

**ASSET PURCHASE AGREEMENT**

by and among

The Z-Spanish Trust and The Z-Spanish II Trust  
(collectively, “Seller”)

and

Wolfhouse Radio Group, Inc. (“Buyer”)

Dated as of May 1, 2001

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## **EXHIBITS AND SCHEDULES**

### **EXHIBITS**

Exhibit A	Form of Promissory Note
Exhibit B	Form of Escrow Agreement
Exhibit C	Form of Security Agreement
Exhibit D	Form of Guaranty
Exhibit E	Form of Pledge Agreement
Exhibit F	Form of Post-Closing Indemnity Agreement

### **SCHEDULES**

Schedule 1.2(a)	Governmental Licenses
Schedule 1.2(b)	Personal Property
Schedule 1.2(c)	Assumed Contracts
Schedule 1.2(d)	Real Property
Schedule 1.2(e)	Programming
Schedule 1.2(f)	Intangible Property
Schedule 1.3	Excluded Assets
Schedule 4.2	Trade Agreements
Schedule 2.2	Allocation of Purchase Price
Disclosure Schedule Including:	Seller's Representations and Warranties
Schedule D-3	Conflicting Agreements/Required Consents
Schedule D-4	Litigation
Schedule D-5	FCC Actions
Schedule D-10	Employees
Schedule D-15	Insurance
Schedule D-18	Financing Statements

## **ASSET PURCHASE AGREEMENT**

This Asset Purchase Agreement (this "Agreement"), made as of the 1<sup>st</sup> day of May, 2001, is among The Z-Spanish Trust, a California trust, and The Z-Spanish II Trust, a California trust, jointly and severally for all purposes under this Agreement (collectively, "Seller"), and Wolfhouse Radio Group, Inc., a California corporation ("Buyer").

Seller is the licensee of and operates radio broadcast stations KZSL(FM), King City, KHNZ(FM), Soledad, and KTGE(AM), KCTY(AM), KHMZ(FM) and KRAY-FM, Salinas, California (collectively, the "Stations"), pursuant to licenses issued by the Federal Communications Commission (the "FCC").

Seller and Buyer have agreed that Seller will sell and Buyer will acquire substantially all of the assets used in the operation of the Stations on the terms and subject to the conditions set forth in this Agreement.

Buyer and Seller have entered into a Local Marketing Agreement ("LMA") dated as of February 28, 2001 pursuant to which Buyer has agreed to purchase and program time on the Stations on the conditions and for the term set forth therein.

Therefore, the parties agree as follows:

### **ARTICLE 1** **ASSETS TO BE CONVEYED**

**1.1. Closing.** Subject to **Section 10.1** (Termination Rights), the closing (the "Closing") of the sale and purchase of the Station Assets, as defined below, shall take place in the offices of Leventhal, Senter & Lerman P.L.L.C., 2000 K Street, N.W., Washington, D.C., at 10:00 a.m., local time, on the tenth business day following the satisfaction or waiver of the conditions set forth in **Sections 8.1 and 8.2** or at such other place, time or date as Buyer and Seller may agree in writing.

**1.2. Transfer of Station Assets.** At the Closing, Seller shall sell, assign, transfer and convey to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title and interest in and to the assets set forth in **Section 1.2(a)** through **Section 1.2(h)**, together with any additions thereto and replacements thereof between the date of this Agreement and the Closing Date (the "Station Assets"); *provided* that the Station Assets shall not include any of the assets specifically identified in **Section 1.3**.

(a) the licenses, permits and other authorizations, including any temporary waiver or special temporary authorization, issued by any governmental agency, including the

FCC (the “FCC Licenses”), in connection with the operation of the Stations, including the call letters “KRAY-FM,” “KZSL(FM),” “KHNZ(FM),” “KTGE(AM),” “KHMZ(FM)” and “KCTY(AM),” and any pending applications therefor, as set forth in Schedule 1.2(a) (collectively, including the FCC Licenses, the “Governmental Licenses”);

(b) the equipment, office furniture, fixtures, office materials and supplies, inventory, spare parts, motor vehicles and other tangible personal property of every kind and description, owned, leased or held by Seller and used, held for use or necessary in the operation of the Stations, as listed in Schedule 1.2(b) (the “Personal Property”);

(c) the Contracts listed with an asterisk in Schedule 1.2(c), and any other Contracts entered into by Seller between the date hereof and the Closing Date that Buyer specifically agrees in writing to accept (collectively, the “Assumed Contracts”);

(d) the real property, including leasehold interests and easements, used, held for use or necessary in the operation of the Stations, as listed in Schedule 1.2(d) (the “Real Property”);

(e) the programs and programming materials owned by Seller and used, held for use or necessary in the operation of the Stations, as set forth in Schedule 1.2(e);

(f) the trademarks, trade names, service marks, franchises, copyrights, jingles, logos, slogans, licenses, permits and privileges owned or held by Seller and used, held for use or necessary in the operation of the Stations, as listed in Schedule 1.2(f), and the goodwill associated with the Stations (the “Intangible Property”);

(g) the files, records, books of account, computer programs, software and logs relating specifically to operation of the Stations or which would be required for Buyer’s federal, state or local tax calculations and reporting, including payable records, receivable records, invoices, statements, traffic material, programming information and studies, technical information and engineering data, news and advertising studies and consultants’ reports, ratings reports, marketing and demographic data, sales correspondence lists of advertisers, promotional materials, credit and sales reports, budgets, financial reports and projections, sales, operating and business plans, filings with the FCC, and original executed copies of all written contracts to be assigned hereunder; and

(h) manufacturers’ and vendors’ warranties relating to items included in the Station Assets and all similar rights against third parties relating to items included in the Station Assets to the extent contractually assignable.

The Station Assets shall be conveyed to Buyer free and clear of all Liens.

**1.3. Excluded Assets.** The Station Assets shall not include any asset not listed in **Section 1.2(a)** through **Section 1.2(h)** and shall specifically exclude the following:

(a) duplicate copies of such records as necessary to enable Seller to prepare and file tax returns or reports;

(b) any cash, cash equivalents or similar type investments of Seller, such as certificates of deposit, Treasury bills, or other marketable securities on hand and/or in banks, deposits or prepaid expenses (unless subject to proration hereunder);

(c) any accounts or notes receivable arising out of the operation of the Stations for services performed or provided prior to the Commencement Date under the LMA (the "Accounts Receivable");

(d) any rights under insurance policies, including any insurance claims made by Seller prior to Closing, or the proceeds therefor, except for any rights that may be assigned to Buyer pursuant to **Section 7.8** (Risk of Loss; Insurance);

(e) any pension, profit sharing or cash or deferred (Section 401(k)) plans or trusts or the assets thereof or any other employee benefit plan or arrangement or the assets thereof;

(f) any employment agreements or collective bargaining agreements or any obligation or liability of any nature regarding the employment of any individual by Seller; or

(g) the personal property set forth in Schedule 1.3.

## **ARTICLE 2**

### **PURCHASE PRICE**

**2.1. Purchase Price.** The total consideration to be paid by Buyer for the Station Assets shall be \$5,750,000 (the "Purchase Price"). Of the Purchase Price, \$1,000,000 shall be paid in cash. The remaining \$4,750,000 of the Purchase Price shall be paid by delivery of a promissory note in the form of Exhibit A (the "Promissory Note"). The Purchase Price will be payable as follows:

(a) Simultaneous with the execution of this Agreement, Buyer shall deposit \$200,000 (the "Escrow Deposit") with Escrow Agent to be held and distributed pursuant to the Escrow Agreement in the form of Exhibit B (the "Escrow Agreement").

(b) At the Closing, Buyer shall pay Seller the cash portion of the Purchase Price, less the Escrow Deposit, and Seller and Buyer shall jointly direct the Escrow Agent to remit the Escrow Deposit to Seller and to return all interest earned thereon to Buyer. The amounts to be delivered to Seller pursuant to this **Section 2.1(b)** shall be paid by federal wire

transfer of immediately available funds pursuant to wire instructions that shall be delivered by Seller to Buyer at least two business days prior to the Closing Date.

(c) At the Closing, Buyer shall deliver the Promissory Note to Seller. Payment of the Promissory Note shall be secured by a security agreement in the form of Exhibit C, granting Seller a primary security interest in the Station Assets (excluding, except to the extent permitted under law, the FCC Licenses, but not the proceeds of any sale thereof) (the “Security Agreement”), a personal guaranty of Hector Villalobos in the form of Exhibit D (the “Guaranty”), and a pledge of the capital stock of Buyer in the form of Exhibit E (the “Pledge Agreement”). If there are any creditors of Buyer that are subordinate to Seller’s security interest in the Station Assets, Buyer will enter into subordination agreements with such creditors in form and substance reasonably agreeable to Seller (collectively, the “Subordination Agreements”).

(d) The Purchase Price shall be adjusted pursuant to **Section 4.1**; *provided* that any such adjustments shall be made to the cash portion of the Purchase Price and shall not affect the amount of the Promissory Note.

**2.2 Allocation of Purchase Price.** The Purchase Price shall be allocated among the Station Assets pursuant to a mutually-acceptable schedule to be prepared in a manner which complies with Section 1060 of the Internal Revenue Code. The allocation shall be consistently reported by Buyer and Seller on Form 8594. The proposed allocation schedule shall be provided to Buyer by Seller not later than 15 days prior to the Closing Date. In the event that the parties cannot agree on the allocation by the date of the Closing, the allocation shall be in accordance with an appraisal of the Station Assets to be prepared by a mutually-acceptable nationally-recognized broadcasting industry appraisal firm, the expenses of which firm shall be shared by the parties.

### **ARTICLE 3** **ASSUMPTION OF OBLIGATIONS**

**3.1. Assumption of Obligations.** Subject to the provisions of this article and **Article 4**, Buyer shall assume and undertake to pay, satisfy or discharge the liabilities, obligations and commitments of Seller arising and accruing after the Effective Time under the Assumed Contracts and the Real Property leases.

**3.2. Limitation.** Except as set forth in **Section 3.1**, Buyer expressly does not, and shall not, assume or be deemed to assume, under this Agreement or otherwise by reason of the transactions contemplated hereby, any liabilities, obligations or commitments of Seller of any nature whatsoever.

**ARTICLE 4**  
**PRORATIONS; ACCOUNTS RECEIVABLE**

**4.1. Proration of Income and Expenses.** Except as otherwise provided in the LMA, all income and expenses arising from the conduct of the business and operation of the Stations shall be prorated between Buyer and Seller as of the Effective Time in accordance with GAAP. Such prorations shall be based upon the principle that Seller shall be entitled to all income earned and shall be responsible for all liabilities and obligations accruing in connection with the operation of the Stations until the Effective Time, and Buyer shall be entitled to all income earned and (subject to **Section 3.2** above) all liabilities and obligations accruing thereafter in connection with the operation of the Stations. Such prorations shall include all *ad valorem* and other property taxes (but excluding taxes arising by reason of the transfer of the Station Assets as contemplated hereby, which shall be paid as set forth in **Section 4.1** of this Agreement), music license fees, deposits, utility expenses, FCC regulatory fees, liabilities and obligations under all Assumed Contracts, rents and similar prepaid and deferred items and all other expenses attributable to the ownership and operation of the Stations. To the extent that FCC regulatory fees for the current year have not been announced by the FCC prior to Closing, the parties shall prorate such fees in accordance with the FCC regulatory fees assessed for the preceding year. The prorations shall also include the salaries and benefits of those employees of Seller to which Buyer extends offers that become employees of Buyer; *provided, however*, that such salaries and benefits shall be prorated only to the extent that they are consistent with Buyer's policies.

**4.2. Trade Agreements.** Liabilities and obligations under Trade Agreements to be assumed by Buyer shall be prorated in favor of Buyer to the extent that the total liability of the Stations for air time under such agreements as of the Commencement Date of the LMA exceeds the total of the vendors' prices (as of the date of each Trade Agreement) for the services or property to be received by Buyer under such agreements after the Commencement Date of the LMA. The liability of the Stations for unperformed time under a Trade Agreement as of the Commencement Date of the LMA shall be valued according to the terms of the Trade Agreement. Notwithstanding the foregoing, there will be no proration in favor of Buyer unless the difference between the trade payables and the trade receivables exceed \$5,000.00. There shall be no proration in favor of Seller with respect to Trade Agreements. All Trade Agreements and the balance of payables and receivables currently outstanding as to each are listed on Schedule 4.2.

**4.3. Payment of Proration Items.** Five business days prior to the Closing, Seller shall deliver to Buyer a preliminary list of all items to be prorated pursuant to **Section 4.1** and, to the extent feasible, such prorations and adjustments shall be made at the Closing. In the event Buyer and Seller do not reach a final agreement on such prorations and adjustments prior to the Closing, Buyer shall deliver to Seller a schedule of its proposed prorations and adjustments (which shall set forth in reasonable detail the basis for those determinations) (the "Proration Schedule") no later than 45 days after the Closing Date. The

Proration Schedule shall be conclusive and binding upon Seller unless Seller provides Buyer with written notice of objection (the "Notice of Disagreement") within 30 days after Seller's receipt of the Proration Schedule, which notice shall state the prorations of expenses proposed by Seller (the "Seller's Proration Amount"). Buyer shall have 20 days from receipt of a Notice of Disagreement to accept or reject Seller's Proration Amount. If Buyer rejects Seller's Proration Amount, the dispute shall be submitted within ten days to a mutually acceptable accounting firm (the "Referee") for resolution of the dispute, such resolution to be made within 30 days after submission to the Referee and to be final, conclusive and binding on Seller and Buyer. Buyer and Seller agree to share equally the cost and expenses of the Referee, but each party shall bear its own legal and other expenses, if any. Payment by Buyer or Seller, as the case may be, for the proration amounts determined pursuant to this **Section 4.3** shall be due 15 days after the last to occur of the following: (a) Seller's acceptance of the Proration Schedule or failure to give Buyer a timely Notice of Disagreement; (b) Buyer's acceptance of Seller's Proration Amount or failure to reject Seller's Proration Amount within 20 days of receipt of a Notice of Disagreement; and (c) notice to Seller and Buyer of the resolution of the disputed amount by the Referee.

