

AGREEMENT

This Agreement is made and entered into effective as of the 3rd day of October, 2004, by and between the **FREE PENTECOSTAL CHURCH OF GOD OF TOOKLAND**, a Virginia unincorporated association (the "Church"), and **LIVING FAITH BROADCASTING, INC.**, a Virginia non-profit, non-stock corporation ("LFB"), as follows:

RECITALS

A. The Church is an independent Pentecostal church located in Grundy, Buchanan County, Virginia. The Church is tax-exempt for federal income tax purposes pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

B. The Church owns all of the ownership interest and stock in Living Faith Ministries, Inc., a Virginia corporation ("Living Faith").

C. Living Faith owns and operates three television stations. Living Faith has its general corporate offices and place of business in the same building in which the Church's offices are located in Grundy, Buchanan County, Virginia. Living Faith's broadcasting facilities are located in Washington County, Virginia and its transmitters and antennas are located in Washington County and Bland County, Virginia and Harlan County, Kentucky. Living Faith broadcasts a Christian television ministry through its stations. Living Faith is tax-exempt for federal and state income purposes pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

D. The Church and its members have long been involved with and supported Living Faith from its founding by long-time pastor of the Church, Brother Buford Smith.

E. On May 24, 2003, Brother Buford Smith, pastor of the Church and President of Living Faith, and true leader of both, passed away. Following Brother Smith's passing, and after much discussion, reflection and prayer, it became apparent that for the well being and future of both the Church and Living Faith, the Church and Living Faith should be legally separated one from the other, thereby allowing and assuring that each could more effectively seek and achieve its own needs and to follow its own path and mission.

F. LFB is a newly organized corporation that desires to acquire the Church's interest in Living Faith and to assure the continuation of its ministry, for which reason the Church desires to transfer and convey all of its interest in Living Faith to LFB.

G. As a result, the Church and LFB have entered in this Agreement, which sets forth their understanding and agreement with respect to these contemplated transactions.

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00), other good and valuable consideration, and the mutual promises, covenants and agreements set

forth below, the receipt and independent adequacy of each of which are irrevocably acknowledged by the Church and LFB, the Church and LFB do hereby covenant, agree and promise, as follows:

ARTICLE I DEFINITIONS

1.1 Defined Terms. When used in this Agreement, the following terms shall have the meanings assigned to them below:

- (a) "Agreement" shall mean this Agreement dated as of the 3RD day of October, 2004.
- (b) "Church's Covenants" shall have the meaning assigned to it in Section 5.2.
- (c) "Church's Post-Closing Covenants" shall have the meaning assigned to it in Section 5.3.
- (d) "Church Notes" shall mean and include the indebtedness of the Church described in Section 2.2 of this Agreement, to be paid at the Closing by LFB.
- (e) "Closing" shall mean the closing of the transactions contemplated by this Agreement as described in, and in accordance with, the provisions of Section 2.3 and the other provisions of this Agreement.
- (f) "Effective Date" shall mean October 3, 2004, the effective date of this Agreement as stated in its introductory paragraph.
- (g) "FCC" shall mean the Federal Communications Commission, an agency of the United States of America.
- (h) "Gregory Party" shall mean and include John M. Gregory of Bristol, Tennessee, or any of his family members, or any legal entity owned or controlled by John M. Gregory and/or any of his family members, or any foundation or charitable entity that is tax-exempt under the IRC with which John M. Gregory or any of his family members are materially involved, or any individual designated or appointed by John M. Gregory or any of his family members or any such entity, foundation or charity to represent his, their or its interest, it being understood that no Gregory Party is a party to or bound by this Agreement.
- (i) "Interim Period" shall mean that period of time following the execution of this Agreement and the Closing.
- (j) "IRC" shall mean the Internal Revenue Code of 1986, as amended, and any and all regulations, rules, revenue rulings, and the like issued or promulgated by the Internal Revenue Service of the United States of America thereunder.

(k) "IRS" shall mean the Internal Revenue Service, an agency of the United States of America.

(l) "Licenses" shall mean any one or more of the licenses issued by the FCC for broadcasting and operation of the Stations, as defined herein, which will include any and all amendments and modifications to such Licenses.

(m) "LFB's Covenants" shall have the meaning assigned to it in Section 5.1.

