

## 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 (20<sup>th</sup>) 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

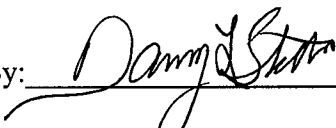
Scott Diehl  
Operations Manager

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: \_\_\_\_\_

Scott Diehl  
Operations Manager

June 12, 2007

Andrew P. McClure, President  
Brick Steinberg, Associate Broker  
The Exline Company  
4340 Redwood Hwy, Suite F-230  
San Rafael, CA 94903

Dear Andy,

On behalf of Churchill Media LLC, this is an offer to purchase all of the assets used and usable in the operation of LPTV station K36FJ, Eugene, Oregon, free and clear, excluding accounts receivable, accounts payable, cash on hand and cash equivalents, for a price of Seven Hundred Thousand Dollars (\$700,000) on terms and conditions as outlined:

**TERMS:** Four Hundred Thousand Dollars (\$400,000) cash due at closing. Seller will accept a Three Hundred Thousand Dollar (\$300,000) note, due and payable in full 18 months after closing. The annual interest rate on the note will be 5.5%, payable quarterly.

**CONDITIONS:** Buyer will supply financial references to the satisfaction of the Seller, and Seller shall have the right to cancel this Agreement within three (3) business days after such references are provided if not satisfactory to Seller.

The Buyer will begin a 30-day due diligence period upon Seller's acceptance of this offer. Until such time as an Agreement of Sale is executed, which shall supercede this letter, this proposal is contingent upon and subject to proper confirmation and verification by the Buyer of the financial and other information made available to Buyer by Sellers.

This offer is subject to the signing of a mutually acceptable Agreement of Sale within forty five (45) days of the acceptance date of this offer. It is also subject to the consent of the Federal Communications Commission ("FCC"). Buyer and Seller agree to cooperate in the preparation of the necessary documents for an application to the FCC for transfer of license and further agree said documents shall be submitted to the FCC within ten (10) days following the signing of the Agreement of Sale.

© 10/04 Rev 9/04

695 COUNTRY CLUB RD - STE A 200 - EUGENE OR 97401 - 541 343 4100 - WWW.CHURCHILLMEDIA.COM

ATTACHMENT A



Buyer and Seller agree they will use their best efforts to keep confidential (except for disclosure to attorneys, bankers, investors, etc., as may be appropriate to consummate this transaction), all information of a confidential nature which each receives from the other (including the terms of this proposal and the identity of the Buyer) during the course of the transaction contemplated by this letter. If such transaction is not consummated, the Buyer and Seller will return all documents and other materials obtained from each other.

The parties will share equally the cost of FCC filing fees. The only broker involved is William A. Exline, Inc., whose fees are the sole responsibility of Churchill Media, the Buyer. Each party will bear its own legal and other fees and expenses in connection with the proposed transaction.

Buyer will place in the Trustee Account of Evergreen Title Company, Eugene, Oregon, a good faith deposit in the amount of Thirty Five Thousand Dollars (\$35,000) upon Seller's acceptance of this Letter of Intent. Interest on the deposit shall accrue to the favor of the Buyer, and the deposit will be promptly returned to the Buyer should the sale fail to be consummated through no fault of the Buyer.

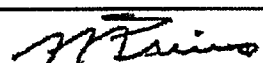
Closing will take place within 30 days of the closing of the purchase of K54DU, Richland, Washington, which is addressed in a separate agreement, and provided that FCC approval has been received.



Buyer: Scott Diehl, Operations Manager  
Business Name: Churchill Media, LLC

Date: 6/12/07

ACCEPTED:

Seller:  Title: DIR. OF BROADCASTING  
Business Name: Three Angels Broadcasting Network, Inc.

Date: 6/15/07

CC-00000000

*Eugene*

### SITE LEASE AGREEMENT

THIS AGREEMENT is made and entered into this 1ST day of AUGUST, 1996 by and between JAMES D SILKE, hereinafter referred to as "LESSOR" and THREE ANGELS BROADCASTING hereinafter referred to as "LESSEE."

### RECITALS

WHEREAS, Lessor is possessed of certain real property and tower site known as Blanton Hill tower site located in Eugene, in Lane County, Oregon; and

WHEREAS, Lessee desires to lease space on Lessor's tower sufficient for installation of Lessee's broadcasting antennas and space in Lessor's equipment building for housing Lessee's broadcasting equipment;

WHEREAS, Lessor is willing to lease said space to Lessee on the terms and conditions hereinafter set forth, the parties have entered into the following:

### AGREEMENT

1. LEASE OF PROPERTY. In consideration of the terms, covenants, and conditions herein contained, Lessor does hereby rent to Lessee the right to use a portion of the real property described in the Recitals above in order that the Lessee may use the same for the use of its transmission equipment. In addition Lessee shall rent space in the building owned by Lessor.

Lessee shall be provided adequate space on Lessor's tower for as needed antenna and as needed coax cable as installed. Lessee shall have the ongoing right to upgrade its equipment from time to time at Lessee's sole expense.

The installation of the equipment shall be at the Lessee's expense.

2. TERMS OF RENT. The lease shall be for a 5 year term beginning Sept. 1, 1997. The initial rent shall be \$400.00 per transmitter per month and due on a monthly basis at the commencement of the lease as outlined above in this paragraph. All rent becomes due on the first day of the month, in advance. Lessee may, at its discretion, prepay rent on a quarterly, semiannually, or annual basis without penalty.

3. ADJUSTMENTS TO RENT. The monthly rental rate shall be adjusted at the completion of every year by the percent of the change, if any, of the Consumer's Price Index published by the United States Bureau of Labor Statistics, Portland, Oregon, by comparison with the first day of the anniversary month of the base year, or if the first adjustment has been made, the last adjusted year.

4. TERMS OF RENEWAL. If the lease has not been in default, the Lessee

ATTACHMENT 1.3

shall have the option to renew this Lease for an additional five year term, which option shall be exercised by written notice to the Lessor not later than ninety (90) days prior to the last of the expiring term. The terms and conditions of the Lease for the renewal term shall be identical with the original term.

