

10.4 Parties in Interest. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and permitted assigns.

10.5 Costs and Expenses. Except as otherwise provided herein, each party shall bear its own expenses and costs in connection with the negotiation, performance or compliance with the terms of this Agreement; provided, however, that if any party is required to institute litigation to enforce the provisions of this Agreement or any agreement executed in connection herewith, the prevailing party shall be entitled to recover its reasonable attorneys' fees from the non-prevailing party.

10.6 Captions. Captions are for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

10.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall together constitute one and the same instrument and shall become effective when one or more counterparts hereof have been signed by the Buyer and delivered to the Seller and one or more of the counterparts hereof have been signed by the Seller and delivered to the Buyer.

10.8 Modification and Waiver. No modification or waiver of any of the provisions of this Agreement shall be valid or effective unless in writing and executed by the party against whom any such modification or waiver is sought to be enforced. The waiver by any party of any breach or default committed or suffered by the other party hereto shall not be deemed a waiver of any subsequent breach.

10.9 Survival of Representations and Warranties. All representations and warranties made herein or pursuant hereto or in connection with the transactions contemplated hereby shall survive the Closing for a period of one year following the Closing Date.

10.10 Broker's Fees. Seller shall be solely responsible for the payment of any fees owing to Broker as a result of the consummation of the transactions contemplated in this Agreement.

10.11 Entire Agreement. This Agreement, including the Exhibits delivered pursuant hereto, constitutes the entire Agreement of the parties hereto and supersedes all previous agreements and understandings, whether oral or written. This Agreement may be changed, terminated or

discharged only by an instrument in writing signed by the party against whom enforcement of a change, termination or discharge is sought.

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

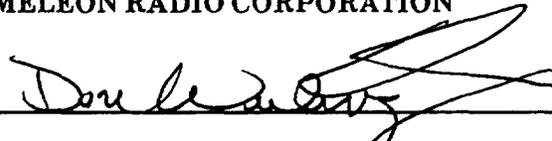
LANDRUM ENTERPRISES, INC.

By:

  
\_\_\_\_\_  
J. H. Landrum, President

CHAMELEON RADIO CORPORATION

By:

  
\_\_\_\_\_

Name:

\_\_\_\_\_  
DON WERLINGER

Title:

\_\_\_\_\_  
President

## EXHIBIT LIST

### Exhibit

1.1A	Personal Property
1.1B	Licenses and Permits
1.1C	Agreements and Contracts
1.1D	Real Property Interests
1.3	Promissory Note
1.4	Assumption Agreement
3.1	Consents and Approvals
3.2	Defaults
3.3A	Liens, Claims and Encumbrances
3.3B	Bill of Sale and Assignment
3.3C	Special Warranty Deed
3.3D	Assignment of Leases
3.3E	Insurance Policies
3.6	Litigation
3.7A	Employees
3.7B	Employee Plans
7.1A	Security Agreement
7.1B	Deed of Trust
7.1C	Lease Agreement

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Exh: 6, P. 1

**LEASE AGREEMENT**

**THIS LEASE AGREEMENT** (the "Lease") is made and entered into effective as of the 20<sup>th</sup> day of April, 1995 by and between **CHAMELEON RADIO CORPORATION**, a Texas corporation (the "Lessor") and **LANDRUM ENTERPRISES, INC.**, a Texas corporation, (the "Lessee").

**WITNESSETH:**

L

Pursuant to that certain Assignment of Lease executed of even date herewith, Lessor succeeded to the interest of Lessee as lessee of that certain tract of land located in Matagorda County, Texas, as more particularly described in EXHIBIT A attached hereto and made a part hereof for all purposes (the "Land"). There is located on the Land a radio studio building (the "Building") and certain other improvements which were sold by Lessee to Lessor pursuant to that certain Special Warranty Deed with Vendor's Lien (Improvements Only) of even date herewith. The Land and the Building together constitute the Leased Premises hereunder. In addition, Lessee has retained ownership of certain improvements located on the Land consisting of a 120' STL microwave tower and a 12' satellite receiving dish and antennae (the "Additional Property"). The Additional Property does not constitute part of the Leased Premises. However, this Lease establishes particular obligations of Lessee and rights of Lessor with respect to the Additional Property. Lessor hereby leases to Lessee, and Lessee leases from Lessor the Leased Premises and grants an exclusive license to Lessor to use portions of the Land for the location of the Additional Property subject to the terms and conditions hereof.