(n) "LFB's Post-Closing Covenants" shall have the meaning assigned to it in Section 5.4.

(o) "Loan" shall mean a loan or loans in the aggregate minimum amount of One Million Dollars (\$1,000,000.00) to LFB or Living Faith, or both, from the First Tennessee Bank, or any other lending institution, which, if made to LFB or Living Faith, or both, by First Tennessee Bank or any other institutional lender, is guaranteed or collateralized by a Gregory Party. The proceeds of the Loan shall be used to pay the Purchase Price, as defined below. "Loan" will include any and all amendments and modifications to any such loan.

(p) "Net Proceeds" shall have the meaning given to it in Section 5.5(a).

(q) "Official Board" shall mean the Official Board of the Church.

(r) "Ownership Interests" shall mean and include all of the right, title and interest to any ownership interests or rights which the Church has in or to Living Faith, including but not limited to any and all rights to any stock, stock certificates, stock options, equity, beneficial interests and the like.

(s) "Ownership Rights" shall mean and include the right of LFB to acquire the Ownership Interest granted and created pursuant to the terms and provisions of this Agreement.

(t) "Purchase Price" shall have the meaning assigned to it in Section 2.2.

(u) "Stations" shall mean and include WLFG-TV, WLFB-TV and WAGV-TV, and a "Station" shall mean any one of them.

(v) "Trust" shall mean a trust established by and for the benefit of the Church to receive the Purchase Price, or such portion thereof as is determined and designated by the Church, which trust is or shall be organized by the Church under the laws of Virginia to be tax-exempt for federal and state income tax purposes. The term "Trust" includes any and all to be successors to the Trust.

ARTICLE II
DIVESTITURE AND SALE OF OWNERSHIP INTERESTS AND GRANT OF OWNERSHIP RIGHTS

2.1 Divestiture and Sale of Ownership Interests and Grant of Ownership Rights.

The Church promises, covenants and agrees that it will and shall bargain, sell, transfer, convey, deliver and assign all of its Ownership Interests to LFB. The Church hereby grants all of its Ownership Rights to LFB. LFB promises, covenants and agrees that it will accept, purchase and acquire all of the Church's Ownership Interests from the Church. LFB hereby accepts the grant of the Church's Ownership Rights.

2.2 Benefit and Payment to the Church. At the time of the transfer of the Ownership Interests at the Closing, LFB shall (i) distribute and pay to the Church, and/or to the Trust, as designated by the Church, the total sum of One Million Dollars (\$1,000,000.00) in immediately available funds (the "Purchase Price"); (ii) pay off the entire principal and interest outstanding under the Church Notes; and (iii) pay the reasonable attorney's fees incurred by the Church with respect to the transactions contemplated by this Agreement in an amount agreed upon by the parties. The Church Notes to be so paid are listed on Schedule 2.2 to this Agreement.

2.3 Closing. The Closing of the transactions contemplated by this Agreement will take place in the offices of Penn, Stuart & Eskridge at 804 Anderson Street, Bristol, Tennessee 37620, no later than thirty (30) days after the satisfaction of the conditions described in Section 2.6. The Closing shall occur on a date and time mutually agreed upon by the parties, or in the absence of such agreement at 10:00 o'clock on the 21st day following the satisfaction of such conditions, or, if the 21st day falls on a Saturday, Sunday, or legal holiday, on the first business day thereafter.

2.4 Deliveries at the Closing.

- (a) At the Closing, the Church will deliver to LFB the following:
- (i) The stock certificate or certificates evidencing all of the Church's Ownership Interests, duly endorsed, together with an appropriate stock power or powers and, if requested by LFB, an assignment of the Church's Ownership Interests, in agreed upon form, all duly executed and acknowledged;
 - (ii) Resolutions fully authorizing and approving the entering into and performing by the Church of this Agreement and the transactions contemplated thereby approved by the Official Board of the Church and the members of the Church;
 - (ii) Receipts from the Church and/or the Trust, as applicable, for the Purchase Price; and

- (iii) Any and all of the books, records, files, information, data, documents, electronic data and other records of or pertaining to Living Faith, including, without limitation, its corporate minute book, in the custody, possession or control of the Church (which delivery may be postponed by the parties in an executed writing for a reasonable period of time after the Closing).

