

ASSET PURCHASE AGREEMENT

This Agreement is made and entered into as of August 22, 2007, by and between **THREE ANGELS BROADCASTING NETWORK, INC.**, an Illinois not-for-profit corporation ("Seller"), and **CHURCHILL MEDIA III, LLC**, an Oregon Limited Liability Company ("Buyer").

WITNESSETH:

WHEREAS, Seller is the owner and licensee of Low Power Television ("LPTV") broadcast station call sign K36FJ, Eugene, Oregon licensed by the Federal Communications Commission (the "FCC" or "Commission") Facility ID No. 473 (the "Station") and holds the licenses and personal and intangible property associated with the operation of the Station; and

WHEREAS, Seller desires to sell and Buyer desires to purchase the assets used or useful in the operation of the Station and acquire the authorizations issued by the FCC for the operation of the Station; and

WHEREAS, the parties entered into a Letter of Intent dated June 15, 2007 (the "LOI") (Attachment A hereto) expressing their mutual intent to enter into this Agreement and to assign the Station and its associated assets from Seller to Buyer; and

WHEREAS, the authorizations issued by the FCC may not be assigned to Buyer without the FCC's prior consent.

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

1. DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings:

1.1 Act means the Communications Act of 1934, as amended from time to time, and as found at 47 U.S.C. § 101 et seq.

1.2 Assignment Application means an application on FCC Form 345 or other necessary forms that Seller and Buyer shall join in and file with the Commission requesting its consent to the assignment of the Station Licenses from Seller to Buyer.

1.3 Assumed Contracts means the Tower Site Lease Agreement attached hereto as Attachment 1.3.

1.4 Business Records means all business records in the possession of Seller relating to the operation of the Station and not pertaining solely to Seller's internal operations, employee pension and other benefit plans and affairs (such as minute books, tax returns and the like), in whatever medium those records are stored, including but not limited to all books of

account, customer lists, supplier lists, employee personnel files, local public records file materials, engineering data, sales materials, logs, programming records, consultants' reports, ratings reports, budgets, and financial reports and projections.

1.5 **Closing** means the consummation of the sale and assignment contemplated by this Agreement.

1.6 **Closing Date** means the date on which the Closing takes place.

1.7 **Final Order** means any Commission action that, by lapse of time or otherwise, is no longer subject to administrative or judicial review, reconsideration, appeal or stay.

1.8 **GAAP** means generally accepted accounting principles consistently applied.

1.9 **Intangible Property** means the goodwill (the "Goodwill") and other intangible assets used in the operation of the Station, including but not limited to universal resource locator addresses, magnetic media, and electronic data processing files, systems and programs.

1.10 **IRS** means the Internal Revenue Service.

1.11 **Material Adverse Change** means any adverse change in the condition of the Station as measured by any of the following parameters: (a) loss of or damage to personal property included within the Purchased Assets valued at or more than Twenty-five Thousand Dollars (\$25,000) or more; or (b) loss of the capability of the Station, for legal or technical reasons, to broadcast with full facilities as specified by its current authorization twenty-four (24) hours per day, seven (7) days per week.

1.12 **Purchased Assets** includes (a) the Station Licenses; (b) the Station Equipment; (c) the Assumed Contracts; (d) the Intangible Property; and (e) the Business Records and all other assets of Seller used or useful in the operation of the Station, including those assets more particularly described in Attachment 1.14. The Purchased Assets do not, however, include any of the Retained Assets.

1.13 **Retained Assets** means (a) books and records that pertain solely to the organization, existence, taxation and capitalization of Seller and Seller's employee pension and benefit plans; (b) Seller's cash and cash equivalents on hand or in banks, certificates of deposit, money market funds, securities, and similar type investments; (c) Seller's Accounts Receivable; (d) Seller's insurance policies in effect on the date of this Agreement or the Closing Date and premium refunds therefor; and (d) any and all assets owned by Seller not used or useful in connection with the Station, or used in the operation of other broadcast stations owned by Seller.

1.14 **Station Equipment** means all the fixed and tangible personal property of Seller used or useful solely in the operation of the Station, including, without limitation, the property listed or described in **Attachment 1.14** together with all additions, modifications or replacements thereto made in the ordinary course of business between the date of this Agreement and the Closing Date.

1.15 **Station Licenses** means all licenses, permits and authorizations issued by the Commission, or any other local, state or federal regulatory agencies that are used in or necessary for the lawful operation of the Station and its associated broadcast auxiliary facilities, including, without limitation, those listed or described in Attachment **1.15**, together with any renewals, extensions or modifications thereof and additions thereto made between the date of this Agreement and the Closing Date. 1.16 **Other Definitions.** Other capitalized terms used in this Agreement shall have the meanings ascribed to them herein. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, except as otherwise provided herein.

2. **SALE OF ASSETS.** On the Closing Date, subject to the terms and conditions of this Agreement, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, assume, and accept from Seller, all of the Purchased Assets, which shall be free of all liens, debts and encumbrances of any nature whatsoever, for the Purchase Price to be paid as provided in **Section 3**.

3. **PURCHASE PRICE AND METHOD OF PAYMENT.**

3.1 **Purchase Price and Method of Payment.** The total consideration for the Purchased Assets (the "Purchase Price") shall be the sum of Seven Hundred Thousand Dollars (\$700,000) plus or minus the Prorations, as provided in **Section 5** hereof, with Four Hundred Thousand Dollars (\$400,000) cash due at closing. Seller will accept a Three Hundred Thousand Dollar (\$300,000) promissory note ("Note"), due and payable in full eighteen (18) months after closing. The annual interest rate on the Note will be five and one-half percent (5.5%), payable quarterly.

3.2 **Escrow Deposit.** Buyer has placed into escrow Thirty-Five Thousand Dollars (\$35,000) as a good faith deposit. The parties have entered into an Escrow Deposit Agreement dated August 22, 2007 (the "Escrow Agreement") with Commercial Escrow, Inc., Eugene, Oregon, a copy of which is attached as **Attachment 3.2**. The principal sum of this Escrow Deposit shall be disbursed to the Seller at the Closing and shall be credited as a part of the Purchase Price. Any interest earned on the escrow account shall be credited to Buyer.