<b>Federal Communications Commission</b>	
Docket No. <u>96-173</u>	Exhibit No. <u>4</u>
Presented by <u>MMB</u>	
Disposition	Identified <u>X</u>
	Received <u>X</u>
	Rejected _____
Reporter <u>918</u>	
Date <u>2-24-97</u>	

II.

The term of this lease shall commence on the 1<sup>st</sup> day of <sup>May</sup>~~April~~, 1995, and shall terminate on the 21st day of August, 1998, unless sooner terminated as provided herein.

III.

(a) Lessee shall pay to Lessor as the base rental for the Leased Premises during the term hereof monthly installments of \$625.00 each, on the 1st day of each month during the term hereof commencing on the 1st day of May, 1995. All rental and other amounts of money to be paid by Lessee to Lessor shall be payable to Lessor at the address designated in Article XVIII hereof.

(b) The aforesaid base rental amount shall be subject to increase in the event that the base rental amount payable by Lessor to the owner of the Land pursuant to the Ground Lease (as defined below) is increased. In the event of any such increase in rent payable by Lessor under the Ground Lease, Lessor shall give to Lessee written notice of each such increase. Lessee's rent hereunder shall be increased to the extent that Lessor's rent is increased under the Ground Lease. The aforesaid rental amount shall be in addition to the payment and performance by Lessee of all additional obligations imposed on and assumed by it herein.

(c) If the term of this Lease commences on other than the first day of a calendar month, then the installment of base rental for such month shall be prorated and the installment so prorated shall accrue and be paid on the first day of the next calendar month after the Lease term commences. The payment for such prorated month shall be calculated by multiplying the rental by a fraction, the numerator of which shall be the number of days of the Lease term occurring during said commencement month and the denominator of which shall be the total number of days occurring in said commencement month.

## IV.

Lessee shall use the Leased Premises for the purpose of conducting thereon a radio broadcast business and all activities incidental thereto. Lessee shall not be entitled to use the Leased Premises for any other purposes or purposes without the prior written consent of Lessor.

## V.

(a) Lessee, at its expense, shall comply with all federal, state, municipal and other laws, ordinances, rules and regulations applicable to the Leased Premises and the business conducted thereon by it. Lessee shall further comply with all reasonable regulations as Lessor may require regarding matters of sanitation and cleanliness. Lessee shall not conduct its business on the Leased Premises in such a manner which could cause the hazard insurance coverage of either Lessor or Lessee with respect to the Leased Premises to be cancelled; will not make any unlawful use of the Leased Premises and will not conduct its business on the Leased Premises in such a manner as to create a violation of any law or ordinances; and will not commit or allow to be committed any act on or about the Leased Premises which is a nuisance to Lessor, the owners of adjacent property, those persons in the general vicinity at the Leased Premises, or which might tend to injure the Leased Premises.

(b) Lessor, at its expense, shall comply with all federal, state, municipal and other laws, ordinances, rules and regulations applicable to those portions of the Leased Premises to be occupied by Lessor in the conduct of its business.

## VI.

Water is presently made available to the Building by a water well existing thereon. Lessor shall be obligated to maintain and repair such well at its sole expense, and Lessee shall not have any responsibility with respect thereto. In the event Lessee

receives water from a different source, Lessee shall pay for such service directly to the supplier thereof.

VII.