(b) At the Closing, LFB shall deliver to the Church the following:

- (i) The Purchase Price, paid either to the Church or the Trust, or in part to each, as designated by the Church;
- (ii) Funds sufficient to pay the Church Notes as identified in Schedule 2.2 to this Agreement, in full as of the date of Closing, which the Church shall use and apply solely for such purpose at the Closing;
- (iii) Resolutions of the Board of Directors of LFB fully authorizing and approving the transactions contemplated by this Agreement; and
- (iv) Funds sufficient to pay reasonable attorney's fees and expenses incurred by the Church with respect to the transactions contemplated by this Agreement in an amount agreed upon by the parties.

(c) At the Closing, the parties agree to execute any and all other closing statements, certificates, applications, instruments and other documents reasonably necessary or desirable to accomplish the intended purposes of this Agreement and the transactions contemplated thereby.

2.6 Conditions to Closing. The Closing of the transactions contemplated by this Agreement is expressly subject to the following conditions having been satisfied on or before the date of Closing:

- (i) The approval of the FCC of the transfer of the ownership of the Stations to LFB pursuant to this Agreement, with any and all approvals of the transfer to and holding of the Licenses by LFB as they will be held after the Closing under this Agreement;
- (ii) The receipt of an opinion from qualified tax counsel, in a form acceptable to the parties, that the transfer of the Ownership Interests and other transactions contemplated by this Agreement will have no adverse effect on the tax-exempt status, or application for tax-exempt status, as applicable, of Living Faith, LFB, the Trust, or the Church; and

- (iii) LFB's obtaining the Loan on terms and conditions reasonably acceptable to it.

2.7 **Fulfillment of Conditions.** In the event all of the conditions to the Closing specified in Section 2.6 have not been satisfied within twelve (12) months from the Effective Date, the Church or LFB may terminate this Agreement upon thirty (30) days written notice to the other party; provided, however, that if substantial progress has been made with respect to the applications to, and approvals of, the FCC and IRS, and LFB has provided reasonable evidence thereof to the Church and its counsel, LFB may extend the subject period for an additional three (3) months. In the event FCC and IRS approvals are delayed due to interference by or objections of any third parties, or due to any unforeseen changes in FCC or IRS requirements or regulations, or acts of God or terrorism, the time period for the obtainment of that specific approval shall be extended for a period of time equal to the delay resulting therefrom.

ARTICLE III WARRANTIES AND REPRESENTATIONS

3.1 **Warranties and Representations of the Church.** The Church represents and warrants to LFB, as follows:

- (a) The Church is tax-exempt for federal and state income tax purposes;
- (b) The Church is fully authorized to enter into and perform its duties and obligations under this Agreement and to effect the transactions contemplated under it and all approvals required to authorize such transactions on the part of the Church have been obtained;
- (c) The entering into and performance of the Church's duties and obligations under this Agreement will not interfere with any rights, privileges or interests of any third party, will not violate any agreement or instrument to which the Church is a party or by which it is bound, and has been fully and duly authorized by the Official Board and members of the Church;
- (d) The Church is the true and lawful owner of Ownership Interests and the Ownership Interests and owns and holds the same free and clear of any and all security interests, liens, encumbrances and rights of third parties; provided however, there is excepted any claims of ownership by the Estate of Buford Smith or an heir of Buford Smith, the validity of which the Church strongly contests and disputes; and

- (e) The Church will only use, and allow the use of, the Purchase Price and the proceeds thereof solely for purposes that are tax-exempt under Section 501(c)(3) of the IRC.

3.1A. **Disclaimer.** The Church has made, and makes, no representation or warranty as to the financial status or condition, adequacy of management, tax-exempt status, or operational or market value of Living Faith, or as to the title to Living Faith's assets.

3.2 **Warranties and Representations of LFB.** LFB warrants and represents to the Church, as follows:

- (a) LFB has applied for, or will promptly apply for, federal tax-exempt status and will diligently pursue the same;
- (b) LFB is fully authorized to enter into and perform its duties and obligations under this Agreement and to effect the transactions contemplated under it and all actions required to authorize such transactions on the part of LFB have been obtained;
- (c) The entering into and performance of LFB's duties and obligations under this Agreement will not interfere with any rights, privileges or interests of any third party, will not violate any agreement or instrument to which LFB is a party or by which it is bound, and has been fully and duly authorized by LFB's Board of Directors;
- (d) LFB has applied for the Loan and will diligently pursue and use its best efforts to consummate the Loan. LFB has a good faith basis, based on unofficial oral assurances, of the availability of the Loan on acceptable terms and conditions;
- (e) LFB has a reasonable and good faith basis to believe that a Gregory Party will guarantee or collateralize the Loan.