3.3 **Allocation.** Within 90 days of Closing, the Purchase Price shall be allocated among the Purchased Assets. Buyer shall be responsible for the preparation of IRS Form 8594 and any other pertinent forms and shall deliver such forms to Seller in time to enable Seller to submit its income tax returns in a timely manner.

3.4 Security. To secure the obligations set forth herein, Buyer agrees to deliver to Seller a Security Agreement ("Security Agreement") prepared in substantial compliance with the form attached as Attachment 3.4, covering the Purchased Assets. Such Security Agreement shall provide among its other provisions that the Seller shall have no reversionary right in the licenses or permits of the Station; that the Buyer shall be entitled to written notice from the Seller of any default; that the Buyer shall have thirty (30) days from the date of any notice to remedy such default; and that in the event of the Buyer's failure to remedy the default, the entire unpaid principal of the Promissory Note, plus accrued interest, may be declared due and payable to the holder of the Promissory Note and that the collateral subject to the Security Agreement may be sold at public auction, subject to any necessary approval or written consent of the Commission.

4. SELLER'S LIABILITIES. Buyer shall not assume any of Seller's liabilities, including without limitation, any liability under any single or multi-employer "employee pension benefit plan" as defined in ERISA or for taxes, except for liabilities accruing after closing under the Purchased Assets, subject to the provisions of this section. With respect to Assumed Contracts that require the consent of third parties for assignment, but for which the consent of such third parties has not been obtained as of the Closing Date, Buyer shall assume Seller's obligations to be performed under those Assumed Contracts only for the period after Closing during which Buyer receives the benefits to which Seller is currently entitled under such contracts.

5. PRORATIONS.

5.1 Apportionment of Income and Expense. Seller shall be entitled to all income attributable to, and except as expressly assumed by the Buyer hereunder, shall be responsible for all expenses arising out of, the operation of the Station until 12:01 a.m. on the Closing Date. Buyer shall be entitled to all income arising from, and shall be responsible for all expenses arising out of, the operation of the Station after 12:01 a.m. on the Closing Date. All overlapping items of income or expense, including without limitation the following, shall be prorated or reimbursed, as the case may be, as of 12:01 a.m. on the Closing Date (the "Prorations"):

(a) Liabilities customarily accrued, arising from expenses incurred, but unpaid as of Closing (e.g., payroll, payroll taxes, and earned vacation time and sick leave of any employees of Seller who enter into Buyer's employ after Closing, rents, sales commissions, and fees for business and professional services);

(b) Taxes and utility charges related to the Station or in respect of any of the Purchased Assets;

(c) Deposits and unearned prepayments received by Seller in connection with any contract, lease, or other agreement assumed by Buyer;

(d) Buyer shall receive a credit against the Purchase Price for the amount by which the Trade Balance is negative for any Trade Agreement assumed by Buyer; and

(e) All other items normally prorated in the sale of the assets of a business and of a radio broadcast station in particular.

5.2 Employee Compensation. Seller shall pay all compensation owed to the Station's employees until 12:01 a.m. on the Closing Date, including compensation for accrued vacation and sick time. Buyer does not anticipate that it will hire any of Seller's employees.

5.3 Determination and Payment.

(a) **In General.** Adjustments or prorations, insofar as feasible shall be determined in accordance with GAAP and paid on the Closing Date based upon Seller's good-faith calculation delivered to Buyer no less than ten (10) days prior to the Closing Date and reasonably approved by Buyer, with final settlement and payment by the appropriate party occurring no later than sixty (60) days after the Closing Date, unless there is a dispute with respect thereto. If the parties are unable to agree on the prorations, the matter shall be referred to a firm of independent certified public accountants, mutually acceptable to Seller and Buyer, whose decision shall be final, and whose fees and expenses shall be paid one-half (1/2) by Seller and one-half (1/2) by Buyer.

(b) **Property Taxes.** If the amount of any tax to be prorated is not known on the Closing Date, such tax shall be apportioned on the basis of the most recent tax assessment. As soon as the new tax rate and valuation can be ascertained, there shall be a reapportionment and adjustment with respect to such tax even though that final proration and adjustment may take place more than sixty (60) days after the Closing Date.

6. SELLER'S REPRESENTATIONS AND WARRANTIES. Seller hereby makes the following representations and warranties, each of which shall be deemed to be a separate representation and warranty, and all of which have been made for the purpose of inducing Buyer to execute this Agreement, and in reliance on which Buyer has agreed to enter into this Agreement:

6.1 Existence and Power. Seller is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Illinois, with full power to enter into and perform this Agreement. Seller has all requisite power and authority, licenses, permits and franchises to own or lease and operate the Station and carry on the Station's business as presently being conducted and to execute, deliver and perform this Agreement and consummate the transactions contemplated thereby.

6.2. **Binding Agreement.** This Agreement constitutes a legal, valid, and binding obligation of Seller, enforceable in accordance with its terms.

6.3 **No Violation.** None of (a) the execution, delivery and performance of this Agreement by Seller, (b) the consummation of the transactions contemplated hereby, or (c) Seller's compliance with the terms and conditions hereof will, with or without the giving of notice or the lapse of time or both, conflict with, breach the terms and conditions of, constitute a default under, or violate, Seller's articles of incorporation, or bylaws, any judgment, decree, order, agreement, lease or other instrument to which Seller is a party or by which Seller is legally bound, or, to the best of Seller's knowledge, any law, rule, or regulation applicable to Seller or to the operation of the Station.

6.4 **Title to Purchased Assets.** Seller holds good and marketable title to all the Purchased Assets free and clear of all mortgages, deeds of trust, liens, pledges, collateral assignments, security interests, leases, easements, covenants, restrictions and encumbrances or other defects of title except (a) the lien of any real estate or personal property taxes that will not become due until after the Closing Date and that will be prorated between Seller and Buyer pursuant to **Section 5**; (b) liens securing payment of indebtedness to be fully paid by Seller on or prior to the Closing Date; and (c) as otherwise expressly provided in this Agreement.