(a) Lessee will use all reasonable efforts to not permit any mechanic's lien or liens to be placed upon the Land, the Building, the Additional Property or any other property placed by Lessee on the Leased Premises. If a mechanic's lien is filed on the Land, the Building, the Additional Property or any other property of Lessee located on the Leased Premises, Lessee will promptly pay the lien. If default in payment of the lien continues for thirty (30) days after written notice from Lessor to Lessee, Lessor may, at his option, pay the lien or any portion of it without inquiry as to its validity. Any amount paid by Lessor to remove a mechanic's lien filed against the Land, the Building, the Additional Property or any other property of Lessee located on the Leased Premises, including expenses and interest, shall be due from Lessee to Lessor and shall be repaid to Lessor immediately upon delivery of written notice, together with interest at the rate of ten percent (10%) per annum until repaid.

(b) Lessor will use all reasonable efforts to not permit any mechanic's lien or liens to be placed upon the Land, the Building or any other property placed by Lessor on the Leased Premises. If a mechanic's lien is filed on the Land, the Building or any other property of Lessor located on the Leased Premises, Lessor will promptly pay the lien. If default in payment of the lien continues for thirty (30) days after written notice from Lessee to Lessor, Lessee may, at his option, pay the lien or any portion of it without inquiry as to its validity. Any amount paid by Lessee to remove a mechanic's lien filed against the Land, the Building or any other property of Lessor located on the Leased Premises, including expenses and interest, shall be due from Lessor to Lessee and shall be repaid to Lessee immediately upon delivery of written notice, together with interest at the rate of ten percent (10%) per annum until repaid.

**VIII.**

Lessor shall, at its own expense, keep the Building and all other improvements owned by Lessor now or hereafter located on the Leased Premises and all appurtenances thereto, including the heating, air conditioning, electrical and plumbing system, in reasonably good repair and safe condition.

**IX.**

(a) Lessee shall permit and allow Lessor or his representatives in and upon the Leased Premises from time to time upon reasonable advance notice to inspect the same and make such repairs to the Building as Lessor shall deem necessary for the proper protection and preservation thereof. Lessor shall make any required repairs to the Leased Premises within ten (10) days following receipt of written notice from Lessee specifying the nature of any such repairs to be made by Lessor. If Lessor has failed to make such repairs specified by Lessee within such period of time, the Lessee can make any such repair and the cost and expense of such repairs incurred by Lessee on Lessor's behalf shall thereupon become an obligation of Lessor to Lessee and shall be paid to Lessee within thirty (30) days after written demand therefor. Failure by Lessor to reimburse to Lessee the cost of repairs made on Lessor's behalf within such thirty (30) day period shall entitle Lessee to deduct the cost of such repairs from rentals next due.

(b) Lessee shall, at its own expense, keep the Additional Property and all other improvements owned by Lessee now or hereafter located on the Leased Premises, in reasonably good repair and safe condition.

**X.**

(a) Lessee acknowledges that it has thoroughly examined the Leased Premises and made an adequate inspection thereof, and therefore accepts the Leased Premises in the condition in which the same now exist. Therefore, Lessor shall not be liable to Lessee, or any other persons for personal injuries or death or for damage to

property due to any condition of the Leased Premises which may now exist or subsequently occur except to the extent attributable to Lessor's gross negligence or willful misconduct. Lessee, with respect to itself and its agents, employees, servants and invitees, hereby assumes all risk of injuries or death to persons and damage to property, either proximate or remote by reason of the present or future condition of the Leased Premises except to the extent attributable to Lessor's gross negligence or willful misconduct. Lessee agrees that it will indemnify and hold Lessor harmless of, from, and against all suits, claims, and actions of every kind by reason of any breach, violation, or non-performance of any of the terms or conditions on the part of Lessee hereunder. Additionally, Lessee agrees to indemnify and hold Lessor harmless of, from, and against all claims, actions, damages, liabilities, and expenses asserted against Lessor on account of injuries or death to persons or damage to property when and to the extent that any such damage, injury or death may be caused, either proximate or remote, wholly or in part by an act or omission, whether negligent or not, of Lessee or any of its agents, servants, employees, contractors, patrons or invitees or of any other person entering upon the Leased Premises under or with the express or implied invitation of Lessee, or if any such injury, death or damage may in any way arise from or out of the occupancy or use by Lessee, its agents, employees, and invitees of the Leased Premises.