5. ACCESS TO PREMISES. Lessee agrees to maintain reasonable security on the building allowing only responsible persons on the property. Such persons shall be instructed not to interfere with the existing equipment in any way and to in no way cause damage to either Lessors property or to property of any of Lessor's other Lessees. The Lessee shall notify the appropriate party or parties that the Lessor shall designate concerning said changes.
6. POSTING. The Lessee shall post in an appropriate and visible place inside the transmitter building copies of all documents of authorization from the Federal Communications Commission for the transmitters within the said transmitter building.
7. ELECTRICAL INSTALLATION. Lessor shall submeter electricity. Lessee shall pay electric rates at same rate as charged by the serving utility.
8. IMPROVEMENTS. Upon expiration or termination of this Lease, the site remains the property of the Lessor. The Lessee shall have a reasonable time in which to remove any radio equipment. The Lessee agrees not to make or cause to have made any alterations, changes or improvements to or upon the premises except as expressly authorized herein. Upon a termination of this Lease, all changes, alterations, additions, repairs or improvements to or upon said building shall become the property of the Lessor without liability on its part to pay for same, except, however, that any trade fixtures, shelving, counter, office equipment or other appliances placed in said building may be removed by Lessor during the term hereby created.
9. TOWER CONTRACTORS. Lessee shall permit only qualified contractors to climb and service equipment placed on the transmission tower. The Lessee will provide notification in writing to the Lessor of pending work to be performed on the tower and the name of the contractor who will perform the work. The insurance carried by the contractor shall protect the Lessor, Lessee and other tenants and their equipment and shall be of an adequate level as designated by the Lessor. A copy of the insurance will describe the limits that are in force at the time, the work which will be performed and shall be provided to the lessor before the work can be commenced.
10. INSURANCE REQUIREMENTS OF THE LESSEE. This lease is made upon the expressed condition that Lessor is to be free from any liability or claims for damages by reason of any injury to any person or persons or to property of any such kind or character whatsoever, including Lessee, except any such damage as may be caused by Lessor. Lessee hereby covenants and agrees to indemnify and hold harmless Lessor from any such liability, loss, cost or obligations. Lessee further states that it is self-insured under provisions of ORS 30.260 through 30.300 for all liabilities, including personal injury and property damage. The limits of liability for this coverage are \$100,000

for bodily injury, \$50,000 for property damage, and \$300,000 combined total for a single occurrence. This coverage will remain in effect during installation and maintenance on the tower which shall be performed by licensed tower contractors carrying insurance levels of \$1,000,000. Neither party shall be liable to the other for any loss or damage caused by fire or any of the risks enumerated in a standard fire insurance policy with an extended coverage endorsement if such insurance was obtainable at the time of such loss or damage.

11. **HOLD HARMLESS CLAUSE.** Lessee shall save Lessor harmless from any and all claims or demands in any sort and description which may arise from its occupancy of the property and the conduct of its business thereon, including any possible claims resulting from failure to comply with any laws, ordinances or regulations respecting the conditions, use occupancy, sanitation or safety of the leased premises or any part thereof. Any additions, alterations or improvements to the leased premises required by statute, ordinance, regulation or the rules of proper governmental authority shall be furnished and installed by Lessee at its sole cost and expense, and if such changes are required as a result of Lessee's occupancy, and the conduct of its business, Lessor shall keep the tower facilities insured and shall maintain the tower facilities in good repair. Lessor shall not be liable to Lessee, however, for damages that result from acts of God that cause damage to the property of Lessee or interruption of Lessee's broadcast operations.

12. **TECHNICAL OPERATIONS.** Lessee shall cooperate with Lessor and any other tenants upon Lessor's premises in the installation of all transmitting and receiving equipment so as to avoid interference with other tenants which might cause another tenant to be unable to transmit. The construction, installation and maintenance of all equipment shall be performed to standards set by the Federal Communications Commission, good engineering and electrical practice and the Lessor. The Lessor will use its best efforts to ensure that other tenants conform to the same standards.

13. **DEFAULT, LATE CHARGES, TERMINATION.** If the rent provided for in this Lease shall remain unpaid for a period of twenty (20) days after it has become due and payable on any installment, then, without additional notice, a late charge of 10% per annum shall immediately be added. In the event that the rent remains unpaid for twenty (20) days after it becomes due and payable, Lessor shall be given written notice to Lessee and Lessee shall have ten (10) days to pay said Lease. Following this ten (10) day period, and without further notice, this Lease shall be in default and shall terminate. Lessor shall have the authority to take possession of the leased premises and to hold possession of any or all of Lessee's property until the resolution of rent. Lessor shall have any other remedies as may be available at law or in equity.

13(a) **TERMINATION.** In the event of damage, destruction, or condemnation of the Premises or any part thereof, which renders the premises unusable or inoperable, both Lessor and Lessee shall have the right, but not the obligation, to terminate this Agreement and all its duties and obligations

Lessee loses its license or have some technical problem that would make impossible further broadcasting from this site.

hereunder, by giving written notice within thirty (30) days after such damage, destruction, or condemnation to Lessor. (continued above)

14. **MAINTENANCE.** The maintenance and repairs of the tower, and the exterior of the equipment building shall be the responsibility of the Lessor. The maintenance and repairs of Lessee's equipment, including that which is hung on Lessor's tower shall be the responsibility of the Lessee.

15. **WAIVER.** No waiver of any breach of any term, covenant or condition of this Agreement shall be deemed the waiver of any subsequent breach of the same or any other term or condition hereof.

16. **ATTORNEY FEES.** In the event any suit, action or proceeding is instituted on this Lease, the prevailing party shall be entitled in addition to the costs and disbursements provided by law to such a sum as the court may adjudge reasonable as an attorney fee in said suit, action or proceeding or any appeal thereof.

17. **BINDING ON HEIRS.** This agreement shall be binding upon the heirs, personal representatives and assigns of the parties hereto.