3.2A. **Acknowledgement of Investigation.** LFB has fully investigated the operations, financial condition and management of Living Faith and has satisfied itself as to the management, method of operations, financial condition and value of Living Faith and the title to its assets.

3.3 **Duration of Warranties and Representations.** The warranties and representations made by the Church in Section 3.1 and LFB in Section 3.2 shall survive the Closing for a period of five (5) years.

3.4 **Indemnification and Remedy for Breach of Warranties and Representations.** The Church and LFB, respectively, agree to and will indemnify and hold the other harmless from any and all claims, liabilities, damages, actions, demands, and obligations arising from or

relating to a breach of any warranty or representation by the breaching party, including but not limited to reasonable attorney's fees, costs and expenses, that arise during and within the five (5) year period described in Section 3.3. The indemnification provided for in this Section 3.4 shall be the sole and exclusive remedy available with respect to a breach of any warranty or representation.

3.5 Indemnification Procedures.

(a) Notice of Claims.

- (i) An indemnified party shall give the indemnifying party notice of any matter which the indemnified party has determined has given or is reasonably likely to give rise to a right of indemnification under this Article III, within ten (10) days of such determination, stating the amount of the loss or claim, if known, and method of computation thereof, describing it in reasonable detail and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises.
- (ii) The failure of the indemnified party to provide notice as set forth in this Section 3.5(a) shall not release the indemnifying party from any of its obligations under this Article III except to the extent the indemnifying party is materially prejudiced by such failure.

(b) Claims for Indemnification. Any claim for indemnification shall be conclusive in all respects forty-five (45) days after receipt by the other party of notice thereof, unless within such period the indemnifying party shall have sent to the party seeking indemnification notice questioning or contesting the propriety of the claim.

(c) Defense of Third Party Claims. The indemnifying party shall be entitled to assume and control the defense of any claim made by a third party that is subject to indemnification hereunder at its expense and through counsel of its choice, reasonably satisfactory to the indemnified party, if it gives notice of its intention to do so to the indemnified party within fifteen (15) days of the receipt of such notice of the claim from the indemnified party, provided that the indemnified party may employ separate counsel at its expense and participate in the defense thereof. In the event the indemnifying party exercises the right to undertake any such third party claim as provided above, the indemnified party shall fully cooperate with the indemnifying party in such defense and make available to the indemnifying party, at the indemnifying party's expense, all witnesses, pertinent records, materials and information in the indemnified party's possession or under the indemnified party's control relating thereto as is reasonably requested by the indemnifying party. No such third party claim the defense of which has been assumed by the indemnifying party may be settled by the indemnifying party without the written consent of the indemnified party (not to be unreasonably withheld) unless such settlement includes a full and unconditional release of the indemnified party. In the event that the indemnifying party does not elect to assume and control the defense of a third party claim, and the indemnified party is, directly or indirectly, conducting the defense

against any third party claim, the indemnifying party shall fully cooperate with the indemnified party in such defense and make available to the indemnified party, at the indemnifying party's expense, all such witnesses, pertinent records, materials and information in the indemnifying party's possession or under the indemnifying party's control relating thereto as is reasonably requested by the indemnified party.

ARTICLE IV EXPRESS INTENT AND PURPOSE OF THE PARTIES

4.1 Intent of the Parties. It is the express intent, purpose and desire of the Church and LFB that from and after the Closing, the Church, on the one hand, and Living Faith and LFB, on the other hand, will exist and operate as independent and separate legal entities in all respects and that neither shall have, claim or assert any ownership, governance or managerial rights or privileges concerning the other. Each party shall use its best efforts, in good faith, to ensure that its respective officers, directors, trustees, managers, employees and agents act in accordance with this expressed intent and desire.