(b) Lessor agrees that it will indemnify and hold harmless Lessee of, from, and against all suits, claims and actions of every kind by reason of any breach violation or non-performance of any of the terms or conditions on the part of Lessor hereunder. Additionally, Lessor agrees to indemnify and hold Lessee harmless of, from, and against all claims, actions, damages, liabilities, and expenses asserted against Lessee on account of injuries or death to persons or damage to property when and to the extent that any such damage, injury or death may be caused, either proximate or remote, wholly or in part by an act or omission, whether negligent or not, of Lessor or any of its agents, servants, employees, contractors, patrons or invitees or of any other person entering

upon the Leased Premises under or with the express or implied invitation of Lessor, or if any such injury, death or damage may in any way arise from or out of the occupancy or use by Lessor, its agents, employees, and invitees of the Leased Premises.

**XI.**

Lessee shall deliver to Lessor a waiver of subrogation from each of the insurance companies issuing policies insuring Lessee's interest in the Leased Premises, the Additional Property and all other property of Lessee which may exist at any time on the Leased Premises. Accordingly, in the event of any damage or destruction to any of Lessee's property on the Leased Premises, it agrees to look solely to its insurance for recovery; and, in behalf of any insurer providing insurance to it with respect to its property on the Leased Premises, it hereby waives any right of subrogation which said insurer may have or acquire against Lessor by virtue of payment of any loss under such insurance.

**XII.**

(a) Lessee agrees to maintain at its own cost and expense throughout the term hereof public liability and property damage insurance in an amount and with a company reasonably acceptable to Lessor. Such policies shall name Lessor and Lessee as the insureds and shall be non-cancellable with respect to Lessor except after thirty (30) days advance written notice. A copy of such policy shall be delivered to Lessor.

(b) Lessor agrees to maintain adequate casualty and liability insurance with respect to the Building and other improvements owned by Lessor now or hereafter located on the Leased Premises. Copies of such policies shall be delivered to Lessee.

(c) In the event the Building is totally or substantially destroyed by fire or other casualty, either party may terminate this Lease upon thirty (30) days written notice to the other party.

**XIII.**

Lessee hereby grants to Lessor a lien and security interest on all fixtures and personal property at anytime situated in or upon said Leased Premises other than the Additional Property to secure the payment of all rentals and other obligations payable and to become payable to Lessor hereunder and to secure the performance of all obligations of Lessee hereunder. This lien shall be cumulative of and in addition to all other express liens and security interests granted by Lessee to Lessor and to the landlord's lien and any and all other liens existing under any statute or law to secure the same, none of said liens being waived.

**XIV.**

If Lessee should fail to completely vacate the Leased Premises upon the expiration or termination of this lease, then Lessee shall pay as liquidated damages an amount equal to one-hundred fifty percent (150%) of the regular monthly installments of rental for each month which fails to vacate said premises. No holding over by Lessee after the termination or cancellation of this Lease shall operate to extend the term of this Lease for a period longer than a month to month tenancy.

**XV.**

Lessee shall be in default under this Lease upon the occurrence of any one or more the following events or conditions (herein called "Event of Default"):

- A. Failure to pay full amount of rental or any other payment required hereunder within ten (10) days after written notice of such failure is delivered by Lessor to Lessee; provided, however, that such ten (10) days notice period shall be inapplicable after Lessor has delivered notice of such failure to pay rent or any other payment to Lessee three (3) times during the term of this Lease, in which event default hereunder shall occur upon the failure of Lessee to pay the full

amount of rental or any other payment on the date required without the necessity of prior notice of such failure having been given to Lessee.

B. The failure of Lessee to perform or comply with any of its other obligations hereunder within thirty (30) days after written notice of such specific failure to perform or to comply having been delivered by Lessor to Lessee.

C. Lessee's dissolution, termination of existence, insolvency or business failure, or an assignment by Lessee for the benefit of creditors or the commission of act of bankruptcy, or the institution of voluntary or involuntary bankruptcy proceedings, or the taking over of Lessee's leasehold interest in this Lease by a receiver for Lessee or the placing of Lessee's leasehold interest in this Lease in the custody of any court or an officer or appointee thereof.