**4.4. Interest.** If either Buyer or Seller fails to timely pay any amount due pursuant to this **Article 4** within five days of the due date under this Agreement, such amount shall bear annual interest at a fluctuating rate equal to the Prime Rate plus 2% from the date such amount was due until the date such amount is paid, and such interest shall be payable upon demand.

**4.5. Accounts Receivable.** On the Commencement Date of the LMA, Seller will assign the Accounts Receivable to Buyer for purposes of collection only. Buyer will collect the Accounts Receivable as Seller's agent in the same manner and with the same diligence that Buyer uses to collect its own accounts receivable until 120 days following the Closing Date (the "Collection Period"); *provided* that Buyer shall not be obligated to institute litigation, employ any collection agency, legal counsel or other third party, or take any other extraordinary means of collection; and *further provided* that Buyer shall not compromise, settle or adjust any of the Accounts Receivable without receiving the written approval of Seller. Within ten business days after the Commencement Date of the LMA, Seller shall deliver to Buyer a complete and detailed statement of each Account Receivable, including a statement showing all commissions owing with respect to such receivables, if any (the "Receivable Statement"). Neither Seller nor its agents will make any solicitation of such Accounts Receivable for collection purposes nor will Seller or its agents institute litigation for the collection of any Accounts Receivable during the Collection Period, except with respect to Accounts Receivable returned to Seller for collection as set forth below. Within ten days of the end of the Collection Period, Buyer shall pay to Seller all amounts collected by Buyer on the Accounts Receivable. Buyer may deduct from such collections remitted to Seller any commissions which may be due to any firm or individual subsequently hired by Buyer with respect to such collections (as indicated on the Receivable Statement) and, if so, shall remit such commissions to the appropriate person; otherwise, Seller shall be solely responsible for the payment of all commissions earned with respect to such collections. All

amounts received by Buyer from account debtors included among the Accounts Receivable shall be applied first to the Accounts Receivable, unless the account debtor specifically disputes a receivable or instructs that the payment be otherwise applied. If during the Collection Period an account debtor disputes an account included among the Accounts Receivable, Buyer may return that account to Seller for collection, and Buyer shall have no further obligations concerning such account. At the end of the Collection Period, any remaining Accounts Receivable shall be reassigned to Seller and thereafter Buyer shall have no further obligation with respect to the Accounts Receivable.

## **ARTICLE 5**

### **REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller as follows:

**5.1. Organization and Standing.** Buyer is a corporation duly formed, validly existing and in good standing under the laws of the State of California.

**5.2. Authorization and Binding Obligation.** Buyer has all necessary power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The Agreement has been duly and validly authorized by all necessary action on Buyer's part, and this Agreement has been duly executed and delivered by Buyer and constitutes a valid and binding obligation enforceable against Buyer in accordance with its terms.

**5.3. FCC Qualifications.** To Buyer's knowledge: (a) Buyer is qualified under the Act and FCC Regulations to be the licensee of the FCC Licenses; (b) except as previously disclosed to Seller, there is no reason that the FCC would delay the grant of the FCC Application; and (c) consummation of the transactions contemplated hereby will not require waiver of any FCC Regulation.

**5.4. Absence of Conflicting Agreements or Required Consents.** Except as set forth in **Article 6** with respect to the FCC Consent, the execution, delivery and performance of this Agreement by Buyer: (a) do not and will not violate any provisions of Buyer's organizational documents; (b) do not and will not require the consent or approval of or any filing with any third party or governmental authority; (c) do not and will not violate any applicable law, judgment, order, injunction, decree, rule, regulation or ruling of any governmental authority; and (d) do not and will not, either alone or with the giving of notice or the passage of time, or both, conflict with, constitute grounds for termination or acceleration of, or result in a breach of the terms, conditions or provisions of, or constitute a default under any agreement, lease, instrument, license or permit to which Buyer is subject. There is no litigation, or, to Buyer's knowledge, threatened, that might adversely affect Buyer's ability to consummate the transactions contemplated by this Agreement.

**5.5. Broker's Fees.** Neither Buyer nor any person or entity acting on Buyer's behalf has agreed to pay a commission, finder's fee or similar payment in connection with this Agreement or any matter related hereto to any person or entity, and no person or entity is entitled to any such payment from Buyer in connection with the transactions contemplated by this Agreement.

**5.6. Bankruptcy.** No insolvency proceedings of any character, including bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Buyer are pending or threatened, and Buyer has not made any assignment for the benefit of creditors or taken any action in contemplation of or which would constitute the basis for the institution of such insolvency proceedings.

**5.7. Finances.** Buyer has and at the Closing shall have financing on hand or from committed sources sufficient to consummate the transactions contemplated by this Agreement (exclusive of advances to be made by principals of Buyer and/or members of their immediate family).

**5.8. Disclosure.** To Buyer's knowledge, neither this Agreement nor any certificate or other document delivered in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits any statement of material fact necessary to make any statement contained herein or therein not misleading.

## **ARTICLE 6**

### **FCC CONSENT**

**6.1. FCC Consent.** The assignment of the FCC Licenses as contemplated by this Agreement is subject to the prior consent and approval of the FCC.

**6.2. FCC Application.** No more than 10 business days after the date of this Agreement, Buyer and Seller shall prepare and jointly file a complete FCC Application. Seller and Buyer shall thereafter prosecute the FCC Application in good faith and with all reasonable diligence and otherwise use their best efforts to obtain grant of the FCC Application as expeditiously as practicable; *provided* that neither Seller nor Buyer shall have any obligation to satisfy any complainant or the FCC by taking any steps which would have a material adverse effect upon Seller or Buyer or upon any Affiliate of either, but neither the expense nor inconvenience to a party of defending against a complainant or an inquiry by the FCC shall be considered a material adverse effect on such party. If the FCC Consent imposes any condition on any party hereto, such party shall use its best efforts to comply with such condition; *provided* that Buyer shall not be required to comply with any condition that would have a material adverse effect upon it or any of its Affiliates. If reconsideration or judicial review is sought with respect to the FCC Consent, the party or parties affected shall vigorously oppose such efforts for reconsideration or judicial review; *provided* that

nothing herein shall be construed to limit either party's right to terminate this Agreement pursuant to **Article 10**.

**6.3. FCC Filing Fees.** All FCC filing or grant fees shall be shared equally by Buyer and Seller. Each party shall otherwise bear its own costs and expenses (including the fees and disbursements of its counsel) in connection with the preparation of the portions of the FCC Application to be prepared by it and in connection with the processing and defense of such application.

## **ARTICLE 7** **COVENANTS**

**7.1. Conduct of Business.** Except as provided in the LMA, between the date of this Agreement and the Closing Date, except as expressly permitted by this Agreement or with the prior written consent of Buyer, but solely with respect to the purposes set forth in Section 10.1(a)(i) and Section 11.1 hereof, Seller shall:

- (a) operate each Station in the ordinary and prudent course of business consistent with past practices with the intent of preserving the ongoing operation and assets of the Station;
- (b) comply with all laws applicable to Seller or the Station Assets;
- (c) maintain the books, accounts and records relating to the business of the Stations in the usual, regular and ordinary manner;
- (d) take all actions necessary to maintain the FCC Licenses;
- (e) perform all material obligations relating to the business of the Stations;
- (f) refrain from selling, assigning, leasing or otherwise transferring or disposing of any of the Station Assets, except any Station Assets consumed or disposed of in the ordinary course of business, in which event such Station Assets will be replaced with assets of equal or greater value and utility;
- (g) refrain from creating, assuming or permitting to exist any of Lien upon the Station Assets, except for those in existence on the date of this Agreement, all of which shall be removed on or prior to the Closing Date unless specifically assumed by Buyer pursuant to this Agreement;
- (h) refrain from waiving any material right under any Assumed Contract or relating to the Stations or the Station Assets;

(i) timely make all payments required to be made under any Assumed Contract when due and otherwise pay all liabilities and satisfy all obligations when such liabilities and obligations become due;

(j) remove, cure, correct and repair prior to the Closing any deficiencies in the assets being sold under this Agreement and any violations under applicable statutes, rules, regulations, engineering standards or building, fire or zoning laws or regulations, which are inconsistent with Seller's representations, warranties and covenants contained in this Agreement; and

(k) maintain adequate insurance policies on the Stations and the Station Assets.

**7.2. Access to Stations.** Except as provided by the LMA, between the date of this Agreement and the Closing Date, Seller shall give Buyer and Buyer's counsel, accountants, engineers and other representatives reasonable access during normal business hours to all of Seller's properties, records and employees relating to the Stations and shall furnish Buyer with all information that Buyer reasonably requests. Without limiting the foregoing, Seller shall provide Buyer with copies of any of the following items in its possession: (a) environmental reports relating to the Station Assets; (b) surveys relating to the Real Property; and (c) title insurance policies issued with respect to the Real Property.

**7.3. No Solicitation.** Between the date of this Agreement and the Closing, neither Seller nor any Affiliate of Seller shall directly or indirectly: (a) solicit, initiate or encourage submission of any proposal or offer from any person relating to any acquisition or purchase of all or any substantial amount of the Station Assets, or any equity interest in Seller or any Station; or (b) participate in any discussion or negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate in any way, or assist or participate in, facilitate or encourage, any effort or attempt by any person to do or seek any of the foregoing. Seller shall promptly notify Buyer in writing if any such offer or proposal is made to it after the date of this Agreement.

#### **7.4. Notification**

(a) Seller shall notify Buyer of any litigation, arbitration or administrative proceeding pending or, to its knowledge, threatened against Seller or any Station which challenges the transactions contemplated hereby, and shall use its best efforts to take such steps as may be necessary to remove any such impediment to the transactions contemplated by this Agreement.

(b) Between the date of this Agreement and the Closing Date, Seller shall notify Buyer if the regular broadcast transmission of any Station from its main broadcast antenna at full authorized effective radiated power is interrupted or impaired for a period of more than

three consecutive hours or for any aggregate of six hours in any continuous two day period or 12 hours in any single 30 day period.

(c) Between the date of this Agreement and the Closing, Seller keep Buyer reasonably informed of all operational matters and business developments with respect to the Stations and their markets including any competitive changes.

(d) Buyer shall notify Seller of any party who will hold a security interest in the Stations' assets subordinate to that of Seller, provided further that Buyer shall not grant any such subordinate security interest (other than in connection with funding of the Purchase Price by loans from the principals of the Buyer or members of their immediate family, as permitted under Section 5.7) without the express written consent of Seller in Seller's sole discretion.

**7.5. Third-Party Consents.** Between the date of this Agreement and the Closing Date, Seller shall use its best efforts to obtain the consent of any third party necessary for the assignment to Buyer of any of the Assumed Contracts. In the event a consent or waiver required with respect to the assignment by Seller to Buyer of any of the Assumed Contracts has not have been obtained on or before the Closing Date, Seller shall use its best efforts to provide Buyer with the benefits of any such Assumed Contract (including permitting Buyer to enforce any rights of Seller under such Assumed Contract), and Buyer shall, to the extent Buyer is provided with the benefits of such Assumed Contract, perform all obligations of Seller thereunder.

**7.6 Estoppel Certificates.** Between the date of this Agreement and the Closing Date, Seller shall obtain an estoppel certificate from each landlord of Real Property and each lessor of leased Personal Property (collectively, the "*Estoppel Certificates*"). Each Estoppel Certificate shall identify with specificity the lease, and any amendments or modifications thereto, and the amount of the monthly payments due thereunder, and shall contain the landlord or lessor's certification for the benefit of Buyer that the lease is in full force and effect, that there are no uncured defaults with respect to such lease, and that Seller has been and is in full compliance with all of Seller's obligations thereunder.

**7.7. Pre-Closing Efforts.** Between the date of this Agreement and the Closing, each party shall use its reasonable efforts to cause the fulfillment at the earliest practicable date of all of the conditions to the obligations of the other party to consummate the sale and purchase under this Agreement. Neither party shall take any action which is materially inconsistent with its obligations under this Agreement or that would materially hinder or delay the consummation of the transactions contemplated by this Agreement. In particular, neither party shall take any action that would result in its disqualification to hold the FCC Licenses or in any way delay grant of the FCC Application or consummation of the transactions contemplated by this Agreement. Should either party become aware of any such fact or circumstance, such party shall promptly inform the other.

**7.8. Risk of Loss; Insurance.** Except as set forth in the LMA, the risk of loss or damage to the Station Assets prior to the Closing Date shall be upon Seller. Seller shall repair, replace and restore any damaged or lost item of Personal Property that is material to the operation of any Station to its prior condition as soon as possible and in no event later than the Effective Time. If Seller is unable or fails to repair, restore or replace a lost or damaged item prior to the Closing, Buyer may elect to either: (a) terminate this Agreement pursuant to **Article 10.1**; or (b) receive assignment of all insurance proceeds (plus payment of any deductible amounts under any insurance policies) and reduce the Purchase Price by the additional cost of such repairs, restoration or replacement and consummate the transactions contemplated by this Agreement on the Closing Date.

**7.9. Confidentiality.** Buyer and Seller shall each keep confidential all information obtained by it with respect to the other in connection with this Agreement, except where such information is known or available through other lawful sources or where its disclosure is required in accordance with applicable law. Neither party shall issue any press release or otherwise make any public disclosure concerning the transaction except as required by law or approved by the other party.

**7.10. Payment of Indebtedness; Financing.** Seller shall secure the release of all liens or encumbrances on the Station Assets that secure the payment of any indebtedness and shall deliver to Buyer at the Closing releases or terminations under the Uniform Commercial Code and any other applicable federal, state or local statutes or regulations of any financing or similar statements filed against any Station Assets in both: (a) the jurisdictions in which the Station Assets are and have been located since such Station Assets were acquired by Seller; and (b) any other location specified or required by applicable federal, state or local statutes or regulations.

**7.11. Bulk Sales Law.** Seller shall comply in all respects with any bulk sales law requirements that may be applicable to the transaction contemplated hereby.

**7.12. Control of Stations.** Except as provided by the LMA consistent with FCC Regulations, between the date of this Agreement and the Closing, Seller shall maintain control of the Stations, and Buyer shall not directly or indirectly control the operation of the Stations.

**7.13. Further Assurances.** Seller and Buyer shall cooperate and take such actions, and execute such other documents, at the Closing or subsequently, as may be reasonably requested by the other in order to carry out the provisions and purposes of this Agreement.