ARTICLE V COVENANTS OF THE PARTIES

5.1 Covenants of LFB. LFB promises, agrees and covenants with the Church, as follows (the "LFB Covenants"):

- (a) After the execution of this Agreement, its Board and officers will diligently and in good faith cooperate with the Church with respect to this Agreement and the transactions contemplated under it, promote the Closing of such transactions, and refrain from any acts or omissions that would have a material adverse effect on the likelihood of the consummation of such transactions;
- (b) Promptly after the execution of the Agreement by the last party to sign it, LFB will apply for the approvals or confirmation of the FCC and IRS described in Sections 2.6(i) and (ii) above and will use its best efforts to diligently pursue the same, with all costs of such applications and their respective pursuit being paid by LFB; and
- (c) Upon the execution of this Agreement by all parties, LFB shall use its best efforts to diligently pursue and secure the Loan, which it has applied for prior to its execution of this Agreement.

5.2 Covenants of the Church. The Church promises, agrees and covenants with LFB, as follows (the "Church's Covenants"):

- (a) After the execution of this Agreement its Official Board and its officers will diligently and in good faith cooperate with LFB with respect to this Agreement and the transactions contemplated under it, promote the

Closing of such transactions, and refrain from any acts or omissions that would have a material adverse effect on the likelihood of the consummation of such transactions; and

- (b) That it will reasonably assist and cooperate with LFB, when and as appropriate, with respect to the approvals of the FCC and the IRS described in Section 2.6(i) and (ii) above, and the Loan, but will not be legally responsible for the securing of the same.

5.3 Post-Closing Obligations of the Church. After the Closing, the Church promises, agrees and covenants that (“Church’s Post-Closing Covenants”):

- (i) The Church will remain tax-exempt for federal income tax purposes;
- (ii) That the Purchase Price and the proceeds thereof will be used solely for purposes that are tax-exempt under Section 501(c)(3) of the IRC and the Church shall take appropriate steps to insure that the use of such funds is so restricted; and
- (iii) The Trust will be organized and maintained as a tax-exempt and non-profit entity for federal and state income tax purposes.

5.4 Post-Closing Obligations of LFB. After the Closing, LFB promises, agrees and covenants that (“LFB’s Post-Closing Covenants”):

- (i) LFB will remain tax-exempt for federal income tax purposes;
- (ii) LFB will operate the Stations as a Christian broadcast ministry, spreading the Word of God as found in the Scriptures;
- (iii) LFB will take no action to interfere with the Church’s or the Trust’s receipt of the Purchase Price and will refuse, and will not accept, and after the Closing will cause Living Faith to refuse and not accept, any monetary or property contribution from the Church or the Trust. LFB and Living Faith may, however, accept monetary and property contributions from individual members of the Church; and
- (iv) LFB will act to assure that Mary Lou Smith, a long time employee of Living Faith’s and widow of the Church’s late beloved Pastor Buford Smith (himself the former President of Living Faith), is cared for and her living expenses seen to by Living Faith, in accordance with and subject to applicable IRS guidelines for tax-exempt entities.

5.5 Potential Division of Net Proceeds of Sale

(a) In the event that, notwithstanding Living Faith's best efforts in good faith to do so, Living Faith can no longer sustain the operation of the Stations, or any of them, financially or operationally so that it becomes necessary in the judgment of LFB's or Living Faith's Board of Directors for one or more of the Stations to be sold to a third party or parties, LFB promises, agrees and covenants to pay, or cause to be paid, forty-five percent (45.00%) of the Net Proceeds it or Living Faith receives from any such sale to the Church. For these purposes, "Net Proceeds" shall mean the net amount actually received by LFB or Living Faith from any such sale of a Station or Stations (after the payment of any indebtedness of the subject Station or Stations), but only to the extent such Net Proceeds exceed the total of (i) One Million Dollars (\$1,000,000.00), the amount of the Purchase Price, for all of the Stations, or \$600,000.00 for the Washington County Station, WLFG-TV/DTV, \$200,000.00 for the Bland County station, WLFB-TV/DTV and \$200,000.00 for the Harlan County, Kentucky station, WAGV-TV/DTV; (ii) the amount of the Church Notes and the Church's attorney's fees and expenses paid by LFB at the Closing; and (iii) the undepreciated cost of any additional capital equipment or real estate improvements made on or for any of the Stations by Living Faith or LFB after the Closing. The costs, expenses, attorney's fees and other charges incurred and paid by Living Faith and LFB with respect to the subject sale shall be deducted in determining the Net Proceeds. The Church's share of the Net Proceeds shall be paid to the Church within seven (7) days of their receipt. If for some reason Living Faith or LFB is required to refund or repay all or any portion of the Net Proceeds to a purchaser, the Church be responsible for the payment of its pro rata share of such refund or repayment, including any interest, which shall in no event exceed the amount of the Net Proceeds the Church received; provided however, Living Faith and LFB shall use all reasonable steps, at their sole expense, to contest any obligation to make a refund or repayment should reasonable grounds exist to do so.

