NOTE 12—COMMITMENTS AND CONTINGENCIES (Continued)

For the years ended after June 30, 2008, the future minimum rentals under the various real estate lease agreements follows:

2009	$ 6,362,000
2010	7,231,000
2011	7,239,000
2012	7,271,000
2013	7,315,000
Thereafter	51,116,000
	$ 86,534,000

In addition, these agreements include escalation provisions for real estate taxes and tenant improvements based on changes in the assessed valuation of the property. Additional rent expense incurred under these escalation clauses for the years ended June 30, 2008 and 2007, amounted to $1,614,000 and $1,097,000, respectively.

A bank has guaranteed one month of the Company's rent obligation. The Company has pledged mutual funds with a fair value of $17,587,000 as of June 30, 2008, as security for this guarantee and a $13,000,000 bank line of credit (see Notes 4 and 7).

B. The Company is party to various pending legal proceedings arising in the ordinary course of business. The Company's management and legal counsel have reviewed the probable outcome of these proceedings and the costs and expenses reasonably expected to be incurred. While the outcome of the pending proceedings cannot be predicted with certainty, based on its review, management believes that the liabilities that may result are not likely to have a material effect on the Company's liquidity, financial condition or change in net assets.

C. The Company receives funding under grants from a variety of organizations. The grant agreements generally contain provisions under which the grantor may audit the books and records of the Company. During the year ended June 30, 2007, a grantor commenced an audit with respect to one grant. The result from this audit will not have a material adverse effect on the Company's liquidity, financial condition or change in net assets for the year ended June 30, 2008 or any prior periods reported. As of June 30, 2008, a liability was recorded amounting to $2,314,000. Such amount is included in accounts payable and accrued expenses in the accompanying consolidated financial statements.

D. The Company's subsidiary, EBC, receives funding under grants from a variety of public and private sources. The grant agreements often contain provisions under which the grantor may audit the books and records of EBC. During the year ended June 30, 2008, EBC received a subpoena from the Office of the Inspector General of the National Science Foundation ("NSF"), notifying EBC that it had commenced a review of, and requesting information regarding, an NSF grant for $1,530,000. Subsequently, that review was expanded to include an additional $9,000,000 in funds from five other NSF grants.

In a December 12, 2008 letter from the Inspectors General of the NSF, the National Endowment for the Arts ("NEA") and the National Endowment for the Humanities ("NEH") (collectively, the "IGs"), EBC was advised that the NSF IG had identified several "significant concerns" regarding EBC's use of NSF award funds. As a result, the IGs advised EBC of their belief that EBC's actions violated a federal civil statute and that the IGs would be required to refer the matter to the United States Department of Justice for review. Subsequently, the NSF IG informed EBC that no such referral would be made, pending the outcome of a yet-to-be-scheduled meeting among EBC and the IGs. The IGs also requested information from EBC concerning two NEA grants and two NEH grants totaling approximately $1,200,000 and $1,120,000, respectively.

NOTE 12—COMMITMENTS AND CONTINGENCIES (Continued)

EBC is fully cooperating with the IGs. As of March 12, 2009, it is premature for management to estimate the probable outcome of this review. However, it is at least reasonably possible that some costs may be disallowed.

NOTE 13—DEFERRED REVENUE

In 2006, the Company entered into an agreement to lease certain of its unused spectrum (bandwidth) to an unrelated third party. The Company recognizes this payment as revenue over 30 years. Included in deferred revenue in the accompanying consolidated financial statements is $11,728,000 and $14,017,000 as of June 30, 2008 and 2007, respectively, related to the unamortized portion of this income. For the years ended June 30, 2008 and 2007, approximately $2,289,000 and $483,000, respectively, was recognized in other income. The amount of amortization for the year ended June 30, 2008 is based on a reassessment of the deferral made by an outside consultant.

NOTE 14—FAIR VALUE OF FINANCIAL INSTRUMENTS

For instruments, including cash equivalents, certain investments, receivables, payables and debt, the carrying amount approximates fair value because of the short maturity of these instruments. The Company believes it is not practicable to estimate the current fair value of the related party receivable because of the related party nature of the transaction (see Note 15).

NOTE 15—PROGRAM RESOURCE GROUP

The president and general manager of WLIW is the founder and Chairman of the Board of the Program Resource Group ("PRG"). PRG is a nonprofit corporation owned by 3 charter member public television stations, which provides programming services to more than 20 stations, including its members, for a fee. PRG operates from office space rented from the Company. In addition, the Company performed administrative and accounting services for PRG for a fee of $24,000 for each of the years ended June 30, 2008 and 2007. As of June 30, 2008 and 2007, the receivable from PRG for programming services, rent, administrative and accounting services and reimbursable expenses included in other assets, totaled approximately $865,000 and $650,000, respectively, and the reserve was approximately $813,000 and $580,000 as of June 30, 2008 and 2007, respectively. The majority of this receivable and reserve occurred before the merger with WLIW, L.L.C.

NOTE 16—INVESTMENT IN V-ME, INC.

In September 2006, the Company entered into an agreement with V-Me, Inc., a national Spanish–language television network. The Company agreed to contribute existing and future programming, assist in the promotion of the network, and assist in securing the Spanish-language rights to programs. In exchange for these services, the Company received a 20% equity investment in V-Me, Inc. The Company did not record an asset related to the investment.

In addition, the Company provided certain production services and the use of facilities to V-Me, Inc. As of June 30, 2008, the balance due from V-Me, Inc. was approximately $898,000, net of an allowance for doubtful accounts of $500,000.