6.5 **Licenses and Authorizations.** The Station Licenses include all the Commission authorizations held by Seller with respect to the Station, and are all the authorizations used in or necessary for the lawful operation of the Station as presently operated by Seller. The Station Licenses are in full force and effect and are unimpaired by any acts or omissions of Seller, Seller's employees or agents. There are no proceedings, complaints, or investigations pending or, to Seller's knowledge, threatened before or by the Commission relating to the business or operations of the Station. All employment reports and other documents materially required to be filed by Seller with the Commission have been timely filed; and all proofs of performance and measurements that are required to be made by Seller with respect to the Station's transmission facilities have been timely completed and are on file at the Station or will be provided to Buyer at Closing.

6.6 **Seller's Contracts.** Except as otherwise provided herein, each Assumed Contract is in full force and effect and is unimpaired by any acts or omissions of Seller, Seller's employees or agents or, to the best of Seller's knowledge, any other person. There has not occurred as to any Assumed Contract any material default by Seller or to the knowledge of Seller any event that, with the lapse of time or otherwise, could become a material default by Seller or by any other party thereto.

6.7 **Personal Property.** The assets listed in **Attachment 1.14** are all of the fixed and tangible property used or useful in the operation of the Station and, except as specifically indicated therein, are in good operating condition and repair (reasonable wear and tear excepted) and are not in need of imminent repair or replacement.

6.8 Utilities. All utilities that are required for the full and complete use of the transmitter, antenna and feed line for the purposes for which they are presently being used by Seller, including, without limitation, electricity, and similar systems, have been connected and are in working order.

6.9 Trademarks and Copyrights. The Intangible Property includes the Station's call sign, currently used to promote or identify the Station, which said call sign is in good standing and uncontested. Seller has no knowledge of any infringement or unlawful or unauthorized use of the call sign by any broadcast or cable station in the Station's service area that may be confusingly similar to the call sign currently used by the Station. No one has asserted to Seller that the operations of the Station have infringed any copyright, patent, trademark, trade name, service mark, or other similar right of any third party.

6.10 Employees. Seller has, in the conduct of the affairs of the Station, complied in all material respects with all applicable laws, rules and regulations relating to the employment of labor, including those relating to wages, hours, equal employment opportunity, collective bargaining, pension and welfare benefit plans, and the payment of Social Security and similar taxes, and Seller is not liable for any arrears of wages or any tax penalties for failure to comply with any of the foregoing. There are no employee claims pending or threatened between Seller and any of its employees at the Station, and Seller is not aware of any facts that could reasonably result in any such claims.

6.11 Litigation. There is no judgment outstanding or litigation, action, suit, investigation or other proceeding pending or, to the best of Seller's knowledge, threatened or probable of assertion that may give rise to any material claim against any of the Purchased Assets or adversely affect Seller's ability to perform in accordance with the terms of this Agreement, and Seller is not aware of any facts that could reasonably result in any such proceeding.

6.12 Compliance with Law. Seller is not in violation of any statute, regulation or order of any governmental authority relating to the Purchased Assets, or the business or operations of the Station, and there is no outstanding complaint, citation or notice issued by any governmental authority asserting any noncompliance by Seller, in connection with the business or operations of the Station, with any such statute, regulation or order.

6.13 Insolvency Proceedings. No insolvency proceedings of any character, including, without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Seller or the Purchased Assets are pending or threatened. Seller has not made an assignment for the benefit of creditors, or taken any action with a view to, or that would constitute a valid basis for, the institution of any such insolvency proceedings.

6.14 Taxes. Seller has, or by the Closing Date will have, paid and discharged all taxes, assessments, excises and other levies relating to the Purchased Assets that, if due and

not paid, would interfere with Buyer's full enjoyment of the Purchased Assets after Closing, excepting such taxes, assessments, and other levies as will not be due until after the Closing Date and that are to be prorated between Seller and Buyer pursuant to Section 5.

7. **BUYER'S REPRESENTATIONS AND WARRANTIES.** Buyer hereby makes the following representations and warranties to Seller for the purpose of inducing Seller to enter into and perform this Agreement:

7.1 **Existence and Power.** Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Oregon, with full power under its articles of organization, corporate charter or operating agreement to enter into and perform this Agreement. Buyer has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated thereby.

7.2 **Binding Agreement.** This Agreement, the Promissory Note and the Security Agreement have been duly authorized by all necessary corporate actions on the part of Buyer, and constitute the legal, valid, and binding obligations of Buyer, enforceable in accordance with their respective terms.

7.3 **No Violation.** None of (a) the execution and performance of this Agreement, the Promissory Note and the Security Agreement by Buyer; (b) the consummation of the transactions contemplated thereby; or (c) Buyer's compliance with the terms and conditions thereof will, with or without the giving of notice or the lapse of time or both, conflict with, breach the terms and conditions of, constitute a default under, or violate Buyer's articles of organization or operating agreement, any judgment, decree, order, agreement, lease, or other instrument to which Buyer is a party or by which Buyer is legally bound, or, to the best of Buyer's knowledge, any law, rule, or regulation applicable to Buyer.

7.4 **FCC Matters.** To Buyer's knowledge, there are no facts relating to Buyer that reasonably may be expected to disqualify Buyer under the Communications Act or the rules and regulations of the Commission from qualifying as an assignee of the Station Licenses or that would prevent it from consummating the transactions contemplated by this Agreement. Buyer is financially qualified to file the Application and consummate the contemplated transaction.

7.5 **Insurance.** Buyer will secure insurance coverage for the Purchased Assets in a commercially reasonable amount that is at least comparable in amount, scope and coverage to that insurance coverage maintained by Seller as of the date of this Agreement.

7.6 **Insolvency Proceedings.** No insolvency proceedings of any character, including, without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Buyer is pending or threatened. Buyer has not made an assignment for the benefit of creditors, or taken any action with a view to, or that would constitute a valid basis for, the institution of any such insolvency proceedings.