## **ARTICLE 8**

### **CONDITIONS PRECEDENT**

**8.1. To Buyer's Obligations.** The obligations of Buyer hereunder are, at its option, subject to satisfaction, at or prior to the Closing Date, of each of the following conditions:

(a) **Representations, Warranties and Covenants.**

(i) All representations and warranties contained in the Disclosure Schedule to this Agreement shall be true and complete in all material respects on and as of the Closing Date (except to the extent they expressly relate to an earlier time, in which case they shall have been true and correct only as of such earlier time) as if made on and as of that date.

(ii) All of the terms, covenants and conditions to be complied with or performed by Seller under this Agreement on or prior to Closing Date shall have been complied with or performed in all material respects.

(b) **FCC Consent.** The FCC Consent shall have been obtained, and such consent shall have become a Final Order.

(c) **DOJ Consent.** Approval or discontinuation of review by the U. S. Department of Justice, as necessary.

(d) **Third-Party Consents.** Seller shall have obtained and delivered to Buyer those third-party consents identified on Schedules 1.2(c) and 1.2(d) as "*Required Consents*" without any condition materially adverse to Buyer, and the Estoppel Certificates.

(e) **No Material Adverse Change.** There shall have been no material adverse change in the property or assets of any of the Stations.

(f) **Adverse Proceedings.** 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: (i) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (ii) questions the validity or legality of any transaction contemplated hereby; or (iii) seeks to enjoin any transaction contemplated hereby.

(g) **Environmental Studies.** Buyer shall be permitted to conduct, at its own expense and within 60 days from the execution of this Agreement, a Phase I and, if necessary, a Phase II environmental study of the Real Property, which shall be conducted by a qualified environmental firm reasonably acceptable to Seller. If any conditions are discovered in the course of such studies which violate any applicable Environmental Law, Buyer shall give Seller notice of such condition within 15 days after its receipt of the environmental study disclosing such condition, and Seller shall remedy such violations at its sole expense prior to the Closing Date. If Seller fails to remedy such violations prior to Closing, Buyer may terminate this

Agreement without further liability to Seller and receive a return of the Escrow Deposit and all interest earned thereon.

(h) **Title Insurance.** If requested by Buyer, Seller shall obtain at its expense a commitment for the issuance to Buyer of a standard form ALTA leasehold insurance policy for all Real Property, utilizing the form therefor in conventional use in the county where such property is located. The policy commitments shall offer to insure Buyer's free and unencumbered right to the use of the Real Property, subject only to (i) the lease with any owner of leased Real Property, such lease to be assigned to Buyer as of and after the closing date; (ii) easements of record which do not, individually or in the aggregate, adversely affect or interfere with Buyer's ability to operate the Stations in the manner presently conducted and (iii) liens for taxes and special assessments not yet due and payable at the closing date (which matters, if any, will be subject to proration between Buyer and Seller); the policies may include appropriate endorsements that all towers are constructed in conformity to all applicable zoning laws and an affidavit or indemnification agreement sufficient to insure against the existence of outstanding rights that could form the basis for mechanic's, materialman's or similar Liens, unrecorded documents or claims of parties in possession.

(i) **Deliveries.** Seller shall have made or stand willing to make all deliveries required under **Section 9.1**.

(j) **Station Asset Inspection.** Not less than two weeks prior to Closing, Buyer shall be permitted to inspect all of the Station Assets and will provide Seller with a listing of those of the Station Assets that are in need of repair or replacement. Seller will at its sole expense complete all such repairs or authorize such replacements prior to the Closing, *provided*, that, subject to full performance of Seller's obligations under this Agreement, as of the Closing Date, Buyer shall take the tangible Personal Property and the improvements to the Real Property constituting Personal Property "as is, where is."

**8.2 To Seller's Obligations.** The obligations of Seller hereunder are, at its option, subject to satisfaction, at or prior to the Closing Date, of each of the following conditions:

(a) **Representations, Warranties and Covenants.**

(i) All representations and warranties made by Buyer in this Agreement shall be true and complete in all material respects on and as of the Closing Date (except to the extent they expressly relate to an earlier time, in which case they shall have been true and correct only as of such earlier time) as if made on and as of that date.

(ii) All of the terms, covenants and conditions to be complied with or performed by Buyer under this Agreement on or prior to the Closing Date shall have been complied with or performed in all material respects.

(b) **FCC Consent.** The FCC Consent shall have been obtained.

(c) **DOJ Approval.** Approval or discontinuation of review by the U. S. Department of Justice, as necessary.

(d) **Adverse Proceedings.** 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: (i) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (ii) questions the validity or legality of any transaction contemplated hereby; or (iii) seeks to enjoin any transaction contemplated hereby.

(e) **Deliveries.** Buyer shall have made or stand willing to make all deliveries required under **Section 9.2.**

## **ARTICLE 9**

### **CLOSING DELIVERIES**

**9.1. Documents to be Delivered by Seller.** At the Closing, Seller shall deliver to Buyer the following:

(a) a Post-Closing Indemnity Agreement signed by persons authorized to sign for Seller, dated as of the Closing Date, in the form attached hereto as Exhibit F, certifying to the fulfillment of the conditions set forth in **Section 8.1(a)**;

(b) instruments of conveyance and transfer, in form and substance reasonably satisfactory to counsel to Buyer, effecting the sale, assignment, transfer and conveyance of the Station Assets to Buyer, including the following:

(i) an assignment of the Governmental Licenses to Buyer;

(ii) a bill of sale for the Personal Property;

(iii) an assignment of the Assumed Contracts; and

(iv) an assignment of all intangible personal property including all books, records, logs and similar assets;

(c) third-party consents and the Estoppel Certificates;

(d) the title insurance commitments set forth in **Section 8.1(g)**;

(e) evidence reasonably satisfactory to Buyer of the release upon payment in full of the Purchase Price of all Liens against the Station Assets, except for Liens assumed by Buyer pursuant to **Article 3**;

(f) joint instructions directing the Escrow Agent to remit the Escrow Deposit to Seller and to return all interest earned thereon to Buyer; and

(g) such other documents as may reasonably be requested by Buyer's counsel.

**9.2. Documents to be Delivered by Buyer.** At the Closing, Buyer shall deliver to Seller the following:

(a) a certificate signed by Buyer, dated as of the Closing Date, in form and substance reasonably satisfactory to Seller, certifying to the fulfillment of the conditions set forth in **Section 8.2(a)**.

(b) the Post-Closing Indemnity Agreement pursuant to which Buyer assumes the obligations, liabilities and commitments of Seller as provided in **Article 3**;

(c) joint instructions directing the Escrow Agent to remit the Escrow Deposit to Seller and to return all interest earned thereon to Buyer;

(d) the Promissory Note;

(e) the Security Agreement;

(f) the Guaranty;

(g) the Pledge Agreement;

(h) federal wire transfer as provided in **Section 2.1**; and

(i) such other documents as may reasonably be requested by Seller's counsel.

## ARTICLE 10 TERMINATION RIGHTS

### 10.1. Termination.

(a) This Agreement may be terminated by either Buyer or Seller, if the party seeking to terminate is not in material default or breach of this Agreement, upon written notice to the other upon the occurrence of any of the following:

(i) if a representation or warranty contained in this Agreement or the Disclosure Schedule, as the case may be, shall not be true and complete in all material respects at the time such undertaking is to be given, or if the other party defaults in any material respect in the observance or in the due and timely performance of any of its covenants or agreements contained herein, and such default has been neither cured within the time provided in subsection (e) below nor waived by the party giving such termination notice;

(ii) if there shall be in effect any judgment, final decree or order that would prevent or make unlawful the Closing or if the FCC shall have released a hearing designation order requiring a formal hearing on the FCC Application; or

(iii) if the Closing has not occurred within 12 months after the date of this Agreement (the “*Upset Date*”).

(b) This Agreement may be terminated by Buyer, upon written notice to Seller pursuant to **Section 7.8** or **Section 8.1(f)**.

(c) This Agreement may be terminated by Buyer if there is an investigation by the Department of Justice which has not been terminated within 180 days after the filing of the FCC Application or the FCC designates the FCC Application for an evidentiary hearing;

(d) This Agreement may be terminated by mutual written consent of Buyer and Seller.

(e) If either party believes the other to be in breach or default of this Agreement or the representations and warranties contained in the Disclosure Schedule, as the case may be, the non-defaulting party shall, prior to exercising its right to terminate under **Section 10.1(a)(i)**, provide the defaulting party with notice specifying in reasonable detail the nature of such breach or default. The defaulting party shall have 30 days from receipt of such notice to cure such default; *provided* that if the breach or default is due to no fault of the defaulting party and is incapable of cure within such ten-day period, the cure period shall be extended as long as the defaulting party is diligently and in good faith attempting to effectuate a cure. Nothing in this **Section 10.1(d)** shall be interpreted to extend the Upset Date.

**10.2. Effect of Termination.** In the event of termination of this Agreement pursuant to **Section 10.1**, this Agreement shall forthwith become null and void, and no party hereto (nor any of their respective affiliates, agents, fiduciaries, directors, officers or employees) shall have any liability or further obligation, except as provided in this **Article 10** and in **Article 11**; *provided* that Buyer and Seller agree that Buyer's sole remedy for Seller's termination of this Agreement prior to Closing shall be the remedy of specific performance, and, in particular, without limitation, neither Seller, the Trustee nor any party associated with Seller shall have any liability for breach of any representation or warranty contained in the Disclosure Schedule.

## **ARTICLE 11**

### **REMEDIES UPON DEFAULT; SPECIFIC PERFORMANCE**

**11.1. Default by Seller; Specific Performance.** Seller recognizes that, in the event Seller defaults in the performance of its obligations under this Agreement or with respect to the representations and warranties contained in the Disclosure Schedule, monetary damages alone will not be adequate. In such event, Buyer shall be entitled to obtain specific performance of the terms of this Section 11.1 (but subject to the limitations set forth in this Agreement), including reimbursement from Seller for court costs and reasonable legal fees incurred by it in enforcing its rights hereunder, plus interest at the Prime Rate on the amount of any judgment for such costs and fees obtained against Buyer from the date such costs and fees are incurred until the date of payment of the judgment. As a condition to seeking specific performance, Buyer shall not be required to have tendered the Purchase Price specified in **Article 2** of this Agreement, but shall be ready, willing and able to do so, and shall not be required to post bond or other security other than the Escrow Deposit in connection therewith. Without limiting the foregoing, Seller agrees that, in the event Seller breaches the agreements contained in **Section 7.3**, Buyer shall be entitled to obtain an injunction or other equitable remedy.

**11.2. Default by Buyer; Damages.** If the transactions contemplated by this Agreement are not consummated as a result of Buyer's wrongful failure to close hereunder, and Seller is not also in material breach hereunder, Seller shall be entitled to payment of \$200,000 as liquidated damages in full settlement of any damages of any nature or kind that Seller may suffer or allege to suffer as the result thereof. It is understood and agreed that the amount of liquidated damages represents Buyer's and Seller's reasonable estimate of actual damages and does not constitute a penalty. Recovery of liquidated damages under this **Section 11.2** shall be the sole and exclusive remedy of Seller against Buyer for breach of or failure to consummate this Agreement and shall be applicable regardless of the actual amount of damages sustained.

**11.3 Waiver of Liability with Respect to Trustee.** Buyer and Seller acknowledge that the Trustee has assumed the duties of Trustee as an accommodation to Seller and for nominal compensation. In recognition thereof, notwithstanding any other

provision of this Agreement or any statute or principal of common law, the parties hereto agree that they will not assert any claim for damages, costs or expenses or file any action of any kind or nature that might otherwise arise from any breach of a representation, warranty, covenant or other obligation contained in this Agreement or contained in any document executed in connection with this Agreement (collectively, "Transaction Documents"), or any other cause arising from this Agreement or any Transaction Document or a party's performance thereof (a "Claim"), against the Trustee, whether in his capacity as Trustee of Seller or individually or in any personal capacity, and whether during the time that the Trustee acts as Trustee or at any time thereafter. Any Claim to be asserted by Buyer hereunder shall be asserted solely against the Seller. Buyer and Seller each hereby indemnify, defend and hold harmless the Trustee from any costs, fees or expenses, including reasonable attorney's fees, arising from a breach of the covenants contained herein. In addition, Seller has informed Buyer that it contemplates replacing Mr. Charles Giddens ("Giddens") as Trustee of Seller before the Closing, and Buyer and Seller expressly agree that, upon replacement of Giddens as Trustee of the Seller, Giddens will be relieved of all obligations of any kind or nature for or with respect to the Seller, the Agreement or the Transaction Documents.

## **ARTICLE 12**

### **OTHER PROVISIONS**

**12.1. Transfer Taxes and Expenses.** All recordation, transfer, documentary, excise, sales or use taxes or fees imposed on this transaction shall be paid one-half by Seller and one-half by Buyer, except that Seller shall be solely responsible for all income taxes on the sale of the Station Assets. Except as otherwise provided in this Agreement, each party shall be solely responsible for and shall pay all other costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement.

**12.2. Benefit.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

**12.3. Entire Agreement; Schedules; Amendment;** This Agreement, the LMA, the Disclosure Schedule and the exhibits and all other schedules hereto and thereto, embody the entire agreement and understanding of the parties hereto and supersede any and all prior agreements, arrangements and understandings relating to the matters provided for herein. No amendment, waiver of compliance with any provision or condition hereof, or consent pursuant to this Agreement shall be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of any waiver, amendment, change, extension or discharge is sought. No failure or delay on the part of Buyer or Seller in exercising any right or power under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to

enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

**12.4. Headings.** The headings set forth in this Agreement are for convenience only and shall not control or affect the meaning or construction of the provisions of this Agreement.

**12.5. Computation of Time.** If after making computations of time provided for in this Agreement, a time for action or notice falls on Saturday, Sunday or a Federal holiday, then such time shall be extended to the next business day.

**12.6. Governing Law; Waiver of Jury Trial.** The construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its principles of conflict of law. BUYER AND SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING IN ANY WAY TO THIS AGREEMENT, INCLUDING ANY COUNTERCLAIM MADE IN SUCH ACTION OR PROCEEDING, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE DECIDED SOLELY BY A JUDGE. Buyer and Seller hereby acknowledge that they have each been represented by counsel in the negotiation, execution and delivery of this Agreement and that their lawyers have fully explained the meaning of the Agreement, including in particular the jury-trial waiver. Any question of doubtful interpretation shall not be resolved by any rule providing for interpretation against the party who causes the uncertainty to exist or against the drafter of this Agreement.