#### XVI

Upon the occurrence of an Event of Default as set forth in Paragraph XV hereof, Lessor shall be entitled to the following remedies:

A. Lessor may accelerate the rent for the balance of the term hereof and declare the entire amount thereof immediately due and payable.

B. Lessor may elect to terminate this Lease.

C. Lessor may elect, without terminating this Lease, to terminate Lessee's right to possession of the Leased Premises. In such event, Lessor may rent the Leased Premises or any part thereof to any person or persons at such rental (granting reasonable concessions if necessary) and for such period of time as Lessor determines practicable, for the account of Lessee, and credit to Lessee any rental thus received, less the expenses of repossession, preparing the Leased Premises for reletting and the reletting thereof. Lessee shall be liable for any deficiency of such rental below the total rental herein provided for the unexpired balance of the term, and such sum or sums shall be paid by Lessee in monthly installments on the

rental payment dates as specified herein. Suits to enforce such liability may be brought by Lessor at any time and from time to time on one or more occasions. Lessor shall in no event be liable for failure to relet the Leased Premises; or if the Leased Premises are reletted, for failure to collect the rent under such reletting.

Each right and remedy to which Lessor may be entitled upon the occurrence of an Event of Default, including those expressly set forth herein, those set forth in any other documents executed in connection herewith, and those granted by law, are cumulative; and, upon an occurrence of an Event of Default, Lessor may proceed, at his option, with any one or more available remedies with respect to this Lease. Any act or omission to act by Lessor in connection with any such available remedy or remedies shall not constitute an election of remedies or the waiver or abandonment of any other remedy.

#### XVII.

Neither the acceptance of rent by Lessor nor the failure by Lessor to complain of any action, non-action or default of Lessee shall constitute a waiver of any of Lessor's rights hereunder. Waiver by Lessor of any right for any default of Lessee shall not constitute a waiver of any right for either a subsequent default of the same obligation or for any other default.

#### XVIII.

Any notices of communications to be given to either party hereunder shall be given in writing and may be effected by personal delivery or by registered or certified United States mail with postage prepaid as follows:

In the case of Lessor:

Chameleon Radio Corporation  
10865 Rockley Road  
Houston, Texas 77099  
Attention: Don Werlinger

In the case of Lessee:

Landrum Enterprises, Inc.  
1905 West Loop  
P. O. Box 1269  
El Campo, Texas 77437-1269  
Attention: J.H. Landrum

Either party hereto may designate by the prescribed written notice to the other a different address with respect to notices to be furnished to such party.

If notice is effected by personal delivery hereunder, the date and hour at which such delivery was effected shall fix the time of giving of notice. In the event notice is effected by registered or certified United States mail hereunder, the date and hour that the envelope (properly addressed, sealed and with postage prepaid) containing such notice is deposited with a registry clerk of any United States Post Office in the State of Texas shall fix the time of giving of notice.

**XIX.**

Upon the expiration of the term of this Lease, Lessee shall be obligated to remove from the Leased Premises the Additional Property and all other fixtures and personal property of Lessee erected on the Leased Premises and surrender the Leased Premises to Lessor in reasonably good condition (ordinary wear and tear and damage caused by casualty or due to Lessor's failure to make repairs excepted), unless an Event of Default exists hereunder at such time. If an Event of Default then exists, Lessee shall remove the Additional Property and, at Lessor's option shall either remove all other fixtures and personal property of Lessee from the Leased Premises, or shall allow all of such other fixtures and personal property that are subject to Lessor's landlord liens to remain on the Leased Premises to be dealt with by Lessor in accordance with applicable law.

**XX.**

If any provision of this Lease shall ever be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Lease, but such other provisions shall continue in full force and effect.