8. COVENANTS OF SELLER.

8.1 Maintenance Prior to Closing. Between the date of this Agreement and the Closing Date:

(a) Seller shall operate the Station in the normal and usual manner, consistent with the rules, regulations and policies of the Commission and conduct the Station's business only in the ordinary course, and to prevent and avoid, so far as is practicable, any Material Adverse Change in the operation of the Station.

(b) Seller shall consult with Buyer on a regular basis with respect to all decisions which could reasonably be expected to cause a Material Adverse Change affecting the Station or any of the Purchased Assets.

(c) Seller shall: (i) maintain the Purchased Assets in substantially the same condition as they now are (reasonable wear and tear in normal use and damage due to unavoidable casualty excepted); (ii) maintain all its respective inventories of supplies, tubes, and spare parts at levels at least equivalent to those existing on the date of this Agreement; (iii) maintain insurance upon the Purchased Assets and with respect to the operation of the Station's business comparable in amount, scope and coverage to that in effect on the date of this Agreement; and (iv) promptly give Buyer written notice of any Material Adverse Change with respect to the Purchased Assets or the business or operations of the Station.

(d) Seller shall maintain its books, records and accounts in the usual, regular and ordinary manner, on a basis consistent with prior periods.

(e) Seller shall comply in all material respects with all laws, rules, ordinances and regulations applicable to Seller's operation of the Station, to the Purchased Assets and to the business and operations of the Station.

(f) Seller shall: (i) perform all its Contracts without material default; and (ii) pay all its trade accounts payable in accordance with its prior custom and practice (including, without limitation, timing); provided, however, that Seller may dispute, in good faith, any alleged obligation of its own.

(g) Without the consent of Buyer, Seller shall not: (i) cause or permit, by any act or failure to act, the Station Licenses to expire or to be surrendered or modified, or fail to take any action which would cause the Commission or any other governmental authority to institute proceedings for the suspension, revocation or modification of any of the Station Licenses; (ii) sell or agree to sell or otherwise dispose of any of the Purchased Assets other than in the ordinary course of business and only if such Purchased Assets are replaced by assets of equal or greater worth, quality and utility; (iii) knowingly permit any infringement, unauthorized use or impairment of the Promotional Rights or change the Station's call signs; (iv) cancel, terminate, modify or amend any material Contract; (v) enter into any employment contract on

behalf of the Station unless the same is terminable at will and without penalty; or (vi) enter into any other contract, lease or agreement that will be binding on Buyer after Closing, except with the consent of Buyer.

(h) Seller shall not make any material changes in the format, personnel, operation, promotion or sales operation of the Station without the prior consultation of Buyer.

8.2 Consents to Assignment of Contracts. If any Assumed Contract requires the consent of any third party in order for Seller to assign that Assumed Contract to Buyer or to enable Buyer to enjoy the full benefit of that Assumed Contract after Closing subject only to the Assumed Contract's present terms, Seller shall obtain all such required consents pertaining to the Assumed Contracts prior to Closing.

8.3 Title Insurance. If Buyer shall so request, Seller shall use its best efforts to arrange for: the commitment of a title insurance company reasonably satisfactory to Buyer (the "Title Company"), agreeing to issue to Buyer, at standard rates, the most recent form ALTA Owner's title insurance policy, as may be applicable, including endorsements to the effect that: (a) all towers are constructed in compliance with all applicable zoning ordinances; and (b) an affidavit or indemnification agreement that shall cause the Title Company to affirmatively insure against the existence of outstanding rights that could form the basis for mechanic's, materialman's or similar liens, unrecorded documents, claims or parties in possession, and judgments, bankruptcies or other charges against any persons whose names are the same as or similar to Seller's name; Any such title insurance commitments or other policies shall be at Buyer's sole expense.

8.4 Lien Search. Not less than ten (10) days prior to Closing, but only if Buyer shall so request with ten (10) business' days written notice, Seller shall deliver to Buyer a report prepared by the Corporation Service Company, or C.T. Corporation (or similar firm reasonably acceptable to Buyer) showing the results of searches in the recording office of any county in which any of the Purchased Assets is situated and in the Secretary of State's Office, of such UCC financing statement, tax lien, lawsuits and judgment lien records, and shall, at Closing provide to Buyer such duly-executed termination statements, releases, and satisfaction pieces as are appropriate to demonstrate that the Purchased Assets are being conveyed by Seller free and clear of all liens, collateral assignments, security interests, and encumbrances whatsoever except for liens securing payment of any indebtedness to be fully paid by Seller on or prior to the Closing Date. This shall be at Buyer's sole expense.

8.5 Access. Between the date hereof and the Closing Date, Seller shall give Buyer or representatives of Buyer reasonable access to the Purchased Assets, to the Business Records of the Station, and to the other properties, titles, contracts, books, records and affairs of Seller relating to the operations of the Station including access to any of Seller's employees that Buyer requires, in its good faith judgment, to successfully complete its review of the Station and the Purchased Assets, and to prepare for the Closing. Buyer will conduct itself so as to cause a

minimum of disruption to the normal operation of the Station and Seller will cooperate in making such employees available to Buyer. It is expressly understood that, pursuant to this Section, Buyer shall be entitled to make environmental assessments of the tower site. No inspection or investigation made by or on behalf of Buyer or Buyer's failure to make any such inspection, however, shall affect Seller's representations, warranties, and covenants hereunder or be deemed to constitute a waiver of any of those representations, warrants, and covenants.

9. **CONDITIONS PRECEDENT.**

9.1 **Mutual Conditions.** The obligation of Seller and Buyer to consummate this Agreement is subject to the satisfaction of each of the following conditions:

(a) **FCC Consent.** The FCC shall have granted the Assignment Application, such grant shall have become a Final Order, and such grant shall be in full force and effect on the Closing Date. The Closing Date may occur following receipt of the grant of the Assignment Application but prior to the grant having become a Final Order should Buyer, in its sole discretion, so elect.

(b) **Absence of Litigation.** As of the Closing Date, no action, suit or proceeding seeking to enjoin, restrain, or prohibit the consummation of the transaction contemplated by this Agreement shall be pending before any court or the Commission or any other governmental body or authority.