**12.7. Legal Fees.** In the event of any dispute between the parties to this Agreement, Seller or Buyer, as the case may be, shall reimburse the prevailing party for its reasonable legal fees and other costs incurred in enforcing its rights or exercising its remedies under this Agreement. Such right of reimbursement shall be in addition to any other right or remedy that the prevailing party may have under this Agreement.

**12.8. Severability.** If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

**12.9. Notices.** Any notice, demand or request required or permitted to be given under the provisions of this Agreement shall be in writing, addressed to the following addresses, or to such other address as any party may request.

If to Seller:

Attn: Charles Giddens, Trustee  
8889 Pelican Bay Boulevard, Fifth Floor  
Naples, Florida 34108  
Telephone: \_\_\_\_\_  
Facsimile: (941) 566-2681

With a copy to:

Gary S. Smithwick, Esq.  
Smithwick & Belendiuk, P.C.  
5028 Wisconsin Avenue, N.W.  
Washington, D.C. 20016  
Telephone:  
Facsimile: (202) 363-4266

Mark Inglis, Esq.  
TSG Capital Group  
177 Broad Street, 12<sup>th</sup> Floor  
Stamford, CT 06901  
Telephone: (203) 541-1500  
Facsimile: (203) 541-1590

Shaw, Pittman  
2300 N Street, N.W.  
Washington, D.C. 20037  
Attention: David D. Oxenford, Jr., Esq.  
Telephone: (202) 633-8128  
Facsimile: (202) 633-8007

If to Buyer:

Wolfhouse Radio Group, Inc.  
548 E. Alisal Street  
Salinas, California 93905  
Attention: Hector Villalobos  
Telephone: (831) 757-4921  
Facsimile: (831) 757-3119

With a copy to:

Leventhal, Senter & Lerman P.L.L.C.  
Suite 600  
2000 K Street, N.W.  
Washington, D.C. 20006-1809  
Attention: Brian M. Madden, Esq.  
Telephone: (202) 429-8970  
Facsimile: (202) 293-7783

Any such notice, demand or request shall be deemed to have been duly delivered and received (a) on the date of personal delivery; (b) on the date of transmission, if sent by facsimile (but only if a hard copy is also sent by overnight courier); or (c) on the date of a signed receipt, if sent by an overnight delivery service, but only if sent in the same manner to all persons entitled to receive notice or a copy.

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

### **ARTICLE 13**

### **DEFINITIONS**

**13.1. Defined Terms.** Unless otherwise stated in this Agreement, the following terms when used herein shall have the meanings assigned to them below (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

“Accounts Receivable” shall have the meaning set forth in **Section 1.3**.

“Act” shall mean the Communications Act of 1934, as amended.

“Affiliate” shall mean any person or entity that is controlling, controlled by or under common control with the named person or entity.

“Agreement” shall have the meaning set forth in the preamble to this Asset Purchase Agreement.

“Assumed Contracts” shall have the meaning set forth in **Section 1.2**.

“Assumed Leases” shall have the meaning set forth in Schedule 1.2(d).

“Buyer” shall have the meaning set forth in the preamble to this Agreement.

“Closing” shall have the meaning set forth in **Section 1.1**.

“Closing Date” shall mean the date on which the Closing is completed.

“Code” shall have the meaning set forth in **Section 2.2**.

“Commencement Date under the LMA” shall mean the date defined in the LMA as the Commencement Date.

“Contracts” shall mean contracts, agreements, commitments and understandings, written or oral, relating to the operation of the Stations to which Seller is a party.

“Effective Time” shall mean 12:01 a.m., Pacific Time, on the Closing Date.

“Environmental Laws” shall mean all applicable local, state and federal statutes and regulations relating to the protection of human health or the environment including the FCC’s Regulations concerning radio frequency radiation.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Agent” shall mean First Liberty National Bank, N.A., Washington, D.C.

“Escrow Agreement” shall have the meaning set forth in **Section 2.1**.

“Escrow Deposit” shall have the meaning set forth in **Section 2.1**.

“Estoppel Certificate” shall have the meaning set forth in **Section 7.6**.

“FCC” shall have the meaning set forth in the preamble to this Agreement.

“FCC Application” shall mean the application that Seller and Buyer must file with the FCC requesting its consent to the assignment of the FCC Licenses from Seller to Buyer.

“FCC Consent” shall mean the action by the FCC granting the FCC Application.

“FCC Licenses” shall have the meaning set forth in **Section 1.2**.

“FCC Regulations” shall mean the all rules, regulations and policies of the FCC.

“Final Order” shall mean action by the FCC (a) which has not been vacated, reversed, stayed, set aside, annulled or suspended; (b) with respect to which no timely appeal, request for stay or petition for rehearing, reconsideration or review by any party or by the FCC on its own motion, is pending; and (c) as to which the time for filing any such

appeal, request, petition, or similar document or for the reconsideration or review by the FCC on its own motion under the Act and FCC Regulations, has expired.

“Financial Statements” shall have the meaning set forth in **Section 1.19** of the Disclosure Schedule.

“GAAP” shall mean generally accepted accounting principles, consistently applied.

“Governmental Licenses” shall have the meaning set forth in **Section 1.2**.

“Guaranty” shall have the meaning set forth in **Section 2.1**.

“Hazardous Substance” shall have the meaning set forth in **Section 1.12** of the Disclosure Schedule.

“Hazardous Waste” shall have the meaning set forth in **Section 1.12** of the Disclosure Schedule.

“Intangible Property” shall have the meaning set forth in **Section 1.2**.

“Liens” shall mean mortgages, deeds of trust, liens, security interests, pledges, collateral assignments, conditional sales agreements, leases, easements, covenants, encroachments, encumbrances, claims, demands, charges, assessments or other defects of title, but shall not include the following: (a) liens for taxes and special assessments not yet due and payable (which matters shall be subject to proration in accordance with **Article 4**); (b) the Assumed Leases; or (c) easements of record as of December 11, 2000 with respect to the Real Property which do not, individually or in the aggregate, adversely affect or interfere with Buyer’s ability to operate the Stations in the manner presently conducted (collectively, “Permitted Liens”).

“LMA” shall have the meaning set forth in the preamble to this Agreement.

“Notice of Disagreement” shall have the meaning set forth in **Section 4.3**.

“Other Financial Information” shall have the meaning set forth in **Section 1.19** of the Disclosure Schedule.

“PCB” shall mean polychlorinated biphenyl.

“Personal Property” shall have the meaning set forth in **Section 1.2**.

“Pledge Agreement” shall have the meaning set forth in **Section 2.1**.

“Prime Rate” shall mean the “prime rate” as published daily in the Money Rates column of the Wall Street Journal (or the average of such rates if more than one rate is indicated).

“Promissory Note” shall have the meaning set forth in **Section 2.1**.

“Proration Schedule” shall have the meaning set forth in **Section 4.3**.

“Purchase Price” shall have the meaning set forth in **Section 2.1**.

“Real Property” shall have the meaning set forth in **Section 1.2**.

“Referee” shall have the meaning set forth in **Section 4.3**.

“Security Agreement” shall have the meaning set forth in **Section 2.1**.

“Seller” shall have the meaning set forth in the preamble to this Agreement.

“Seller’s Proration Amount” shall have the meaning set forth in **Section 4.3**.

“Stations” shall have the meaning set forth in the preamble to this Agreement.

“Station Assets” shall have the meaning set forth in **Section 1.2**.

“Subordination Agreements” shall have the meaning set forth in **Section 2.1**.

“Time Sales Agreements” shall mean Contracts entered into in the ordinary course of business of the Stations for the sale or sponsorship of broadcast time on the Stations for cash that can be canceled by Buyer without penalty on not more than 60 days notice.

“Trade Agreements” shall mean Contracts entered into in the ordinary course of business of the Stations for the sale or sponsorship of broadcast time on the Stations for consideration other than cash that have unexpired terms of 60 days or less.

“To Buyer’s knowledge” or words of similar import, shall mean to the actual knowledge of the Buyer.

“To Seller’s knowledge” or words of similar import, shall mean to the actual knowledge of the Seller.

“Upset Date” shall have the meaning set forth in **Section 10.1**.

**14.2. Miscellaneous Terms.** The term “or” is disjunctive; the term “and” is conjunctive. The term “shall” is mandatory; the term “may” is permissive. Masculine terms

apply to females; feminine terms apply to males. The term “includes” or “including” is by way of example and not limitation. Unless specified otherwise, references herein to sections, articles or schedules are references to sections, articles or schedules of this Agreement.

[Signatures immediately following this page.]

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be duly executed as of the date first written above.

**THE Z-SPANISH TRUST**

By: \_\_\_\_\_  
Charles Giddens  
Trustee

**THE Z-SPANISH II TRUST**

By: \_\_\_\_\_  
Charles Giddens  
Trustee

**WOLFHOUSE RADIO GROUP, INC.**

By: \_\_\_\_\_  
Hector Villalobos  
President

## DISCLOSURE SCHEDULE

The following representations and warranties shall, on or before the Closing Date, provide Buyer the right set forth in Section 10.1(a)(i) of the Purchase Agreement if any such representation or warranty is not true and complete in any material respect as of the date hereof, and shall be certified by Seller to Buyer on the Closing Date as further set forth in Section 8.1(a) of the Purchase Agreement and Section 1 of the Post Closing Indemnity Agreement. All capitalized terms not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

**1.1. Organization and Standing.** Each Seller is a California trust duly formed and, validly existing under the laws of the State of California. Each Seller is qualified to do business in the State of California. Each Seller has all necessary power and authority to own, lease, operate and sell the Station Assets and to carry on the business of the Stations as now being conducted and as proposed to be conducted by Seller between the date hereof and the Closing Date.

**1.2. Authorization and Binding Obligation.** Seller has all necessary power and authority to enter into and perform its obligations under the Purchase Agreement and to consummate the transactions contemplated hereby. The Purchase Agreement has been duly and validly authorized by all necessary action under Seller's organizational documents, and the Purchase Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation enforceable against Seller in accordance with its terms.

**1.3 Absence of Conflicting Agreements or Required Consents.** Except as set forth in **Article 6** with respect to the FCC Consent or as otherwise disclosed herein or in Schedule D-3, the execution, delivery and performance of the Purchase Agreement by Seller: (a) do not and will not violate any provisions of Seller's organizational documents; (b) do not and will not require the consent or approval of or any filing with any third party or governmental authority; (c) do not and will not violate any applicable law, judgment, order, injunction, decree, rule, regulation or ruling of any governmental authority; (d) do not and will not, either alone or with the giving of notice or the passage of time, or both, conflict with, constitute grounds for termination or acceleration of, or result in a breach of the terms, conditions or provisions of, or constitute a default under any agreement, lease, instrument, license or permit to which Seller is subject; and (e) do not and will not result in the creation of any Lien on any of the Station Assets.

**1.4. Litigation.** Except as set forth in Schedule D-4 and except for rulemaking proceedings affecting the radio broadcasting industry generally to which neither Seller nor any of the Stations is a party, neither Seller nor any of the Stations or Station Assets is subject to any judgement, award, order, writ, injunction, arbitration decision or decree. Except as set forth on Schedule D-4, there is no claim, litigation, arbitration or proceeding pending or, to Seller's knowledge, threatened, that might

adversely affect Seller's performance of its obligations under the Purchase Agreement or Buyer's use or operation of the Station Assets after the Closing.

### **1.5. Governmental Licenses.**

(a) To Seller's knowledge, Schedule 1.2(a) to the Purchase Agreement contains a true and complete list of the Governmental Licenses, including the FCC Licenses. There are no other licenses, permits or other authorizations from the FCC or any other governmental or regulatory authorities required for the lawful operation of the Stations in the manner now operated. The Governmental Licenses, including the FCC Licenses, are in full force and effect, were validly issued and are validly held by Seller. To Seller's knowledge, all required FCC regulatory fees have been paid with respect to the Stations. The FCC Licenses have been issued for the full terms customarily issued to radio broadcast stations in the State of California, and, to Seller's knowledge, the FCC Licenses are not subject to any condition except for conditions shown on the face of the FCC Licenses, applicable to radio broadcast licenses generally for radio stations of the same class and type as the Stations and the special conditions applicable to the divestiture of the Stations by Seller. Seller has no reason to believe that the FCC will not renew the FCC Licenses in the ordinary course.

(b) Except as set forth in Schedule D-5, there are no applications, petitions, complaints, proceedings, judgments or other actions pending or, to Seller's knowledge, threatened before the FCC relating to the Stations, other than proceedings affecting the radio broadcasting industry generally to which neither Seller nor any of the Stations is a party.

(c) The Stations are now being, and to Seller's knowledge have been at all times since Seller's acquisition of the Stations, operated in all material respects in accordance with the terms and conditions of the FCC Licenses, the Act and FCC Regulations.

(d) Except as set forth in Schedule D-5, Seller has no reason to believe that the FCC Application might be challenged or might not be granted by the FCC in the ordinary course.

**1.6. Title to and Condition of Personal Property.** Seller has good and marketable title to or a valid leasehold interest (as indicated on Schedule 1.2(b) or Schedule 1.2(c) to the Purchase Agreement) in the Personal Property, free and clear of all Liens. Except as described on Schedule 1.2(b), the Personal Property is in operating condition and repair and is in compliance in all material respects with FCC Regulations and all other applicable federal, state and local statutes, ordinances, rules and regulations. The personal property listed on Schedule 1.2(b) constitutes all items of Personal Property used or held for use by Seller in the operation of the Stations.

**1.7. Assumed Contracts.** Seller has delivered to Buyer copies of all Contracts (or written descriptions of oral Contracts) with the exception of the Time

Sales Agreements. The Contracts listed on Schedule 1.2(c) to the Purchase Agreement constitute all Contracts relating to the operation of the Stations with the exception of Trade Agreements (listed on Schedule 4.2) and Time Sales Agreements. To Seller's knowledge, those copies and descriptions are true and complete. All Assumed Contracts are valid, binding and enforceable by Seller in accordance with their respective terms, except as limited by laws affecting creditors' rights or equitable principles generally. Seller has complied in all material respects with all Assumed Contracts. To Seller's knowledge, no other contracting party is in default under any of the Assumed Contracts. Except as set forth in Schedule 1.2(c), Seller has full legal power and authority to assign its rights under the Assumed Contracts to Buyer in accordance with the Purchase Agreement on terms and conditions no less favorable than those in effect on the date hereof, and such assignment will not require the consent of any third party or affect the validity, enforceability or continuity of any of the Assumed Contracts.