**XXI.**

Lessee shall not assign the Lease except under the following conditions:

- A. Delivery of written notice to Lessor of the proposed assignment at least thirty (30) days prior to the proposed date thereof, together with the name, address and complete financial statement of the proposed assignee;
- B. The express written assumption by the assignee of the obligations of Lessee herein (but such assumption shall not release Lessee of such obligations);
- C. No Event of Default shall exist hereunder, either at the time of delivery of the written notice to Lessor or on the date of the assignment.

Notwithstanding the foregoing, the Lessee shall not be prohibited from subleasing the Leased Premises to any third party or assigning the Lease to the purchaser of the assets of Lessee with respect to the radio broadcast station to be operated by Lessee at the Leased Premises.

**XXII.**

Lessee shall pay for electricity service to the Building and the Additional Property directly to the supplier thereof.

**XXIII.**

(a) Lessee shall be responsible for its portion of all taxes attributable to the Additional Property and fixtures and other personal property owned by Lessee now or hereafter located on the Leased Premises. Lessor shall be responsible for its portion of all taxes attributable to the Land, the Building, and all other improvements owned by Lessor now or hereafter located on the Land.

(b) Lessor shall promptly pay all ad valorem taxes and any special assessments on the Land, the Building and all other improvements owned by Lessor located on the Land and shall deliver to Lessee copies of paid receipts prior to delinquency thereof. Should Lessor fail to pay such taxes or special assessments prior to delinquency, Lessee may, at his option, pay such taxes or special assessments and Lessor shall thereupon be obligated to reimburse Lessee within thirty (30) days from written demand for the amount thereof. Lessor shall be in default hereof in the event it fails to reimburse Lessee as provided above, or fails to deliver to Lessee paid receipts for all taxes and any special assessments within thirty (30) days after written demand therefor, or fails to pay all taxes and any special assessments and to deliver to Lessee paid receipts therefor prior to the date of delinquency thereof on two (2) or more occasions during the term hereof.

(c) Lessee shall either (i) reimburse to Lessor any portion of Lessor's ad valorem taxes or special assessments attributable to the Additional Property or any fixtures or personal property owned by Lessee now or hereafter located at the Leased Premises within thirty (30) days following receipt of invoice therefor, or (ii) if such items are separately assessed, Lessee shall pay such amounts directly to the appropriate taxing authority prior to delinquency.

#### XXIV.

Provided that Lessee is not then in default under the terms of this Lease either at the time of exercise or at the Cancellation Date (as defined below), Lessee shall have the right, at its sole option, to terminate this Lease, such termination to be effective as of the last day of any month, upon not less than sixty (60) days prior written notice to Lessor specifying the effective date of cancellation (the "Cancellation Date"). Lessee's exercise of this cancellation option shall be irrevocable upon delivery of the notice thereof to Lessor, and Lessee shall be obligated to surrender possession of the

Leased Premises to Lessor on or before the Cancellation Date in accordance with Article XIX of the Lease, ordinary wear and tear excepted.

**XXV.**

Provided that Lessee is not in default in the performance of its covenants under this Lease, either at the time of exercise or at the time the extended term commences Lessee is hereby granted the option to renew the term of this Lease for three periods of five (5) additional years each (the "Renewal Terms") to commence at the expiration of the initial term of this Lease or the previous Renewal Term, as applicable. Each renewal shall be upon the same terms and conditions of the Lease except that base rental payable by Lessee during each Renewal Term shall be equal to the base rental rate(s) paid by Lessor under the Ground Lease (as defined below) for each such period.

**XXVI.**

By instrument of even date herewith, Lessor has assumed the obligations of Lessee as lessee under that certain Lease Agreement dated August 22, 1988 (the "Ground Lease") by and between Cathryn Long Clark, Independent Executrix of the Estate of John G. Long, Deceased, and James M. Allen, Independent Administrator of the Estate of Mary Adams Long, Deceased, as lessor, and North Star Communications, Inc, as lessee, lessee's interest thereunder being assigned to Lessee by instrument dated December 22, 1994 and lessor's interest thereunder being subsequently assigned to J.F. Long and Cathryn L. Clark, a Texas Partnership ("Ground Lessor"). Lessor agrees to send copies of all notices to it from the Ground Lessor thereunder to Lessee promptly upon receipt thereof. Lessor acknowledges and agrees that following the expiration of any applicable cure periods, and upon notice to Lessor, Lessee can elect to cure any defaults of Lessor under the Ground Lease on Lessor's behalf. Any sums so expended by Lessee in order to cure such default(s) by Lessor shall be reimbursed to Lessee within ten (10) days following receipt by Lessor of an invoice reasonably detailing such amounts. Failure by