9.2 **Conditions to Buyer's Obligation.** In addition to the satisfaction of mutual conditions contained in **Section 9.1**, the obligation of Buyer to consummate this Agreement is subject to the satisfaction of each of the following conditions:

(a) **Representations and Warranties.** The representations and warranties of Seller to Buyer shall be true, complete and correct in all material respects as of the Closing Date with the same force and effect as if then made.

(b) **Compliance with Conditions.** All of the terms, conditions, and covenants to be complied with or performed by Seller on or before the Closing Date shall have been duly complied with and performed in all material respects.

(c) **Validity of Station Licenses.** On the Closing Date, Seller shall be the owner and holder of the Station Licenses to the extent that such licenses can be owned or held by Seller under the Act, and the Station Licenses shall be in full force and effect, valid for the balance of the current license terms applicable generally to low power television stations licensed to communities located in the state of Oregon.

(d) **Lien Search.** The Lien Search referenced in **Section 8.4** or any other Lien Search shall not reveal any inconsistencies with Seller's representations and

warranties hereunder, or any liens inconsistent with such representations and warranties shall have been removed on or before the Closing.

(e) **Closing Documents.** Seller shall deliver to Buyer all of the Closing documents specified in **Section 12.2(a)** all of which documents shall be dated as of the Closing Date, duly executed, in a form reasonably acceptable to Buyer.

(f) **Condition of Station.** There shall have been no Material Adverse Changes subsequent to the date of this Agreement in the operation or condition of the Station except for changes in the ordinary course of business or as contemplated by this Agreement, none of which, individually or in the aggregate, shall be materially adverse.

9.3 Conditions to Seller's Obligation. In addition to satisfaction of the mutual conditions contained in **Section 9.1**, the obligation of Seller to consummate this Agreement is subject to satisfaction of each of the following conditions:

(a) **Representations and Warranties.** The representations and warranties of Buyer to Seller shall be true, complete, and correct in all material respects as of the Closing Date with the same force and effect as if then made.

(b) **Compliance with Conditions.** All of the terms, conditions and covenants to be complied with or performed by Buyer on or before the Closing Date shall have been duly complied with and performed in all material respects.

(c) **Payment.** Buyer shall make the payment and deliveries to Seller at Closing as provided in **Section 12.2(b)**, and any other provision hereof;

(d) **Closing Documents.** Buyer shall deliver to Seller all the closing documents specified in **Section 12.2(b)**, all of which documents shall be dated as of the Closing Date, duly executed, and in a form reasonably satisfactory to Seller.

10. SATISFACTION OF CONDITIONS.

10.1 In General. Each party shall use its respective best efforts and cooperate with the other in good faith to the extent reasonably required in order to satisfy the conditions to each party's obligations under this Agreement as set forth in **Section 10** and fully to accomplish the transactions contemplated by this Agreement in an expeditious fashion. Neither party shall take or fail to take any action within such party's reasonable control, the effect of which would be to prevent or unreasonably delay the satisfaction of any condition to its or the other party's obligations contained in **Section 10** or the consummation of this Agreement in accordance with its terms.

10.2 Application for Commission Consent. Within ten (10) days from the date of this Agreement, Seller and Buyer shall join in and file the Assignment Application with

the Commission seeking consent to the assignment of the Station Licenses to Buyer. Buyer and Seller will diligently take all steps necessary, desirable and proper to expeditiously complete the Assignment Application, including timely completion of publication of the notice of sale as required by Section 73.3580 of the FCC rules, and to obtain the Commission's determination that grant of the Assignment Application will serve the public interest, convenience, and necessity. Buyer shall have the right to make such amendments as may be necessary to reflect changes in the structure of the Buyer.

11. **CONTROL OF STATION.** This Agreement shall not be consummated until after the FCC has given its written consent thereto, and between the date of this Agreement and the Closing Date, Buyer shall not directly or indirectly control, supervise or direct, or attempt to control, supervise or direct, the operation of the Station. This section shall not be construed so as to prohibit or preclude the operation of the Station by Buyer, by any principals, agents or employees of Buyer, or by any entity controlled by such persons, pursuant to a local programming agreement, time brokerage agreement, or other similar arrangement that complies with the commission's rules and policies.

12. **CLOSING.**

12.1 **Closing Date.** The Closing Date of this Agreement shall be established by the mutual agreement of Seller and Buyer, but in any event not more than thirty (30) days after the Commission's approval of the Assignment Application becomes a Final Order. Seller and Buyer shall determine by mutual agreement a location where the Closing shall take place. **Seller and Buyer agree that time is of the essence for this Closing.**

12.2 **Performance at Closing.** The following documents shall be delivered at Closing:

(a) **By Seller.** Seller shall deliver to Buyer:

- (i) A certificate executed by an officer of Seller attesting to Seller's compliance with the matters set forth in **Sections 9.2(a)** and **9.2(b)**.
- (ii) One or more assignments transferring to Buyer all of the interests of Seller in and to the Station Licenses.
- (iii) One or more assignments assigning to Buyer all of Seller's rights and obligations in the Assigned Contracts.
- (iv) One or more bills of sale conveying to Buyer the transmitter and antennae tower.

(vi) One or more assignments conveying to Buyer the Promotional Rights, the Intangible Property, the call letters K36FJ, and all other property comprising the Purchased Assets not specifically conveyed pursuant to the above deliveries.

(vii) All of Seller's Business Records pertaining to the Station.

(b) **By Buyer.** Buyer shall deliver to Seller:

(i) A certificate executed by an officer of Buyer attesting to Buyer's compliance with the matters set forth in **Sections 9.2(a) and 9.2(b).**

(ii) The payments and documents due pursuant to **Section 3.**

(iii) One or more assumptions of the Assumed Contracts, subject to **Section 4.**

(iv) The Promissory Note and the Security Agreement, duly executed on behalf of Buyer.

(c) **Other Acts.** The parties will also execute such other documents and perform such other acts, before and after Closing, as may be necessary for the complete implementation and consummation of this Agreement.