#### **1.8. Title to and Condition of Real Property.**

(a) Schedule 1.2(d) to the Purchase Agreement contains a description of all Real Property, including all leasehold interests, easements and rights in and agreements with respect to real property used, held for use or necessary in the business or operation of the Stations. Schedule 1.2(d) also contains a description of all improvements to the Real Property. To Seller's knowledge, such descriptions are complete. To Seller's knowledge, the Real Property is in good condition and repair consistent with its current use and available for use in the conduct of the business and operations of the Stations as currently conducted. The Real Property, the improvements thereon (including all guy wires and guy anchors) and the use thereof by Seller comply in all material respects with all applicable laws, statutes, ordinances, rules, regulations and orders of federal, state and local governmental authorities, including those relating to zoning and FCC regulations, as well as with all lease restrictions and restrictive covenants. The improvements on the Real Property: (i) are in operating condition and repair; (ii) are insurable at standard rates; (iii) exist or are operating in material compliance with good engineering practices and applicable EIA windloading standards; (iv) are adequate for their intended use; and (v) to Seller's knowledge, are located entirely on the Real Property.

(b) Seller has not received any notice of, and has no knowledge of, any pending, threatened or contemplated appropriation, condemnation or like proceeding, or of any violation of any applicable zoning law or other law, statute, ordinance, rule, regulation or orders affecting such Real Property or improvements thereon, or of the need for any material repair, remedy, construction, alteration or installation with respect to the Real Property or improvements thereon, or any change in the means or methods of conducting operations thereon.

(c) With respect to each interest in the Real Property: (i) Seller owns a valid interest as lessee, free and clear of all Liens; (ii) so long as Seller fulfills its obligations under the lease therefor, Seller has enforceable rights to non-disturbance and quiet

enjoyment; and (iii) to Seller's knowledge, no third party holds any interest in the leased premises with the right to foreclose upon Seller's leasehold interest.

**1.9. Intellectual Property.** Schedule 1.2(f) to the Purchase Agreement lists all trademarks, trade names, service marks, franchises, copyrights, jingles, logos, slogans, licenses, permits, privileges and other similar intangible property rights and interests (exclusive of those required to be listed in other schedules hereto) applied for, issued to or owned by Seller, or under which Seller is licensed or franchised, and used or useful in the conduct of the business and operation of the Stations, all of which are issued to or owned by Seller, or if licensed or franchised to Seller, are valid and uncontested. Seller has delivered to Buyer copies of all documents, if any, establishing such rights, licenses or other authority. There is no pending or, to the best of Seller's knowledge, threatened proceedings or litigation affecting or with respect to the Intellectual Property. Seller has received no notice and has no knowledge of any infringement or unlawful use of such property. The properties listed in Schedule 1.2(f) include all such properties necessary to conduct the business and operation of the Stations as now conducted.

**1.10. Personnel Information.**

(a) Schedule D-10 contains a true and complete list of all persons employed at the Stations, each such person's job title or the capacity in which employed, and a description of all compensation including bonus arrangements and employee benefit plans or arrangements applicable to each such employee. Seller is not a party to any agreement, written or oral, with salaried or non-salaried employees except as described on Schedule D-10.

(b) Seller is not a party to any collective bargaining agreement covering any of the employees at the Stations. Seller is not a party to any Contract with any labor organization, nor has Seller agreed to recognize any union or other collective bargaining unit, nor has any union or other collective bargaining unit been certified as representing any of Seller's employees at the Stations. Seller has no knowledge of any organizational effort currently being made or threatened by or on behalf of any labor union with respect to the employees of Seller at the Stations. There are no unfair labor practice charges pending against Seller; there are no pending or, to the best of Seller's knowledge, threatened strikes or arbitration proceedings involving labor matters affecting Seller or the Stations; and, except as disclosed on Schedule D-10, Seller has not experienced any strikes, work stoppage or other significant labor difficulties of any nature at the Stations.

(c) Buyer shall not assume or hereby become obligated to pay any debt, obligation or liability arising from Seller's employee benefit plans, or any other employment arrangement, and coverage under such plans and arrangements shall remain the responsibility of Seller.

(d) Seller has complied with all laws relating to employment, including, without limitation, laws relating to safety, health, equal employment opportunity, wages, hours, collective bargaining, unemployment insurance, workers' compensation, pension, welfare and benefit plans (including ERISA) and the payment and withholding of income, social security, unemployment, disability and similar taxes. To Seller's knowledge, there is no dispute between Seller and any of its past or present employees (nor any job applicant) related to discrimination, compensation, severance pay, vacation or pension benefits, except as disclosed in Schedule D-10.

**1.11. Compliance With Laws.** The Stations are now being, and to Seller's knowledge have been at all times since Seller's acquisition of the Stations, operated in material compliance with all laws, statutes, ordinances, rules, regulations and orders applicable to operation of the Stations, including those of the FCC, the Environmental Protection Agency and the Federal Aviation Administration, and Seller's present use of the Station Assets does not violate any such laws, statutes, ordinances, rules, regulations or orders. Seller has not received any notice asserting any noncompliance with any applicable law, statute, ordinance, rule, regulation or order in connection with the business or operation of the Stations.

**1.12. Environmental Matters.** Without limiting the generality of **Section 1.11**, to Seller's knowledge: (a) there has been no release, nor is there a threat of a release, of any Hazardous Substance or Hazardous Waste at or from the Real Property; (b) no Hazardous Substance or Hazardous Waste is present on such Real Property; (c) there are no underground storage tanks on or under the Real Property; (d) neither the Real Property, equipment or installations on the Real Property nor any of the Personal Property contain PCBs or asbestos; and (e) the Real Property and all operations on the Real Property are in compliance with all Environmental Laws. The terms "Hazardous Substance" and "Hazardous Waste" shall have the meanings set forth in the Resource Conservation and Recovery Act, as amended from time to time, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, or any other applicable Environmental Law. Seller holds all environmental, health and safety permits necessary for the operation of the Stations, all such permits are in full force and effect, and the Seller is in compliance with the terms and conditions of all such permits. Seller has not received any notice, nor does Seller have any knowledge of any administrative or judicial investigations, proceedings or actions with respect to violations, alleged, or proved, of any Environmental Law involving the Real Property.

**1.13. Broker's Fees.** Neither Seller nor any person or entity acting on Seller's behalf has agreed to pay a commission, finder's fee or similar payment in connection with this Agreement or any matter related hereto to any person or entity, and no person or entity is entitled to any such payment from Seller in connection with the transactions contemplated by the Purchase Agreement.

**1.14. Bankruptcy.** No insolvency proceedings of any character, including bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Seller are pending or threatened, and Seller has not made any assignment for the benefit of creditors or taken any action in contemplation of or which would constitute the basis for the institution of such insolvency proceedings.

**1.15. Insurance.** The business, properties (including the Station Assets) and employees of the Stations are insured against loss, damage or injury in amounts customary in the broadcast industry. Schedule D-15 lists all insurance policies held by Seller relating to such business, properties and employees, together with the policy limit, the type of coverage, the location of the property covered, annual premium, premium payment dates and expiration date of each of the policies. All such insurance policies are in full force and effect.

**1.16. Sufficiency of Assets.** The Station Assets include all assets used, held for use or necessary in the business and operation of the Stations.

**1.17. Taxes.** Seller has duly, timely and in the required manner filed all federal, state, local and foreign income, franchise, sales, use, property, excise, payroll and other tax returns and forms required to be filed, and has paid in full or discharged all taxes, assessments, excises, interest, penalties, deficiencies and losses required to be paid. No event has occurred which could impose on Buyer any liability for any taxes, penalties or interest due or to become due from Seller from any taxing authority.

**1.18. UCC Financing Statements.** All of the Stations Assets are and have been located in the State of California since the Stations Assets were acquired by Seller. All financing statements filed by any party with respect to the Stations Assets are listed in Schedule D-18.

**1.19. Financial Information.** Seller has provided Buyer with the unaudited balance sheet and income statement for the Stations as of December 31, 2000 (collectively, the "Financial Statements"), and certain other financial information regarding the Stations (the "Other Financial Information"). The Financial Statements have been prepared in accordance with GAAP and accurately reflect and fairly present the assets, liabilities and income of the Stations as of the dates and for the periods indicated. The Other Financial Information is true and complete in all material respects. Since December 31, 2000, there has been no material adverse change in the property or assets of the Stations, and to Seller's knowledge no such change is imminent. Except for the transactions contemplated herein, Seller has operated the Stations in the ordinary course of business since December 31, 2000. Except for liabilities as and to the extent reflected in the Financial Statements and liabilities incurred in the ordinary course of business since December 31, 2000, to its knowledge, Seller has no liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise, relating to the Stations.

**1.20. Disclosure.** To Seller's knowledge, neither the Purchase Agreement, this Disclosure Schedule, nor any certificate or other document delivered in connection with the transactions contemplated by the Purchase Agreement contains any untrue statement of a material fact or omits any statement of material fact necessary to make any statement contained herein or therein not misleading.

**FORM OF SECURITY AGREEMENT**

This Security Agreement ("the Security Agreement") is dated as of \_\_\_\_\_, 2001 and is entered into by and among Wolfhouse Radio Group, Inc., a California corporation, (the "Debtor"), The Z-Spanish Trust and The Z-Spanish II Trust (collectively, the "Secured Party").

**A. RECITALS**

A. Debtor and the Secured Party have this date consummated an Asset Purchase Agreement (the "Purchase Agreement") dated as of May \_\_\_\_, 2001 between Debtor and the Secured Party, pursuant to which Debtor has issued a Promissory Note (the "Note") of even date herewith to Secured Party in the principal amount of FOUR MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS AND NO CENTS (\$4,750,000.00), and hereby enter into this Agreement.

B. Debtor is the owner and operator of radio stations KZSL(FM), King City, California, KHNZ(FM), Soledad, California, and KTGE(AM), KCTY(AM), KHMZ(FM) and KRAY-FM, Salinas, California (collectively, the "Stations"), having consummated the purchase of the Stations this date from The Z-Spanish Trust and The Z-Spanish II Trust .

C. To induce Secured Party to accept the Note, the Debtor has granted to the Secured Party security interests in all of the tangible and intangible property it owns as the

result of Debtor's acquisition of the Stations, including a security interest in the "general intangibles" of the Stations, including the Federal Communications Commission licenses for the Stations (but only to the extent permitted by law) and the proceeds thereof, as collateral security for the due and punctual payment of the Note in accordance therewith, and the full and faithful performance by the Debtor of its obligations under the Note, as further provided herein.

WITNESSETH:

NOW, THEREFORE, to induce, and in consideration for, the agreement of the Secured Party to accept the Note, and in consideration of the premises, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

1.     Security Interest. Debtor hereby grants to Secured Party a continuing first priority security interest (the "Security Interest") in the Station Assets, as defined in the Purchase Agreement, and in all replacements thereof (with the exception of, and subordinate to, any purchase money security interest created in connection with such replacement) and in the proceeds thereof (such property and proceeds hereinafter collectively called the "Collateral"); provided, however, that the parties hereto acknowledge that Secured Party does not presently have a security interest per se in any Federal Communications Commission ("FCC") licenses or authorizations of Debtor for the Stations (the "FCC Licenses"), but that Secured Party shall have a security interest, to the fullest extent permitted by applicable law, in the proceeds of the sale of the Stations' FCC Licenses and

that the Collateral shall include such proceeds, and the parties hereto further acknowledge that Secured Party has the right, upon an Event of Default (defined below), to cause Debtor to seek FCC approval for the assignment of the Stations' FCC Licenses to the purchaser of the Collateral pursuant to Section 6 hereof or to cause the Stations' FCC Licenses to be assigned, subject to compliance with FCC requirements, to a court-appointed receiver of the Collateral. If there shall be a change in law, or the rules or regulations of the FCC, the effect of which is to permit the granting of a security interest in the Stations' FCC Licenses, such security interest shall automatically immediately be created in favor of Secured Party, and Debtor shall execute and deliver all such instruments and documents, and take such other actions, as shall be necessary or desirable, or as and when Secured Party may reasonably request, in order to create and perfect a continuing first position security interest in the Stations' FCC Licenses.

2. Indebtedness. The security interest hereunder is given to secure the payment and performance of the indebtedness and obligations of Debtor set forth in or arising under (i) the Note, and (ii) other Credit Documents (as defined in the Note), said Note and other Credit Documents being hereby incorporated by reference as fully as if set out herein (all such indebtedness and obligations hereinafter collectively called the "Obligations").

3. Warranties and Covenants. Debtor expressly warrants and covenants throughout the period ending upon full payment of the Obligations that:

(a) Except for Permitted Liens under the Purchase Agreement, liens created pursuant to the Security Interest granted hereby, any purchase money security interest created in connection with the replacement of any Collateral as provided hereunder, and liens permitted under this Agreement, Debtor is, and to the extent that any of the Collateral is acquired after the date hereof will be, the direct sole owner of the Collateral, free from any lien, encumbrance, or security interest, and that Debtor will defend the Collateral against all claims and demands of all persons other than Secured Party at any time making claims adverse to the Security Interest therein.

(b) All material items of Collateral will be kept in the control of Debtor at either the main studio or the transmitter site of the Stations, except for temporary use at other locations for periods not to exceed 30 consecutive days, and shall not be otherwise moved without the prior written consent of the Secured Party.

(c) Except for liens permitted under the Purchase Agreement and for liens permitted under this Agreement, no financing statement covering the Collateral or any proceeds thereof is on file in any public office; at the request of Secured Party, Debtor will immediately join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in effect in the State of California in form satisfactory to Secured Party and will pay on demand one-half of the cost of filing the same in all public offices whenever filing is reasonably deemed by Secured Party to be necessary or desirable, including but not limited to all filing and recording fees, charges, and taxes in connection therewith.