18. **OREGON LAW.** The terms of this agreement shall be so construed according to the terms of the substantive (rather than choice-of-law) laws of the State of Oregon.

19. **NOTICE.** Any notice required or permitted to be sent hereunder shall be deemed sent when it is deposited in the United States Main, postage prepaid, addressed to the other party at the following address, or at a new address, if such new address has been given to the other party:

James D Silke  
680 Tyler St.  
Eugene, Oregon 97402

THREE ANGELS BROADCASTING  
P.O. BOX 220  
THOMPSONVILLE, IL 62896  
Attn: Moses Primo

20. **EXPIRATION.** Lessor and Lessee mutually agree that time is of the essence and that the Lessee must execute complete applications to the Federal Communications Commission and all other Governing bodies by \_\_\_\_\_ as needed \_\_\_\_\_ to relocate facilities to the tower of the Lessor. Failure by the Lessee to take said action shall immediately terminate this agreement without penalty to either Lessee or Lessor and relieve either party from the terms and conditions herein.

21. **TOTAL AGREEMENT.** It is expressly understood that this agreement contains all the terms, covenants, conditions and agreements between the parties hereto relating to the subject matter of this Agreement, and that no prior agreements or understandings, oral or written, pertaining to the same shall be valid or of any force or effect, and that the terms, covenants, conditions, and provisions of this agreement cannot be changed,

JAMES D SILKE

Company Three Angels Broadcasting Network

Name

Darryl Stutz

Title

President

**Silke Communications Inc.** Sales, Engineering, Service, & Repair  
**Fleetnet** of Wireless Communications

680 Tyler St Eugene, OR 97402  
Toll Free 866-557-4553  
Phone (541) 687-1611  
Fax (541) 687-1613

January 16, 2004

Three Angels Broadcasting  
P.O. Box 220  
Thompsonville, IL 62896

Dear Three Angels Broadcasting,

In review of our lease with you we have discovered a discrepancy. Although we are still receiving payments for this lease, the original lease had set dates for termination as well as extension options. The extension provision stated that for this extension to occur the Lessee needed to notify the Lessor in writing ninety days prior to the original termination date if they wished to extend the lease. In your case we are one year and five months into that second term on your lease at the Blanton Hill tower site. So as to keep the paper work correct, by signing this letter and sending it back to us we will exercise the option.

We thank you for your consideration in this matter, and if you have any questions please contact me.

Lessee 

Date February 4, 2004

Sincerely 

Michael D Smith  
Manager

Exhibit \_\_\_\_\_

Inventory of K36FJ Eugene:

- (1) 10' DH satellite dish
- (1) Manhattan Satellite Receiver
- (1) Stick-on STA-1 Audio amplifier
- (1) ITS 830A 1kW Transmitter
- (1) LDF7 1-5/8 heliax
- (1) Jampro JA/LS-12 slot cylinder antenna



United States of America  
**FEDERAL COMMUNICATIONS COMMISSION**  
**LOW POWER TELEVISION/TELEVISION TRANSLATOR**  
**BROADCAST STATION LICENSE**

Authorizing Official:

Official Mailing Address:

THREE ANGELS BROADCASTING NETWORK, INC.  
PO BOX 220  
WEST FRANKFORT IL 62896

Hossein Hashemzadeh  
Associate Chief  
Video Division  
Media Bureau

Facility Id: 473

Grant Date: September 16, 2002

This license expires 3:00 a.m.  
local time, February 01, 2007.

Call Sign: K36FJ

License File Number: BLTTL-20020806AAT

This License Covers Permit No.: BPTTL-19981209JA

Subject to the provisions of the Communications Act of 1934, subsequent acts and treaties, and all regulations heretofore or hereafter made by this Commission, and further subject to the conditions set forth in this license, the licensee is hereby authorized to use and operate the radio transmitting apparatus herein described.

This license is issued on the licensee's representation that the statements contained in licensee's application are true and that the undertakings therein contained so far as they are consistent herewith, will be carried out in good faith. The licensee shall, during the term of this license, render such broadcasting service as will serve the public interest, convenience, or necessity to the full extent of the privileges herein conferred.

This license shall not vest in the licensee any right to operate the station nor any right in the use of the frequency designated in the license beyond the term hereof, nor in any other manner than authorized herein. Neither the license nor the right granted hereunder shall be assigned or otherwise transferred in violation of the Communications Act of 1934. This license is subject to the right of use or control by the Government of the United States conferred by Section 606 of the Communications Act of 1934.

Callsign: K36FJ

License No.: BLTTL-20020806AAT

Name of Licensee: THREE ANGELS BROADCASTING NETWORK, INC.

Station Location: OR-EUGENE

Frequency (MHz): 602 - 608

Offset: PLUS

Channel: 36

Hours of Operation: Unlimited

Transmitter: Type Accepted. See Sections 74.750 of the Commission's Rules.

Antenna type: (directional or non-directional): Directional

Description: ANT ACS12AR

Major lobe directions                      30  
(degrees true):

Beam Tilt: Not Applicable

Antenna Coordinates: North Latitude:      44 deg   00 min   11 sec

West Longitude:      123 deg   06 min   48 sec

Maximum Effective Radiated Power (ERP) Towards Radio Horizon: 16 kW

Maximum ERP in any Horizontal and Vertical Angle: 16 kW

Height of radiation center above ground:                      92 Meters

Height of radiation center above mean sea level:      479 Meters

Antenna structure registration number: 1041578

Overall height of antenna structure above ground (including obstruction lighting if any) see the registration for this antenna structure.

Special operating conditions or restrictions:

- 1    This authorization is subject to the condition that low power television is a secondary service, and that low power television and television translator stations must not cause interference to the reception of existing or future full service television stations on either allotted NTSC or DTV channels, and must accept interference from such stations.