13. **DAMAGE.**

13.1 Risk of Loss. The risk of loss or damage to the Purchased Assets shall be upon Seller at all times prior to Closing. In the event of loss or damage, Seller shall promptly notify Buyer thereof and use its best efforts to repair, replace or restore the lost or damaged property to its former condition as soon as possible. If such repair, replacement, or restoration has not been completed prior to the Closing Date, and the cost of such repairs, replacement or restoration is in the aggregate Ten Thousand Dollars (\$10,000) or less, then the Closing shall occur as scheduled and the amount necessary to repair, replace or restore the damaged or lost property to its former condition shall be credited against the Purchase Price to be paid by Buyer. If the cost of such repairs, replacement or restoration is in the aggregate greater than Ten Thousand Dollars (\$10,000), then Buyer may, at its option:

(a) elect to consummate the Closing in which event the Seller shall assign to Buyer all of Seller's rights under any applicable insurance policies and shall pay to Buyer the aggregate amount of any deductibles pertaining thereto; or

(b) elect to postpone the Closing Date for a period determined by Buyer of up to ninety (90) days, with prior consent of the Commission, if necessary, to permit

Seller to make such repair, replacement, or restoration as is required to return the lost or damaged property to its former condition. If, after the expiration of the extension period granted by Buyer, the lost or damaged property has not been adequately repaired, replaced or restored, Buyer may terminate this Agreement, and the parties shall be released and discharged from any further obligation hereunder. In such event, the Escrow Deposit shall be immediately returned to Buyer. In the alternative, Buyer may consummate the Closing and the amount necessary to repair, replace or restore the damaged or lost property to its former condition shall be credited against the Purchase Price to be paid by Buyer.

13.2 Failure of Broadcast Transmission. Seller shall give prompt written notice to Buyer if: (a) regular broadcast transmissions of the Station in the normal and usual manner are interrupted or discontinued; or (b) the Station is operated at less than its full licensed facilities. If Seller cannot restore normal and usual transmissions at the licensed operating parameters within twenty-four (24) hours (with the Closing Date to be extended if necessary), or if there are four (4) or more such events prior to the Closing Date each lasting more than two (2) hours, Buyer may, at its option: (a) terminate this Agreement; or (b) proceed in the manner set forth in Section 13.1(a) or 13.1(b). In the event of termination of this Agreement by Buyer pursuant to this Section, the parties shall be released and discharged from any further obligation hereunder, and the Escrow Deposit shall be immediately returned to Buyer.

13.3 Resolution of Disagreements. If the parties are unable to agree upon the extent of any loss or damage, the cost to repair, replace or restore any lost or damaged property, the adequacy of any repair, replacement, or restoration of any lost or damaged property, or any other matter arising under this Section, the disagreement shall be referred to a qualified consulting communications engineer mutually acceptable to Seller and Buyer who is a member of the Association of Federal Communications Consulting Engineers, whose decision shall be final, and whose fees and expenses shall be paid one-half (1/2) by Seller and one-half (1/2) by Buyer.

14. INDEMNIFICATION.

14.1 Buyer's Right to Indemnification. Seller undertakes and agrees to indemnify and hold Buyer harmless against and from any and all losses, costs, liabilities, claims, obligations and expenses, including reasonable attorney's fees, incurred or suffered by Buyer arising from (a) the material breach, misrepresentation, or other violation of any of Seller's representations, warranties, or covenants contained in this Agreement; (b) the operation of the Station or the ownership of the Purchased Assets purchased prior to Closing; and (c) all liabilities of Seller other than the liabilities assumed by Buyer pursuant to Section 4; and (d) all liens, charges, or encumbrances on any of the Purchased Assets that are not expressly permitted by this Agreement. The foregoing indemnity is intended by Seller to cover all acts, suits, proceedings, claims, demands, assessments, adjustments, costs and expenses with respect to any and all of the specific matters set forth in this indemnity and shall be without limitation as to amount.

14.2 Seller's Right to Indemnification. Buyer undertakes and agrees to indemnify and hold Seller harmless against and from any and all losses, costs, liabilities, claims, obligations and expenses, including reasonable attorney's fees, incurred or suffered by Seller arising from (a) the material breach, misrepresentation, or other violation of any of Buyer's representations, warranties or covenants contained in this Agreement; (b) the operation of the Station or ownership of the Purchased Assets after Closing; and (c) all liabilities of Buyer. The foregoing indemnity is intended by Buyer to cover all acts, suits, proceedings, claims, demands, assessments, adjustments, costs, and expenses with respect to any and all of the specific matters set forth in this indemnity and shall be without limitation as to amount.

14.3 Procedure.

(a) If any claim or proceeding covered by the foregoing agreements to indemnify and hold harmless shall arise, the party who seeks indemnification (the "Indemnified Party") shall give written notice thereof to the other party (the "Indemnitor") promptly (in no event more than ten (10) days) after the Indemnified Party learns of the existence of such claim or proceeding; provided that the failure to notify the Indemnitor will not relieve the Indemnitor of any liability that it may have to the Indemnified Party, except to the extent that the Indemnitor demonstrates that the defense of such action is prejudiced by the Indemnified Party's failure to give such notice. Any claim for indemnification hereunder shall be accompanied by evidence demonstrating the Indemnified Party's right or possible right to indemnification, including a copy of all supporting documents relevant thereto. After the Indemnitor acknowledges its obligation to defend against or settle any such claim or proceeding, the Indemnitor shall not be liable to the Indemnified Party under this Section for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof, provided, however, that the Indemnified Party shall have the right to employ counsel to represent it if the Indemnified Party is advised by an attorney in writing of conflict and that it is advisable for the Indemnified Party to be represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Indemnitor. The parties shall fully cooperate in the defense of the claim or proceeding and shall make available to each other all books or records necessary or appropriate for such defense.

(b) The Indemnitor shall have the right to employ counsel reasonably acceptable to the Indemnified Party to defend against the claim or proceeding, or to compromise, settle or otherwise dispose of the same; provided, however, that no settlement or compromise shall be effected without the consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed.