(d) Debtor will not sell, dispose of, or otherwise transfer the Collateral or

any interest therein unless such Collateral is replaced by property of at least equal value or its replacement is not reasonably necessary for the conduct of Debtor's business and operations in the ordinary course, which property shall be Collateral within the meaning of this Agreement.

(e) Except for Permitted Liens under the Purchase Agreement (and including liens for security interests granted to members of the immediate family of Buyer's principals, which lienholders shall have executed Subordination Agreements with the Secured Party), liens permitted under this Agreement, and purchase money security interests in replacement Collateral, Debtor will not permit any other lien or security interest to be attached to the Collateral without the written consent of Secured Party; *provided* that if Debtor sells any of the Stations to an entity as to which FCC approval on an FCC Form 316 or successor "short form" *pro forma* application is appropriate, Debtor shall cause the assignee or transferee at or before the time of any such assignment or transfer to take such actions as are reasonably required by the Secured Party pursuant to applicable law to cause the assets of such Stations to remain items of Collateral.

(f) Debtor will, at its sole cost and expense, keep the Collateral insured by a financially sound and reputable insurer against loss or damage by fire, explosion, and hazards insured against by extended coverage insurance in amounts sufficient to prevent Debtor from becoming a co-insurer and not in any event less than the full replacement value of the property insured or such lesser amount as may be satisfactory to Secured Party and in any event at least against all risks customarily insured against in the broadcasting industry. All insurance policies maintained by Debtor pursuant to this Section 3(e) shall: (i) name Secured Party as the first loss payee to the extent of its interest in the Collateral, subject to

the limitation of Section 3(e)(ii); (ii) except to the extent utilized for the purchase of replacement Collateral, provide for payment of loss to Secured Party directly; and (iii) provide that no cancellation or material modification or amendment thereof shall be effective until at least ten days after receipt by Secured Party of written notice thereof. Debtor shall deliver to Secured Party on the date hereof copies of the policies or renewal policies, as the case may be, required by this Section 3(e), bearing notations evidencing the payment of all premiums. The parties to this Agreement acknowledge that, to the extent that any insurance proceeds are paid to Secured Party, such insurance proceeds shall be applied against the Obligations, it being understood that Debtor shall remain liable to Secured Party for the amount of the Obligations not satisfied by such application.

(g) Debtor agrees that it shall, as its sole cost and expense, maintain public liability insurance against claims of injury to or death of persons, or damage to property, arising out of or in connection with the operation of Debtor's business as well as such other insurance as is customary for lines of business such as Debtor's. Such public liability and other insurance shall be in forms and with insurers that Secured Party finds reasonably satisfactory and such public liability insurance shall have limits of not less than One Million Dollars (\$1,000,000.00) with respect to claims of injury to or death of any number of persons or property damage in any one occurrence and shall name Secured Party as an additional insured. Satisfactory evidence of the coverage required under this Section 3(f) shall be submitted by Debtor to Secured Party on the date hereof.

(h) Debtor will keep the Collateral in good order and repair, ordinary wear and tear excepted, and, other than in the ordinary course of Debtor's business will not dispose of any of the Collateral or any part thereof except to the extent that such Collateral

is replaced as provided hereunder by replacement assets or such Collateral is obsolete or otherwise not material to Debtor's operation of the Stations and its business.

(i) Debtor will pay promptly when due (i) all taxes and assessments upon the Collateral or for its use or operation and (ii) all taxes and assessments that, if not timely paid, could materially adversely affect Secured Party's interest hereunder, except in either case, to the extent that such taxes, assessments and charges are contested diligently and in good faith by Debtor. At its option, and in order to avoid the attachment of any lien or other adverse consequence under circumstances other than as permitted by the immediately preceding sentence, Secured Party may discharge taxes, liens, other security interests, or any other encumbrances at any time levied or placed on the Collateral and may pay for the insurance required hereunder and for the maintenance and preservation of the Collateral. Debtor shall reimburse Secured Party on demand for any payment made or any reasonable expenses incurred by Secured Party pursuant to the foregoing authorization. Until the occurrence of an Event of Default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with the Credit Documents, any other agreements between Debtor and Secured Party, or any policy of insurance maintained by Debtor.

(j) Debtor is a corporation duly organized, validity existing, and in good standing under the laws of the State of California, is qualified to transact business in the State of California, and has full power and authority to own its assets and to carry on its business. Debtor has full power and authority to execute, deliver, and perform the Credit Documents. Neither the making nor performance of the Credit Documents by Debtor conflicts with or is prohibited by, or has constituted or shall constitute a default under, any law, regulation, judgment, contract, instrument, or commitment to which Debtor is a party or

by which Debtor is bound, or has resulted or shall result in the creation or imposition of any lien or encumbrance in favor of any third party with respect to any of the Collateral. Debtor shall maintain its corporate existence and shall not enter into any transaction of merger, consolidation, or similar corporate reorganization.

(k) During normal business hours on reasonable prior notice, Secured Party or its agents shall be permitted to perform reasonable inspections of the Collateral and the Stations and its records, and that Debtor shall advise Secured Party in writing promptly of (i) all events, if any, that could reasonably be expected to have a material adverse effect on the Collateral, the Stations, or the Security Interest hereunder and (ii) all material applications filed by Debtor with the FCC pertaining to the Stations.

(l) Debtor (i) shall comply in all material respects with all applicable laws and governmental regulations and (ii) shall not default on any obligation by which Debtor is bound; provided, however, that this Section 3(k) shall not require such compliance and non-default to the extent that non-compliance with such laws and regulations or default on such obligation could not be reasonably expected to have a material adverse effect on the Collateral, the Stations, or Security Interest hereunder.

(m) Debtor shall maintain in full force and effect each of the material FCC Licenses and authorizations assigned or issued to Debtor with respect to the Stations, and, except as permitted under the Note, shall not sell, assign, transfer control of, dispose of, or attempt to sell, assign, transfer control of, or dispose of any of such material FCC Licenses.

(n) Debtor shall deliver to Secured Party:

(i) within ninety (90) days after the end of each fiscal year of Debtor, and in no event less frequently than once every twelve (12) months, consolidated

statements of income, retained earnings, and cash flows of Debtor for such fiscal year and the related consolidated balance sheet of Debtor as at the end of such fiscal year, accompanied by statement of independent certified public accountants (“CPAs”) reasonably satisfactory to Secured Party to the effect that such consolidated financial statements have been reviewed by the CPAs and fairly present the consolidated financial condition and results of operations of Debtor as at the end of, and for, such fiscal year in accordance with generally accepted accounting principles;

(ii) as soon as available, and in any event within 45 days after the end of each calendar month, a statement of income of Debtor for such month and the related balance sheet of Debtor as at the end of such month, which financial statements shall fairly present the financial condition and results of operations of Debtor in accordance with generally accepted accounting principles, consistently applied, as at the end of, and for, such month (subject to normal year-end audit adjustments); and

(iii) from time to time, such other information regarding the condition (financial or other), operations, business, or prospects of Debtor as Secured Party may reasonably request.

4. Default. In case of occurrence of any of the following events, Debtor shall be in default (“Default”) hereunder:

(a) Failure or neglect to comply in all material respects with any of the terms, provisions, warranties, or covenants of this Agreement, the Note or the Credit Documents.

(b) Failure to pay any of the Obligations when due at any original or renewed or extended maturity.

(c) If any warranty, representation, or written statement made or furnished to Secured Party by or on behalf of Debtor in the Note or any Credit Document shall be or prove to have been false in any material respect when made or furnished.

(d) Any loss or theft or any substantial damage or destruction of any substantial part of the Collateral that is not repaired or replaced promptly, but in any event within thirty (30) days (or such additional time as may be necessary provided that Debtor is proceeding at all times in good faith to effect such replacement or repair), the creation of any third party security interest in or encumbrance to or on any of the Collateral other than as permitted by this Agreement which is not released within 30 days, the voluntary or involuntary assignment or transfer of any of the Collateral (unless immediately replaced with comparable property and made subject to this Agreement or under circumstances permitted under the Note), or attachment, levy, garnishment, or other judicial process against any of the Collateral in favor of any third party which has not been discharged within 30 days, unless, pending further proceedings, execution has not been commenced or if commenced has been effectively stayed.

(e) Dissolution of, termination of existence of, insolvency of, bankruptcy of, business failure of, assignment for the benefit of creditors of or by, commencement of any proceeding under any bankruptcy or insolvency law or laws for the relief of debtors by, or failure generally to pay debts as they mature by Debtor or any guarantor or surety for Debtor, or the appointment of a receiver, trustee, court appointee, or other similar appointee for any part of the property of any one of Debtor or such guarantor or surety, except, in the case of any involuntary proceeding, for any such proceeding which is dismissed within 60 days of commencement.

(f) The issuance by the Federal Communications Commission of a hearing designation order looking toward revocation, material adverse modification, or nonrenewal of any main transmitting license issued by the FCC for any of the Stations; for purposes of this Agreement, the authorization by the FCC of new or additional service by one or more other stations shall not constitute a material adverse modification of a material FCC License for any of the Stations.

(g) The occurrence of an Event of Default under the Note or under any Credit Document other than those contemplated in subsections (a), (b) and (c), above.

(h) The death or material disability or incapacity of Hector Villalobos.

(i) A final judgment or judgments against Debtor or any guarantor or surety for Debtor for the payment of Twenty Thousand Dollars (\$20,000.00) or more in the aggregate shall be rendered by one or more courts, administrative tribunals, or other governmental bodies having jurisdiction against Debtor or such guarantor or surety and the same shall not be discharged (or adequate provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within thirty (30) days from the date of entry thereof and Debtor or such guarantor or surety, as appropriate, shall not, within said period of thirty (30) days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal.

5. Remedies. If at any time or from time to time thereafter there shall occur (i) a Default pursuant to any of Sections 4(a) through (c) hereof which shall continue for a period of fifteen (15) days following the giving of written notice of such Default to Debtor by Secured Party, or (ii) a Default pursuant to any of Sections 4(d) through (i) hereof, an event

of default (“Event of Default”) hereunder shall be deemed to have occurred and is not cured within the period specified in such provision or within 30 days after the occurrence or the event is known to Debtor if no cure period is specified, the Secured Party may at its option and without further notice or demand declare any one or all of the Obligations immediately due and payable, have the right to cause a public or private sale of the Collateral and the Stations and apply the proceeds from such sale to satisfy the Obligations, and, subject to applicable rules and regulations of the FCC, shall have all of the rights and remedies of a secured party under the Uniform Commercial Code and under all other applicable law. The Secured Party will give Debtor reasonable notice of the time and place of any sale of the Collateral or of the time after which intended disposition thereof is to be made. The requirement of reasonable notice shall be met if such notice is given to Debtor at least fifteen (15) days before the time of sale or other disposition. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priorities:

- (a) first, to pay the expenses of such sale or other realization, including reasonable commissions of Secured Party and its agent and counsel, and all expenses, liabilities and advances incurred or made by the Secured Party in connection therewith, and any other unreimbursed expenses for which the Secured Party is to be reimbursed pursuant to this Agreement;
- (b) second, to the payment of the Obligations; and
- (c) finally, to pay the Debtor or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

6. FCC Approval. In the event of a sale of the Collateral as provided for hereinabove in Section 5 which requires, under applicable federal law, the prior approval of the FCC, Debtor will without compensation cooperate with the purchaser of the Collateral in promptly preparing, promptly filing, and diligently prosecuting all necessary applications before the FCC for the assignment of the Stations' FCC Licenses to the purchaser of the Collateral. Debtor shall use its reasonable best efforts to obtain the prompt approval of the FCC for such assignment and, upon such approval, shall cooperate fully in consummating such assignment. In addition to all other rights that Secured Party may have hereunder, Secured Party shall have the right, upon an Event of Default, (i) to cause a receiver to be appointed for the Collateral by a court of competent jurisdiction to facilitate a foreclosure upon the Collateral and a sale of the Collateral and the FCC Licenses to satisfy the Obligations, (ii) to cause, subject to compliance with applicable FCC requirements, the assignment of the Stations' FCC Licenses to such receiver, and (iii) to obtain Debtor's full cooperation in promptly accomplishing such appointment and assignment, which cooperation shall, if requested by Secured Party, include but not be limited to the prompt execution, prompt filing, and diligent prosecution by Debtor of all necessary applications before the FCC seeking FCC consent to such assignment. In the case of Debtor's non-performance or breach of any of the agreements contained in this Section 6, Debtor shall be subject to a decree of specific performance in addition to a judgment for money damages.

7. Power of Attorney. Except as may otherwise be unenforceable under the rules and regulations of the FCC, Debtor hereby irrevocably constitutes the Secured Party as Debtor's true and lawful attorney with full power, (i) to ask, require, demand, receive,

compound and give acquittance for each and every payment due or to become due, or any such payment or payments, under or arising out of the Collateral to which the Secured Party is or may become entitled, (ii) to enforce compliance by each or any other party with each or any term or provision or any one or more of the assigned agreements, (iii) to endorse each and every check or other instrument or order in connection with any of the Collateral, and (iv) to file any claim or claims, take any action or actions, institute any proceeding or proceedings or settle any claim, action or proceeding which the Lender may reasonably deem to be necessary or advisable. The power of attorney granted under this paragraph is coupled with an interest and shall be irrevocable until the Note is fully repaid and the Credit Documents are terminated.

8. No Waiver. No Default shall be waived by Secured Party except if in writing signed by Secured Party and no waiver of any Default shall operate as a waiver of any other Default or of the same Default on a future occasion. All rights of Secured Party hereunder shall inure to its benefit and that of its assigns; and all obligations hereunder of Debtor shall bind its legal representatives and successors. This Agreement shall not be assignable by Debtor, but this Agreement shall be freely assignable by Secured Party. Each attempted assignment hereof by Debtor, if any, shall be null and void.

9. Release of Collateral. When all Obligations secured hereby have been paid in full, this Agreement shall terminate, all rights to the Collateral shall revert to Debtor and Secured Party shall promptly execute such instruments as may be necessary to secure the release of the Collateral from this Agreement.

