Tangible Personal Property to AFA;
  - (ii) An Assignment and Assumption of the EMF Stations
- Authorizations;
- (iii) An Assignment and Assumption of the AFA Stations
- Authorizations;
- (iv) An Assignment and Assumption of the EMF Tower Site Leases together with consents to the assignment thereof to the extent required by the EMF Tower Site Leases;
  - (v) A General Warranty Deed conveying the WKTZ-AM Tower Site to AFA;
  - (vi) A certificate, dated the Closing Date, executed by the President of EMF, certifying the fulfillment of the conditions set forth in Section 10(b)(i) and (ii) hereof; and
  - (vii) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement or as AFA shall reasonably request, each in form and substance satisfactory to AFA and its counsel.

11. **Indemnification.**

(a) Following the Closing, AFA shall indemnify, defend and hold harmless EMF 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 EMF directly or indirectly relating to or arising out of: (i) the breach by AFA of any of its representations or warranties contained in this Agreement, or failure by AFA 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 and operation of the AFA Stations prior to the Closing and the EMF Stations subsequent to the Closing.

(b) Following the Closing, EMF shall indemnify, defend and hold AFA harmless with respect to any and all Damages asserted against, resulting from, imposed upon or incurred by AFA directly or indirectly relating to or arising out of: (i) the breach by EMF of any of its representations, warranties contained in this Agreement, or failure by EMF 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 and operation of EMF Stations by EMF prior to the Closing and AFA Stations subsequent to the Closing.

(c) If either party hereto (the "Indemnitee") receives notice or otherwise obtains

knowledge of any matter with respect to which another party hereto (the "Indemnifying Party") may be obligated to indemnify the Indemnatee under this Section, then the Indemnatee shall promptly deliver to the Indemnifying Party written notice describing such matter in reasonable detail and specifying the estimated amount of the Damages or liability that may be incurred by the Indemnatee in connection therewith. The Indemnifying Party shall have the right, at its option, to assume the complete defense of such matter at its own expense and with its own counsel, provided such counsel is reasonably satisfactory to the Indemnatee. If the Indemnifying Party elects to assume the defense of such matter, then (i) notwithstanding anything to the contrary herein contained, the Indemnifying Party shall not be required to pay or otherwise indemnify the Indemnatee for the cost of defending such matter following the Indemnifying Party's election to assume the defense of such matter, (ii) the Indemnatee shall fully cooperate as reasonably requested by the Indemnifying Party in the defense or settlement of such matter, (ii) the Indemnifying Party shall keep the Indemnatee informed of all material developments and events relating to such matter, and (iii) the Indemnatee shall have the right to participate, at its own expense, in the defense of such matter. In no event shall the Indemnifying Party be liable for any settlement or admission of liability with respect to such matter without its prior written consent, and any such settlement shall not adversely affect the Indemnifying Party.

(d) The several representations and warranties of AFA and EMF contained in or made pursuant to this Agreement shall expire on the date that is one (1) year after the Closing Date.

## 12. **Termination.**

(a) This Agreement may be terminated by either EMF or AFA, 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 any of the Assignment Applications are denied by Final Order or if the FCC shall have released a hearing designation order requiring a formal hearing on either of the Assignment Applications; or (iii) if there shall be in effect any judgment, final decree or order issued by a court or agency of competent jurisdiction that would prevent or make unlawful the Closing of this Agreement.

(b) This Agreement may be terminated by EMF or AFA if the Closing has not occurred by the first anniversary of the date of filing of the FCC Applications.

(c) This Agreement may be terminated by mutual written consent of AFA and EMF.

(d) Upon a termination of this Agreement due to a breach by AFA of any of its material obligations under this Agreement, EMF shall be entitled to liquidated damages in the amount of Five Thousand Dollars (\$5,000.00) unless EMF elects, in its sole discretion, to consummate the purchase via specific performance. Upon a termination of this Agreement by AFA due to a breach by EMF of any of its material obligations under this Agreement, AFA shall



be entitled to liquidated damages in the amount of Five Thousand Dollars (\$5,000.00) unless AFA elects, in its sole discretion, to consummate the purchase via specific performance. AFA and EMF each acknowledge and agree that these liquidated damages are reasonable in light of the anticipated harm which would be caused by breach of the material obligations under this Agreement and the difficulty of ascertaining damages and proof of loss and that these damages are not a penalty.

(e) Upon a termination of this Agreement for any reason other than as a result of a breach by either party of any of its material obligations under this Agreement, thereafter neither party shall have any further obligation to the other under this Agreement.

13. **Specific Performance.** The parties acknowledge that the AFA Stations and the EMF Stations are unique assets not readily available on the open market and that in the event that either EMF, with respect to EMF Stations, or AFA, with respect to AFA Stations, fails to perform its obligation to consummate the transaction contemplated hereby, irreparable harm may occur to the other party as to which money damages alone will not be adequate to compensate such party for its injury. The parties therefore agree and acknowledge that in the event of a failure by either EMF or AFA to perform its obligation to convey their respective assets in connection with the consummation of the transactions contemplated hereby, the opposing party shall be entitled to specific performance of the terms of this Agreement.