(c) If the Indemnitor fails to acknowledge in writing its obligation to defend against or settle any claim or proceeding within twenty (20) days after receiving notice of the claim or proceeding from the Indemnified Party (or such shorter time specified in the notice as the circumstances of the matter may dictate) the Indemnified Party shall be free to dispose of the matter, at the expense of the Indemnitor (but subject to the Indemnitor's right subsequently to

contest through appropriate proceedings its obligation to provide indemnification), in any way that the Indemnified Party deems in its best interest.

(d) The Indemnitor shall be subrogated to all rights of the Indemnified Party against any third party with respect to any claim for which indemnification is paid to the extent of such payment.

14.4 Indemnification Not Sole Remedy. The right to indemnification hereunder shall not be the exclusive remedy of either party in connection with any breach by the other party of its representations, warranties, or covenants, nor shall such indemnification be deemed to prejudice or operate as a waiver of any remedy to which either party may otherwise be entitled as a result of any such breach by the other party.

15. ACCESS TO INFORMATION AND DOCUMENTS AFTER CLOSING.

15.1 By Buyer. At Buyer's request, Seller shall give to Buyer and to Buyer's counsel, accountants and other representatives, reasonable access after Closing to Seller's books, and records, and documents as they relate to the Station's operation prior to the Closing. Buyer's request shall state with reasonable specificity the purpose of the request and the property, books and records, and additional information to which Buyer desires to have access or to copy, and Buyer's access and copying may be reasonably limited by Seller to that which is reasonably necessary for Buyer's legitimate purposes. In any case, all such information shall be strictly confidential and may not be disclosed by Buyer to any person, except as otherwise contemplated by this Agreement, required by law, or reasonably required to achieve Buyer's legitimate purposes.

16. TERMINATION.

16.1 By Either Party. Seller or Buyer may terminate this Agreement as follows:

(a) if the Closing has not occurred within eight (8) months of the date of submission of the assignment application to the FCC (the "Termination Date"); provided, however, that the right to terminate this Agreement under this Section shall be suspended as to any party whose failure to fulfill any material obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the closing to occur prior to such date, until the twentieth (20th) day after such party has been given notice to cure such failure;

(b) if the FCC designates the Assignment Application for an evidentiary hearing; or

(c) if any court of competent jurisdiction or other United States governmental body shall have issued an order, decree or ruling, or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

16.2 By Seller. Seller may terminate this Agreement if Buyer shall have materially breached any representation, warranty or covenant of Buyer contained in this Agreement, provided that such breach has not been cured within twenty (20) days after the giving of notice thereof by Seller to Buyer, and provided further that Seller is not then in default of any of its obligations under this Agreement.

16.3 By Buyer. Buyer may terminate this Agreement if Seller shall have materially breached any representation, warranty or covenant of Seller contained in this Agreement, provided that such breach has not been cured within twenty (20) days after the giving of notice thereof by Buyer to Seller, and provided further that Buyer is not then in default of any of its obligations under this Agreement. Buyer shall have the right to terminate this Agreement without prejudice and without being deemed to have defaulted if there is a Material Adverse Change in the condition of the Station or the Purchased Assets.

16.4 Results of Termination. If either party terminates this Agreement pursuant to **Section 16.1**, neither party shall have any liability to the other, and this Agreement in its entirety shall be deemed null, void and of no further force and effect, and the Escrow Deposit shall be immediately returned to Buyer. If Seller terminates this Agreement pursuant to **Section 16.2**, then Seller shall be entitled to receive as compensation therefor the principal sum of the Escrow Deposit as complete, reasonable and adequate liquidated damages, and not as a penalty. Seller and Buyer agree that damages would be difficult to ascertain and that the amount of the payment to be made to Seller pursuant to this Section is a fair and equitable amount to reimburse Seller for damages sustained due to Buyer's breach of this Agreement. Such liquidated damages shall be Seller's sole remedy. If Buyer terminates this Agreement pursuant to **Section 16.3**, Buyer shall be entitled to pursue any and all remedies available to it in law and equity.

17. SPECIFIC PERFORMANCE. Seller agrees that the Purchased Assets include unique property that cannot be readily obtained on the open market and that Buyer will be irreparably injured if this Agreement is not specifically enforced. Therefore, Buyer shall have the right specifically to enforce Seller's performance under this Agreement, and Seller agrees to waive the defense in any such suit that Buyer has an adequate remedy at law and to interpose no opposition, legal or otherwise, as to the propriety of specific performance as a remedy. The remedies described in this section shall be in addition to, and not in lieu of, any other remedies that Buyer may elect to pursue.

18. GENERAL PROVISIONS.

18.1 Brokerage. Buyer hereby represents that it has agreed to pay a five percent (5%) commission to The Exline Company, 4340 Redwood Highway, Suite F230, San Rafael, California to help consummate this transaction. In the event any other consultant, broker or finder asserts a claim in connection with this transaction, the party who is alleged to have engaged or retained such other consultant, broker or finder shall indemnify and hold harmless the other party, if such claim is asserted against such other party by said consultant, broker or finder.

18.2 Further Assurances. After the Closing, Seller shall from time to time, at the reasonable request of Buyer, execute and deliver such other instruments of conveyance and transfer and take such other actions as may reasonably be requested in order more effectively to consummate the transactions contemplated hereby to vest in Buyer good and marketable title to the Purchased Assets to be transferred hereunder, free, clear and unencumbered.

18.3 Benefit and Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. All covenants, agreements, statements, representations, warranties and indemnities in this Agreement by and on behalf of any of the parties hereto shall bind and inure to the benefit of their respective successors and permitted assigns. Neither party may assign its rights and obligations hereunder without the prior written consent of the other party.

18.4 Expenses. Seller shall pay all sales, use, transfer, conveyance, recordation and documentary taxes payable or assessable in connection with or as a result of the sale and transfer contemplated by this Agreement. Except as otherwise provided herein, all expenses involved in the preparation and consummation of this Agreement shall be borne by the party incurring same whether or not the transaction contemplated herein is consummated. All Commission filing fees, if any, for the Assignment Application shall be split between Buyer and Seller.