Exh 6, P. 15

Lessor to remit reimbursement to Lessee within such ten (10) day period shall entitle Lessee to deduct such amounts from future rental payments to Lessor.

EXECUTED effective as of the date first written above.

LESSOR:

CHAMELEON RADIO CORPORATION

By:   
Name: DON WEINGER  
Title: PRESIDENT

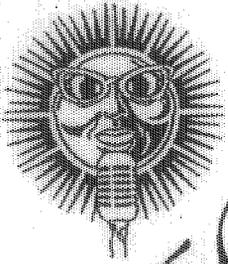
LESSEE:

LANDRUM ENTERPRISES, INC.

By:   
Name: J.H. LANDRUM  
Title: PRESIDENT

---

5



KFCC

1270 AM

Chameleon Radio Corporation  
(713) 575-1270 Fax: (713) 564-8653

10865 Rockley Road Houston, TX 77099 P.O. Box 1235 Stafford, TX 77497

Houston's Unique Talk and International Language Station

August 4, 1995

Larry D. Eads, Chief  
Audio Services Division  
Mass Media Bureau  
Federal Communications Commission  
1919 M St., N.W.  
Washington, D.C. 20554

Re: Letter of Inquiry 1800B3-KDY (KFCC - AM, Bay City, Texas)

Dear Mr. Eads:

This narrative and the attached exhibits are offered in response to your Letter of Inquiry issued to Chameleon Radio Corporation (Chameleon) # 1800B3-KDY dated July 25, 1995.

Regarding the Special Temporary Authorization (STA) granted May 5, 1995 (as amended May 12, 1995), Chameleon Radio Corporation filed a request for extension of that STA on August 4, 1995. On that same date, (August 4, 1995), Chameleon Radio Corporation filed with the an FCC Form 301 request to make the current STA site a permanent location for the KFCC day and night operation specifying 2.5 kw -Day operation and 8.50 kw Night operation with different day and night constant (a copy of that application is transmitted herewith). The Form 301 also requests a change of the city of license for KFCC to Missouri City, Texas as provided by the Commission's rules.

Your Letter of Inquiry seeks to set the record straight on actions taken by Chameleon in order to secure the currently effective STA for KFCC Radio (formerly KIOX). The documents and information requested are attached as exhibits to this response and we will address each of them in order. Beyond those documents, Chameleon also submits additional information and documents which it feels more clearly develop the record regarding actions taken by Chameleon and those of other licensees which, taken as a whole support Chameleon's actions and further support Chameleon's request for an extension of its STA and immediate approval of its request to make the major changes in KFCC which are included in its currently pending form 301 application.

Vertical stamps and markings on the right side of the page, including a circular stamp with the number 1.

Federal Communications Commission

Packet No. 96-173 Exhibit No. 5

Presented by AAMP

Disposition	Identified
	<input checked="" type="checkbox"/>
Reporter	Received
	<input checked="" type="checkbox"/>
Date	Rejected
	<input type="checkbox"/>

Reporter 918  
Date 2-24-97

Chameleon submits and the enclosed information clearly demonstrates the actions by Susquehanna Radio Corporation and more particularly Salem Communications, which led to the extraordinary efforts of Chameleon to save both business and the broadcast outlet it had developed for international language programmers in the Houston market. Susquehanna Radio Corp is involved to the extent that it terminated a five year LMA agreement only seven months into the pact. Salem is involved to the extent that it has systematically and with malice of forethought set about destroying first the business of KENR Management Company, Inc., and then that of its sister company Chameleon Radio Corporation. The very fact that Salem was first and until only three weeks ago, the only entity to object to Chameleon's STA with KFCC will be shown to clearly demonstrate that Salem has been engaged and continues to be engaged in competitive strike activities aimed at nothing more than destroying the financial viability of Chameleon.