(b) The provisions of this Section 5.5 only apply to the sale and transfer of any one or more of the Stations or to a "cash out" merger by which a for-profit entity acquires Living Faith for valuable consideration. Such provisions do not apply to a sale or merger by Living Faith with or into another federal tax-exempt entity engaged in Christian work or broadcasting; provided that the obligations of LFB and Living Faith under Section 5.5 shall continue to be binding upon LFB, Living Faith and such buyer or acquirer for up to a period of ten (10) years from the date of Closing in accordance with the provisions of Section 5.6.

(c) The Church may assign its rights under this Section 5.5 to the Trust, subject to the terms of this Agreement, if the Trust agrees in writing in an appropriate form to be subject to and bound by the terms and provisions of Section 5.5 and provides a duly executed original of such agreement to LFB.

5.6 Extent of LFB's Post-Closing Obligations. The obligations of LFB (and, if applicable, Living Faith) under Sections 5.4 and 5.5 above will expire and terminate ten (10) years from the date of the Closing or upon the termination or dissolution of the Church, whichever occurs first. Such obligations under Section 5.4 above shall also expire and terminate in the event of any change in the IRC or the IRS's interpretation of the IRC so as to prohibit a tax-exempt entity from owning or operating the Stations for the purposes of broadcasting

Christian television ministries. Such obligations under Section 5.5 will also terminate and expire in the event the Church or the Trust is no longer tax-exempt for federal income tax purposes. The obligation of LFB and Living Faith to make the payment of the Net Proceeds under Section 5.5 shall not apply if doing so would result in a loss of or jeopardize LFB's, Living Faith's, the Church's or the Trust's tax-exempt status for federal income purposes, or result in a violation of the intermediate sanctions as promulgated by the IRS or result in a violation of or the imposition of a fine or penalty under any other provision of the IRC or applicable law.

5.7 No Denominational Preference Required. Nothing in this Agreement shall require or obligate Living Faith to broadcast its television ministry in the form of any particular Christian denomination.

ARTICLE VI INTERIM PERIOD

6.1 Operation of Living Faith in the Interim Period. During the Interim Period, the parties agree that Living Faith shall be operated and managed, and shall conduct its activities and affairs, in a method and manner designed to assure its financial survival, which method and manner shall be determined and directed by LFB. During this period, the parties agree that : (i) the activities and operations of Living Faith shall continue in their due and ordinary course; (ii) Living Faith shall not incur any indebtedness or loans (other than the Loan) or engage in any activities outside of the ordinary course of its business unless necessary for the continuation of Living Faith's operations as determined in good faith by its Board of Directors; (iii) no distribution (whether of cash or other property) will be made; and (iv) Living Faith's Licenses and operations will be preserved intact. However, the parties agree that promptly after the execution of this Agreement, the Restated Articles of Incorporation of LFM shall be amended to delete Sections 3(a) and 3(d) thereof and that a copy of such amendment shall be provided to the IRS.

6.2 Extraordinary Event. In the event the occurrence of any fire, flood, wind storm or other casualty, or the revocation or attempted revocation of any of the Licenses or of Living Faith's federal tax-exempt status, or other material adverse event during the Interim Period that was not foreseeable as of the date of the entering into of this Agreement, LFB shall have the option to terminate this Agreement upon thirty (30) days written notice.

6.3 Management During Interim Period. The parties acknowledge that LFB is a newly-organized entity formed for the purpose of acquiring the Ownership Interests and, thereafter, operating the Stations as a Christian ministry. The parties further acknowledge that after the Closing, LFB plans and intends to operate and conduct its operations and affairs using essentially the same personnel, officers and employees as Living Faith has done at the same facilities and with the same equipment. The Church and Living Faith acknowledge that certain of the officers and/or members of the Board of Directors of Living Faith are key to the conduct of such operations and affairs, both by Living Faith and by LFB. All parties expressly waive any conflict of interest resulting from these circumstances and consent to the same.