18.5 Notices. All notices, requests, demands, and other communications pertaining to this Agreement shall be in writing and shall be deemed duly given when delivered personally or mailed by certified mail, return receipt requested, postage prepaid, or by an overnight carrier that provides a written confirmation of delivery, addressed as follows:

If to Seller:
Danny Shelton, President
Three Angels Broadcasting Network, Inc.
P.O. Box 220
West Frankfort, Illinois 62896

with copy to (which shall not constitute notice):
David M. Silverman, Esq.
Davis Wright Tremaine LLP
1919 Pennsylvania Av NW, Suite 200
Washington, DC 20006

And to:
Moses Primo
Director of Broadcast Operations and Engineering
Three Angels Broadcasting Network, Inc.
3391 Charley Good Road

P.O. Box 220
West Frankfort, IL 62896

If to Buyer:
Scott Diehl, Operations Manager
Churchill Media III, LLC
871 Country Club Rd.
Eugene, OR 97401

With a copy to (which shall not constitute notice):
J. Dominic Monahan
Attorney at Law
P.O. Box 10747
Eugene, OR 97440

Whenever possible, notices should also be provided by facsimile or electronic mail. Either party may change its address for notices by written notice to the other given pursuant to this Section.

18.6 Prior Negotiations. This Agreement supersedes in all respects all prior and contemporaneous oral and written negotiations, understandings and agreements between the parties with respect to the subject matter hereof, including without limitation the Letter of Intent. All of said prior and contemporaneous negotiations, understandings and agreements are merged herein and superseded hereby.

18.7 Entire Agreement; Amendment. This Agreement and the Attachments hereto set forth the entire understanding between the parties in connection with the transaction contemplated herein. Neither this Agreement nor any term or provision hereof may be altered or amended in any manner except by an instrument in writing signed by the party against whom the enforcement of any such change is sought.

18.8 Severability. If any term of this Agreement is illegal or unenforceable at law or in equity, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. Any illegal or unenforceable term shall be deemed to be void and of no force and effect, and the balance of this Agreement shall then be fully enforceable.

18.9 Survival of Representations and Warranties. The several representations, warranties and covenants of the parties contained herein shall survive the Closing and shall expire as provided pursuant to the relevant statute(s) of limitations.

18.10 Waiver. Unless otherwise specifically agreed in writing to the contrary: (a) the failure of either party at any time to require performance by the other of any provision of this Agreement shall not affect such party's right thereafter to enforce the same, (b) no waiver by either party of any default by the other shall be taken or held to be a waiver by such party of any

other preceding or subsequent default, and (c) no extension of time granted by either party for the performance of any obligation or act by the other party shall be deemed to be an extension of time for the performance of any other obligation or act hereunder.

18.11 Number and Gender. Whenever the context so requires, words used in the singular shall be construed to mean or include the plural and vice versa, and pronouns of any gender shall be construed to mean or include any other gender or genders.

18.12 Headings and Cross-References. The headings of the Sections and Paragraphs have been included for convenience of reference only, and shall in no way limit or affect the meaning or interpretation of the specific provisions of this Agreement. All cross-references to Sections or Paragraphs herein shall mean the Sections or Paragraphs of this Agreement unless otherwise stated or clearly required by the context. Words such as "herein" and "hereof" shall be deemed to refer to this Agreement as a whole and not to any particular provision of this Agreement unless otherwise stated or clearly required by the context.

18.13 Counsel. Each party has been represented by its own counsel in connection with the negotiation and preparation of this Agreement or has knowingly waived such right and, consequently, each party hereby waives the application of any rule of law that would otherwise be applicable in connection with the interpretation of this Agreement, including, but not limited to, any rule of law to the effect that any provision of this Agreement shall be interpreted or construed against the party whose counsel drafted that provision.

18.14 Choice of Laws. This Agreement is to be construed and governed by the laws of the state of Oregon without reference to the choice of law rules utilized in that jurisdiction.

18.15 Choice of Forum. The parties agree that the only and exclusive forum for any action brought to resolve any dispute arising out of this Agreement shall be the federal or state courts having jurisdiction over Eugene, Oregon.

18.16 Enforcement. If either party initiates an action in court to attempt to enforce its rights under this Agreement or under the LOI, the party who prevails in such action shall be entitled to be reimbursed by the losing party for its costs and reasonable attorneys' fees.

18.17 Third Parties. Nothing in this Agreement, whether expressed or implied, is intended: (a) to confer any rights or remedies on any person other than Seller, Buyer and their respective successors and permitted assigns; (b) to relieve or discharge the obligation or liability of any third party; or (c) to give any third party any right of subrogation or action against Seller or Buyer.

18.18 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were on the same instrument. Each of the counterparts, when signed, shall be deemed to be an original, and all of

the signed counterparts together shall be deemed to be one and the same instrument. This Agreement may be signed and exchanged by facsimile or electronic transmission, with the same legal effect as if the signatures had appeared in original handwriting on the same physical document.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement effective as of the date first written above.

SELLER:

**THREE ANGELS BROADCASTING
NETWORK, INC.**

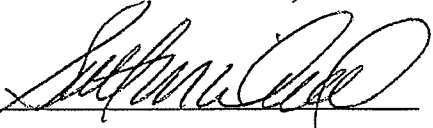
By: _____

Date: _____

Danny L. Shelton
President

BUYER:

CHURCHILL MEDIA III, LLC

By:  _____

Date: 8/22/07

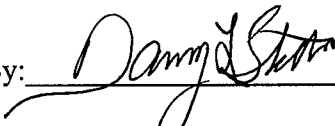
Scott Diehl
Operations Manager

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IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement effective as of the date first written above.

SELLER:

**THREE ANGELS BROADCASTING
NETWORK, INC.**

By:  Date: _____

Danny L. Shelton
President

BUYER:

CHURCHILL MEDIA III, LLC

By: _____ Date: _____

Scott Diehl
Operations Manager