\*\*\*    END OF AUTHORIZATION    \*\*\*

LICENSE RENEWAL AUTHORIZATION

THIS IS TO NOTIFY YOU THAT YOUR APPLICATION  
FOR RENEWAL OF LICENSE, BRTTL-20060803AMK,  
WAS GRANTED ON 02/26/2007 FOR A TERM  
EXPIRING ON 02/01/2015.

THIS IS YOUR LICENSE RENEWAL AUTHORIZATION  
FOR STATION K36FJ CHANNEL: 36.

FACILITY ID: 473

LOCATION: EUGENE, OR

THIS CARD MUST BE POSTED WITH THE STATION'S  
LICENSE CERTIFICATE AND ANY SUBSEQUENT  
MODIFICATIONS.

THREE ANGELS BROADCASTING NETWORK,  
INC.

PO BOX 220

WEST FRANKFORT, IL 62896

ATTACHMENT 3.2

**ESCROW AGREEMENT**

THIS ESCROW AGREEMENT is entered into as of August \_\_, 2007 by and among THREE ANGELS BROADCASTING CORPORATION, an Illinois not-for-profit corporation ("Seller"), CHURCHILL MEDIA III, LLC, an Oregon limited liability company ("Buyer"), and COMMERCIAL ESCROW, INC., as escrow agent ("Escrow Agent");

WHEREAS, Buyer and Seller have entered into an Asset Purchase Agreement of even date herewith (the "Purchase Agreement") by which Seller has agreed to sell, assign, transfer, convey and deliver to Buyer, and Buyer has agreed to purchase from Seller, the Purchased Assets (as defined in the Purchase Agreement), all in accordance with and subject to the terms and conditions set forth in the Purchase Agreement; and

WHEREAS, pursuant to the Purchase Agreement, Buyer is required to deposit in an escrow account Thirty-five Thousand Dollars (\$35,000) in cash, as a good faith deposit, subject to the terms of the Purchase Agreement and of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. Definitions. All terms contained in this Escrow Agreement shall have the meaning set forth in the Purchase Agreement, unless otherwise defined herein.

2. Escrow Account.

2.1. Deposit. There is hereby established a separate escrow account with Escrow Agent in which Buyer, simultaneously with the execution and delivery of this Agreement, is depositing Thirty-five Thousand Dollars (\$35,000) in cash, as a good faith deposit (the "Escrow Deposit"), to be held and disbursed by Escrow Agent as hereinafter set forth.

2.2. Investment. Escrow Agent shall hold the Escrow Deposit in a separate account, and shall invest the Escrow Deposit in an interest-bearing account in a commercial bank organized under the laws of the United States or any state thereof.

2.3. Release at Closing. Upon receipt of written instructions from Buyer to such effect, Escrow Agent shall deliver (a) the Escrow Deposit (but not the interest accrued thereon) to Seller at the Closing by cashier's check, and (b) any and all interest accrued on the Escrow Deposit to Buyer by cashier's check.

2.4. Release to Seller. The Escrow Deposit, exclusive of interest, shall be delivered to Seller by cashier's check on the tenth (10th) business day after receipt by Escrow Agent of (a) Seller's written certification to Escrow Agent to the effect that Seller is entitled to receive the Escrow Deposit pursuant to Section 16.4 of the Purchase Agreement and (b) evidence

of delivery of copies of said certification by Seller to Buyer within three (3) business days after receipt of such certification by Escrow Agent. Following delivery of the Escrow Deposit to Seller pursuant to this Section 2.4, Escrow Agent shall delivery any interest accrued thereon to Buyer by cashier's check.

2.5. Return to Buyer. The Escrow Deposit, together with all interest earned thereon, shall be delivered to Buyer by cashier's check on the tenth (10<sup>th</sup>) business day after receipt by Escrow Agent of (a) Buyer's written certification to Escrow Agent to the effect that Buyer is entitled to receive the Escrow Deposit pursuant to Section 16.4 of the Purchase Agreement and (b) evidence of delivery of copies of said certification by Buyer to Seller within three (3) business days after receipt of such certification by Escrow Agent.

3. Concerning the Escrow Agent.

3.1. Duties. Escrow Agent undertakes to perform all duties which are expressly set forth herein without compensation.

3.2. Indemnification.

(a) Escrow Agent may rely upon and shall be protected in acting or refraining from acting upon any written notice, instructions or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Escrow Agent shall not be liable for any action taken by it in good faith and without negligence, and believed by it to be authorized or within the rights or powers conferred upon it by this Agreement, and may consult with counsel of its own choice and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

(c) Buyer and Seller hereby agree to indemnify Escrow Agent for, and to hold Escrow Agent harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of Escrow Agent, arising out of or in connection with Escrow Agent's entering into this Agreement and carrying out Escrow Agent's duties hereunder, including costs and expenses of successfully defending Escrow Agent against any claim of liability with respect thereto.

3.3. Other Matters. Escrow Agent reserves the right to resign as Escrow Agent at any time, provided thirty (30) days' prior written notice is given to the other parties hereto. The other parties hereto reserve the right to remove Escrow Agent at any time, provided thirty (30) days' prior written notice is given to Escrow Agent. In the event of litigation or dispute by the parties hereunder affecting its duties as Escrow Agent, Escrow Agent shall take no action until agreed to by the parties hereto, or until receipt of an order of a court having jurisdiction. Escrow Agent neither approves nor disapproves of this transaction, nor does it recommend for or against, nor does it have an opinion as to the legality or validity of this transaction.

4. Termination. This Escrow Agreement and the Escrow Deposit shall be terminated upon the delivery made pursuant to Section 2.3, Section 2.4 or Section 2.5 hereof, and may be terminated by written mutual consent signed by all parties hereto.

5. Notice. All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by overnight courier service, or hand delivered, addressed as follows:

(a) 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

(b) 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

(c) If to Escrow Agent:

or such other address as the addressee may indicate by written notice. Each notice, demand, request, or communication which shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

6. Benefit and Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns as permitted hereunder. No person or entity other than the parties hereto is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and the covenants and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, the parties hereto or their respective successors and assigns as permitted hereunder. No party to this Agreement may assign this Agreement or any rights hereunder without the prior written consent of the parties hereto.