14. **Confidentiality**

(a) Each party shall hold, and shall cause its officers, employees, agents and representatives, including, without limitation, attorneys, accountants, consultants and financial advisors who obtain non-public information ("Confidential Information") through the negotiations of this Agreement and the investigations permitted hereunder, to hold, in confidence, and not use such information for any purpose other than evaluating the transactions contemplated by this Agreement. Confidential Information of another party obtained hereunder shall not include any information which (i) is or becomes generally available to the public other than as a result of disclosure by the party which alleges the information is confidential or its affiliates, (ii) becomes available to a party on a non-confidential basis from a source, other than the party which alleges the information is confidential or its affiliates, which has represented that such source is entitled to disclose it, or (iii) was known to a party on a non-confidential basis prior to its disclosure to such party hereunder. If this Agreement is terminated, each party shall deliver, and cause its officers, employees, agents, and representatives, including, without limitation, attorneys, accountants, consultants and financial advisors who obtain Confidential Information of another party hereunder to deliver to such other party all such Confidential Information that is written (including copies or extracts thereof), whether such Confidential Information was obtained before or after the execution.

(b) If a party or a person to whom a party transmits confidential information of another party is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, criminal or civil investigative demand or similar process) to disclose any of such confidential information, such party or person will

provide the other applicable party with prompt written notice so that such party may seek a protective order or other appropriate remedy or waive compliance with Section 14(a). If such protective order or other remedy is not obtained, or if the applicable party waives compliance with Section 14(a), the party subject to the request will furnish only that portion of such confidential information which is legally required and will exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such confidential information.

15. **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 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 AFA, to:

American Family Association, Inc.  
P.O. Drawer 2440  
Tupelo, MS 38803

If to EMF, to:

Educational Media Foundation  
5700 West Oaks Boulevard  
Rocklin, CA 95765  
Attn: Mike Novak, President/CEO

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

David D. Oxenford, Esq.  
Wilkinson, Barker, Knauer LLP  
1800 M Street, N.W. Suite 800N  
Washington, D.C. 20036

16. **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.

17. **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.

18. **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. This Agreement may be executed and exchanged by facsimile transmission or electronic mail, with the same legal effect as if the signatures had appeared in original handwriting on the same physical document.

19. **Expenses.** Except as otherwise set forth in this Agreement, 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. EMF and AFA shall share equally the Assignment Application fees.

20. **Risk of Loss.**

(a) The risk of any loss, taking, condemnation, damage or destruction of or to (each, an "*Event of Loss*") any of the AFA Tangible Personal Property on or prior to the Closing Date shall be upon AFA. AFA shall use all commercially reasonable efforts to repair or replace any damaged or lost AFA Tangible Personal Property, provided, however, that in the event that the assets with a value of greater than Twenty Thousand Dollars (\$20,000) are damaged or lost on the date otherwise scheduled for Closing, EMF may, at its option, either (i) postpone Closing for a period of up to sixty (60) days while such assets are repaired or replaced, or (ii) elect to close with the assets in their current condition, in which all proceeds from insurance on such lost or damaged assets shall be assigned to EMF, and EMF shall have the responsibility to repair or replace the assets. AFA shall have no responsibility to repair or replace damaged or destroyed assets not covered by insurance if the cost of such repair exceeds Twenty Thousand Dollars (\$20,000), provided, however, in that event, EMF may terminate this Agreement without penalty upon written notice to AFA.

(b) The risk of any Event of Loss to any of the EMF Tangible Personal Property on or prior to the Closing Date shall be upon EMF. EMF shall use all commercially reasonable efforts to repair or replace any damaged or lost EMF Tangible Personal Property, provided, however, that in the event that the assets with a value of greater than Twenty Thousand Dollars (\$20,000) are damaged or lost on the date otherwise scheduled for Closing, AFA may, at its option, either (i) postpone Closing for a period of up to sixty (60) days while such assets are repaired or replaced, or (ii) elect to close with the assets in their current condition, in which all proceeds from insurance on such lost or damaged assets shall be assigned to AFA, and AFA shall have the responsibility to repair or replace the EMF Tangible Personal Property. EMF shall have no responsibility to repair or replace damaged or destroyed assets not covered by insurance if the cost of such repair exceeds Twenty Thousand Dollars (\$20,000), provided, however, in that event, AFA may terminate this Agreement without penalty upon written notice to EMF.

21. **No Strict Construction.** The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise from favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

22. **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.

23. **Entire Agreement.** This Agreement, and the Exhibits and Schedules 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

**AMERICAN FAMILY ASSOCIATION**

By: Tim Wildman  
Name: Tim Wildman  
Title: President

**EDUCATIONAL MEDIA FOUNDATION**

By: Mike Novak  
Mike Novak  
President/CEO