ARTICLE VII MISCELLANEOUS

7.1 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or mailed by registered or certified mail (return receipt requested) and sent by email and facsimile to the parties at the following addresses and telecopy numbers (or at such other address or number for a party as shall be specified by like notice):

If to Church: Board of Trustees, Free Pentecostal Church of God
 of Tookland, Virginia
 P.O. Box 44
 Vansant, Virginia 24656
 Facsimile: 276/935-8857

with a copy to:

James W. Elliott, Esquire
Elliott, Lawson & Minor.
P.O. Box 8400
Bristol, VA 24203
Facsimile: 276/466-8161
Email address: jelliott@elliottlawson.com

If to LFB:

Mr. Mike Smith
8594 Hidden Valley Road
Abingdon, VA 24210
Facsimile: 276/628-9633
Email address: Mike@livingfaithtelevision.com

with a copy to:

W. Challen Walling, Esquire
Penn, Stuart & Eskridge
P.O. Box 2009
Bristol, VA 24203
Facsimile: 423/793-4851
Email address: cwalling@pennstuart.com

or any such other addresses as the parties may from time to time designate in writing.

7.2 **Further Assurances.** Each party agrees to cooperate fully with the other party and to execute such further instruments, documents and agreements and to give such further

written assurances as may be reasonably requested by any other party to evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Agreement.

7.3 Governing Law. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the Commonwealth of Virginia (without giving effect to its choice of law principles).

7.4 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts (including a facsimile) have been signed by each of the parties and delivered to the other party.

7.5 Interpretation. When a reference is made in this Agreement to Sections, Schedules or Exhibits, such reference shall be to a Section, Schedule or Exhibit to this Agreement unless otherwise indicated. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." As used in this Agreement, the masculine, feminine or neuter gender, and the singular or plural, shall be deemed to include the others whenever the context so requires. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

7.6 Entire Agreement. This Agreement, all Schedules and Exhibits hereto and all documents, instruments and agreements to be delivered by the parties pursuant hereto, represent the entire understanding and agreement among the parties hereto with respect to the subject matter hereof, supersede all prior negotiations, agreements and understandings, both written and oral among such parties, and are not intended to confer upon any other person any rights or remedies hereunder, except as otherwise expressly provided herein.

7.7 Amendment. This Agreement can be amended, supplemented or changed only by an agreement in writing which makes specific reference to this Agreement and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought.

7.8 Mutual Drafting. This Agreement is the joint product of the Church and LFB, and each provision hereof has been subject to the mutual consultation, negotiation and agreement of the Church and LFB, and shall not be construed for or against any party hereto.

7.9 Expenses. Except as set forth in Section 2.5(b)(iv) or otherwise in this Agreement, all costs and expenses, including, without limitation, fees and disbursements 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 costs and expenses, whether or not the Closing shall have occurred.

7.10 Third Party Beneficiary Rights. There are no third party beneficiaries of this Agreement. No provision of this Agreement is intended, nor will be interpreted, to provide or

create any third party beneficiary rights or any other rights of any person, affiliate, employee, or any party hereto or any other person or entity unless specifically provided otherwise herein, and, except as so provided, all provisions hereof will be personal solely between the parties to this Agreement.

7.11 Assignment. Except as expressly allowed in this Agreement, no party may assign or transfer, in whole or part, any of its rights, benefits, duties or obligations under this Agreement.

7.12 Survival of Covenants. Except as otherwise specifically set forth in this Agreement, the terms, covenants, obligations, representations and warranties of all parties shall survive the Closing.

7.13 Severability. If any provision of this Agreement, or the application thereof, will for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the purposes of the void or unenforceable provision.

7.14 Public Announcements. Prior to the Closing, the parties to this Agreement shall not make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media other than through one or more mutually agreed upon press releases.

7.15 Waiver. No failure or delay on the part of any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof except as explicitly provided herein, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the day and year first above written.