7. Entire Agreement; Amendment. This Agreement, together with the Purchase Agreement, contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements, commitments or understandings with respect to such matters. Buyer and Seller shall furnish Escrow Agent with a copy (without Exhibits) of the Purchase Agreement. This Agreement may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

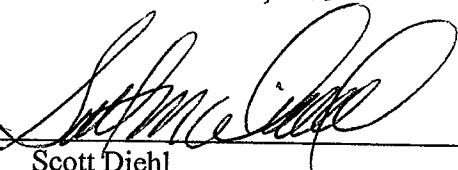
8. Signature in Counterparts. This Agreement may be executed in separate counterparts, none of which need contain the signatures of all parties, each of which shall be deemed to be an original, and all of which taken together constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than the number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

IN WITNESS WHEREOF, each of the parties hereto has caused this Escrow Agreement to be duly executed and delivered in its name and on its behalf, all as of the date and year first above written.

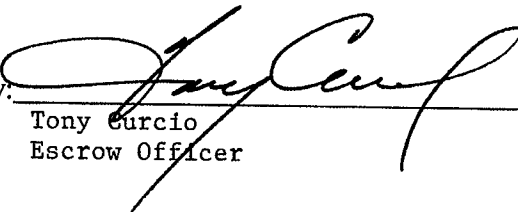
THREE ANGELS BROADCASTING CORPORATION

By: \_\_\_\_\_  
Danny L. Shelton  
President

CHURCHILL MEDIA III, LLC

By:  \_\_\_\_\_  
Scott Diehl  
Operations Manager

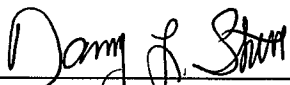
COMMERCIAL ESCROW, INC.

By:  \_\_\_\_\_  
Tony Curcio  
Escrow Officer



IN WITNESS WHEREOF, each of the parties hereto has caused this Escrow Agreement to be duly executed and delivered in its name and on its behalf, all as of the date and year first above written.

THREE ANGELS BROADCASTING CORPORATION

By:   
Danny L. Shelton  
President

CHURCHILL MEDIA III, LLC

By: \_\_\_\_\_  
Scott Diehl  
Operations Manager

COMMERCIAL ESCROW, INC.

By: \_\_\_\_\_  
Tony Curcio  
Escrow Officer

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Security Agreement"), made as of \_\_\_\_\_, by and between **THREE ANGELS BROADCASTING NETWORK, INC.**, an Illinois not-for-profit corporation (the "Lender"), and **CHURCHILL MEDIA III, LLC**, an Oregon limited liability company ("Grantor").

### WITNESSETH:

This Security Agreement is entered into by the parties in connection with a loan made from Lender to Grantor pursuant under the terms of a certain Promissory Note (the "Note") dated of even date herewith in the aggregate principal amount of Three Hundred Thousand Dollars (\$300,000), pursuant to Section 3.1 of the Asset Purchase Agreement dated as of August \_\_, 2007 between Grantor as Buyer and Lender as Seller (the "Asset Purchase Agreement"), with the proceeds of such loan being used by Grantor as a portion of the purchase price payable to acquire the FCC licenses and other assets used or useful in the operation of Low Power Television ("LPTV") broadcast station, call sign K36FJ, Eugene, Oregon (the "Station"). Grantor hereby authorizes the filing of financing statements by Lender on the terms and conditions set forth in this Security Agreement.

1. GRANT OF SECURITY INTEREST. To secure repayment of all amounts due under the Note and any other indebtedness or liability of the Grantor to Lender, direct or indirect, joint, several, joint and several, absolute or contingent, due or to become due or now existing or hereafter created or arising between Grantor and Lender including, without limitation, under this Security Agreement (all of the foregoing being herein collectively referred to as the "Obligations"), the Grantor hereby grants and conveys to the Lender a security interest in the personal property and assets, tangible and intangible, and all other rights and interests described hereunder with respect to and used or held for use in the business or operations of the Station (the "Station Assets"), and any such or like property related to the Station acquired after the date hereof, including, without limitation:

1(a) all machinery, equipment, transmitting towers, broadcast studio equipment, program and music libraries, transmitters, antennas, furnishings, microphones, audio equipment, video equipment, tape recorders, tools, and furniture and all merchandise, inventory, raw materials, work in process, finished goods, and supplies, whether now owned and as set forth on Exhibit A hereto, or hereafter acquired by the Grantor or in which the Grantor may now have or hereafter acquire an interest ("Equipment");

1(b) All contract rights (including, without limitation, all right, title and interest in the agreements, instruments, certificates, securities (certificated or uncertificated), cash, franchises, leases, rents, chattel paper, instruments, deposits, choses-in-action, patents, trademarks, copyrights, service marks, trade secrets, trade names, literary rights, rights to performance, call letters and general intangibles, all re-issues, divisions, renewals, extensions, continuations and continuations-in-part thereof, and goodwill associated with any of the foregoing, now in force or hereafter acquired ("General Intangibles");

1(c) All books, records, ledgers, customer lists, correspondence, computer hardware and software, and magnetic or other data storage media pertaining to any of the above-referenced items, whether in the possession of the Grantor or otherwise, but not including the books, internal minutes, and records of the Grantor ;

1(d) All cash and noncash proceeds and products, including insurance proceeds of, and any indemnity or warranty payable by reason of damage to or loss of, any of the foregoing (the "Proceeds");

1(e) All licenses, franchises, permits and authorizations heretofore or hereafter granted or issued to the Grantor under federal, state or local laws (but excluding, however, any licenses, franchises, permits and authorizations issued by the Federal Communications Commission ("FCC") with respect to the Station (the "FCC Licenses") to the extent, but only to the extent, it is unlawful to grant a security interest therein, but including, without limitation, to the maximum extent permitted by law, the right to receive all proceeds derived or arising from or in connection with the sale or assignment of such licenses, franchises, permits and authorizations) which permit or pertain to the business of the Grantor with respect to the Station; and

1(f) All Proceeds, accounts receivable ("Receivables"), substitutions or replacements, of, for and to (a) through (e) above, ((a) through (e) and (f) being herein collectively referred to as the "Collateral").