To that end, Chameleon submits Exhibit: 1 which is a narrative explaining Chameleon's actions and those taken by sister company KENR Management Company, Inc. (the principals of both companies are identical). This narrative explains the efforts of KENR Management to provide commercial programming opportunities for ethnic groups which prior to KENR Management's arrival in the market had simply not been available. It explains the fact that KENR Management entered into a Five Year (60 month) Time Brokerage Agreement (LMA) with Susquehanna Radio Corporation (Susquehanna) then licensee of Radio Station KENR, Houston, Texas (1070 kHz, 10 kw-D, 5 kw-N, U, DA-2) on April 1, 1994.

In order to meet the Commission's requirements, the Time Brokerage Agreement maintained a ninety (90) day cancellation clause which would allow the licensee to terminate the agreement. Though this language is standard, KENR Management received verbal assurances from Susquehanna that no efforts would be made to sell KENR during the term of the LMA, allowing KENR Management to, in turn, make commitments to programmers wishing to place programming on the station.

The narrative explains KENR Management's efforts in making airtime available to ethnic groups and organizations which had never before in Houston had the opportunity to broadcast news, community events, and religious views and opinions in their native language. The effort resulted in more than 40 programmers representing 11 nationalities from five continents establishing programming on KENR in the first six months on the air. These programmers exhibited a high demand for a commercial broadcast outlet upon which to express their views as well as a faith in KENR Management's ability to remain on the air and provide them the services necessary to sustain the programming. KENR Management, relying on its five year commitment with Susquehanna, committed its resources and total effort to providing that service to the programmers.

On November 7, 1994, only seven months after KENR Management's commencing programming on KENR, KENR Management was informed by Susquehanna that it had sold the station and that KENR Management's LMA would be canceled as of Midnight, February 3, 1995. The station had been sold to the Salem Communications group (Salem) which would be operating in Houston as South Texas Broadcasting, Inc. At the same time, Salem had purchased KKZR-FM, a Conroe, Texas licensed FM which serves the Houston metro. Salem's purchase of the two stations would be consummated on the same day, March 3, 1995.

KENR Management had received no indication whatever from Susquehanna of the licensee's efforts to sell the KENR. The announcement came as a complete shock to both KENR Management and its quickly growing number of programmers. Inasmuch as Salem operated a large chain of stations which programmed a Christian format, it came as no; however, that Salem announced in the press that it would be changing for formats of both KKZR and KENR to Christian programming.

This sale and impending change in format for KENR meant two things to KENR Management. First, it meant that the tens of thousands of dollars and thousands of hours of work invested in its Houston LMA were apparently in vein. It meant that KENR Management Company, Inc. faced bankruptcy in spite of the one hundred thousand dollars it would be owed by Susquehanna as compensation for canceling the LMA. Relying on its five year commitment as part of its LMA, KENR Management Company, Inc. had signed a five year lease on studio and office facilities, making thousands of dollars of leasehold improvements. In addition to losing its leasehold improvements, it was still responsible for more than \$155,000 in lease payments during the 53 months remaining on its lease. Other contractual commitments would leave KENR Management Company with more than a quarter of a million dollars in obligations and, without benefit of the income provided by its programming, only \$100,000 in severance money to meet those commitments, a bleak circumstance indeed.

Secondly, and perhaps more importantly, the sale meant KENR Management could not meet its commitment to its programmers, who in turn, would not be able to meet their respective commitments and would no longer be able to provide the programming their communities. Like KENR Management, programmers had invested both time and money in establishing their various blocks of programming. In November, 1994, most of them had been on the air 120 days or less and only then beginning to establish both a substantial audience recognition of their presence and the financial support their eventual success would require. In short, loss the outlet at this point would be devastating both financially and in the various communities served by the groups on the air.