FREE PENTECOSTAL CHURCH OF GOD OF
TOOKLAND, VIRGINIA
By Its Official Board

By: Basil Matney
Name: Basil Matney
Title: Deacon
Date Signed: 10-27-04, 2004

By: Hufford B. Belcher
Name: Hufford Bart Belcher
Title: Trustee
Date Signed: 10-3, 2004

By: Billy Lester
Name: Bill Lester
Title: Deacon
Date Signed: 10-3-04, 2004

By: Ronnie Clevinger
Name: Ronnie Clevinger
Title: Trustee
Date Signed: Oct. 3, 2004

By: Tim R. Herring
Name: Tim Herring
Title: Trustee
Date Signed: 10-3-04, 2004

By: Fredia Keene
Name: Fredia Keene
Title: General Secretary/Treasurer
Date Signed: 10-3, 2004

LIVING FAITH BROADCASTING, INC.

By: Michael David Smith
Name: Michael David Smith
Title: President
Date Signed: 10/03, 2004

**A RESOLUTION OF THE MEMBERSHIP
OF THE
FREE PENTECOSTAL CHURCH OF GOD
OF TOOKLAND, VIRGINIA**

THIS RESOLUTION of the membership of the FREE PENTECOSTAL CHURCH OF GOD OF TOOKLAND, VIRGINIA, made this 3d day of October, 2004:

WHEREAS, the Free Pentecostal Church of God of Tookland, Virginia (the "Church") is an independent Pentecostal church located in Grundy, Buchanan County, Virginia, and

WHEREAS, the Church owns all of the ownership interest and stock in Living Faith Ministries, Inc., a Virginia corporation ("Living Faith"), established to broadcast a Christian television ministry through its television stations, and

WHEREAS, the Church and its members have been involved with and spiritually and financially supported Living Faith from its founding by the long-time pastor of the Church, Brother Buford Smith, and

WHEREAS, Preacher Smith expanded the stations so that Living Faith now owns and operates three television stations with general corporate offices located in Grundy, Buchanan County, Virginia, and broadcasting facilities located in Washington County, Virginia and its transmitters and antennas are located in Washington County and Bland County, Virginia and Harlan County, Kentucky, and

WHEREAS, for sometime now, the cost of operating the ministry has greatly exceeded the financial capacity of the Church to support, and

WHEREAS, to assure the financial continuation of the ministry it has become necessary to separate the television stations from the Church, so that each can more effectively seek and achieve its own needs and to follow its own path and mission, and

WHEREAS, Living Faith Broadcasting, Inc. ("LFB") has been founded to operate as a Bible based Christian broadcasting ministry, and it has represented that it has the financial ability to continue to operate the stations for this Christian purpose and has offered to purchase the stock in Living Faith and to pay certain liabilities of the Church, and

WHEREAS, there has been presented to this meeting an agreement (the "Agreement") to sell to LFB the stock of the Church for certain consideration which the Official Board of the Church has negotiated and recommends to the membership hereof, it is

RESOLVED by the membership of the Free Pentecostal Church of God of Tookland, Virginia that the Church sell to Living Faith Broadcasting, Inc. all of the Church's interest in Living Faith Ministries, Inc. on the terms and conditions previously approved by the Official Board of the Church and set forth in the Agreement, which Agreement includes the following basic terms and conditions:

That LFB pay to the Church and to a trust set up for and by the Church in such percentages as the Church directs the sum of one million dollars cash, and

That LFB retire the present indebtedness of the Church, and

That LFB pay all the reasonable expenses of the Church's counsel incurred on behalf of the Church in this transaction, and

That LFB continue to operate the Stations as a Christian broadcast ministry, spreading the Word of God as found in the Scriptures,

That Living Faith shall continue to operate as a non-stock, non-profit and tax-exempt corporation, and

That LFB take no action to interfere with the Church's or the Trust's receipt of the Purchase Price and shall refuse, and not accept, and after the Closing cause Living Faith to refuse and not accept, any monetary or property contribution from the Church or the Trust, although LFB and Living Faith may accept monetary and property contributions from individual members of the Church.

It is FURTHER RESOLVED that the Official Board of the Church is hereby authorized and directed to execute and enter into the Agreement and, if necessary, to make such modifications to the Agreement subsequent to its execution as are necessary and in conformity with the purposes and intent of this Resolution and acceptable to LFB, but in no way to revise or change the Agreement so that the substance or effect of the Agreement, its basic terms, provisions, and purpose or the conditions approved by this Resolution are impaired in any way.