2. REPRESENTATIONS AND WARRANTIES; COVENANTS. The Grantor represents, warrants, covenants and agrees as follows:

2(a) To pay and perform all of the Obligations according to their terms;

2(b) To defend title to the Collateral against all persons and all claims and demands whatsoever, which Collateral, except for the security interest granted hereby, is lawfully owned by the Grantor and is free and clear of any and all liens, security interests, claims, charges, encumbrances, taxes and assessments, other than those which secure the Lender;

2(c) That all right title and interest in the FCC Licenses and assets used or useful in the operation of the Station, whether acquired from Lender or thereafter, is held and shall be held by Grantor as Collateral hereunder;

2(d) On demand of the Lender to do the following: furnish further assurance of title, execute any written agreement and do all other acts necessary to effectuate the purposes and provisions of this Security Agreement, execute any instrument or statement required by law or otherwise in order to perfect, continue or terminate the security interest of the Lender in the Collateral and pay all filing or other costs incurred in connection therewith;

2(e) Unless otherwise required by the Lender, to retain possession of the Collateral during the existence of this Security Agreement and not to sell, exchange, assign, loan, deliver, lease or otherwise dispose of the Collateral without the prior written consent of the Lender;

2(f) To keep the various items of Collateral at their present locations, and not to change the location of any Collateral to a location outside of Lane County, Oregon, without the prior written consent of the Lender, which will not be unreasonably withheld, and to notify Lender in advance of any change of the location of Collateral within Lane County, Oregon;

2(g) To keep the Collateral free and clear of all material liens, charges, encumbrances, taxes and assessments, except as provided herein;

2(h) To pay or cause to be paid when due all taxes, franchise fees and payments, assessments and license fees in any way relating to the Collateral;

2(i) Upon request by the Lender, to provide the Lender with written reports of the status of the Collateral, or any part thereof, as of the period specified, in form and substance satisfactory to the Lender. The Grantor shall not change the location of its books and records without giving the Lender at least thirty (30) days' prior written notice;

2(j) To make the Collateral and the books and records pertaining thereto available for inspection by the Lender at all reasonable times, and for the further security of the Lender, it is agreed that the Lender shall have a special property interest in all books and records of the Grantor pertaining to the Receivables (including chattel paper);

2(k) To comply with all federal, state and local laws and regulations applicable to its business, whether now in effect or hereinafter enacted, and upon request of the Lender, to furnish to the Lender evidence of compliance therewith;

2(l) To insure the tangible personal property Collateral in amounts sufficient to replace such Collateral with equipment of equivalent or greater value; and

2(m) To immediately notify the Lender in writing of any change in or discontinuance of any Grantor's place or places of business.

3. EVENTS OF DEFAULT. For the purposes of this Security Agreement, each of the following shall constitute an "Event of Default" hereunder:

3(a) An Event of Default shall have occurred under the Note; or

3(b) Failure by Grantor to comply with or perform any material provision of this Security Agreement, and the continuation of such failure for a period of more than 30 days following written notice of such failure from Lender to Grantor; or

3(c) If any material representation, warranty or covenant made or given by the Grantor in connection with this Security Agreement or the Note shall prove to have been incorrect or misleading or breached in any material respect on or as of the date when made; or

3(d) if any Grantor shall file a voluntary petition in bankruptcy, or there shall be filed against a Grantor an involuntary petition in bankruptcy which is not discharged within sixty (60) days thereafter, or if a Grantor be adjudged bankrupt, or make an assignment for the benefit of its creditors, or otherwise is unable to pay its debts in the ordinary course of business as such debts become due and payable; or

3(e) If all or any material part of the Collateral is subject to levy of execution or other judicial process.

4. CERTAIN REMEDIES UPON DEFAULT. Upon the occurrence of an Event of Default, at the option of the Lender:

4(a) The Obligations shall immediately become due and payable in full without notice or demand, and the Lender shall have all of the rights, remedies and privileges with respect to repossession, retention and sale of the Collateral and disposition of the proceeds as are accorded to the Lender by the applicable sections of the Uniform Commercial Code in the State of Oregon (as the same may be amended from time to time, the "UCC").

4(b) Without limiting the provisions of the foregoing clause (a), the Lender may also (i) enter upon the Grantor's premises, peaceably by the Lender's own means or with legal process, and take possession of the Collateral, render it unusable or dispose of the Collateral on such premises, and the Grantor agrees not to resist or interfere; and (ii) require the Grantor to assemble the Collateral (to the extent that it is movable) and make it available to the Lender at a place to be designated by the Lender. The Lender agrees that unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Lender will give the Grantor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice will be met if such notice is mailed, postage prepaid, to the appropriate person at the address shown above, at least ten (10) days before the time of sale or disposition.

4(c) The Lender shall be entitled, in its own name or in the name of the Grantor, or otherwise, but at the expense and cost of the Grantor, to collect, demand, receive, sue for and/or compromise any and all of the Receivables, and to give good and sufficient releases therefor, to endorse any checks, drafts or other orders for the payment of monies payable in payment thereof and, in its discretion, to file any claims or take any action or proceeding, either in its own name or in the name of the Grantor, or otherwise, which the Lender may deem necessary or advisable. It is expressly understood and agreed, however, that the Lender shall not be required or obligated in any manner to make any inquiries as to the nature or sufficiency of any payment received by it or to

present or file any claims or take any other action to collect or enforce a payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times.

4(d) Upon any default hereunder, the Lender's reasonable attorney's fees and the legal and other expenses of pursuing, searching for, receiving, taking, keeping, storing, advertising and selling the Collateral shall be chargeable to the Grantor.