10. Notices. Except as otherwise set forth in this Agreement, all notices, demands, and other communications that may or are required to be given hereunder shall be

in writing, shall be given by personal delivery (which shall include next-day delivery by courier service), and shall be addressed as follows:

If to Secured Party: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

With a copy to: David D. Oxenford, Esq.  
Shaw Pittman  
2300 N Street, N.W.  
Washington, D.C. 20037  
Phone: (202) 663-8000  
Fax: (202) 663-8007

or to such other address and to such other persons as shall be specified by Secured Party in a written notice to Debtor;

If to Debtor: Wolfhouse Radio Group, Inc.  
548 E. Alisal Street  
Salinas, California 93905  
Attention: Hector Villalobos  
Phone: (831) 757-4921  
Fax: (831) 757-3119

With a copy to: Leventhal, Senter & Lerman, P.L.L.C.  
Suite 600  
2000 K Street, N.W.  
Washington, D.C. 20006-1809  
Attention: Brian Madden, Esq.  
Phone: (202) 429-8970  
Fax: (202) 293-7783

or to such other address and to such other persons as shall be specified by Debtor in a written notice to Secured Party. Written notices hereunder delivered personally (including by

courier service) shall be effective upon delivery at the addresses specified pursuant to this Section 9.

11. Rights Cumulative. All rights of Secured Party hereunder shall be cumulative with all other rights or forms of security heretofore or hereafter given to Secured Party in connection with the Purchase Agreement or the Credit Documents. Secured Party shall not be obligated to proceed against any other form of security prior to exercising its rights under this Agreement.

12. Deficiencies. Secured Party shall be entitled to recover from Debtor the deficiency, if any, resulting from any foreclosure sale authorized hereunder and to recover all reasonable attorneys' fees and all other reasonable expenses incurred by Secured Party in enforcing any rights, including the right to payment of all sums owing from Debtor to Secured Party, under the Credit Documents or the other Obligations.

13. Governing Law. This Agreement and all of the rights of the parties hereunder shall be governed as to validity, construction, enforcement, and in all other respects by the laws of the State of California without regard to its choice of law rules. Debtor hereby consents to venue and jurisdiction in the state or federal courts of the State of California with respect to each lawsuit or court action, if any, under this Agreement. Debtor hereby acknowledges that such venue and jurisdiction shall be exclusive, it being understood, however, that judgments or decrees resulting from such lawsuits or court actions may be enforced in any competent court.

14. Severability. If this Agreement is held or determined to be void, invalid, or unenforceable, in whole or in part, such holding or determination shall not impair or affect

the validity or enforceability of any clause, provision, or application thereof not so held to be void, invalid, or unenforceable.

15. Specific Performance. In the event of breach hereunder by Debtor, Secured Party shall be entitled to specific performance of this Agreement to the fullest extent permitted by applicable law, in addition to all other available legal or equitable remedies.

16. Further Assurances. Debtor shall do, make, execute, and deliver all such additional and further acts, things, deeds, assurances, and instruments as and when Secured Party may reasonably require to vest in and to assure more completely to Secured Party its rights under this Agreement, including but not limited to pledges, collateral assignments of contracts rights and leases for the Stations and leasehold deeds of trust for same.

17. Counterparts. More than one counterpart of this Agreement may be executed by the parties and each fully executed counterpart shall be deemed an original of this Agreement.

18. Entire Agreement. The Credit Documents constitute the entire agreement and understanding among the parties thereto with respect to the subject matter thereof, and supersede all prior negotiations, agreements, understandings, or arrangements, if any, among such parties with respect to such subject matter. The provisions of this Agreement may be amended only by an instrument in writing signed by Debtor and Secured Party.

19. DEBTOR AND SECURED PARTY HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of this \_\_\_\_ day of \_\_\_\_\_, 2001.

SECURED PARTY:  
THE Z-SPANISH TRUST  
THE Z-SPANISH II TRUST

By: \_\_\_\_\_

DEBTOR:  
WOLFHOUSE RADIO GROUP, INC.

By: \_\_\_\_\_  
Hector Villalobos  
President

**FORM OF STOCK PLEDGE AGREEMENT**

This Stock Pledge Agreement, dated as of the \_\_\_\_ day of \_\_\_\_\_, 2001 (the "Agreement"), with respect to the corporate stock of Wolfhouse Radio Group, Inc. (the "Corporation"), a California corporation, entered into by and between HECTOR VILLALOBOS (the "Pledgor"), an individual resident of California with a place of residence at Salinas, California, and THE Z SPANISH TRUST and THE Z SPANISH II TRUST (collectively, the "Secured Party").

**WITNESSETH:**

WHEREAS, the Corporation has issued a Promissory Note (the "Note"), dated of even date herewith, to Secured Party in the principal amount of FOUR MILLION SEVEN HUNDRED AND FIFTY DOLLARS (\$4,750,000);

WHEREAS, the Pledgor owns all of the issued and outstanding capital stock of the Corporation;

WHEREAS, the Pledgor has entered into a certain Guaranty of even date herewith, pursuant to which Pledgor is jointly and severally liable as Guarantor for full performance of all said Corporation's obligations under the Note, as further set forth in said Guaranty; and

WHEREAS, Secured Party has agreed to accept the Note on the condition that the Note be secured by, inter alia, the Guaranty and the pledge hereunder of said stock of Pledgor in the Corporation.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed between the parties as follows:

1. **Pledge.** The Pledgor hereby pledges to Secured Party \_\_\_\_\_ (\_\_\_\_) shares of the common stock of the Corporation (the pledged shares are hereinafter referred to

as the “Shares”). The Pledgor warrants that the Pledgor has delivered to counsel for Secured Party certificates for the Shares together with stock powers therefor duly endorsed in blank. Counsel for the Secured Party shall hold the Shares as security for the performance by the Corporation and the Pledgor under the Note and other Credit Documents (as defined in the Note). So long as there shall have been no Event of Default (defined below), the Shares shall remain registered in the name of the Pledgor. Upon the occurrence and continuance of an Event of Default, Secured Party shall have the right to cause the Shares to be registered in Secured Party’s nominee’s name following grant of Federal Communications Commission (hereinafter “FCC”) consents thereto. The Pledgor hereby appoints Secured Party as the Pledgor’s attorney-in-fact to transfer the Shares on the books of the Corporation in such event. The Pledgor and Secured Party acknowledge that the voting rights in the Shares shall remain with the Pledgor even upon an Event of Default until the FCC shall have granted its consent to the exercise of stockholder rights by a purchaser at a public or private sale of the Shares or to the exercise of such rights by a receiver, trustee, conservator, or other agent (hereinafter collectively “Receiver”) duly appointed pursuant to applicable law.

2.     **Warranties, Representations, and Covenants of the Pledgor.** The Pledgor warrants and represents throughout the term of this Agreement that: (i) there shall be no restrictions upon the pledge, transfer, or assignment of any of the Shares except as provided herein and any necessary prior FCC approval; (ii) subject to any such FCC approval, the Pledgor has the right and power to pledge, transfer, and assign the Shares pursuant to this Agreement, free of all liens or encumbrances; and (iii) the Shares constitute One Hundred Percent (100%) of the issued and outstanding capital stock in the Corporation. The Pledgor covenants not to transfer any of the Shares to third parties unless the following conditions

("Transfer Conditions") are satisfied: (i) such transfer does not constitute a transfer of control of the Corporation as to which an FCC Form 315 Application is required to be filed, and (ii) any such Shares transferred are not transferred unless the transferee has executed and delivered to the Secured Party a stock pledge agreement substantially in the form hereof and such transferred Shares remain in the custody of counsel for the Secured Party as provided herein. The Pledgor shall not Permit any other pledge, lien, option right, security interest, or other encumbrances to arise or exist with respect to the Shares during the term of this Agreement. Throughout the term hereof, the Pledgor shall pay promptly when due all taxes and assessments, if any, upon the Shares except to the extent such taxes or assessments are contested diligently and in good faith by the Pledgor. At its option, Secured Party may discharge taxes, liens, other security interests, or any other encumbrances at any time levied or placed on the Shares, except for taxes and assessments while they are being contested diligently and in good faith by the Pledgor, as permitted under the preceding sentence. The Pledgor shall reimburse Secured Party on demand for any payment made or any reasonable expenses incurred by Secured Party pursuant to the authorization of the foregoing sentence. Throughout the term hereof, the Pledgor warrants and covenants that:

- (a) The Pledgor is an individual resident of the State of California;
- (b) Neither the making nor performance of Pledgor's obligations under this Agreement or the Guaranty by the Pledgor conflicts with or is prohibited by, or has constituted or shall constitute a default under, any law, regulation, judgment, contract, instrument, or commitment to which the Pledgor is a party or by which the Pledgor is bound.

3. **Dividends.** So long as there shall be no Event of Default, all dividends and other similar amounts payable with respect to the Shares, if any, shall be paid directly to the

Pledgor. Upon the occurrence and continuation of an Event of Default, all such dividends and amounts shall be paid directly to Secured Party and applied against amounts owed to Secured Party under the Credit Documents.

4. **Voting Rights.** The Pledgor shall vote for no action, nor otherwise permit any corporate action by the Corporation that would be inconsistent with the Credit Documents or that materially impairs the value of the Shares pledged hereunder or of any other collateral given by the Corporation or the Pledgor to Secured Party.

5. **Additional Shares.** The Pledgor agrees that all additional shares of capital stock, if any, issued by the Corporation to the Pledgor or to anyone else shall be issued only subject to the Transfer Conditions. The Pledgor shall cause the Corporation to act in compliance with this Section 5 and the other provisions of this Agreement.

6. **Satisfaction of Pledge.** This Pledge shall be satisfied and this Agreement shall terminate upon the full satisfaction of the Pledgor's and the Corporation's obligations to Secured Party under the Credit Documents, at which time counsel for the Secured Party will promptly return such Shares to Pledgor.

7. **Default.** Upon the occurrence of any of the following events, an event of default ("Event of Default") under this Agreement shall be deemed to have occurred: (a) breach by the Pledgor of any of the Pledgor's representations, warranties, covenants, or obligations under this Agreement, which breach is not cured within fifteen (15) days following the giving of written notice of such breach by Secured Party to the Pledgor; or (b) an event of default under the Note, or any of the other Credit Documents not cured as provided therein. Upon the occurrence and continuation of an Event of Default, Secured Party, subject to applicable rules and regulations of the FCC, shall have all of the rights and

remedies provided under the Uniform Commercial Code and under all other applicable law. Without limitation on the above rights, Secured Party may, subject to applicable FCC rules and regulations, upon the occurrence and continuation of an Event of Default, cause the Shares to be sold at a public or private sale or transferred to a Receiver to facilitate such sale. Out of the proceeds of such sale, Secured Party may retain an amount equal to the unpaid principal, interest, and other amounts then due Secured Party under the Credit Documents, plus the amount of the reasonable expenses of such sale, including but not limited to reasonable attorneys' fees, and shall pay the balance, if any, of such proceeds to the Pledgor.

Secured Party shall be entitled to recover from the Corporation the deficiency, if any, resulting from such sale or other exercise of Secured Party's rights hereunder. Secured Party shall give the Pledgor reasonable notice of the time and place of any sale of the Shares or of the time after which intended disposition thereof is to be made. This requirement of reasonable notice shall be met if such notice is given to the Pledgor at least fifteen (15) days before the time of sale or other disposition.

8. **Further Assurances.** The Pledgor, at the Pledgor's sole cost and expense, shall cooperate with Secured Party and shall execute and deliver, or cause to be executed and delivered, all such stock powers, instruments, documents, and resignations of officers and directors, and shall take all other action, as and when Secured Party may reasonably request from time to time in order to carry out the provisions and purposes hereof. Notwithstanding anything to the contrary contained herein, Secured Party shall not take any actions pursuant hereto that would constitute or result in a change of control of the Corporation requiring the prior approval of the FCC without first obtaining such prior approval of the FCC. The Pledgor agrees to take or cause to be taken all actions that Secured Party may reasonably

request in order to obtain from the FCC such approval as may be necessary to enable Secured Party to exercise and enjoy the full rights and benefits granted to Secured Party under the Credit Documents. The actions that the Pledgor agrees to take or to cause the Corporation to take include, without limitation, at the Pledgor's own cost and expense, the use of the Pledgor's commercially reasonable efforts in obtaining prompt approval of the FCC for each action or transaction contemplated under this Agreement that requires such approval. In this regard, the Pledgor agrees promptly upon Secured Party's request, to prepare, sign, and file with the FCC the assignor's, transferor's, or licensee's portions of any application or applications for consent to the assignment or transfer of control necessary or appropriate under the FCC's rules for approval of (a) any sale or sales of the Shares as may be required hereunder or (b) any assumption of voting rights in the Shares by the purchaser thereof or by Secured Party's nominee effected in accordance with the terms of this Agreement. In enforcing the terms of this Agreement, the parties agree that remedies at law are inadequate and that the remedy of specific performance shall be available to Secured Party, in addition to all other available legal or equitable remedies

9. **Counterparts and Headings.** This Agreement may be signed in counterparts, each of which shall be deemed a duplicate original. Headings of Sections in this Agreement are for reference purposes only and shall not be considered in construing the provisions hereof.

10. **Waiver and Assignment.** No provision hereof shall be waived by Secured Party except if in writing signed by Secured Party and no waiver of any provision hereof shall operate as a waiver of any other provision or of the same provision on a future occasion. All rights of Secured Party hereunder shall inure to its benefit and that of its

assigns; and all obligations hereunder of the Pledgor shall bind the Pledgor's heirs, legal representatives, and successors. This Agreement shall not be assignable by the Pledgor, but this Agreement shall be freely assignable by Secured Party. Each attempted assignment hereof by the Pledgor, if any, shall be null and void.

11. **Notices.** Except as otherwise set forth in this Agreement, all notices, demands, and other communications that may or are required to be given hereunder shall be in writing, shall be given by personal delivery (which shall include next-day delivery by courier service), and shall be addressed as follows:

If to Secured Party: The Z Spanish Trust and The Z Spanish II Trust

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

With a copy to: David D. Oxenford, Esq.  
Shaw Pittman  
2300 N Street, N.W.  
Washington, D.C. 20037  
Phone: (202) 663-8000  
Fax: (202) 663-8007

or to such other address and to such other persons as shall be specified by Secured Party in a written notice to the Pledgor;

If to the Pledgor: Hector Villalobos  
548 E. Alisal Street  
Salinas, CA 93905  
Phone: (831) 757-4921  
Fax: (831) 757-3119

With a copy to: Brian Madden, Esq.  
Leventhal, Senter & Lerman, P.L.L.C.  
Suite 600

2000 K Street, N.W.  
Washington, D.C. 20006-1809  
Phone: (202) 429-8970  
Fax: (202) 293-7783

or to such other address and to such other persons as shall be specified by the Pledgor in a written notice to Secured Party. Written notices hereunder delivered personally (including by courier service) shall be effective upon delivery at the addresses specified pursuant to this Section 11.