4(e) If the Grantor shall default in the performance of any of the provisions of this Security Agreement on its part to be performed, the Lender may perform the same for the Grantor's account, and any monies expended in so doing shall be chargeable with interest to the Grantor and added to the indebtedness secured hereby.

4(f) Waiver of or acquiescence in any default by the Grantor, or failure of the Lender to insist upon strict performance by the Grantor of any warranties or agreements in this Security Agreement, shall not constitute a waiver of any subsequent or other default or failure.

4(g) Grantor shall take any action that Lender may reasonably request in order to enable Lender to obtain and enjoy the full rights and benefits granted to Lender hereunder, including without limitation, all rights necessary to obtain, use, sell, assign or otherwise transfer control of the FCC Licenses. Without limiting the generality of the foregoing, upon the occurrence of an Event of Default, at the written request of Lender and at Grantor's sole cost and expense, Grantor shall (i) assist Lender in obtaining any required FCC approval for any action or transaction contemplated hereby, including preparing, signing and filing with the FCC and/or any other governmental body with jurisdiction thereover, the assignor's or transferor's portion of any application or applications for consent to the assignment of license necessary or appropriate under the Act or the rules and regulations of the FCC or any other governmental body for approval of any sale, assignment or transfer to Lender or any other person or entity of any or all Collateral (including without limitation any FCC Licenses), and (ii) execute all applications and other documents and take all other actions requested by Lender to enable Lender, its designee, any receiver, trustee, or similar official or any purchaser of all or any part of the Collateral to obtain from the FCC or any other governmental body any required authority necessary to operate the broadcasting business of Grantor, and (iii) if Grantor shall fail to execute and deliver any such application upon request of Lender, the clerk of a court of competent jurisdiction may execute and deliver such application on behalf of Borrower.

5. ADDITIONAL RIGHT OF THE LENDER TO USE AND OPERATE COLLATERAL. Upon the occurrence of any Event of Default hereunder, subject to the provisions of the UCC, any required prior approval of the FCC, and any other applicable law, the Lender shall have the right and power to take possession of all or any part of the Collateral and to exclude the Grantor and all persons claiming under the Grantor wholly or partly therefrom, to the extent necessary, thereafter to hold, store and/or use, operate, manage and control the Collateral. Upon any such taking of possession, the Lender may, from time to time, at the expense of the Grantor, make all such repairs, replacements, alterations, additions and improvements to and of the Collateral as the Lender may deem proper. In any such case, subject to the prior approval of the FCC, to the extent necessary, the

Lender shall have the right to manage and control the Collateral and to carry on the business and exercise all rights and powers of the Grantor respecting the Collateral, all as the Lender shall deem best, including the right to enter into any and all such agreements with respect to the leasing and/or operation of the Collateral or any part thereof as the Lender may see fit; and the Lender shall be entitled to collect and receive all rents, issues, profits, fees, revenues and other income of the same and every part thereof. Such rents, issues, profits, fees, revenues and other income shall be applied to pay the expenses incurred in (i) holding and operating the Collateral; (ii) performing all maintenance, repairs, replacements, alterations, additions and improvements which the Lender may be required or elect to make, if any; and (iii) paying all taxes, assessments, insurance and other charges upon the Collateral or any part thereof, and all other payments, which the Lender may be required or authorized or elect to make (including legal costs and attorneys' fees). Any remaining rents, issues, profits, fees, revenues and other income shall be applied to the payment of the Obligations. Without limiting the generality of the foregoing, the Lender shall have the right to apply for and have a receiver appointed by a court of competent jurisdiction in any action taken by the Lender to enforce its rights and remedies hereunder in order to manage, protect or preserve the Collateral or continue the operation of the business of the Grantor. The Lender shall also have the right to collect all revenues and profits of the Grantor's business and apply the same to the payment of all expenses and other charges of any such receivership until a sale or other disposition of the Collateral shall be finally made and consummated.

6. FCC APPROVAL. Notwithstanding anything to the contrary contained herein, the Lender will not take any action pursuant to this Security Agreement which would constitute or result in any assignment of an FCC License or any change of control of the ownership or management of the Station if such assignment of FCC License or change of control would require under then existing law (including the written rules and regulations promulgated by the FCC), the prior approval of the FCC, without first obtaining such approval of the FCC. The Grantor agrees to take any action which the Lender may reasonably request in order to obtain and enjoy the full rights and benefits granted to the Lender by this Security Agreement and each other agreement, instrument and document delivered to the Lender in connection herewith or in any document evidencing or securing the Collateral, including specifically, at the Grantor's own cost and expense, the use of its best efforts to assist in obtaining approval of the FCC for any action or transaction contemplated by this Security Agreement which is then required by law. It is understood and agreed that the rights of Lender hereunder do not and shall not constitute a reversionary right of Seller in the FCC Licenses pursuant to the Asset Purchase Agreement.

7. NO ASSUMPTION OF DUTIES. The rights and powers granted to the Lender hereunder are being granted in order to preserve and protect the Lender's security interest in and to the Collateral granted hereby and shall not be interpreted to, and shall not, impose any duties on the Lender in connection therewith.

8. GRANTOR'S RIGHTS IN THE ABSENCE OF DEFAULT. Assuming no breach by Grantor of any material term of this Security Agreement or the Note, Grantor will be entitled to all rights of and attendant to ownership of the Station Assets, including, but not limited to, the

right to receive profits from the business operations of the Station, to maintain the equipment used in the operation of the Station, or to replace it with equipment of at least equal value and functionality, and to otherwise operate the Station in the normal course of business.

9. FINANCING STATEMENTS. The Lender is hereby authorized to file Financing Statements covering the Collateral.

10. MISCELLANEOUS. Captions used herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Security Agreement or the intent of any provision hereof. The gender and number used in this Security Agreement are used as reference terms only and shall apply with the same effect whether the parties are of the masculine or feminine gender, corporate or other form, and the singular shall likewise include the plural.

11. BINDING EFFECT. The terms, warranties and agreements herein contained shall bind and inure to the benefit of the respective parties hereto, and their respective legal representatives, successors and assigns. The terms and conditions of this Security Agreement may not be waived, modified or amended orally, but may be waived, modified or amended only by an agreement in writing signed by the parties against whom any waiver, modification or amendment is sought. Any provisions in this Security Agreement which are or are declared invalid under any law shall not invalidate any other provision of this Security Agreement.

12. CHOICE OF LAW; VENUE AND JURISDICTION; SERVICE OF PROCESS. This Security Agreement shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the laws of the State of Oregon, without regard to its principals of conflicts of law. Venue for any adjudication hereof shall be only in the state and Federal courts sitting in Eugene, Oregon, to the jurisdiction of which courts each Grantor hereby submits, as the agreement of such party, as not inconvenient and not subject to review by any court other than such courts in Eugene, Oregon. Any notice, or service of any summons and/or complaint hereunder and any other process which may be served on the Grantor in any action in respect hereto, may be made by registered mail or by delivering a copy of such process to the address specified in the Asset Purchase Agreement among the parties hereto. The Grantor agrees that this submission to jurisdiction and consent to service of process are reasonable and made for the express benefit of Lender.

13. WAIVER OF JURY TRIAL. THE GRANTOR WAIVES ALL RIGHT TO TRIAL BY JURY OF ALL CLAIMS, DEFENSES, COUNTERCLAIMS AND SUITS OF ANY KIND DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS INSTRUMENT OR THE DEALINGS OF THE PARTIES IN RESPECT HERETO. THE GRANTOR ACKNOWLEDGES THAT THIS IS A WAIVER OF A LEGAL RIGHT AND THAT IT MAKES THIS WAIVER VOLUNTARILY AND KNOWINGLY AFTER CONSULTATION WITH, OR THE OPPORTUNITY TO CONSULT WITH, COUNSEL OF ITS CHOICE. THE GRANTOR AGREES THAT ALL SUCH CLAIMS, DEFENSES, COUNTERCLAIMS AND SUITS SHALL BE TRIED BEFORE A JUDGE, WITHOUT A JURY.



14. 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 Lender:

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 Grantor:

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.

15. EXECUTION IN 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 executed this Security Agreement on the day and year first above written.

**BORROWER:**

**CHURCHILL MEDIA III, LLC**

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

**LENDER:**

**THREE ANGELS BROADCASTING, INC.**

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

## **CERTIFIED RESOLUTIONS OF BOARD OF DIRECTORS OF**

### **CHURCHILL MEDIA III, LLC**

The undersigned, being the sole member of the Board of Directors of Churchill Media III, LLC, an Oregon limited liability corporation (herein the "Corporation"), hereby adopts the following resolution by consent in lieu of a formal meeting:

**RESOLVED THAT** Scott M. Diehl be elected and appointed to serve as Vice President of the Corporation. Scott M. Diehl shall serve as Vice President until a respective successor shall have been duly-appointed and qualified; and it is

**FURTHER RESOLVED** that Scott M. Diehl, as Vice President of the Corporation, is hereby authorized to borrow money for the Corporation and from time to time a) execute and deliver such instruments, documents, guaranties, and agreements in the name of and on behalf of the Corporation to evidence loan, debt or security agreements as are necessary to obtain financing for the Corporation or to refinance existing debt of the Corporation, such execution to be valid and binding on the Corporation; b) carry out the obligations and enforce the rights of the Corporation under agreements entered into for the benefit of the Corporation in connection with such loans or borrowings; c) execute and deliver in the name and on behalf of the Corporation such other documents as may be requested or required by any lending or financial institution in connection with loan, debt or security agreements; and d) take all action deemed by him necessary or advisable in connection with the foregoing; and it is

**FURTHER RESOLVED** that Scott M. Diehl, as Vice President of the Corporation, is authorized to grant, from time to time, to any lending or financial institution security interests in the real or personal property of the Corporation as is necessary to secure payment and performance of obligations of Corporation to any lending or financial institution; and it is

**FURTHER RESOLVED** that any actions previously taken by the Officers of the Corporation in connection with the foregoing are hereby ratified and approved in all respects, and that the authority of Scott M. Diehl, as Vice President, to bind the Corporation to all agreements hereafter executed shall continue until any lending or financial institution receives written notice from the Corporation that such Officer is no longer authorized to act on behalf of the Corporation; and it is

**FURTHER RESOLVED** that Scott M. Diehl, as Vice President of the Corporation, is authorized to execute any and all documents relating to the purchase or sale of real property interests in the name of the Corporation, including but not limited to any mortgages, deeds, deeds of trust, promissory notes, escrow instructions, closing statements and any and all documents necessary to obtain or transfer title to such real property interests and to do any and all legal or lawful acts on behalf of the Corporation, without the necessity of obtaining further authority of this Board of Directors; and it is

**FURTHER RESOLVED** Scott M. Diehl, as Vice President of the Corporation, shall have full power, right and authority, in his discretion and without further action of this Board of Directors, to buy, lease or otherwise acquire, sell, lease, encumber or otherwise dispose of, or exchange, real and personal property of all kinds and interest therein, for and of the Corporation, and borrow money or otherwise obligate the Corporation by giving or receiving cash, property or evidence of indebtedness or security, prosecute, compromise, or discharge its claims, and enter contracts for development, subdivision and construction on real estate of the Corporation or others, sell or otherwise dispose of all or part thereof, for such prices and rates of interest or discounts and on such terms and conditions as he may determine, and to execute, deliver and cause to be recorded deeds, mortgages, contracts, certificates and other documents on his sole signature with or without the corporate seal, witness attestation or acknowledgement as he deems necessary or appropriate in furtherance of the business of this Corporation, and to establish lines of credit, checking, savings and loan accounts and discount of factoring arrangements or other loan arrangements for the purpose of this Corporation. This foregoing resolution shall not be construed as a limitation on the Vice President's authority.

**CHURCHILL MEDIA III, LLC**

DATED: August \_\_\_\_, 2007

By \_\_\_\_\_  
Suzanne K. Arlie