12. **Remedies Cumulative**. All rights of Secured Party hereunder shall be cumulative with all other rights or forms of security heretofore or hereafter given to Secured Party in the Note or the Credit Documents (as defined in the Note). Secured Party shall not be obligated to proceed against any other form of security prior to exercising its rights under this Agreement.

13. **Governing Law and Jurisdiction**. This Agreement and all of the rights of the parties hereunder shall be governed as to validity, construction, enforcement, and in all other respects by the laws of the State of California without regard to its choice of law rules. The Pledgor hereby consents to venue and jurisdiction in the state or federal courts of the State of California with respect to each lawsuit or court action, if any, under this Agreement. The Pledgor hereby acknowledges that such venue and jurisdiction shall be exclusive, it being understood, however, that judgments or decrees resulting from such lawsuits or court actions may be enforced in any competent court.

14. **Severability**. If this Agreement is held or determined to be void, invalid, or unenforceable, in whole or in part, such holding or determination shall not impair or affect

the validity or enforceability of any clause, provision, or application thereof not so held to be void, invalid, or unenforceable.

15. **Entire Agreement and Amendments**. The Credit Documents constitute the entire agreement and understanding among the parties thereto with respect to the subject matter thereof, and supersede all prior negotiations, agreements, understandings, or arrangements, if any, among such parties with respect to such subject matter. The provisions of this Agreement may be amended only by an instrument in writing signed by each of the parties hereto.

16. **Waiver of Jury Trial**. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

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

(“SECURED PARTY”)  
THE Z SPANISH TRUST  
THE Z SPANISH II TRUST

By: \_\_\_\_\_

(“PLEDGOR”)  
HECTOR VILLALOBOS

By: \_\_\_\_\_  
Hector Villalobos, individually

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ ) ss:

\_\_\_\_\_, 2001

Personally appeared before me Hector Villalobos who executed the foregoing and acknowledged the signing thereof to be his voluntary act and deed.

IN TESTIMONY THEREOF, I have hereunto subscribed my name and affixed my notarial seal, on the date and year last aforesaid.

\_\_\_\_\_  
NOTARY PUBLIC

**FORM OF POST CLOSING INDEMNITY AGREEMENT**

This Post-Closing Indemnity Agreement is made as of \_\_\_\_\_, 200\_ by and among The Z Spanish Trust and The Z Spanish II Trust (collectively, "Sellers") and Wolfhouse Radio Group, Inc. ("Buyer"), and is executed and delivered pursuant to the provisions of Section 9.1(a) and Section 9.2(b) of the Asset Purchase Agreement by and among Sellers and Buyer dated May \_\_, 2001 (the "Purchase Agreement") on the Closing Date as contemplated therein. The parties hereto acknowledge and agree that adequate consideration for this Agreement is provided by the mutual premises, covenants, payments, deliveries and other performances contemplated by the Purchase Agreement. All capitalized terms used but not defined herein shall have the same meanings ascribed to them in the Purchase Agreement.

**1. Seller's Representations, Warranties and Covenants at and as of the Closing Date.** Seller, by its execution and delivery hereof, certifies to Buyer that:

(a) the representations and warranties made contained in the Disclosure Schedule to the Purchase Agreement are true and complete in all material respects on and as of the Closing Date (except to the extent they expressly relate to an earlier time, in which case they shall have been true and correct only as of such earlier time) as if made on and as of that date.

(b) All of the terms, covenants and conditions to be complied with or performed by Seller under the Purchase Agreement on or prior to the Closing Date have been complied with or performed in all material respects.

**2. Buyer's Assumption of Obligations as of the Closing Date.** Buyer, pursuant to the provisions of Article 3 of the Purchase Agreement, and subject to the provisions of Article 4 thereof, hereby assumes and undertakes to pay, satisfy or discharge the liabilities, obligations and commitments of Seller arising and accruing after the Closing Date under the Assumed Contracts and the Real Property Leases, provided, however, that Buyer expressly does not and shall not assume or be deemed to assume, under the Purchase Agreement or otherwise by reason of the transaction contemplated thereby, any liabilities, obligations or commitments of Seller of any nature whatsoever except as specifically set forth herein.

**3.1 Seller's Indemnities.** From and after the Closing Date, notwithstanding any provision of the Purchase Agreement limiting Buyer's remedies with respect to times prior to the Closing Date, Seller shall indemnify, defend and hold harmless Buyer and its Affiliates and their respective directors, officers, employees and representatives, and the successors and assigns of any of them, from and against, and reimburse them for, all claims, damages, costs and expenses, including interest, penalties, court costs and reasonable legal fees and expenses, resulting or arising from:

(a) any liabilities of Seller not assumed by Buyer under this Agreement and Article 3 of the Purchase Agreement;

(b) any misrepresentation, breach of warranty or breach of or failure to perform any covenant or obligation by Seller contained herein or in the Purchase Agreement or any certificate, document or other instrument delivered to Buyer thereunder;

(c) the ownership or operation of the Stations prior to the Effective Time, including all liabilities arising under the Governmental Licenses, including the FCC Licenses, or the Assumed Contracts which relate to events occurring prior to the Effective Time, except as to matters that relate to Buyer's conduct in performing its duties and obligations under the LMA;

(d) the litigation listed on Schedule D-4 of the Disclosure Schedule to the Purchase Agreement, if any; and

(e) any and all actions, suits, proceedings, demands, assessments, judgments, claims, damages, costs and expenses, including interest, penalties, court costs and reasonable legal fees and expenses, incident to any of the foregoing, incurred in investigating or attempting to avoid the same, to oppose the imposition thereof, or in enforcing this indemnity, subject to the notice and opportunity to remedy requirements of Section 3.3 hereof.

**3.2 Buyer's Indemnities.** From and after the Closing Date, Buyer shall indemnify, defend and hold harmless Seller and its Affiliates and their respective directors, officers, employees and representatives, and the successors and assigns of any of them, from and against, and reimburse them for, all claims, damages, costs and expenses, including interest, penalties, court costs and reasonable legal fees and expenses, resulting or arising from:

(a) any misrepresentation, breach of warranty or breach of or failure to perform any covenant or obligation by Buyer contained in the Purchase Agreement or in any certificate, document or other instrument delivered to Buyer thereunder;

(b) Buyer's ownership or operation of the Stations after the Effective Time;

(c) Buyer's operation of the Stations pursuant to the LMA; and

(d) any and all actions, suits, proceedings, demands, assessments, judgments, claims, damages, costs and expenses, including interest, penalties, court costs and reasonable legal fees and expenses, incident to any of the foregoing, incurred in investigating or attempting to avoid the same, to oppose the imposition thereof, or in enforcing this indemnity, subject to the notice and opportunity to remedy requirements of Section 3.3.

**3.3. Procedure for Indemnification.** The procedure for indemnification shall be as follows:

(a) The party seeking indemnification under this Section (the "*Claimant*") shall give notice to the party from whom indemnification is sought (the "*Indemnitor*") of any claim, whether solely between the parties or brought by a third party, reasonably specifying: (i) the factual basis for the claim, and (ii) the amount of the claim if then known. If the claim relates to an action,

suit or proceeding filed by a third party against Claimant, notice shall be given by Claimant within 15 days after written notice of the action, suit or proceeding was given to Claimant. In all other circumstances, notice shall be given by Claimant within 30 days after Claimant becomes, or should have become, aware of the facts giving rise to the claim. Notwithstanding the foregoing, Claimant's failure to give Indemnitor timely notice shall not preclude Claimant from seeking indemnification from Indemnitor if Claimant's failure has not materially prejudiced Indemnitor's ability to defend the claim or litigation.

(b) With respect to claims between the parties, following receipt of notice from the Claimant of a claim, the Indemnitor shall have 30 days to make any investigation of the claim that the Indemnitor deems necessary or desirable. For the purposes of this investigation, the Claimant agrees to make available to the Indemnitor and/or its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnitor cannot agree as to the validity and amount of the claim within the 30-day period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate legal remedy.

(c) With respect to any claim by a third party as to which the Claimant is entitled to indemnification hereunder, the Indemnitor shall have the right at its own expense to participate in or assume control of the defense of the claim with counsel reasonably acceptable to Claimant, and the Claimant shall cooperate fully with the Indemnitor, subject to reimbursement for reasonable expenses incurred by the Claimant as the result of a request by the Indemnitor. If the Indemnitor elects to assume control of the defense of any third-party claim, the Claimant shall have the right to participate in the defense of the claim at its own expense. If the Indemnitor does not elect to assume control or otherwise participate in the defense of any third party claim, Claimant may, but shall have no obligation to, defend or settle such claim or litigation in such a manner as it deems appropriate, and in any event Indemnitor shall be bound by the results obtained by the Claimant with respect to the claim (by default or otherwise) and shall promptly reimburse Claimant for the amount of all expenses (including the amount of any judgment rendered), legal or otherwise, incurred in connection with such claim or litigation.

The Indemnitor shall be subrogated to all rights of the Claimant against any third party with respect to any claim for which indemnity was paid.

**3.4 Survival of Representations, Warranties and Covenants.** The representations, warranties, covenants, indemnities and agreements contained in the Purchase Agreement, this Agreement or in any certificate, document or other instrument delivered pursuant to the Purchase Agreement are and will be deemed and construed to be continuing representations, warranties, covenants, indemnities and agreements and shall survive the Closing for a period of 18 months after the Closing Date (the "*Survival Period*"), except for: (a) indemnification obligations resulting from or for third party claims, which shall survive the Closing for a period of one month after the last day of the longest applicable statutory limitation period; (b) agreements under Section 7.9 of the Purchase Agreement, representations under Section 1.17 of the Disclosure Schedule to the Purchase Agreement, and representations regarding Seller's title to the Station Assets, each of which shall survive the Closing indefinitely; and (c) representations and warranties with respect to the operating condition of the Personal Property included within the Station Assets, which shall expire at the Closing, subject to the rights of

Buyer to an inspection of the Station Assets provided in Section 8.1(i) of the Purchase Agreement. No claim may be brought under this Agreement unless written notice describing in reasonable detail the nature and basis of such claim is given by Claimant to Indemnitor on or prior to the last day of the Survival Period. In any event such notice is given, the right to indemnification with respect thereto shall survive the Survival Period until such claim is finally resolved and any obligations thereto are fully satisfied. Any investigation by or on behalf of any party hereto shall not constitute a waiver as to enforcement of any representation, warranty, covenant, indemnity or agreement contained herein, in the Disclosure Schedule to the Purchase Agreement, or in the Purchase Agreement.

**3.5 Limitation on Claims.** Neither party shall be required to indemnify the other party under this Agreement unless and until the aggregate amount of such claims for which the Claimant is entitled to be indemnified under this Agreement exceeds \$25,000; once this threshold is met, all claims shall be subject to indemnification. In no event shall either party's liability to the other party for breaches of representations and warranties hereunder exceed the total amount of \$500,000, except that this limitation shall not apply to any representation or warranty made by Seller with respect to the due authorization, validity or effectiveness of the conveyance of unencumbered title to any or all Station Assets from Buyer to Seller pursuant and subject to the provisions of the Purchase Agreement.

**3.6 Waiver of Liability with Respect to the Trustee.** Buyer and Seller acknowledge that Charles Giddens ("Giddens"), the former Trustee, assumed the duties of Trustee as an accommodation to Seller and for nominal compensation. In recognition thereof, notwithstanding any other provision of this Agreement or any statute or principal of common law, the parties hereto agree that they will not assert any claim for damages, costs or expenses or file any action of any kind or nature that might otherwise arise from any breach of a representation, warranty, covenant or other obligation contained in the Purchase Agreement, including the Disclosure Schedule thereto, this Agreement or in any other document executed in connection with the Purchase Agreement (collectively, "Transaction Documents"), or any other cause arising from any Transaction Document or a party's performance thereof (a "Claim"), against Giddens, whether in his capacity as Trustee of Seller or individually or in any personal capacity, and whether during the time that Giddens acted as the Trustee or at any time thereafter, and that Giddens is relieved of all obligations of any kind or nature for or with respect to the Seller, the Purchase Agreement or the Transaction Documents. Any Claim to be asserted by Buyer hereunder shall be asserted solely against the Seller. Buyer and Seller each hereby indemnify, defend and hold harmless Giddens from any costs, fees or expenses, including reasonable attorney's fees, arising from a breach of the covenants contained herein.

**4.1 Governing Law; Waiver of Jury Trial.** The construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its principles of conflict of law. BUYER AND SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING IN ANY WAY TO THIS AGREEMENT, INCLUDING ANY COUNTERCLAIM MADE IN SUCH ACTION OR PROCEEDING, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE DECIDED SOLELY BY A JUDGE. Buyer and Seller hereby acknowledge that they have each been represented by counsel in the negotiation, execution and delivery of this Agreement and that their lawyers have fully

explained the meaning of the Agreement, including in particular the jury-trial waiver. Any question of doubtful interpretation shall not be resolved by any rule providing for interpretation against the party who causes the uncertainty to exist or against the drafter of this Agreement.

**4.2 Relationship to Other Agreements.** This Agreement is intended by the parties as an expression of certain obligations contemplated by the Purchase Agreement but shall not be deemed to have amended, modified or superseded the Purchase Agreement or any other Transaction Document except to the extent expressly set forth herein. This Agreement shall therefore be construed to be consistent with and subject to the provisions of the Purchase Agreement and Transaction Documents unless otherwise expressly set forth herein.

**4.3 Notices.** Any notice required to be given to a party hereunder shall be given to the party at the appropriate address for notices set forth in Section 12.9 of the Purchase Agreement, or at such other address as a party may notify the other party in writing to send such notices from time to time.

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

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Post-Closing Indemnity Agreement as of the date first written above.

THE Z SPANISH TRUST

By: \_\_\_\_\_  
Its:

THE Z SPANISH II TRUST

By: \_\_\_\_\_  
Its:

WOLFHOUSE RADIO GROUP, INC.

By: \_\_\_\_\_  
Its: