

ASSET PURCHASE AGREEMENT

dated as of March 6, 2003

among

CHANNEL 26 ASSOCIATES LIMITED PARTNERSHIP,

WILMINGTON TELECASTERS, INC.,

and

SOUTHEASTERN MEDIA HOLDINGS, INC.

THIS ASSET PURCHASE AGREEMENT (this "Agreement") dated as of March 6, 2003 among **Southeastern Media Holdings, Inc.**, a Delaware corporation ("Buyer"), **Channel 26 Associates Limited Partnership**, a North Carolina limited partnership ("Channel 26" or a "Seller"), and **Wilmington Telecasters, Inc.**, a North Carolina corporation ("Telecasters" or a "Seller", and with Channel 26, the "Sellers").

W I T N E S S E T H :

WHEREAS, Sellers are solely engaged in the business of television broadcasting and together operate and own, lease, license or have the contractual right to use all of the assets and licenses used in the operation of a commercial television broadcast station WSFX-TV, Channel 26 ("DTV Channel 30"), in Wilmington, North Carolina (the "Station"), under licenses issued by the Federal Communications Commission (the "FCC");

WHEREAS, Buyer desires to purchase from Sellers substantially all of the assets and assume certain specified liabilities, and Sellers desire to sell to Buyer substantially all of the assets and transfer certain specified liabilities, related to the conduct of the Station on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, Buyer and Sellers hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions.

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

- (a) "Accounting Firm" means (A) an independent certified public accounting firm in the United States of national recognition (other than a firm that then serves as the independent auditor for either Buyer or Sellers or any of their respective Affiliates) mutually acceptable to Sellers and Buyer or (B) if Sellers and Buyer are unable to agree upon such a firm, then the regular independent auditors for Sellers and Buyer shall mutually agree upon a third independent certified public accounting firm, in which event, "Accounting Firm" shall mean such third firm.
- (b) "Accounts Receivable" means all accounts receivable (other than accounts receivable relating to Tradeout Agreements or film and program barter agreements), and all rights to receive payments under any notes, bonds and other evidences of indebtedness and all other rights to receive payments, in each case arising out of sales occurring in the conduct of the Business prior to the Effective Time for services performed or delivered, or advertising run by the Business prior to the Effective Time.
- (c) "Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.
- (d) "Affiliate" means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with such other Person.
- (e) "Ancillary Agreement" means, as to any Person, all of the documents and instruments required to be

executed pursuant to this Agreement by such Person.

- (f) "Assignment of Licenses" shall mean an instrument in the form of Exhibit A by which Telecasters will transfer and assign the FCC Licenses to Buyer (or a wholly-owned subsidiary of Buyer).
- (g) "Assumption Agreement" shall mean an instrument in the form of Exhibit B by which the Assumed Liabilities are to be assumed and accepted by Buyer.
- (h) "Balance Sheet Date" means December 31, 2002.
- (i) "Bill of Sale and Assignment" shall mean the instrument in the form of Exhibit C, by which Sellers will convey to Buyer all of their respective rights, title and interests in and to the Equipment, the Intangible Property, and the other Purchased Assets other than the FCC Licenses, the Contracts and the Leases.
- (j) "Buyer's Closing Certificate" shall mean the certificate of Buyer in the form of Exhibit D.
- (k) "Buyer's Opinion of Counsel" shall mean the opinion of counsel of Buyer in the form of Exhibit E.
- (l) "Buyer's Performance Certificate" shall mean the certificate of Buyer in the form of Exhibit F.
- (m) "Business" means the conduct and operation of the Station by Sellers as currently conducted.
- (n) "Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the city of Charlotte, North Carolina.
- (o) "Capital Lease Obligation" means any liability or obligation of either Seller as lessee under leases relating to the Business that have been or should have been recorded as capital leases in accordance with GAAP.
- (p) "CERCLA" means The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. (S)(S) 9601 et seq.
- (q) "Code" means the Internal Revenue Code of 1986, as amended.
- (r) "Communications Act" means the Communications Act of 1934, as amended, the Telecommunications Act of 1996, the Children's Television Act and the rules and regulations promulgated thereunder, in each case, as in effect from time to time.
- (s) "Confidentiality Agreement" means the confidentiality agreement dated as of December ___, 2002, by Buyer in favor of Sellers.
- (t) "Contract Assignment" shall mean the Assignment and Assumption of Contracts, in the form of Exhibit G, by which Sellers assign all of their respective rights, title and interests in and to the Contracts to Buyer.
- (u) "Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

The terms “Controlled” and “Controlling” shall have a correlative meaning.

- (v) “Copyrights” means all copyrights, copyright applications, registrations and similar rights used by the Station (other than those included in the Excluded Assets), including those registered copyrights and copyright applications identified on Schedule 3.06.
- (w) “Employee Plan” means any (i) employee benefit plan, arrangement or policy subject to ERISA, including without limitation, any retirement, pension, deferred compensation, severance, profit sharing, savings, group health, dental, life insurance, disability or cafeteria plan, policy or arrangement, (ii) any stock option, stock purchase or equity-based compensation plan, (iii) any bonus or incentive arrangement and (iv) any severance or termination agreements, policies or arrangements that are not covered by ERISA, in each case maintained or contributed to by either Seller or any of its Affiliates for the benefit of any current or former Station Employee.
- (x) “Environmental Laws” means any applicable statute, ordinance, rule, regulation, decision, judgment, decree, permit or license, in each case, in effect on the date of this Agreement or the Closing Date, as applicable, whether local, state, or federal relating to: (A) Releases or threatened Releases of Hazardous Materials into the indoor or outdoor environment; (B) the use, treatment, storage, disposal, handling, discharging or shipment of Hazardous Material; (C) the regulation of storage tanks; or (D) otherwise relating to pollution or protection of human health, occupational safety and the indoor or outdoor environment.
- (y) “Environmental Liabilities” means any and all liabilities arising in connection with or in any way relating to either Seller (or any predecessor of either Seller or any prior owner of all or part of either Seller's business and assets), the Business, the Real Property or any property now or previously owned, leased or operated by the Business or either Seller in connection with the Station (as currently or previously conducted), the assets of the Business or any activities or operations occurring or conducted at the Real Property (including offsite disposal), whether accrued, contingent, absolute, determined, determinable or otherwise, which (i) arise under or relate to any Environmental Law and (ii) relate to actions occurring or conditions existing on or prior to the Closing Date (including any matter disclosed or required to be disclosed in Schedule 3.19).
- (z) “Environmental Permits” means all permits, licenses, franchises, certificates, approvals and other similar authorizations of Governmental Authorities relating to or required by Environmental Laws and affecting, or relating in any way to, the Station, the Business or the business of either Seller as currently conducted.
- (aa) “Equipment” means all machinery, equipment, computers, Motor Vehicles, furniture, furnishings, toolings, parts, blank films and tapes and other items of tangible personal property (other than those included in the Excluded Assets) owned or leased by either Seller and used in the Business, including those items listed on Schedule 1.01(a) attached hereto.
- (bb) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.
- (cc) “ERISA Affiliate” means, as to any Person any other Person that, together with such Person, would be treated as a single employer under Section 414 of the Code.

- (dd) “FCC Consent” means the FCC's grant of its consent to the assignment of each of the FCC Licenses from Sellers to Buyer or its permitted assignee pursuant to Section 13.06.
- (ee) “FCC Licenses” means the FCC licenses, permits and other authorizations identified on Schedule 3.15(a), and any other license, permit or other authorization, including any temporary waiver or special temporary authorization, issued by the FCC for use in the operation of the Station, and any renewals thereof or any pending application therefor.
- (ff) “Final Order” means an action by the FCC (i) that has not been vacated, reversed, stayed, enjoined, set aside, annulled or suspended, (ii) with respect to which no request for stay, petition for rehearing, reconsideration or review or appeal or sua sponte review by the FCC is pending, and (iii) as to which the time for filing any such request, petition or appeal or for review by the FCC on its own motion has expired.
- (gg) “GAAP” means United States generally accepted accounting principles as in effect on the Balance Sheet Date, consistently applied.
- (hh) “Governmental Authority” means any federal, state or local or any foreign government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.
- (ii) “Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.
- (jj) “Hazardous Material” means hazardous or toxic wastes, chemicals, substances, constituents, pollutants or related material, whether solids, liquids, or gases, defined or regulated under (S) 101(14) of CERCLA; the Resource Conservation and Recovery Act, 42 U.S.C. (S)(S)6901 et seq.; the Toxic Substances Control Act, 15 U.S.C. (S)(S)2601 et seq.; the Safe Drinking Water Act, 42 U.S.C. (S)(S)300f et seq.; the Clean Air Act, as amended, 42 U.S.C. (S)(S)7401 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. (S)(S)1251 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. (S)(S)11001 et seq.; the Occupational Safety and Health Act of 1970, 29 U.S.C. (S)(S)651 et seq. or any similar federal, state or local Environmental Laws, including polychlorinated biphenyls (PCBs), asbestos, radioactive materials and wastes, and petroleum products (including crude oil and any fraction thereof).
- (kk) “Intangible Property” means: (A) the Copyrights; (B) the Patents; (C) the Trademarks, including all of the rights of each Seller in and to the call letters “WSFX”; (D) the Trade Secrets; (E) all domain names related to the Station; (F) all Software; and (G) all goodwill, if any, associated therewith.
- (ll) “IRS” means the Internal Revenue Service.
- (mm) “Knowledge of Sellers” or “Knowledge” means the actual knowledge of Robinson O. Everett, Vickie Street, David Carfolite, Clara Ditmer and Bobby LeClair, all in their official capacities with Sellers.
- (nn) “Law” means any United States (federal, state, local) or foreign statute, law, ordinance, regulation, rule, code, order, judgment, injunction or decree.
- (oo) “Lease Assignment” shall mean the Assignment and Assumption of Leases, in the form of Exhibit H,

between Buyer and Sellers.

- (pp) “Leases” means those leases or license agreements (including any and all assignments, amendments and other modifications of such leases and license agreements) pertaining to Real Property, which are listed on Schedule 3.05 (excluding the lease with Paragon in respect of the Studio Property which will be purchased directly by Buyer from Paragon at the Closing).
- (qq) “Lien” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, in respect of such property or asset.
- (rr) “Material Adverse Effect” means a material adverse effect on (A) the condition (financial or otherwise), business, assets, or results of operations of the Business taken as a whole; or (B) the ability of either Seller to perform its obligations under this Agreement or any Ancillary Agreement.
- (ss) “Material Consents” means the consents to the assignment of each of the agreements set forth on Schedule 10.03.
- (tt) “Motor Vehicles” means all motor vehicles owned or leased by Sellers and used in the Business, including those listed in Schedule 1.01(b).
- (uu) “Multiemployer Plan” means each Employee Plan that is a multiemployer plan, as defined in Section 3(37) of ERISA.
- (vv) “Paragon” means Paragon Associates Limited Partnership, a limited partnership organized under the laws of the state of North Carolina, and the landlord for the Studio Property.
- (ww) “Patents” means all patents, patent applications, registrations and similar rights used by the Station, including those patents, patent registrations and patent applications identified in Schedule 1.01(c).
- (xx) “PBGC” means the Pension Benefit Guaranty Corporation.
- (yy) “Permitted Liens” means, as to any property or asset, (A) liens for Taxes, assessments and governmental charges not yet due and payable or that are being contested in good faith, (B) zoning laws and ordinances and similar Laws that are not violated in any material respect by any existing improvement or that do not prohibit the use of the Real Property as currently used in the Business; (C) any right reserved to any Governmental Authority to regulate the affected property (including restrictions stated in the Permits); (D) in the case of any leased asset, (i) the rights of any lessor under the applicable lease agreement or any Lien granted by any lessor or otherwise encumbering the fee interest in the leased asset and (ii) any statutory Lien for amounts that are not yet due and payable or are being contested in good faith; (E) inchoate materialmen's, mechanics', workmen's, repairmen's or other like Liens arising in the ordinary course of business; and (F) in the case of Real Property, minor defects of title, easements, rights-of-way, restrictions and other similar charges or encumbrances not materially detracting from the value of the Real Property as currently used or interfering in any material respect with use of the Real Property as currently used in the Business, (G) any other Lien, other than a Lien securing a monetary obligation, that does not, individually or in the aggregate, materially detract from or interfere with any use of or impair the value of any such property or asset as currently used, and (H) such title matters as are set forth on Schedule 3.07(b).

- (zz) "Person" means any natural person, general or limited partnership, corporation, limited liability company, firm, association, trust or other legal entity or organization, including a government or political subdivision or an agency or instrumentality thereof.
- (aaa) "Program Rights" means all rights of either Seller presently existing or obtained after the date of this Agreement and prior to the Effective Time in accordance with the terms of this Agreement, to broadcast television programs or shows as part of the Station's programming, including all film and program barter agreements, sports rights agreements, news rights or service agreements and syndication agreements.
- (bbb) "Real Property" means the real property owned, leased, subleased or licensed by either Seller used or held for use in the conduct of the Business, as listed in Schedule 1.01(d), and all buildings, towers, improvements and fixtures owned, leased, subleased or licensed thereon by either Seller, together with either Sellers' interest in all strips and gores, rights of way, easements, privileges and appurtenances pertaining thereto, including any right, title and interest of either Seller in and to any street adjoining any portion of the Real Property.
- (ccc) "Release" means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.
- (ddd) "Sellers' Closing Certificates" shall mean the certificate of each Seller in the form of Exhibit I.
- (eee) "Sellers' Opinions of Counsel" means the opinion of each Seller's counsel in the form of Exhibit J.
- (fff) "Sellers' Performance Certificates" shall mean the certificate of each Seller in the form of Exhibit K.
- (ggg) "Software" means all computer software and subsequent versions thereof, including source code, object, executable or binary code, objects, comments, screens, user interfaces, report formats, templates, menus, buttons and icons and all files, data, materials, manuals, design notes and other items and documentation related thereto or associated therewith.
- (hhh) "Station Employees" means the full-time, part-time and per-diem employees employed by either Seller in the Business.
- (iii) "Studio Property" means the real property owned by Paragon more particularly described on Exhibit L.
- (jjj) "Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (A) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (B) the interest in the capital or profits of such partnership, joint venture or limited liability company or (C) the beneficial interest in such trust or estate, in each case, is at the time directly or indirectly owned or Controlled by such Person.

- (kkk) “Tax” or “Taxes” means all income, excise, gross receipts, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, use, payroll, intangibles or other taxes, fees, stamp taxes, duties, charges, levies or assessments of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, additions to tax or additional amounts imposed by any Tax authority with respect thereto.
- (lll) “Tax Returns” means all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.
- (mmm) “Title Company” means Chicago Title Insurance Company or such other title insurance company retained by Buyer.
- (nnn) “Title IV Plan” means an Employee Plan subject to Title IV of ERISA other than any Multiemployer Plan.
- (ooo) “Trademarks” means all of those trade names, trademarks, service marks, jingles, slogans, logos, trademark and service mark registrations and trademark and service mark applications (other than those included in Excluded Assets) owned, used, held for use, licensed by or leased by either Seller relating to the Station as set forth on Schedule 3.06 and the goodwill appurtenant thereto.
- (ppp) “Tradeout Agreement” means any contract, agreement or commitment, oral or written, other than film and program barter agreements, pursuant to which either Seller has agreed to sell or trade commercial air time or commercial production services of the Station in consideration for any property or service in lieu of or in addition to cash;
- (qqq) “Trade Secrets” means all proprietary information of either Seller necessary to the operation of the Business (other than as included in the Excluded Assets) that is not generally known and is used or useful in the Business, as to which reasonable efforts have been made to prevent unauthorized disclosure, and which provides a competitive advantage to those who know or use it.
- (rrr) “Transfer Taxes” means all excise, sales, use, value added, registration stamp, recording, documentary, conveyancing, franchise, property, transfer, gains and similar Taxes, levies, charges and fees.
- (sss) “WARN Act” means the Workers Adjustment and Retraining Notification Act, as amended.

SECTION 1.02 Other Defined Terms.

The following terms have the meanings defined for such terms in the Sections set forth below:

Term	Section
Active Employees	8.01(a)
Agreement	Preamble
Antitrust Laws	7.01(c)
Appraisal Report	2.06(b)
Assumed Liabilities	2.03
Audited Balance Sheet	5.04(b)

Audited Financial Statements	5.04(b)
Buyer	Preamble
Buyer Indemnified Parties	12.03(a)
Buyer Warranty Breach	12.02(a)(i)
Channel 26	Preamble
Closing	2.08
Closing Date	2.08
Closing Date Cash Amount	2.06(a)
Collection Period	2.07(a)
Contracts	2.01(c)
Default Payment	11.02(b)(i)
DOJ	7.01(c)
DTV Channel 30	Recitals
Effective Time	2.09(a)
Environmental Non-Compliance	5.03(c)
Escrow Agent	2.06(c)
Escrow Deposit	2.06(c)
Escrow Deposit Agreement	2.06(c)
Estimated Adjustment Amount	2.09 (d)
Excluded Assets	2.02
Excluded Liabilities	2.04
FCC	Recitals
FCC Applications	7.01(b)
Final Adjustment Amount	2.09(g)
Final Settlement Statement	2.09(f)
FTC	7.01(c)
Indemnified Party	12.04(a)
Indemnifying Party	12.04(a)
Individual COBRA Escrow	8.04(b)
Losses	12.02(a)
Market Cable Systems	3.16(a)
Permits	2.01(h)
Post-Closing Escrow Amount	2.06(d)
Post-Closing Escrow Agreement	2.06(d)
Purchased Assets	2.01
Purchase Price	2.06(a)
Reference Balance Sheet	3.11(a)
Reference Financial Statements	3.11(a)
Reported Environmental Non-Compliance	5.03(c)
Second 18 Month Period	8.04(b)
Seller	Preamble
Sellers	Preamble
Sellers' COBRA Insureds	8.04(a)
Seller Indemnified Parties	12.02(a)
Seller Warranty Breach	12.03(a)(i)
Settlement Statement	2.09(d)
Settlement Statement Notice of Disagreement	2.09(f)
Specified Deposits	2.01(m)

Station	Recitals
Telecasters	Preamble
Termination Date	11.01(b)(i)
Title Commitments	5.03(a)
Title Policy	5.03(a)
Transferred Employees	8.01(a)
VCI Agreement	2.02(l)
Wilmington DMA	3.16(a)

SECTION 1.03 Terms Generally.

- (a) Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires,
- (b) The terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including the Schedules and Exhibits hereto) and not to any particular provision of this Agreement, and Article, Section, paragraph, Exhibit and Schedule references are to the Articles, Sections, paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified,
- (c) The word “including” and words of similar import when used in this Agreement means “including, without limitation,” unless otherwise specified, and
- (d) The word “or” shall not be exclusive.

ARTICLE II

PURCHASE AND SALE

SECTION 2.01 Purchase and Sale.

Except as otherwise provided below, upon the terms and subject to the conditions of this Agreement, Buyer agrees to purchase from each Seller and each Seller agrees to sell, convey, transfer, assign and deliver, or cause to be sold, conveyed, transferred, assigned and delivered, to Buyer at the Closing, free and clear of all Liens, other than Permitted Liens, all of such Seller's right, title and interest in, to and under the assets, contracts, properties and business, of every kind and description, wherever located, real, personal or mixed, tangible or intangible, owned, held or used in the conduct of the Business by such Seller as the same shall exist on the date of this Agreement, including all assets shown on the Reference Balance Sheet and not disposed of in accordance with Section 5.01(d), and all assets of the Business thereafter acquired by such Seller, but excluding the Excluded Assets (the “Purchased Assets”), and including, without limitation, all right, title and interest of each Seller in, to and under (other than the Excluded Assets):

- (a) all Real Property (it being acknowledged and agreed that Buyer shall take title to the Studio Property directly from Paragon and Sellers shall not be assigning the lease in respect thereof to Buyer);

- (b) all Equipment;
- (c) all rights under all contracts, agreements, leases, licenses, commitments, sales and purchase orders and other instruments, whether oral or written, relating to the Business, including without limitation the items listed on Schedule 3.05 and the Leases (collectively, the “Contracts”) (it being acknowledged and agreed that Buyer shall take title to the Studio Property directly from Paragon and Sellers shall not be assigning to Buyer the lease in respect thereof);
- (d) all prepaid expenses and deposits, including but not limited to ad valorem taxes, leases and rentals;
- (e) all of such Seller's rights, claims, credits, causes of action or rights of set-off against third parties relating to the Purchased Assets, including unliquidated rights under manufacturers' and vendors' warranties, in each case only to the extent Buyer incurs Losses relating thereto;
- (f) all Intangible Property;
- (g) all internet web sites and related agreements, content and databases and domain name registrations, as and to the extent relating to the Business, including those set forth on Schedule 2.01(g);
- (h) the FCC Licenses, all transferable municipal, state and federal franchises, licenses, permits or other governmental authorization affecting, or relating in any way to, the Business, and the items listed on Schedule 2.01(h) (the “Permits”);
- (i) all prepayments under advertising sales contracts for committed air time for advertising that has not been aired prior to the Effective Time;
- (j) all books, records, files and papers, whether in hard copy or computer format, used in the Business and in the possession of Sellers, including, without limitation, engineering information, sales and promotional literature, manuals and data, sales and purchase correspondence, lists of present and former suppliers, lists of present and former customers, personnel and employment records for Transferred Employees, including historical financial information to allow Buyer to prepare future Hart-Scott-Rodino Antitrust Improvement Act of 1976 filings (to the extent permitted by Law);
- (k) all management and other systems (including computers and peripheral equipment), databases, computer software, computer disks and similar assets, related to the Business and all licenses and rights in relation thereto;
- (l) all goodwill associated with the Station, the Business or the Purchased Assets;
- (m) the security deposits the applicable Seller has deposited with landlords, if any (the “Specified Deposits”);
- (n) any insurance proceeds payable in accordance with Section 5.07.

SECTION 2.02 Excluded Assets.

Buyer expressly understands and agrees that the following assets and properties of Sellers shall be

excluded from the Purchased Assets (the “Excluded Assets”):

- (a) all of such Seller's cash and cash equivalents on hand and in banks or other financial institutions;
- (b) insurance policies relating to the Business and all claims, credits, causes of action or rights thereunder;
- (c) all rights to insurance proceeds relating to the Excluded Assets;
- (d) all Accounts Receivable;
- (e) any assets of any Employee Plan sponsored by either Seller or its Affiliates including any amounts due to such Employee Plan from either Seller or any of its Affiliates;
- (f) all books, records, files and papers, whether in hard copy or computer format, prepared in connection with this Agreement or the transactions contemplated hereby and the corporate or limited partnership charter, qualification as a foreign corporation or limited partnership, arrangements with registered agents, taxpayer, employer and other identification numbers, seals, minute books, corporate or limited partnership records, stock or other equity records and transfer books, any shares of capital stock or other equity interest that are owned or held by the Seller as treasury stock or similar equity, and other documents or instruments relating to the organization, maintenance and existence of each Seller as a corporation or limited partnership;
- (g) all rights of each Seller arising under this Agreement, Exhibits A through M or the transactions contemplated hereby;
- (h) any Purchased Asset sold or otherwise disposed of in accordance with Section 5.01(d);
- (i) any and all claims of either Seller with respect to transactions prior to the Effective Time, including, without limitation, claims for tax refunds, and refunds of fees paid to the FCC, except to the extent that such claims are part of the Assumed Liabilities or the Purchased Assets;
- (j) the property and assets described on Schedule 2.02(j);
- (k) all Tax Returns, all claims for refund of Taxes and other governmental charges of whatever nature; and
- (l) the computer hardware equipment and software described on Schedule 2.02(l) owned, leased, or licensed by Telecasters pursuant to the Software License, Maintenance & Support Agreement by and between Video Communication, Inc. and Telecasters dated as of August 20, 2002 (the “VCI Agreement”).

SECTION 2.03 Assumed Liabilities.

Upon the terms and subject to the conditions of this Agreement, Buyer agrees, effective at the Effective Time, to assume the following liabilities (the “Assumed Liabilities”):

- (a) the liabilities and obligations of each Seller under the Contracts and Permits arising with respect to the

operation of the Station on and after the Effective Time, except those Contracts and Permits, if any, included in the Excluded Assets; and

- (b) any liability or obligation to the extent of the amount of credit received by Buyer under Section 2.09 at Closing.

SECTION 2.04 Excluded Liabilities.

Notwithstanding any provision in this Agreement or any other writing to the contrary, Buyer is assuming only the Assumed Liabilities and is not assuming any other liability or obligation of any of the Sellers (or any predecessor of either of the Sellers) of whatever nature, whether presently in existence or arising hereafter. All such other liabilities and obligations shall be retained by and remain obligations and liabilities of the applicable Seller (all such liabilities and obligations not being assumed being herein referred to as the “Excluded Liabilities”), and, notwithstanding anything to the contrary in Section 2.03, none of the following shall be Assumed Liabilities for the purposes of this Agreement:

- (a) any liability or obligation of either Seller under or with respect to any Contract or Permit required by the terms thereof to be discharged on or prior to the Effective Time;
- (b) any liability or obligation of either Seller for borrowed money including interest and fees;
- (c) any liability or obligation relating to or arising out of any of the Excluded Assets;
- (d) any Environmental Liabilities;
- (e) any liability or obligation relating to vacation, bonuses and other employee-related benefits earned prior to the Closing Date;
- (f) any Tax liability or obligation of either Seller (except as expressly provided in Section 9.02); and
- (g) any liability or obligation relating to or arising out of any Employee Plan.

SECTION 2.05 Assignment of Contracts and Rights.

Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Purchased Asset or any claim or right or any benefit arising thereunder or resulting therefrom if such assignment, without the consent of a third party thereto, would constitute a breach or other contravention of such Purchased Asset or in any way adversely affect the rights of Buyer or the applicable Seller thereunder. Sellers will use their commercially reasonable best efforts to obtain the consent of the other parties to any such Purchased Asset or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may reasonably request. Buyer shall cooperate with Sellers and take such action as Sellers may reasonably request in order to obtain such third party consents. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of either Seller thereunder so that Buyer would not in fact receive all such rights, Sellers and Buyer will cooperate in a mutually agreeable arrangement under which Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, including

sub-contracting, sub-licensing, or sub-leasing to Buyer, or under which Sellers would enforce for the benefit of Buyer, with Buyer assuming the applicable Seller's obligations, any and all rights of such Seller against a third party thereto. Each Seller will promptly pay to Buyer when received all monies received by such Seller under any Purchased Asset or any claim or right or any benefit arising thereunder.

SECTION 2.06 Purchase Price; Allocation of Purchase Price; Escrows.

- (a) The purchase price for the purchase of the Purchased Assets shall be \$14,000,000 (the "Closing Date Cash Amount") subject to the prorations and adjustments set forth in Section 2.09 (the Closing Date Cash Amount as so adjusted, the "Purchase Price").
- (b) Sellers and Buyer shall cooperate in the preparation of a joint schedule (the "Allocation Schedule") allocating the Purchase Price (including for purposes of this Section, any other consideration paid by Buyer and the Assumed Liabilities), among the Purchased Assets purchased pursuant to this Agreement. Sellers and Buyer each agree to file IRS Form 8594 and all federal, state and local tax returns in accordance with the Allocation Schedule. Sellers and Buyer each agree to provide the other promptly with any other information required to complete the Allocation Schedule. If, however, Sellers and Buyer are unable to complete such schedule within sixty (60) days following the Closing Date, or such later date as agreed to by Buyer and Sellers, Buyer and Sellers shall file IRS Form 8594 and any federal, state and local tax returns, allocating the Purchase Price among the Purchased Assets in the manner each believes is appropriate, provided that such allocation is reasonable and in accordance with Code §1060 and the regulations thereunder.
- (c) Simultaneously with the execution of this Agreement, Buyer and Sellers shall enter into an Escrow Agreement (the "Escrow Deposit Agreement"), substantially in the form of Exhibit M attached hereto, with Wachovia Bank, Charlotte, North Carolina (the "Escrow Agent"), pursuant to which Buyer shall deposit with the Escrow Agent the sum of Seven Hundred Thousand Dollars (\$700,000) (the "Escrow Deposit") in cash or by wire transfer of immediately available federal funds. The Escrow Deposit shall be held and disbursed in accordance with the terms of this Agreement and the Escrow Deposit Agreement.
- (d) At the Closing, Buyer shall deliver One Million Four Hundred Thousand Dollars (\$1,400,000) (the "Post-Closing Escrow Amount") in cash or by wire transfer of immediately available federal funds to the Escrow Agent to be held and disbursed only in accordance with Section 8.04 and the Post-Closing Escrow Agreement (the "Post-Closing Escrow Agreement"), the form of which is attached hereto as Exhibit N. The Post-Closing Escrow Amount will be credited toward Buyer's payment of the Purchase Price.

SECTION 2.07 Collection of Accounts Receivable.

- (a) At the Closing, Sellers shall designate Buyer, by means of a mutually acceptable agency agreement, as their agent solely for purposes of collecting on behalf of Sellers the Accounts Receivable. Sellers shall deliver to Buyer, on or promptly after the Closing Date, a complete and detailed statement of the Accounts Receivable. Buyer shall use commercially reasonable efforts to collect the Accounts Receivable during the period (the "Collection Period") beginning at the Effective Time and ending on the last day of the fifth full calendar month following the Closing Date consistent with Buyer's

practices for collection of its accounts receivables; provided, however, that such efforts shall not include hiring attorneys or collection agencies to collect such Accounts Receivable. Any payment received by Buyer (i) at any time following the Effective Time, (ii) from a customer of the Station after the Effective Time that was also a customer of the Station prior to the Effective Time and that is obligated with respect to any Accounts Receivable and (iii) that is not designated as a payment of a particular invoice or invoices or as a security deposit or other prepayment, shall be presumptively applied to the accounts receivable for such customer outstanding for the longest amount of time and, if such accounts receivable shall be an Accounts Receivable, remitted to Sellers in accordance with Section 2.07(b); provided further, however, that if, prior to the Effective Time, Sellers or, after the Effective Time, Sellers or Buyer received or receives a written notice of dispute from a customer with respect to an Accounts Receivable that has not been resolved, then Buyer shall apply any payments from such customer to such customer's oldest, non-disputed accounts receivable, whether or not an Accounts Receivable. Buyer shall obtain the prior written approval of Sellers before referring any of the Accounts Receivable to a collection agency or to an attorney for collection. Except as otherwise provided herein, Buyer shall incur no liability to Sellers for any collected or uncollected Accounts Receivable. During the Collection Period, neither Seller nor any of its agents, without the consent of Buyer, which consent shall not be unreasonably withheld, shall make any direct solicitation of any customers owing the Accounts Receivable for collection purposes.

- (b) On or before the twentieth day following the end of each calendar month in the Collection Period, Buyer shall deposit into an account identified by Sellers at the time of Closing the amounts collected during the preceding month of the Collection Period with respect to the Accounts Receivable. Buyer shall furnish Sellers with a list of the amounts collected during such calendar month and in any prior calendar months with respect to the Accounts Receivable and a schedule of the amount remaining outstanding under each particular account. Sellers shall be entitled during and following the sixty-day period following the Collection Period to reasonably inspect, copy and/or audit the records maintained by Buyer pursuant to this Section 2.07, upon reasonable advance notice. Buyer shall not have the right to set-off against any of these collections.
- (c) Following the expiration of the Collection Period, Buyer shall have no further obligations under this Section 2.07, except (i) as provided in the last sentence of Section 2.07(b), (ii) as provided in the last sentence of this Section 2.07(c) and (iii) that Buyer shall immediately pay over to Sellers any amounts subsequently paid to it with respect to any Accounts Receivable. Following the Collection Period, Sellers may pursue collections of all the Accounts Receivable, and Buyer shall at Sellers' expense deliver to Sellers all files, records, notes and any other materials relating to the Accounts Receivable and shall otherwise cooperate with Sellers for the purpose of collecting any outstanding Accounts Receivable.

SECTION 2.08 Closing.

The closing (the "Closing") of the sale and purchase of the Purchased Assets and the assumption of the Assumed Liabilities hereunder shall take place at 10:00 A.M. (Wilmington, North Carolina time) upon at least five (5) Business Days prior written notice from Buyer to Sellers that is no later than five (5) Business Days following the date that the FCC Consent shall become a Final Order, at the offices of Buyer's attorney, 6100 Fairview Road, Suite 650, Charlotte, North Carolina 28210, or at such other time or place as Sellers and Buyer may mutually agree upon in writing (the day on which the Closing takes place being the "Closing Date"). At the Closing:

- (a) Buyer shall cause the Escrow Agent to pay Sellers by wire transfer in immediately available federal funds, the Escrow Deposit, plus any and all interest accrued thereon during the period the Escrow Deposit was held by the Escrow Agent;
- (b) Buyer shall deliver to Sellers the Closing Date Cash Amount (minus (i) the amount paid to Sellers pursuant to Section 2.08(a), (ii) the Post-Closing Escrow Amount and (iii) the \$565,000 purchase price paid to Paragon for the Studio Property in immediately available funds by wire transfer to one or more accounts designated by Sellers, by notice to Buyer, which notice shall be received no later than three (3) Business Days prior to the Closing Date. Buyer shall fund the Post-Closing Escrow Amount as set forth in Section 2.06(d) and shall pay the \$565,000 purchase price for the Studio Property to Paragon.
- (c) Sellers shall deliver, or cause to be delivered to Buyer, properly executed and dated as of the Closing Date by Sellers, as applicable: (i) the Assignment of Licenses; (ii) the Assumption Agreement; (iii) the Bill of Sale and Assignment; (iv) the Contract Assignment; (v) the Lease Assignment; (vi) Sellers' Closing Certificates; (vii) Sellers' Opinions of Counsel; (viii) Sellers' Performance Certificates; and (ix) the Post-Closing Escrow Agreement and
- (d) Buyer shall deliver, or cause to be delivered to Sellers, properly executed and dated as of the Closing Date: (i) the Assignment of Licenses; (ii) the Assumption Agreement; (iii) the Bill of Sale and Assignment; (iv) Buyer's Closing Certificate; (v) Buyer's Performance Certificate; (vi) Buyer's Opinion of Counsel; (vii) the Contract Assignment; (viii) the Lease Assignment; and (ix) the Post-Closing Escrow Agreement.

SECTION 2.09 Prorations and Adjustments to the Purchase Price.

- (a) All prepaid revenue, prepaid expenses, accrued income and accrued expenses of the Station as of 12:01 A.M. local North Carolina time, on the Closing Date (the "Effective Time") shall, except as otherwise expressly provided herein, be adjusted and allocated between Sellers and Buyer to reflect the principle that all revenue, income and expenses arising from the operation of the Station or relating to the Purchased Assets before the Effective Time shall be for the account of Sellers, and all revenue, income and expenses arising from the operation of the Station or relating to the Purchased Assets from and after the Effective Time shall be for the account of Buyer. Anything to the contrary in this Agreement notwithstanding: (i) Sellers' payments shall be current on all Program Rights Agreements, (ii) payments for Program Rights shall not be pro-rated or adjusted based on the value of the programs or the percentage of runs of a program performed under any Program Rights agreement, except those monthly payments for the month in which the Closing Date occurs shall be prorated, and (iii) FCC regulatory fees (not including filing fees related to the FCC Application) shall be prorated based upon the time during the federal fiscal year during which each of the Buyer and Sellers held the FCC Licenses. Any adjustments or prorations made under this Section 2.09 shall be treated as a reduction or increase in the Purchase Price, as applicable.
- (b) Such prorations shall include all ad valorem and other property taxes, utility expenses, liabilities and obligations under Contracts, rents and similar prepaid and deferred items and all other expenses and obligations, such as deferred revenue and prepayments, attributable to the ownership and operation of the Station that straddle the period before and after the Effective Time. To the extent not known, real estate and personal property taxes shall be apportioned on the basis of Taxes assessed for the

preceding year, with a reapportionment as soon as the new tax rate and valuation can be ascertained even if such is ascertained after the Final Settlement Statement is so determined. Any and all agency commissions that are subject to adjustment after the Effective Time based on revenue, volume of business done or services rendered in part before the Effective Time and in part on or after the Effective Time shall be borne by Sellers and Buyer ratably in proportion to the revenue, volume of business done or services rendered, as the case may be, by each during the applicable period.

- (c) To the extent not inconsistent with the express provisions of this Agreement, the allocations and prorations made pursuant to this Section 2.09 shall be made in accordance with GAAP.
- (d) No later than three (3) days prior to the Closing, Sellers shall prepare and deliver to Buyer a proposed good faith pro rata adjustment of assets and liabilities in the manner described in Sections 2.09(a), 2.09(b) and 2.09(c) as the case may be, for the Station, as of the last day of the penultimate month prior to the Closing Date (the "Settlement Statement") setting forth the prorated adjustments required pursuant to this Agreement together with a schedule setting forth, in reasonable detail, the components thereof (the "Estimated Adjustment Amount"). At the Closing, in the event that the Settlement Statement demonstrates that the Estimated Adjustment Amount is negative (prorated Assumed Liabilities exceed prorated current Purchased Assets), the Closing Date Cash Amount shall be reduced by such negative amount. Conversely, in the event that the Estimated Settlement Statement demonstrates that the Estimated Adjustment Amount is positive (prorated current Purchased Assets exceed prorated Assumed Liabilities), the Closing Date Cash Amount shall be increased by such positive amount.
- (e) During the 60-day period following the Closing Date (A) Buyer and its independent auditors, if any, shall be permitted to review and make copies reasonably required of (i) the financial statements of Sellers relating to the Settlement Statement (ii) the working papers of Sellers and its independent auditors, if any, relating to the Settlement Statement (iii) the books and records of Sellers relating to the Settlement Statement and (iv) any supporting schedules, analyses and other documentation relating to the Settlement Statement and (B) Sellers shall provide reasonable access to such employees of Buyer and their independent auditors, if any, as Buyer reasonably believes is necessary or desirable in connection with its review of the Settlement Statement.
- (f) The Settlement Statement shall become final and binding (the "Final Settlement Statement") upon the parties on the sixtieth (60th) day following Closing Date, unless Buyer gives written notice of its disagreement with the Settlement Statement (the "Settlement Statement Notice of Disagreement") to Sellers prior to such date. The Settlement Statement Notice of Disagreement shall specify in reasonable detail the nature of any disagreement so asserted. If a Settlement Statement Notice of Disagreement is given to Sellers in the period specified, then the Final Settlement Statement (as revised in accordance with clause (A) or (B) below) shall become final and binding upon the parties on the earlier of (A) the date Buyer and Sellers resolve in writing any differences they have with respect to the matters specified in the Settlement Statement Notice of Disagreement or (B) the date any disputed matters are finally resolved in writing by the Accounting Firm. The Final Settlement Statement shall contain the Final Adjustment Amount.

- (g) Within 10 Business Days after the Settlement Statement becomes final and binding upon the parties, (A) Buyer shall be required to pay to the Sellers the amount, if any, by which (w) the Final Adjustment Amount is greater than the Estimated Adjustment Amount or (B) Sellers shall be required to pay to Buyer the amount, if any, by which (y) the Estimated Adjustment Amount is greater than the Final Adjustment Amount. All payments made pursuant to this Section 2.09(g) must be made via wire transfer in immediately available funds to an account designated by the recipient party, together with interest thereon at the prime rate (as reported by the Wall Street Journal or, if not reported thereby, by another authoritative source) as in effect from time to time from the Effective Time to the date of actual payment.
- (h) Notwithstanding the foregoing, in the event that Buyer delivers a Settlement Statement Notice of Disagreement and either Sellers on the one hand or Buyer on the other hand shall be required to make a payment of any undisputed amount to the other regardless of the resolution of the items contained in the Settlement Statement Notice of Disagreement, then Sellers or Buyer, as applicable, shall within 10 Business Days of the receipt of the Settlement Statement Notice of Disagreement make payment to the other by wire transfer in immediately available funds of such undisputed amount owed by Sellers or Buyer to the other, as the case may be, pending resolution of the Settlement Statement Notice of Disagreement together with interest thereon, calculated as described above.
- (a) (i) During the 30-day period following the delivery of a Settlement Statement Notice of Disagreement to Sellers that complies with the preceding paragraphs, Buyer and Sellers shall seek in good faith to resolve in writing any differences they may have with respect to the matters specified in the Settlement Statement Notice of Disagreement. During such period: (A) Buyer and its independent auditors, if any, at Buyer's sole cost and expense, shall be, and Sellers and their independent auditors, if any, at Sellers' sole cost and expense, shall be, in each case, permitted to review and make copies reasonably required of: (i) the financial statements of the Sellers, in the case of Buyer, and Buyer, in the case of Sellers, and such other party's auditors, if any, relating to the Settlement Statement Notice of Disagreement; (ii) the working papers of the Sellers, in the case of Buyer, and Buyer, in the case of Sellers, and such other party's auditors, if any, relating to the Settlement Statement Notice of Disagreement; (iii) the books and records of the Sellers, in the case of Buyer, and Buyer, in the case of Sellers, and such other party's auditors, if any, relating to the Settlement Statement Notice of Disagreement; and (iv) any supporting schedules, analyses and documentation relating to the Settlement Statement Notice of Disagreement; and (B) Sellers, in the case of Buyer, and Buyer, in the case of Sellers, shall provide reasonable access, upon reasonable advance notice and during normal business hours, to such employees of such other party and such other party's independent auditors, if any, as such first party reasonably believes is necessary or desirable in connection with its review of the Settlement Statement Notice of Disagreement. If, at the end of such 30-day period, Buyer and Sellers have not so resolved such differences, Buyer and Sellers shall submit to the Accounting Firm for review and resolution any and all matters that remain in dispute and that were properly included in the Settlement Statement Notice of Disagreement. Within sixty (60) days after selection of the Accounting Firm, Buyer and Sellers shall submit their respective positions to the Accounting Firm, in writing, together with any other materials relied upon in support of their respective positions. Buyer and Sellers shall use reasonable efforts to cause the Accounting Firm to render a decision resolving the matters in dispute within thirty (30) days following the submission of such materials to the Accounting Firm. Buyer and Sellers agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. Except as specified in the following sentence, the cost of any arbitration (including the fees and expenses of the Accounting Firm) pursuant to this Section 2.09 shall be borne equally by Buyer on

the one hand and Sellers on the other hand. The fees and expenses (if any) of Buyer's independent auditors and attorneys incurred in connection with the review of the Settlement Statement Notice of Disagreement shall be borne by Buyer, and the fees and expenses (if any) of Sellers' independent auditors and attorneys incurred in connection with their review of the Settlement Statement shall be borne by Sellers.

ARTICLE III

SELLERS' REPRESENTATIONS AND WARRANTIES

Sellers jointly and severally represent and warrant to Buyer in each case as follows:

SECTION 3.01 Existence and Power.

Each of the Sellers is a corporation or limited partnership duly incorporated or formed, validly existing and in good standing under the laws of the state of its incorporation or formation and has all corporate or limited partnership powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. Each of the Sellers is duly qualified to do business as a foreign corporation or limited partnership and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.02 Authorization.

- (a) The execution and delivery of this Agreement by each Seller and each Ancillary Agreement to which such Seller will be a party, the performance by such Seller of its obligations hereunder and thereunder and the consummation by such Seller of the transactions contemplated hereby and thereby are within such Seller's corporate or limited partnership powers and have been duly authorized by all requisite corporate or limited partnership action on the part of such Seller.
- (b) This Agreement has been, and at the Closing each Ancillary Agreement will be, duly executed and delivered by each Seller. This Agreement (assuming due authorization, execution and delivery by Buyer) constitutes, and each Ancillary Agreement to which such Seller will be a party will constitute when executed and delivered by each Seller, the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, subject only to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability or rights of creditors generally and by general equitable principles that may limit the right to obtain equitable remedies.

SECTION 3.03 Governmental Authorization.

The execution, delivery and performance by each Seller of this Agreement and each Ancillary Agreement to which such Seller will be a party and the consummation of the transactions contemplated hereby and thereby require no action by or in respect of, or filing with or notification to, any Governmental Authority other than (a) as described in Schedule 3.03, (b) the FCC, and (c) any such action by or in respect of or filing with or notification to any Governmental Authority as to which the failure to take, make or obtain could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.04 Noncontravention.

Except as set forth in Schedule 3.04, the execution, delivery and performance of this Agreement by each Seller and each Ancillary Agreement to which each Seller will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not (a) violate or conflict with the certificate of incorporation or bylaws or limited partnership agreement, as applicable, of either Seller, (b) assuming compliance with the matters referred to in Section 3.03, conflict with or violate any Law or Governmental Order applicable to either Seller, (c) require any consent or other action by or notification to any Person under, constitute a default under, or give to any Person any rights of termination, amendment, acceleration or cancellation of any right or obligation of either Seller or to a loss of any benefit relating to the Business to which either Seller is entitled under, any provision of any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other agreement or instrument to which either Seller is a party or by which any of its or their assets is or may be bound or (d) result in the creation or imposition of any Lien on any asset of either Seller, except for Permitted Liens, and except, in the cases of clauses (b), (c) and (d), for any such conflicts, violations, consents, actions, notifications, defaults, rights or losses as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.05 Contracts.

- (a) As of the date of this Agreement, the Contracts listed on Schedule 3.05 constitute all of the Contracts with third parties to which either Seller is bound relating to the Business:
 - (i) for the sale of broadcast time for advertising or other purposes for cash that was not made in the ordinary course of business consistent with past practices;
 - (ii) with a term of more than six (6) months from the date of this Agreement and that involve payments or receipts over the remaining term of such Contract of more than \$10,000 or (B) that involve payments or receipts over the remaining term of such Contract of more than \$25,000 with respect to any single agreement or group of related agreements;
 - (iii) involving the purchase or sale of Real Property;
 - (iv) relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise);
 - (v) involving construction, architecture, engineering or other agreements relating to uncompleted construction projects, in each case that involve payments in excess of \$10,000;
 - (vi) all Capital Lease Obligations;
 - (vii) under which either Seller has, directly or indirectly made any loan, extension of credit (other than in the ordinary course of business consistent with past practices) or capital contribution to, or investment in, any third party;
 - (viii) for any mortgage, pledge or security agreement, deed of trust or other instrument granting a Lien (other than Permitted Liens) upon any of the Purchased Assets, in each case that may

bind Buyer upon or as a result of the consummation of the transactions contemplated by this Agreement;

- (ix) containing a guarantee or indemnification by the Station, in each case that may bind Buyer upon or as a result of the consummation of the transactions contemplated by this Agreement;
 - (x) containing any material noncompetition or other similar business limitation restrictions binding on (A) the Station or (B) any Affiliate of the Station, in each case that may bind Buyer upon or as a result of the consummation of the transactions contemplated by this Agreement;
 - (xi) involving a partnership, joint venture or similar agreement with another party, in each case that may bind Buyer upon or as a result of the consummation of the transactions contemplated by this Agreement;
 - (xii) for any agreement with any director or officer of either Seller or with any “associate” or any member of the “immediate family” (as such terms are respectively defined in Rules 12b-2 and 16a-1 of the 1934 Act) of any such director or officer;
 - (xiii) involving compensation to any employee or consultant in excess of \$50,000 or for the employment of any employee or consultant for a term greater than three (3) months; and involving any labor agreement or collective bargaining agreement of the Station.
- (b) No default (with the lapse of time or giving of a notice or both) on the part of either Seller and, to the Knowledge of Sellers any other party thereto, exists under any of the Contracts other than such defaults that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.
- (c) Each Contract is in full force and effect and constitutes the legal and binding obligation of, and is legally enforceable against, such Seller party thereto in accordance with its terms and, to the Knowledge of the Sellers, is legally enforceable against the other parties thereto, except, in either such case, as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.
- (d) Sellers have previously delivered to Buyer prior to the date of this Agreement true and complete copies of all written Contracts listed on Schedule 3.05(a), including all amendments, modifications and supplements thereto, and any assignments thereof, and have previously described to Buyer the material provisions of all material oral Contracts.
- (e) There are no leasing commissions or similar payments due, arising out of, resulting from or with respect to any Lease that are owed by the Sellers.
- (f) Schedule 3.05(f) sets forth, as of the date set forth thereon, all Contracts relating to Program Rights, true and complete copies of which Contracts have been previously furnished to Buyer prior to the date of this Agreement. Schedule 3.05(f) sets forth (i) an accurate schedule of material programming payments and usage report in respect of Program Rights for calendar years 2002 and 2003, (ii) an accurate schedule setting forth the material feature film inventory of the Station as of December 31, 2002, (iii) an accurate schedule of the material cash programming assets of the Station dated as of

December 31, 2002, (iv) an accurate schedule of the material cash programming liabilities of the Station dated as of December 31, 2002 and (v) an accurate schedule of the material barter programming assets dated as of December 31, 2002.

SECTION 3.06 Intangible Property.

Except as set forth on Schedule 3.06:

- (a) There are no claims, demands or proceedings pending or, to the Knowledge of Sellers, threatened by any third party pertaining to or challenging either Seller's right to use any of the Intangible Property or that any Intangible Property or any services provided, process used or products used or sold by either Seller do or may conflict with, or infringe or otherwise violate the rights of third parties.
- (b) There is no trademark, trade name, patent or copyright owned by a third party that either Seller is using in the Business without valid license to do so, the absence of which is reasonably likely to have a Material Adverse Effect.
- (c) Except for the Excluded Assets, the Intangible Property includes all Copyrights, Patents and Trademarks other than the intellectual property rights of the third parties to the Program Rights Contracts, including rights in and to call letters used in the operation of the Station.
- (d) All material owned Intangible Property necessary for or used in the Business, has been duly applied for or registered in, filed in or issued by, as applicable, the appropriate Governmental Authority where such registration, filing or issuance is necessary for the Business, and all such filings, registrations and issuances are valid and in good standing.
- (e) All material Copyrights and Trademarks that are registered or filed are described, listed or set forth on Schedule 3.06 are transferable to Buyer without the consent of any third party and none of which have been licensed to any third party.
- (f) Sellers have not received any written notice, or otherwise have Knowledge, that any of the owned Intangible Property is the subject of a judicial or administrative finding, opinion or office action or has been adjudged invalid, unenforceable or unregistrable in whole or in part. To the Knowledge of Sellers each Intangible Property is valid and enforceable.

SECTION 3.07 Real Property.

- (a) The applicable Seller has valid leasehold or other interests, as applicable, in the Real Property, in each case free and clear of any and all Liens other than (i) Permitted Liens and, (ii) Liens that will be discharged on or prior to the Closing Date by the Sellers. Neither of the Sellers owns, leases, subleases, licenses or uses any real property in the operation of the Station other than the Real Property. True and complete copies of (i) the last deed of record, title insurance policies and surveys pertaining to any owned Real Property and (ii) the Leases, in each case have heretofore been furnished by the Sellers to Buyer. Upon the Closing, all right, title and interest of Sellers in, to and under the Leases and the Real Property will be transferred to Buyer free and clear of all Liens other than Permitted Liens. Paragon has good, marketable and insurable fee simple absolute title to the Studio

Property, free and clear of any and all Liens other than (i) Permitted Liens and, (ii) Liens that will be discharged on or prior to the Closing Date by Paragon or the Sellers.

- (b) Except as set forth in Schedule 3.07(b), Seller has not subjected the Real Property to any easements, rights, duties, obligations, covenants, conditions, restrictions, limitations or agreements not of record that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.
- (c) Neither Seller has received written notice of or otherwise has Knowledge of any pending condemnation or similar proceeding affecting the Real Property or any portion thereof, and to the Knowledge of Sellers, no such condemnation or similar proceeding is presently contemplated or threatened that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.
- (d) Neither Seller has received any written notice from any insurance company of any defects or inadequacies in the Real Property or any part thereof that would materially adversely affect the insurability of the Real Property or the premiums for the insurance thereof. Except as set forth in Schedule 3.07(d), neither Seller has received any notice from any insurance company that has issued or refused to issue a policy with respect to any portion of the Real Property or by any board of fire underwriters (or other body exercising similar functions) requesting the performance of any repairs, alterations or other work with which compliance has not been made.
- (e) Except as disclosed on Schedule 3.07(e), there are no parties in possession of any portion of the Real Property other than Sellers, whether as lessees, sublessees, licensees or tenants at will.
- (f) To Sellers' Knowledge, the current use of the Real Property does not violate any restrictive covenants affecting the Real Property or otherwise violate in any material respect any Law. To the Knowledge of Sellers, there is no Law now in existence the operation of which would require either Seller to make any material expenditure to modify or improve any of the Real Property or to bring such Real Property into substantial compliance therewith.
- (g) The owned parcels of Real Property has reasonably adequate access to and from completed, dedicated and accepted public roads, and there is no pending or, to the Knowledge of Sellers, threatened Action that would materially impair or curtail such access. All towers, guy anchors, buildings and other improvements are wholly within the lot limits of the owned parcels of Real Property and do not encroach on any adjoining premises, except for such encroachments as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. There are no material encroachments upon any of the owned parcels of Real Property or adjoining parcels by buildings, structures or improvements that could reasonably prevent the use of each such parcel of Real Property as it is currently used.
- (h) To Sellers' Knowledge, there are no structural, electrical, mechanical, plumbing, air conditioning, heating or other defects in the buildings located on the Real Property, and the roofs of the buildings located on the Real Property are free from leaks and in good condition, except for such defects or leaks as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.
- (i) All amounts owing to any architect, contractor, subcontractor or materialman for labor or materials performed, rendered or supplied to or in connection with the Real Property have been or shall have

been paid prior to Closing.

SECTION 3.08 Title to Purchased Assets; Liens.

Sellers have good and valid title to, valid leasehold interests in, or license or other contractual right to use, all of the Purchased Assets, free and clear of any and all Liens (other than Permitted Liens and Liens that will be discharged by Sellers on or prior to the Closing Date). At the Closing, all of the Purchased Assets shall be transferred to Buyer free and clear of any and all Liens (other than Permitted Liens).

SECTION 3.09 Sufficiency of Assets.

Other than the Excluded Assets, the Purchased Assets constitute all of the property and assets currently used or held for use in the Business.

SECTION 3.10 Condition of Equipment.

Each material item of Equipment is in good condition and repair, ordinary wear and tear excepted, and is not in need of repair or replacement and those material items of Equipment constituting transmitting and studio equipment are operating in accordance with their intended use. All material operating systems and computer software are (A) operating satisfactorily for the task to which they are being applied, and in accordance with all vendor warranties and vendor-supplied user documentation, (B) reasonably capable of handling existing and currently contemplated work volumes and (C) not in imminent need of repair or replacement.

SECTION 3.11 Financial Information.

- (a) Attached as Schedule 3.11(a) are: (a) audited combined balance sheets of the Sellers as at December 31, 2000 and 2001, respectively, and the related audited combined statements of income, combined statements of partners' deficit and accumulated deficit, and combined statements of cash flows for the fiscal years then ended, including in each case the notes thereto, together with the reports thereon of Pittard Perry Crone, Incorporated, independent certified public accountants; (b) an unaudited balance sheet of the Station as at December 31, 2002 (the December 31, 2002 balance sheet of the Station is referred to herein as the "Reference Balance Sheet") and the related unaudited statement of operation for the twelve (12) months then ended (collectively, the "Reference Financial Statements").
- (b) The Reference Financial Statements (A) are in all material respects in accordance with the books and records of the Station, (B) have been prepared in accordance with GAAP except as set forth on Schedule 3.11(b)(1), and (C) fairly present in all material respects the financial condition of the Station as at the dates indicated and the results of its operations for the periods then ended.
- (c) A true and complete copy of the 2002 and 2003 monthly operating budgets are attached hereto as Schedule 3.11(c).

SECTION 3.12 Absence of Certain Changes or Events.

- (a) Except as disclosed in Schedule 3.12(a) or as contemplated by this Agreement, since the Balance Sheet Date, the Business has been conducted in the ordinary course consistent with past practice.
- (b) Since the Balance Sheet Date through the date hereof and except as set forth in Schedule 3.12(b) or as contemplated by this Agreement, there has not been:
 - (i) any event, occurrence, development or state of circumstances or facts that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect;
 - (ii) any incurrence, assumption or guarantee by either Seller of any indebtedness for borrowed money with respect to the Business other than in the ordinary course of business consistent with past practices, in each case that may bind or obligate Buyer in any way upon or as a result of the consummation of the transactions contemplated hereby;
 - (iii) any making of any loan, advance or capital contributions to or investment in any Person other than loans, advances, capital contributions or investments made in the ordinary course of business consistent with past practices, in each case that may bind or obligate Buyer in any way upon or as a result of the consummation of the transactions contemplated hereby;
 - (iv) any damage, destruction or loss, whether or not covered by insurance, with respect to the property and assets of the Station having a replacement cost of more than \$7,500 for any single loss or \$15,000 for all such losses;
 - (v) instituted or settled any material legal proceeding by either Seller relating to the Business;
 - (vi) any material transaction or commitment made, or any material contract or agreement entered into, by either Seller relating to the Business or Purchased Assets (including the acquisition or disposition of any assets) or any relinquishment by either Seller of any material contract or other material right, in either case, other than transactions and commitments in the ordinary course of business consistent with past practices and those contemplated by this Agreement;
 - (vii) any material change in the Station's usage or pattern of usage of Program Rights, any material change in the broadcast hours or in the percentages of types of programming broadcast by the Station or any other material change in the programming policies of the Station;
 - (viii) the creation or other incurrence by either Seller of any Lien on any Purchased Asset other than Permitted Liens;

- (ix) any (A) establishment of any bonus, insurance, employment, severance, deferred compensation, pension, retirement, profit sharing, stock option (including any grant of any stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan (or any amendment to any such existing agreement), (B) grant of any severance or termination pay to any officer of either Seller or employee of the Business, or (C) increase or change to the rate or nature of the compensation (including wages, salaries and bonuses) that is paid or payable or to become payable to any Person employed by the Station, except (x) in each case, as may be required by Law or existing contracts or applicable collective bargaining agreements that have previously been disclosed to Buyer and (y) in the ordinary course of business consistent with past practices with respect to Persons who are not either (i) responsible for any principal administrative, operating or financial function of the Business or (ii) talent;
- (x) any material labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of the Station, which employees were not subject to a collective bargaining agreement at the Balance Sheet Date, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to any employees of the Station;
- (xi) any sale of Real Property;
- (xii) any change in any method of accounting or accounting practice by either Seller with respect to the Business except for any such change required by reason of a concurrent change in GAAP; or
- (xiii) any agreement or commitment to do anything set forth in this Section 3.12.

SECTION 3.13 Absence of Litigation.

Except for FCC rulemaking proceedings and other Action generally affecting the television broadcasting business and as set forth in Schedule 3.13(a)(1), there is no material Action pending or, to the Knowledge of Sellers, threatened against or affecting either Seller or any of the Purchased Assets before any Governmental Authority. Except for Governmental Orders generally applicable to television broadcast stations and any Governmental Order set forth in Schedule 3.13(a)(2), the Station is not operating under or subject to any Governmental Order that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.14 Compliance with Laws.

Except as set forth in Schedule 3.14 and except for matters relating to the FCC which are addressed by Section 3.15, none of the Sellers is in material violation of, and has not since January 1, 2000 violated in any material respect, and, to the Knowledge of Sellers, is not under investigation with respect to and has not been threatened to be charged with or given notice of any material violation of, any applicable Law or Governmental Order, except for violations that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.15 FCC Matters; Qualification.

- (a) Schedule 3.15(a) contains a true and complete list of the FCC Licenses, and, except as set forth in Schedule 3.15(a), there are no other licenses, permits or other authorizations from the FCC required for the lawful operation of the Station substantially in the manner now operated. Sellers have delivered true, correct and complete copies of the FCC Licenses to Buyer, including any and all amendments and modifications thereto. Except as set forth in Schedule 3.15(a), the FCC Licenses are validly held by Sellers and are in full force and effect. All FCC actions with respect to the Station's main analog and digital licenses or authorizations are Final Orders. The FCC Licenses have been issued for the full terms customarily issued to a broadcast television station in the State of North Carolina, and the FCC Licenses are not subject to any condition except for conditions generally applicable to broadcast television licenses generally or otherwise disclosed in Schedule 3.15(a)(2). Except as set forth in Schedule 3.15(a), all required FCC regulatory fees with respect to the FCC Licenses have been paid when due. Sellers have filed or made all material applications, reports, and other disclosures required by the FCC to be filed or made by Sellers with respect to the Station in the current license term. Except as set forth in Schedule 3.15(a), Sellers have no reason to believe that the FCC will not renew the FCC Licenses in the ordinary course.
- (b) Except as set forth on Schedule 3.15(b), the Station, including both analog Channel 26 and digital Channel 30, is operating at full power and not pursuant to any temporary waiver. Except as set forth on Schedule 3.15(b), Sellers have no applications pending before the FCC relating to the operation of the Station.
- (c) Except as set forth in Schedule 3.15(c), no material qualifications, registrations, filings, privileges, franchises, licenses, permits, approvals or authorizations of any Governmental Authority other than the FCC Licenses are required to own and operate the Station as a television broadcast station in substantially the same manner as the Station is being operated as of the date hereof and the Closing Date.
- (d) Except as set forth on Schedule 3.15(d)(1), Sellers have operated the Station, its physical facilities, electrical and mechanical systems and transmitting and studio equipment substantially in compliance with the Communications Act and the FCC Licenses. To the Knowledge of Sellers, all antenna support structures used in the operation of the Station have been registered with the FCC, if registration is required, and comply with all other requirements of the FCC and the Federal Aviation Administration. Except as set forth in Schedule 3.15(d)(2), to the Knowledge of Sellers, there are no applications, petitions, complaints, proceedings or other actions pending or threatened before the FCC relating to the Station, other than proceedings affecting the broadcast television industry generally.
- (e) Assuming receipt of the FCC consents, Sellers are qualified under the Communications Act to assign the FCC Licenses to Buyer. Sellers have no reason to believe that the FCC Applications are reasonably likely to be challenged or are reasonably likely to not be granted by the FCC in the ordinary course due to any fact or circumstance relating to the Sellers' operation of the Station or either of Sellers or any of their Affiliates.

SECTION 3.16 Cable and Satellite Matters.

- (a) Schedule 3.16(a) contains a list, including channel positions, of all cable television systems with at least 2,500 subscribers in the Wilmington Nielsen Designated Market Area (the "Wilmington DMA") on which the Station's signal is presently carried ("Market Cable Systems"). Sellers have timely made must-carry elections or entered into retransmission consent agreements with respect to the Market Cable Systems. Except as set forth in Schedule 3.16(a), (i) no Market Cable System has provided written notice to Sellers of any signal quality issue or failed to respond to a request for carriage or, to the Knowledge of Sellers, sought any form of relief from carriage of the Station from the FCC, and (ii) Sellers have not received any written notice of any Market Cable System's intention to delete the Station from carriage or to change the Station's channel position on such cable system. Sellers have no petition pending before the FCC to extend the Station's market for cable carriage purposes beyond the Wilmington DMA.
- (b) Schedule 3.16(b) contains a list of the cable systems with at least 2,500 subscribers that, to the Knowledge of Sellers, carry the Station, including the Station's channel position, where known, on such cable systems outside the Wilmington DMA.
- (c) Schedule 3.16(c) contains a list of all retransmission consent, channel positioning or other agreements with cable systems with respect to the Station, and Sellers have previously furnished Buyer with true and correct copies of all such agreements.

SECTION 3.17 Employees; Labor Matters.

- (a) Schedule 3.17(a) sets forth a true and complete list, dated as of the date set forth thereon, of all individuals employed by the Station, including the names, date of hire, current rate of compensation, employment status (i.e., active, disabled, on authorized leave and reason therefor), department, title, whether covered by a collective bargaining agreement and whether full-time, part-time or per-diem. Each such employee is employed by a Seller.
- (b) Except as set forth on Schedule 3.17(b), the Business is not subject to or bound by any labor agreement or collective bargaining agreement. Sellers are in compliance with all currently applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice, except for such compliance the failure of which or the engagement of which could not reasonably be expected to have a Material Adverse Effect. There is no unfair labor practice complaint pending or, to the Knowledge of Sellers, threatened against either Seller before the National Labor Relations Board. No strike or other material labor dispute involving either Seller is pending or, to the Knowledge of Sellers, threatened, and, to the Knowledge of Sellers, there is no activity involving any Station Employee seeking to certify a collective bargaining unit or engaging in any other organizational activity.

SECTION 3.18 Employee Benefit Plans.

- (a) Schedule 3.18(a)(1) identifies each Employee Plan. Sellers have previously furnished to Buyer copies of the Employee Plans (and, if applicable, related trust agreements) and all amendments thereto and written interpretations thereof together with the three most recent annual reports (Form 5500

including, if applicable, Schedule B thereto) and the most recent actuarial valuation report prepared in connection with any Employee Plan. Schedule 3.18(a)(2) identifies each Employee Plan that is (i) a Multiemployer Plan, (ii) a Title IV Plan or (iii) maintained in connection with any trust described in Section 501(c)(9) of the Code.

- (b) Neither Seller maintains any Title IV Plan nor any Multiemployer Plan.
- (c) Each Employee Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period since its adoption; each trust created under any such Plan is exempt from Tax under Section 501(a) of the Code and has been so exempt since its creation. Sellers have previously provided Buyer with the most recent determination letter of the IRS relating to each such Employee Plan, if any. Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, each Employee Plan has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code.
- (d) Neither Seller has any current or projected liability in respect of post-employment or post-retirement health or medical or life insurance benefits for retired, former or current employees of such or other Seller, except as required to avoid excise tax under Section 4980B of the Code. No condition exists that would prevent either Seller from amending or terminating any Employee Plan providing health or medical benefits in respect of any active employee of the Station.
- (e) All contributions and payments accrued under each Employee Plan, determined in accordance with prior funding and accrual practices, as adjusted to include proportional accruals for the period ending on the Closing Date, will be discharged and paid on or prior to the Closing Date except to the extent (i) reflected as a liability on the Closing Balance Sheet or (ii) retained by Sellers.
- (f) Except as set forth on Schedule 3.18(f), there is no contract, plan or arrangement (written or otherwise) covering any employee or former employee of the Station that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to the terms of Section 280G of the Code.
- (g) Except as set forth on Schedule 3.18(g) and except as otherwise provided in Section 8.07, no employee or former employee of the Station will become entitled to any bonus, retirement, severance, job security or similar benefit or enhanced such benefit (including acceleration of vesting or exercise of an incentive award) as a result of the transactions contemplated hereby.
- (h) Except as set forth on Schedule 3.18(h), neither Seller has currently in place any stay bonus plan or arrangement.

SECTION 3.19 Environmental Matters.

- (a) Except as otherwise disclosed on Schedule 3.19:
 - (i) no notice, demand, request for information, citation, summons or order has been received by the Station or either Seller, and, to the Knowledge of Sellers, (x) no complaint has been filed, (y) no penalty has been assessed and (z) no material Action or review is pending or

threatened by any Governmental Authority or other Person with respect to any matters relating to either Seller or the Station and relating to or arising out of any Environmental Law;

- (ii) there are no material liabilities of or relating to either Seller or the Station of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, arising under or relating to any Environmental Law, and to the Knowledge of Sellers there are no facts, conditions, situations or set of circumstances that could reasonably be expected to result in or be the basis for any such liability;
 - (iii) to the Knowledge of Sellers, no Hazardous Material, incinerator, sump, surface impoundment, lagoon, landfill, septic, wastewater treatment or other disposal system or underground storage tank (active or inactive) is or has been present at, on or under the Real Property or any property now or previously owned, leased or operated by the Station or either Seller except, in each case, in material compliance with Environmental Laws;
 - (iv) to the Knowledge of Sellers, no Hazardous Material has been Released in violation of Environmental Laws at, on or under any property now or previously owned, leased or operated by either Seller or the Station;
 - (v) no property now or previously owned, leased or operated by either Seller or the Station nor, to the Knowledge of Sellers, any property to which either Seller or the Station has, directly or indirectly, transported or arranged for the transportation of any Hazardous Material is listed or, to the Knowledge of Sellers, proposed for listing, on the National Priorities List promulgated pursuant to CERCLA, on CERCLIS (as defined in CERCLA) or on any similar federal, state or local list of sites requiring investigation or clean-up; and
 - (vi) the Business is and the Sellers are in compliance in all material respects with all Environmental Laws and have obtained and are in compliance with all Environmental Permits; such Environmental Permits are valid and in full force and effect and will not be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated hereby.
- (b) Since January 1, 2000, there has been no environmental investigation, study, audit, test, review or other analysis conducted of which either Seller has Knowledge in relation to the Station or any property or facility now or previously owned, leased or operated by the Station that has not been previously delivered to Buyer.

SECTION 3.20 Taxes.

Except as set forth in Schedule 3.20, (a) each Seller has timely filed or been included in, or will timely file or be included in, all material Tax Returns required to be filed by it or in which it is to be included with respect to Taxes for any period ending on or before the Closing Date, (b) all material Taxes that are due with respect to the Sellers have been paid except to the extent such Taxes are being contested in good faith, (c) no deficiency for any material amount of Tax has been asserted or assessed by a Tax authority against any Seller or for which any Seller may be liable, (d) there are no pending judicial proceedings with respect to material Taxes due from any Seller; and (e) neither Seller is a party to any contract, agreement, plan or

arrangement covering any Person that, individually or collectively, could give rise to the payment of any amount that would not be deductible by reason of Section 280G of the Code.

SECTION 3.21 Computer Software and Hardware.

All Software owned or licensed by Seller or used or held for use in the Business is described on Schedule 3.21, which sets forth the source of Seller's entitlement to use the Software, a description of the Software and its function with respect to the Business, and identifies any licenses and contracts for the development and/or conveyance of any rights with respect to the Software, including any sublicenses granted by Seller. Except as set forth in Schedule 3.21, there are no continuing license payment obligations in respect of such software.

SECTION 3.22 Brokers.

There is no broker, finder, investment banker or other intermediary that has been retained by or is authorized to act on behalf of either Seller who or that might be entitled to any fee or commission from Buyer or any of its Affiliates in connection with the transactions contemplated by this Agreement or the Ancillary Agreements.

SECTION 3.23 Disclosure.

Anything to the contrary in this Agreement or the Schedules notwithstanding, any information disclosed with reasonable particularity in this Agreement or in any one or more Schedules shall be deemed disclosed in this Agreement and in all Schedules. Certain information set forth in the Schedules is included for informational purposes only and may not be required to be disclosed pursuant to this Agreement. Buyer acknowledges and agrees that it is not relying on any other representations and warranties of Sellers other than those set forth in this Article III.

ARTICLE IV

BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer represents and warrants to the Sellers as follows:

SECTION 4.01 Corporate Existence and Power.

Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all corporate powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. Buyer is duly qualified to do business as a foreign corporation and is in good standing in the State of North Carolina.

SECTION 4.02 Corporate Authorization.

- (a) The execution and delivery of this Agreement and the Ancillary Agreements by Buyer, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of

the transactions contemplated hereby and thereby are within Buyer's corporate powers and have been duly authorized by all requisite corporate action on the part of Buyer.

- (b) This Agreement has been, and at the Closing each Ancillary Agreement will be, duly executed and delivered by Buyer. This Agreement (assuming due authorization, execution and delivery by each Seller) constitutes, and each Ancillary Agreement to which Buyer will be a party will constitute when executed and delivered by Buyer, the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability or rights of creditors generally and by general equitable principles that may limit the right to obtain equitable remedies.

SECTION 4.03 Governmental Authorization.

The execution, delivery and performance by Buyer of this Agreement and each Ancillary Agreement and the consummation of the transactions contemplated hereby and thereby require no action by or in respect of, or filing with or notification to, any Governmental Authority other than (a) the FCC, and (b) any such action by or in respect of or filing with any Governmental Authority as to which the failure to take, make or obtain could not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Buyer or on Buyer's ability to perform its obligations under this Agreement or the Ancillary Agreements.

SECTION 4.04 Noncontravention.

The execution, delivery and performance of this Agreement by Buyer and each Ancillary Agreement to which Buyer will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not (a) violate or conflict with the certificate of incorporation or by-laws of Buyer, (b) assuming compliance with the matters referred to in Section 4.03, conflict with or violate any Law or Governmental Order applicable to Buyer, (c) require any consent or other action by or notification to any Person under, constitute a default under, or give to any Person any rights of termination, amendment, acceleration or cancellation of any right or obligation of Buyer or to a loss of any benefit relating to the Business to which Buyer is entitled under, any provision of any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other agreement or instrument to which Buyer is a party or by which any of Buyer's assets is or may be bound or (d) result in the creation or imposition of any Lien on any asset of Buyer, except for Permitted Liens, except, in the cases of clauses (b), (c) and (d), for any such violations, consents, actions, defaults, rights or losses as could not have, individually or in the aggregate, a material adverse effect on Buyer or on Buyer's ability to perform its obligations under this Agreement or the Ancillary Agreements.

SECTION 4.05 Absence of Litigation.

There are no Actions pending against or, to Buyer's knowledge, threatened against Buyer before any Governmental Authority that in any manner challenges or seeks to prevent, enjoin, alter or delay materially the transactions contemplated by this Agreement or the Ancillary Agreements or that could be reasonably expected to have a material adverse effect on Buyer's ability to consummate or perform the transactions contemplated by this Agreement and the Ancillary Agreements. Buyer is not subject to any Governmental

Order that prevents, enjoins, alters or could delay materially the transactions contemplated by this Agreement or that could be reasonably expected to have a material adverse effect on Buyer's ability to consummate or perform the transactions contemplated by this Agreement and the Ancillary Agreements.

SECTION 4.06 FCC Qualification.

Buyer is legally, technically, financially and otherwise qualified under the Communications Act to acquire the FCC Licenses and own and operate the Station.

SECTION 4.07 Brokers.

There is no broker, finder, investment banker or other intermediary that has been retained by or is authorized to act on behalf of Buyer who or that might be entitled to any fee or commission from either Seller upon consummation of the transactions contemplated by this Agreement and the Ancillary Agreements. Buyer has retained Patrick Communications as its broker in connection with the transactions contemplated hereby and will be responsible and shall pay all of its fees and expenses.

SECTION 4.08 Available Funds.

Buyer has, or will have on the Closing Date, sufficient funds available to pay the Purchase Price on the Closing Date.

ARTICLE V

COVENANTS OF THE SELLERS

SECTION 5.01 Operations Pending Closing.

Except as otherwise set forth herein and subject to the provisions of Section 7.03 regarding Control of the Station, after the date of this Agreement and prior to the Closing, Sellers shall, unless Buyer shall otherwise consent in writing:

- (a) operate or cause the operation of the Station in the ordinary course of business consistent with past practices and use commercially reasonable best efforts to preserve substantially intact the relationships of the Station with its material customers, employees, suppliers, licensors, licensees, distributors and others with whom the Station deals;
- (b) operate the Station substantially in compliance with the Communications Act and not cause or permit, or agree or commit to cause or permit, by act or failure to act on the part of Sellers, any of the FCC Licenses to expire or to be revoked, suspended or adversely modified, or take or fail to take, any action that would be reasonably likely to cause the FCC or any other Governmental Authority to institute proceedings for the suspension, revocation or adverse modification of any of the FCC Licenses;
- (c) not make any material change in any method of accounting or accounting practice utilized in the preparation of the Reference Financial Statements, and from and after the date of the Audited

Financial Statements, not make any material change in any method of accounting or accounting practice utilized in the preparation of the Audited Financial Statements, in each case, except for any such change required by reason of a concurrent change in GAAP;

- (d) not sell, lease, license or otherwise dispose of any Purchased Assets except (i) pursuant to existing contracts or commitments or (ii) in the ordinary course of business consistent with past practices;
- (e) not enter into or agree to enter into any agreement to sell, purchase or encumber any parcel of Real Property (other than the Studio Property);
- (f) maintain the Equipment in good operating condition, ordinary wear and tear excepted, and replace with a substantially equivalent asset of substantially equivalent quality or utility any of the Equipment that shall not be working or shall be lost, stolen or destroyed and which would have been replaced in the ordinary course of business consistent with past practices;
- (g) (A) not increase or otherwise change the rate or nature of, or prepay, the compensation (including wages, salaries and bonuses) that is paid or payable to any Person employed by the Station, except pursuant to existing compensation and fringe benefit plans, practices and arrangements that have been furnished (in the case of such plans) or disclosed (in the case of such practices and arrangements) to Buyer prior to the date of this Agreement; (B) not enter into, renew or allow the renewal of or entering into, any material employment or consulting agreement or other material contract or arrangement with respect to the performance of personal services for the Station without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed; (C) not increase or otherwise change the rate or nature of severance or other termination benefits that are paid or payable to any Person employed by the Station; and (D) not agree or commit to do any of the foregoing provided, however, that with respect to clause (B) of this Section 5.01(g), if Buyer does not provide its consent, Sellers may nonetheless take such action(s) as described in such clauses, provided that Buyer does not upon consummation of the transactions contemplated by this Agreement incur any liability or obligation relating to or arising from such action(s).
- (h) except with Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, (A) not enter into, or become obligated under, any agreement or commitment on behalf of the Station, that, after Closing, will be binding upon Buyer, or (B) not change, amend, terminate or otherwise modify or agree or commit to change, amend, terminate or otherwise modify any material Contract (other than advertising sales contracts for cash only) in any material respect except for those Contracts that terminate or expire prior to the Effective Time by their own terms;
- (i) without limiting the restrictions contained in Section 5.01(h): (A) keep Buyer apprised of material developments in negotiations for existing and proposed Program Rights agreements and promptly provide Buyer with copies of all Program Rights agreements entered into by or on behalf of the Station; and (B) use commercially reasonable efforts to include the following language in each Program Rights agreement to be negotiated and executed from and after the date of this Agreement other than such agreements set forth on Schedule 3.05: "If Station becomes commonly owned or operated with any television station in the Wilmington Nielsen Designated Market Area, the programs may be broadcast on the Station or such other station(s) or any of them."
- (j) not enter into or agree or commit to enter into any new Tradeout Agreement relating to the Station prior to Closing that will not be fully performed prior to the Closing without Buyer's prior written

consent, which consent shall not be unreasonably withheld or delayed;

- (k) (A) utilize the Program Rights only in the ordinary course of business consistent with past practices and substantially in accordance with the anticipated usage of such Program Rights as set forth on Schedule 3.05(f) and (B) not sell or otherwise dispose of any such Program Rights and make payments on Program Rights and agreements on a basis consistent in all material respects with past practices and otherwise in accordance with this Agreement;
- (l) use their commercially reasonable best efforts to take all necessary, reasonable action to protect the present service areas of the Station from increased electrical interference from other stations, existing or proposed, and to exercise commercially reasonable best efforts to maintain or cause the maintenance of carriage, if any, of the Station's signals on cable systems with at least 2,500 subscribers;
- (m) not adopt, or agree or commit to adopt, any new Employee Plan or other pension, profit sharing, deferred compensation or similar plan, program or trust on behalf of personnel of the Station, or modify or agree or commit to modify in any material respect the Employee Plans insofar as they relate to personnel of the Station, other than modifications or agreements or commitments to make any adoptions or modifications that apply to similarly situated employees of Sellers;
- (n) promptly notify Buyer of any attempted or actual collective bargaining organizing activity with respect to Station Employees; and not propose, to the extent permitted by Law, that any collective bargaining agreement applicable to any Station Employees be binding by any "successor" employer of such employees;
- (o) follow the Station's usual and customary policy with respect to (A) extending credit for sales of broadcast time on the Station and (B) collecting accounts receivable relating to the Station arising from such extension of credit;
- (p) (A) promote and advertise the Station, (B) promote and advertise, including on-air promotion and advertising, any program that is currently airing on the Station, in each case consistent with past practices, and (C) make expenditures or commitments to make expenditures for such matters consistent with past practices; and
- (q) timely make any must-carry/retransmission election that must be made prior to the Closing Date, provided that Sellers shall not elect must-carry (by default or otherwise) or enter into a retransmission consent agreement without first conferring with Buyer, or, prior to June 15, 2003, without Buyer's consent, which consent shall not be unreasonably withheld or delayed.

SECTION 5.02 Access to Information.

- (a) From the date hereof until the Closing Date, upon reasonable notice, Sellers shall (i) give Buyer, its counsel, financial advisors, auditors and other authorized representatives reasonable access during normal business hours to the offices, properties, books and records of the Station, (ii) furnish to Buyer, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the Station as such Persons may from time to time reasonably request and (iii) instruct the employees, counsel and financial advisors of Sellers to

reasonably cooperate with Buyer in its investigation of the Station; provided, however, that any investigation and access pursuant to this Section 5.02(a) shall be conducted in such manner as not to unreasonably interfere with the conduct of the Business or any of the businesses or operations of Sellers. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Sellers hereunder.

- (b) On and after the Closing Date, Sellers will hold, and will use their commercially reasonable best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the Buyer, Buyer's Affiliates and the Business.
- (c) For a period of three years after the Closing Date, Sellers will afford promptly to Buyer and its agents reasonable access to its books of account, financial and other records (including accountant's work papers), information, employees and auditors to the extent necessary or reasonably useful for Buyer in connection with any audit, investigation, dispute or litigation or any other reasonable business purpose relating to the Business; provided that any such access by Buyer shall not unreasonably interfere with the conduct of the businesses or operations of Sellers or any Affiliate of Sellers.
- (d) For a period of three years after the Closing Date, Buyer will afford promptly to Sellers and their agents reasonable access to its books of account, financial and other records (including accountant's work papers), information, employees and auditors to the extent necessary or reasonably useful for Sellers in connection with any audit, investigation, dispute or litigation or any other reasonable business purpose relating to the Business; provided that any such access by Sellers shall not unreasonably interfere with the conduct of the businesses or operations of Buyer.

SECTION 5.03 Title Insurance and Surveys.

Sellers shall cooperate with Buyer so that as soon as practicable, but in no event later than ninety (90) days after the execution of this Agreement, Buyer can promptly obtain the following (at Buyer's expense):

- (a) Preliminary reports on title covering a date subsequent to the date of this Agreement, issued by the Title Company, which preliminary reports shall contain commitments (the "Title Commitments") of the Title Company to issue an ALTA title insurance policy or policies (the "Title Policy") insuring the interests of Buyer (or its designee) in the Studio Property subject only to the Permitted Liens. The appropriate Seller, or Paragon as the case may be, shall execute a title affidavit and lien waiver that shall be in form and substance reasonably satisfactory to such Seller and the Title Company. Buyer shall have a period of thirty (30) days after the last to be received of the surveys described in Section 5.03(b) and the Title Commitments, for examination of such title and the making of objections thereto (other than with respect to Permitted Liens). Any and all such objections must be given to Sellers in writing and described with reasonable particularity and must be accompanied with copies of the Title Commitment(s) and survey(s). If no objections are made within such 30-day period, then, notwithstanding any other provision to the contrary in this Agreement, any claims for, or rights to, indemnification with respect to matters reflected in the Title Commitments or surveys shall be deemed waived by Buyer and the other Buyer Indemnified Parties. If any objections to title are made (other than in respect of Permitted Liens), Sellers or Paragon shall be allowed sixty (60) additional days to cure any such objections, and, if necessary, the Closing Date shall be extended by such 60-day period.

In the event that within such additional sixty (60) day period, Sellers shall notify Buyer in writing that Sellers or Paragon have elected not to cure any matter of title to which Buyer has objected, Buyer shall have the option of (i) terminating this Agreement, as set forth in Section 11.01(e) or (ii) closing as provided hereunder.

- (b) Surveys of the Studio Property as of a date subsequent to the date of this Agreement.
- (c) A Phase I Environmental Site Assessment Report prepared consistent with ASTM Standard 1527-00 concerning the Real Property from a reputable environmental engineering firm retained by Buyer that shall not reflect any material violation of Environmental Laws or any other breach of Sellers' environmental representations contained in Section 3.19 (collectively, "Environmental Non-Compliance"). Buyer shall have a period of thirty (30) days after receipt of the Phase I Report for examination of such report and to provide Sellers with notice of any such violation or breach revealed in such Phase I Report ("Reported Environmental Non-Compliance"). Any notice of Reported Environmental Non-Compliance must be made in writing and described with reasonable particularity and must be accompanied with complete and correct copies of the Phase I Reports. If any notice of Reported Environmental Non-Compliance is made by Buyer, Sellers or Paragon shall be allowed sixty (60) additional days to cure any such Environmental Non-Compliance, and, if necessary, the Closing Date shall be extended by such 60-day period; provided, however, that if the estimated aggregate costs to clean-up, remove or otherwise remediate Hazardous Materials on or about the Real Property or otherwise cure any Reported Environmental Non-Compliance shall equal or exceed the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00), then either Seller or Buyer shall be entitled to terminate this Agreement, as reflected in Section 11.01(e).

Buyer shall use its best efforts to obtain the foregoing reports, commitments, and surveys as soon as possible following the date of this Agreement, but in any event within 90 days after the execution of this Agreement, and shall promptly notify Sellers upon receipt of such items and of any issues or problems that arise in respect thereof

SECTION 5.04 Financial Reports.

- (a) Within twenty (20) days after the end of each month following the date of this Agreement until the Closing Date, Sellers shall furnish Buyer with a copy of the monthly unaudited balance sheet and income statement for the Station for each such month and the fiscal year to the end of such month). All of the foregoing financial statements shall comply with the applicable requirements concerning unaudited financial statements set forth in Section 3.11(b).
- (b) Sellers shall deliver to Buyer no later than April 1, 2003, the audited combined balance sheet of the Sellers as of December 31, 2002 (the "Audited Balance Sheet"), and the related audited combined statement of income, combined statement of partners' deficit and accumulated deficit, and combined statement of cash flows for the year then ended, together with all related notes and schedules thereto, accompanied by the report thereon of the Sellers' independent accountants (collectively with the Audited Balance Sheet, the "Audited Financial Statements") (A) prepared in accordance with the books and records of the Station, (B) prepared in all material respects in accordance with GAAP applied on a basis consistent with the past practices of the Sellers and (C) which present fairly in all material respects the financial condition of the Sellers as at December 31, 2002 and the results of its operations and cash flows for the period then ended. Sellers shall pay all costs, fees and expenses in

connection with the preparation of the Audited Financial Statements.

- (c) Buyer and its independent auditors shall be permitted to review and make copies reasonably required of the (i) working papers of Sellers and their independent auditors relating to the Audited Financial Statements and (ii) any supporting schedules, analyses and other documentation relating to the Audited Financial Statements. Buyer shall execute any standard agreement required by Sellers' independent auditors to review Sellers' working papers.

SECTION 5.05 Schedule Modification.

Notwithstanding any provision to the contrary contained in this Agreement, the information and disclosures contained in the Schedules attached hereto shall be deemed amended and modified by, and Sellers shall be permitted to amend and supplement the information and disclosures made in such schedules in respect of events, circumstances, occurrences or changes occurring subsequent to the date of this Agreement so long as such events, circumstances, occurrences or changes (i) are in the ordinary course of business and do not violate any covenants or agreements made by Sellers in this Agreement or (ii) do not have or are not reasonably likely to have a Material Adverse Effect. Without limiting the generality of the foregoing, such schedules shall be modified to reflect the deletion of Contracts, including, without limitation, Contracts in respect of Program Rights that expire in accordance with their respective terms prior to the consummation of the Closing and the renewal of existing Contracts or the addition of new Contracts in respect of Program Rights entered into subsequent to the date of this Agreement.

SECTION 5.06 Estoppel Certificates.

Sellers shall use their commercially reasonable efforts to obtain estoppel certificates in a form reasonably acceptable to Buyer, executed by each of the landlords of the Leases, and upon the receipt of any such estoppel certificate, Sellers shall deliver such estoppel certificates to Buyer as promptly as practicable but in no event less than five (5) days prior to the Closing Date.

SECTION 5.07 Risk of Loss.

- (a) Upon the occurrence prior to the Closing of any casualty loss, damage or destruction material to the operation of the Station, Sellers shall promptly give Buyer written notice setting forth in detail the extent of such loss, damage or destruction and the cause thereof if known. Sellers or Paragon, as the case may be, shall use their commercially reasonable best efforts to commence promptly and thereafter to proceed diligently to repair or replace any such lost, damaged or destroyed property whether such loss, damage or destruction occurs prior to, on or after the date of this Agreement, such efforts to include the payment of any applicable insurance policy deductibles. However, in the event that such repair or replacement is not fully completed prior to the Closing Date, then (x) Buyer may elect to (i) consummate the transactions contemplated hereby on the Closing Date, in which event Sellers shall assign to Buyer the portion of the insurance proceeds, if any, not previously expended by the Sellers to repair or replace the damaged or destroyed property, or (ii) delay the Closing Date until fifteen (15) days after Sellers give written notice to Buyer of completion of the repair or replacement of the damaged or destroyed property; provided that in no event shall Buyer delay the Closing to a date more

than sixty (60) days after the Termination Date; or (y) Sellers may elect to extend the Closing Date for a reasonable period of time not to exceed 60 days necessary to complete such repair or replacement; provided further that if Sellers or Paragon, as applicable, are unable through their commercially reasonable efforts to complete any such material repair or replacement to Buyer's reasonable satisfaction within sixty (60) days after the casualty, Buyer may then terminate this Agreement.

- (b) If the Closing does occur as contemplated under Section 5.07(a)(i), the Purchase Price shall not be adjusted by reason of such casualty or such assignment of the insurance proceeds to Buyer.

ARTICLE VI

COVENANTS OF BUYER

SECTION 6.01. Access to Information.

On and after the Closing Date, upon reasonable notice, Buyer will afford promptly to Sellers and their agents reasonable access to its properties, books and records relating exclusively to any period ending on or before the Closing Date and to employees of Buyer to the extent necessary to establish facts related to such period and in order to ensure Buyer's compliance with the terms and provisions of this Agreement.

ARTICLE VII

COVENANTS OF BUYER AND SELLERS

SECTION 7.01. Commercially Reasonable Efforts; FCC Consent; Further Assurances.

- (a) Subject to the terms and conditions of this Agreement, Buyer and Sellers will use their commercially reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary or desirable under applicable Law to consummate the transactions contemplated by this Agreement; provided that notwithstanding anything to the contrary contained in this Agreement, neither Buyer nor any of its Affiliates shall be required to sell or otherwise dispose of, hold separate (through the establishment of a trust or otherwise), divest itself of, or limit the ownership or operations of all or any portion of its businesses, assets or operations.
- (b) Also in furtherance and not in limitation of Section 7.01(a), Buyer and the Sellers shall prepare and file with the FCC as soon as practicable but in no event later than ten (10) Business Days after the execution of this Agreement, the requisite applications (the "FCC Applications") and other necessary instruments or documents requesting the FCC Consent and thereupon prosecute such applications with all reasonable diligence to obtain the requisite FCC Consent; provided, however, except as provided in the following sentence, neither Buyer nor the Sellers shall be required to pay consideration to any third party (other than attorneys fees) to obtain the FCC Consent. Buyer shall pay one-half (1/2) and Sellers shall pay one-half (1/2) of the FCC filing fees relating to the transactions contemplated hereby, irrespective of whether the transactions contemplated by this Agreement are consummated. Buyer and Sellers each shall oppose (and take all steps and action reasonably necessary to oppose) any petitions to deny or other objections filed with respect to the FCC Applications to the extent such petition or objection relates to such party. The parties hereto shall not take any action that would, or fail to take any action which such action or failure to take such action would reasonably be expected to have the effect of materially delaying the receipt of or failing to obtain the FCC Consent. If the Closing shall

not have occurred for any reason within the original effective period of the FCC Consent, and no party shall have terminated this Agreement under Article XI, the parties hereto shall jointly request an extension of the effective period of the FCC Consent. No extension of the FCC Consent shall limit the right of any party to exercise its rights under Article XI.

- (c) In connection with the efforts referenced in Sections 7.01(a) and 7.01(b) to obtain the FCC Consent, Buyer and each of the Sellers shall use its commercially reasonable efforts to (A) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party, (B) keep the other party informed in all material respects of any material communication received by such party from, or given by such party to, the Federal Trade Commission (the “FTC”), the Antitrust Division of the Department of Justice (the “DOJ”), the FCC or any other Governmental Authority and of any material communication received or given in connection with any proceeding by a private party and (C) permit the other party to review any material communication given by it to, and consult with each other in advance of and be permitted to attend any meeting or conference with, the FTC, the DOJ, the FCC or any such other Governmental Authority or, in connection with any proceeding by a private party, with any other Person, in each case regarding any of the transactions contemplated by this Agreement. For purposes of this Agreement, “Antitrust Laws” means the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and all other federal, state and foreign, if any, Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

SECTION 7.02. Certain Filings; Further Actions.

The Sellers and Buyer shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material Contracts, in connection with the consummation of the transactions contemplated by this Agreement and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers; provided, however, that neither of the Sellers nor the Buyer shall be required to pay consideration to obtain any such consent, approval or waiver and Sellers shall not agree to or permit, without the prior written consent of Buyer, the material amendment of any Contract of the Station or relating to the Business in order to obtain any consent or approval.

SECTION 7.03. Control Prior to Closing.

The parties acknowledge and agree that, for the purposes of the Communications Act, this Agreement and, without limitation, the covenants in Article V, are not intended to and shall not be construed to transfer control of the Station from Sellers to Buyer.

SECTION 7.04. Public Announcements.

The parties shall agree on the terms of the press release that announces the transactions contemplated hereby and thereafter agree to consult with each other before issuing any press release or making any public announcement with respect to this Agreement or the transactions contemplated hereby, including any press

releases or public statements the making of which may be required by applicable Law or any listing agreement with any national securities exchange.

SECTION 7.05. Notices of Certain Events.

Sellers and Buyer shall each promptly notify the other of and deliver copies of the relevant notice, communication or documentation:

- (a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;
- (b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement;
- (c) in the case of Sellers, any Action commenced or, to the Knowledge of Sellers, threatened against, relating to or involving or otherwise affecting the Business that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.13 or that relates to the consummation of the transactions contemplated by this Agreement; and
- (d) in the case of Buyer, any Action commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting Buyer that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.05 or that relates to the consummation of the transactions contemplated by this Agreement.

ARTICLE VIII

EMPLOYEE MATTERS

SECTION 8.01. Employment.

- (a) Attached as Schedule 3.17(a) is a list of all individuals employed by Sellers as of the date set forth therein in connection with the business and operations of the Station (“Active Employees”). Sellers understand that Buyer may hire some or all of the Active Employees of Sellers from and after the consummation of the Closing; it being acknowledged and agreed by Buyer that any offers of employment to such employees shall be expressly conditioned upon the consummation of the Closing. Notwithstanding the foregoing, Buyer shall have no obligation to hire any of Sellers’ employees and shall have no liabilities of any kind in connection with any such employees arising from their employment by Sellers except as specifically provided in Section 8.04 hereof. Any employees hired by Buyer shall enter into a new employment relationship with Buyer subject to terms and conditions established by Buyer and Buyer shall have no responsibility for any payroll taxes, accrued vacation pay, fringe benefits or other prepaid or deferred obligations for any employee of Sellers who enters into the employment of Buyer arising from any period before such employee enters into an employment relationship with Buyer. Within thirty (30) days prior to the Closing Date, Buyer shall deliver to Sellers in writing a list of the employees it intends to offer employment (the “Transferred Employees”). On the Closing Date, Sellers shall terminate all employees of the Station.

- (b) Sellers agree to use reasonable efforts to facilitate the transition of the Transferred Employees to employment with Buyer as of the Closing Date. Such reasonable efforts shall include affording Buyer reasonable opportunities prior to the Closing Date to review employment records (other than medical and individual performance or evaluation records), as permitted by Law, of the Transferred Employees, to discuss terms and conditions of employment with Buyer as of the Closing Date and to distribute to the Transferred Employees forms and documents relating to employment with Buyer to the Transferred Employees.
- (c) Except as prohibited by Law, after the Closing, Sellers shall deliver to Buyer originals or copies of all personnel files and records (including medical records, if any, but excluding benefit plan records) related to the Transferred Employees, and Sellers shall have reasonable continuing access to such files and records thereafter

SECTION 8.02. Intentionally Left Blank.

SECTION 8.03. Employee Welfare Plans.

Sellers, in the manner and subject to the terms, conditions and limitations described in Section 8.04, shall be responsible for: (x) claims for medical and dental benefits, disability benefits, life insurance benefits and workers compensation that are incurred prior to the Closing Date; and (y) claims related to “COBRA” coverage attributable to “qualifying events” occurring prior to the Closing Date, in each case with respect to any Transferred Employees and their beneficiaries and dependents. Buyer shall be solely responsible for: (i) medical and dental benefits, disability benefits, life insurance benefits and workers compensation benefits for claims incurred from and after the Closing Date for Transferred Employees; and (ii) claims relating to “COBRA” coverage attributable to “qualifying events” occurring from and after the Closing Date, in each case only with respect to any Transferred Employees and their beneficiaries and dependents. For purposes of the foregoing, a medical/dental claim shall be considered incurred when the medical services are rendered or medical supplies are provided, and not when the condition arose. A life insurance or worker’s compensation claim shall be considered incurred prior to a particular date if the injury or condition giving rise to the claim occurs prior to such date. A disability claim shall be deemed to be incurred when the employee is declared disabled under the terms of the applicable disability plan. Transferred Employees shall be given credit under Buyer’s welfare plans for deductibles and out-of-pocket expenses incurred while employed by either Seller in the relevant calendar year.

SECTION 8.04. COBRA Coverage.

- (a) Attached as Schedule 8.04 is a list of all former employees (including dependents) of either Seller who have elected COBRA coverage. From and after the Closing, the persons listed on Schedule 8.04 and all employees (including dependents) of Seller who have elected or are entitled to elect COBRA coverage between the date of execution of this Agreement through and including the Closing Date (the “Sellers’ COBRA Insureds”) shall be offered coverage under Buyer’s COBRA group health insurance plan. After Closing, any insurance premiums collected from and insurance claims made by the Sellers’ COBRA Insureds will be segregated by Buyer’s insurance administrator who will prepare a monthly report of such premiums and claims and send that report to Sellers and Buyer on a timely basis. On a monthly basis during the first 18 months after the Closing, subject to the terms and conditions of the post-Closing Escrow Agreement Buyer shall be entitled to withdraw from the Post-Closing Escrow Amount the amount, if any, by which insurance claims of Sellers’ COBRA Insureds exceed their insurance premiums and shall deposit into the Post-Closing Escrow Amount the amount, if any, by which such premiums exceed claims of Sellers’ COBRA Insureds. Payment to Buyer from the Post-Closing Escrow Amount with respect to any incurred but not yet paid claims of any of Sellers’ COBRA Insureds who terminate their COBRA coverage during the 18 month period described above shall be made at time of payment of such claims to Sellers’ COBRA Insureds.
- (b) For purposes of this Section 8.04 only, on the earlier of (i) the date that there shall no longer be any Sellers’ COBRA Insureds who remain on COBRA or (ii) the last day of the 18th month following Closing, the Post-Closing Escrow Amount will be reduced to an amount equal to \$200,000 (an “Individual COBRA Escrow”) multiplied by the number of any of Sellers’ COBRA Insureds who then remain on COBRA. Assuming no incurred but not yet paid claims exist, the balance of the Post-Closing Escrow Amount will be paid to Sellers. During the 19th through 36th months following Closing (the “Second 18 Month Period”), Buyer’s insurance administrator will continue to prepare a monthly report of claims and premiums relating to Sellers’ COBRA Insureds and send that report to Sellers and Buyer on a timely basis. On a monthly basis during the Second 18 Month Period, subject to the terms and conditions of the Post-Closing Escrow Agreement, Buyer shall be entitled to withdraw from the Post-Closing Escrow Amount the amount, if any, by which claims of Sellers’ COBRA Insureds exceed their premiums. Any claims of Sellers’ COBRA Insureds then payable that exceed the amount in the Post-Closing Escrow shall be Buyer’s responsibility. Notwithstanding any provision to the contrary herein, Sellers shall receive the benefit of any “stop-loss” protection or coverage available under Buyer’s group health insurance plan and shall not be liable for, and the Buyer shall not be entitled to, payment from the Post-Closing Escrow Amount for any amounts in excess of such “stop-loss” coverage.
- (c) If, during the Second 18 Month Period, any of Sellers’ COBRA Insureds cancels COBRA coverage, Sellers shall receive a distribution from the Post-Closing Escrow Amount equal to one-half of the unused portion of such person’s Individual COBRA Escrow, such distribution to be paid 30 days after cancellation of COBRA coverage for such Sellers’ COBRA Insureds with the remaining balance of such person’s individual COBRA Escrow paid 60 days after such cancellation of COBRA coverage. During this 60 day period, incurred but not yet paid claims for such person canceling COBRA coverage will be charged against and paid from the remaining Individual COBRA Escrow set aside pursuant to subsection (b) above.

SECTION 8.05. Intentionally Left Blank.

SECTION 8.06. Non-Solicitation by Sellers.

- (a) Sellers agree that for a period of one (1) year after the Closing Date, they will not, and will cause their Subsidiaries not to, directly or indirectly, solicit for employment or employ, either as an employee or a consultant, any Transferred Employee.
- (b) The parties acknowledge and agree that the restrictions contained in Section 8.06(a) are a reasonable and necessary protection of the immediate interests of Buyer, and any violation of these restrictions would cause substantial injury to Buyer and Buyer would not have entered into this Agreement without receiving the additional consideration offered by Sellers binding themselves to these restrictions. In the event of a breach or a threatened breach by either Seller of these restrictions, Buyer shall be entitled to apply to any court of competent jurisdiction for an injunction restraining such Person from such breach or threatened breach (without the necessity of proving the inadequacy of money damages as a remedy); provided, however, that the right to apply for injunctive relief shall not be construed as prohibiting Buyer from pursuing any other available remedies for such breach or threatened breach.

ARTICLE IX**TAX MATTERS****SECTION 9.01. Intentionally Left Blank.****SECTION 9.02. Transfer Taxes.**

All Transfer Taxes arising out of or in connection with the transactions effected pursuant to this Agreement shall be divided equally between (i) Buyer and (ii) Sellers. The party that has the primary responsibility under applicable law for the payment of any particular Transfer Tax shall prepare and file the relevant Tax Return and notify the other party in writing of the Transfer Taxes shown on such Tax Return provided that such other party shall have the right to reasonably review and approve any such Tax Return prior to the filing of same (such approval to not be unreasonably withheld or delayed). The other party shall pay the first party an amount equal to one-half of such Transfer Taxes in immediately available funds no later than the date that is the later of (i) five Business Days after the date of such notice or (ii) two Business Days prior to the due date for such Transfer Taxes. The first party shall promptly remit the Transfer Taxes to the proper Governmental Authority.

ARTICLE X**CONDITIONS TO CLOSING****SECTION 10.01. Conditions to Obligations of Buyer and Sellers.**

The obligations of Buyer and Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following conditions:

- (a) No Governmental Order shall prohibit the consummation of the Closing.
- (b) The FCC Consent shall have been granted and shall be in full force and effect.
- (c) There shall not be instituted or pending any Action brought by a third Person challenging this Agreement or the transactions contemplated hereby or seeking to restrain, alter, prohibit or otherwise materially interfere with the Closing by any Person before any Governmental Authority.

SECTION 10.02. Conditions to Obligations of the Sellers.

The obligations of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following further conditions:

- (a) (i) Buyer shall have performed and complied with in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date; and
- (ii) the representations and warranties of Buyer contained in this Agreement and in any certificate delivered by Buyer pursuant hereto (A) that are qualified by materiality or material adverse effect shall be true and correct and (B) that are not qualified by materiality or material adverse effect shall be true and correct in all material respects, in each case at and as of the Closing Date as if made at and as of such date (except that representations and warranties that by their terms speak as of the date of this Agreement or some other date need be true and correct, or true and correct in all material respects, as the case may be, only as of such specified date).
- (b) Buyer shall have delivered or caused to be delivered to Sellers the documents, each properly executed and dated as of the Closing Date required pursuant to Section 2.08(d). Buyer shall have made the payments described in Section 2.08(b) and the Escrow Agent shall have made the payments described in Section 2.08(a).

SECTION 10.03. Conditions to Obligations of Buyer.

The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following further conditions:

- (a) (i) each Seller shall have performed and complied with in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date; and
- (ii) the representations and warranties of each Seller contained in this Agreement and in any certificate delivered by such Seller pursuant hereto (A) that are qualified by materiality or Material Adverse Effect shall be true and correct and (B) that are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects, in each case at and as of the Closing Date as if made at and as of such date without giving effect to any modification or supplement to the disclosure Schedules permitted by Section 5.05 (except that representations and warranties that by their terms speak as of the date of this Agreement

or some other date need be true and correct, or true and correct in all material respects, as the case may be, only as of such specified date).

- (b) Sellers shall have delivered or caused to be delivered to Buyer the documents, each properly executed and dated as of the Closing Date required pursuant to Section 2.08(c).
- (c) The Sellers shall have received all Material Consents, or, in lieu of the consent of Fox to the assignment of the Station's existing Fox affiliation agreement, Fox shall have delivered to Buyer a new affiliation agreement acceptable to Buyer.
- (d) The FCC Consent shall be a Final Order and shall contain no provision materially adverse to any of Buyer, Buyer's Affiliates, or the Station.
- (e) Buyer shall have received the Title Commitments, provided that Buyer shall have complied with its obligations under Section 5.03.
- (f) Buyer shall have received fee simple title to the Studio Property directly from Paragon.
- (g) Buyer shall have received an assignment of the FoxCarolina.tv and Digifox.tv domain names directly from David Carfolite.

ARTICLE XI

TERMINATION

SECTION 11.01. Termination.

This Agreement may be terminated at any time prior to the Closing as follows:

- (a) by the mutual written consent of Sellers and Buyer;
- (b) either by Sellers or by Buyer:
 - (i) if the Closing shall not have occurred on or before September 30, 2003 (the "Termination Date") or such other date contemplated by Section 5.07 of this Agreement; provided, however, that the right to terminate this Agreement under this Section 11.01(b)(i) shall be suspended as to any party whose breach, misrepresentation or 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;
 - (ii) if there shall be any Law that restrains or prohibits consummation of the transactions contemplated hereby or if a final, nonappealable Governmental Order is issued restraining or otherwise prohibiting consummation of the transactions contemplated hereby; or
 - (iii) if the FCC has denied the FCC Applications and such denial has become a Final Order.

- (c) by Sellers upon a breach of any representation, warranty, covenant or agreement on the part of Buyer set forth in this Agreement, or if any representation or warranty of Buyer shall have become untrue, in either case such that the condition set forth in Section 10.02(a) would not be satisfied, unless such breach or untruth can be cured within 30 days after receipt of notice thereof and Buyer proceeds in good faith to cure such breach or untruth as promptly as practicable;
- (d) by Buyer upon a breach of any representation, warranty, covenant or agreement on the part of either Seller set forth in this Agreement, or if any representation or warranty of either Seller shall have become untrue, in either case such that the condition set forth in Section 10.03(a) would not be satisfied, unless such breach or untruth can be cured within 30 days after receipt of notice thereof and the Sellers proceed in good faith to cure such breach or untruth as promptly as practicable;
- (e) by Buyer as set forth in Sections 5.03(a), 5.03(c) or 5.07(a); or
- (f) by Buyer if the Station shall have for a period of seventy-two (72) consecutive hours or more (A) ceased broadcasting on its authorized frequencies, or (B) been broadcasting at a reduced power level, which cessation or reduction is reasonably likely to materially and adversely affect the operations or business of the Station; provided that Buyer must exercise this termination right within fifteen (15) days after the date on which the Station has resumed uninterrupted broadcasting on its authorized frequencies or resumed broadcasts at full power, as the case may be.

Notwithstanding the foregoing, neither party may terminate this Agreement pursuant to clause (c) or (d) of this Section 11.01 if any representation or warranty of the party seeking to terminate is materially inaccurate or breached or such party has failed to comply with or satisfy, in all material respects, its covenants and agreements made hereunder.

The party desiring to terminate this Agreement pursuant to this Section 11.01 (other than pursuant to Section 11.01(a)) shall give notice of such termination to the other party.

SECTION 11.02. Effect of Termination.

- (a) In the event of the termination of this Agreement pursuant to Section 11.01 of this Agreement, this Agreement shall become void and have no effect, except that (i) the provisions of this Section 11.02, Article 13 and Section 2.06(c) of this Agreement shall survive any such termination, and (ii) subject to the provisions of Section 11.02(b), a termination pursuant to Section 11.01(c) or 11.01(d) of this Agreement shall not relieve the breaching party from Liability for an uncured breach of a representation, warranty, covenant, or agreement giving rise to such termination.
- (b) (i) If the non-occurrence of Closing is the result of a material default by Buyer of its representations or warranties or any of its covenants or agreements hereunder, and Sellers are not in material default on any of their representations or warranties or any of its covenants or agreements hereunder, then Sellers shall be paid the Escrow Deposit, together with all interest earned thereon (collectively, the "Default Payment"), and Buyer shall take all such action as is necessary for the same to be paid to Sellers, including, without limitation, promptly providing appropriate written notice to such effect to the Escrow Agent.
- (ii) The Default Payment to be made to Sellers pursuant to this Section 11.02(b) shall be deemed to

be liquidated damages paid to compensate Sellers for the damages resulting to Sellers from Buyer's default. The parties agree that actual damages pursuant to a breach of this Agreement prior to the Effective Time would be impossible to measure. Receipt of the Default Payment shall be the sole and exclusive remedy that Sellers shall have in the event of such default and shall constitute a waiver of any and all other legal or equitable rights or remedies that Sellers may otherwise have as a result of a default by Buyer. In consideration of the receipt of the Default Payment as liquidated damages, Sellers may not obtain any further legal or equitable relief, including specific performance, to which it may otherwise have been entitled and Buyer shall have no further liability to Sellers as a result of any such default.

- (iii) If the Closing does not occur due to the nonfulfillment of any of the conditions in Article 10, without Buyer being in breach in the performance of any of its representations or warranties or performance of any of its covenants or agreements under this Agreement, Sellers shall not be entitled to the Default Payment and, promptly after the termination of this Agreement, the Default Payment shall be returned to Buyer.

ARTICLE XII

SURVIVAL; INDEMNIFICATION

SECTION 12.01. Survival.

The representations and warranties of the parties hereto contained in or made pursuant to this Agreement or in any certificate or other writing furnished pursuant hereto or in connection herewith shall survive in full force and effect until the first anniversary of the Closing Date; provided that (i) any and all covenants and agreements shall survive indefinitely until performed or satisfied in full, (ii) the representations and warranties in Sections 3.01, 3.02, 3.22, 4.01, 4.02 and 4.07 shall survive indefinitely; and (iii) the representations and warranties in Sections 3.17, 3.18, 3.19 and 3.20 shall survive until the third (3rd) anniversary of the Closing Date. Notwithstanding the preceding sentences, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

SECTION 12.02. Indemnification by Buyer.

- (a) Buyer shall indemnify against and hold the Sellers, their Affiliates and their respective employees, officers and directors (collectively, the "Seller Indemnified Parties") harmless from, and agrees to promptly defend any Seller Indemnified Party from and reimburse any Seller Indemnified Party for, any and all losses, damages, costs, expenses, liabilities, obligations and claims of any kind (including any Action brought by any Governmental Authority or Person and including reasonable attorneys' fees and expenses reasonably incurred) (collectively, "Losses"), which such Seller Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with:
 - (i) any failure of any representation or warranty of Buyer (whether made in or pursuant to this Agreement or in any instrument or certificate delivered by Buyer at the Closing in

accordance herewith) to be true when made and at and as of the Closing Date as if made at and as of such date (except that representations and warranties that by their terms speak as of the date of this Agreement or some other date need be true only as of such specified date), in each case determined without regard to any material adverse effect qualification contained in any representation or warranty (each such misrepresentation and breach of warranty, or such failure of any representation or warranty to be true, a “Buyer Warranty Breach”);

- (ii) any failure by Buyer to carry out, perform, satisfy and discharge any of its covenants, agreements, undertakings, liabilities or obligations under this Agreement or under any of the documents and/or other instruments delivered by Buyer pursuant to this Agreement;
 - (iii) the Assumed Liabilities; and
 - (iv) to the extent arising from the operation of the Station by Buyer from and after the Effective Time, except to the extent indemnified by Sellers under Section 12.03.
- (b) Notwithstanding any other provision to the contrary, Buyer shall not be required to indemnify and hold harmless any Seller Indemnified Party pursuant to Section 12.02(a)(i): (A) unless such Seller Indemnified Party has asserted a claim with respect to such matters within the applicable survival period set forth in Section 12.01 and (B) until the aggregate amount of the Seller Indemnified Parties' Losses resulting from Buyer Warranty Breach exceeds \$100,000, and then only to the extent of such Losses in excess of such amount; provided, however, that the cumulative indemnification obligation of Buyer under this Article XII shall in no event exceed \$1.4 million.

SECTION 12.03. Indemnification by Sellers.

- (a) Sellers shall indemnify against and hold Buyer, its Affiliates and their respective employees, officers and directors (collectively, the “Buyer Indemnified Parties”) harmless from, and agrees to promptly defend any Buyer Indemnified Party from and reimburse any Buyer Indemnified Party for, any and all Losses that such Buyer Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with:
 - (i) any failure of any representation or warranty of either Seller (whether made in or pursuant to this Agreement or in any instrument or certificate delivered by the Sellers at the Closing in accordance herewith) to be true when made and at and as of the Closing Date as if made at and as of such date (except that representations and warranties that by their terms speak as of the date of this Agreement or some other date need be true only as of such specified date), in each case determined without regard to any Material Adverse Effect qualification contained in any representation or warranty (other than Section 3.12(b)(i)) (each such misrepresentation and breach of warranty, or such failure of any representation or warranty to be true, a “Seller Warranty Breach”);
 - (ii) any failure by either Seller to carry out, perform, satisfy and discharge any of its covenants, agreements, undertakings, liabilities or obligations under this Agreement or under any of the documents and/or other instruments delivered by either Seller pursuant to this Agreement;
 - (iii) the Excluded Assets, provided that an applicable claim is brought during the applicable

survival period to which a breach of a representation or warranty relates; and

- (iv) the Excluded Liabilities, provided that an applicable claim is brought during the applicable survival period to which a breach of a representation or warranty relates.
- (b) Except as set forth in Section 8.04 hereof, Sellers shall not be required to indemnify and hold harmless any Buyer Indemnified Party pursuant to Section 12.03(a)(i): (A) unless such Buyer Indemnified Party has asserted a claim with respect to such matters within the applicable survival period set forth in Section 12.01 and (B) until the aggregate amount of the Buyer Indemnified Parties' Losses resulting from Seller Warranty Breaches exceeds \$100,000, and then only to the extent of such Losses in excess of such amount; provided, however, that the cumulative indemnification obligation of Sellers under this Section 12.03(b) shall in no event exceed \$1.4 million.

SECTION 12.04. Notification of Claims.

- (a) A party entitled to be indemnified pursuant to Section 12.02 or 12.03 (the "Indemnified Party") shall promptly notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement; provided, however, that a failure to give prompt notice or to include any specified information in any notice will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party which was entitled to receive such notice was damaged as a result of such failure. Subject to the Indemnifying Party's right to defend in good faith third party claims as hereinafter provided, the Indemnifying Party shall satisfy its obligations under this Article XII within thirty (30) days after the receipt of written notice thereof from the Indemnified Party.
- (b) If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to Section 12.04(a), and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party which the Indemnifying Party acknowledges is a claim or demand for which it must indemnify or hold harmless the Indemnified Party under Section 12.02 or 12.03, the Indemnifying Party shall have the right to employ counsel reasonably acceptable to the Indemnified Party to defend any such claim or demand asserted against the Indemnified Party for so long as the Indemnifying Party shall continue in good faith to diligently defend against such action or claim. The Indemnified Party shall have the right to participate in the defense of any such claim or demand at its own expense. The Indemnifying Party shall notify the Indemnified Party in writing, as promptly as possible (but in any case five (5) Business Days before the due date for the answer or response to a claim) after the date of the notice of claim given by the Indemnified Party to the Indemnifying Party under Section 12.04(a) of its election to defend in good faith any such third party claim or demand. So long as the Indemnifying Party is defending in good faith any such claim or demand asserted by a third party against the Indemnified Party, the Indemnified Party shall not settle or compromise such claim or demand without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld, and the Indemnified Party shall make available to the Indemnifying Party or its agents all records and other material in the Indemnified Party's possession reasonably required by it for its use in contesting any third party claim or demand. Whether or not the Indemnifying Party elects to defend any such claim or demand, the Indemnified Party shall have no obligations to do so. In the event the Indemnifying Party elects not to defend such claim or action or if the Indemnifying Party elects to defend such claim or action but fails to diligently defend such claim or action in good faith, the

Indemnified Party shall have the right to settle or compromise such claim or action without the consent of the Indemnifying Party, except that the Indemnified Party shall not settle or compromise any such claim or demand, unless the Indemnifying Party is given a full and completed release of any and all liability by all relevant parties relating thereto.

SECTION 12.05. Certain Limitations.

- (a) Following the Closing the sole and exclusive remedy for Buyer for any claim arising out of a breach of any representation, warranty, covenant or other agreement herein on the part of either Seller shall be a claim for indemnification pursuant to this Article XII except in the case of fraud on the part of Sellers.
- (b) The parties hereto agree to make appropriate adjustments for tax consequences in determining the amount of Losses under this Article XII. All indemnification payments under this Article XII shall be deemed adjustments to the Purchase Price.
- (c) Notwithstanding any provision to the contrary herein, in no event shall Buyer's Losses include any consequential, special, indirect or similar damages except in the case of fraud on the part of Sellers.

ARTICLE XIII

GENERAL PROVISIONS

SECTION 13.01. Expenses.

Except as may be otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

SECTION 13.02. Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly delivered and received (a) on the date of personal delivery, (b) on the date of transmission, if sent by confirmed facsimile, (c) one (1) Business Day after having been dispatched via a nationally recognized overnight courier service, charges prepaid for next business day delivery or (d) three (3) Business Days after being sent by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 13.02):

- (a) if to Sellers:

Channel 26 Associates Limited Partnership
Wilmington Telecasters, Inc.
103 W. Main Street, Suite 200
Durham, North Carolina 27701
Attention: The Honorable Robinson O. Everett
Telephone No: 919-682-5691

Facsimile No: 919-682-5469

With a copy to:

Stephen C. Brissette
Wyrick Robbins Yates & Ponton LLP
Suite 300, 4101 Lake Boone Trail
P.O. Drawer 17803
Raleigh, North Carolina 27607
Telephone No: 919-781-4000
Facsimile No: 919-781-4865

(b) if to Buyer:

Southeastern Media Holdings, Inc.
3500 Colonnade Parkway, Suite 600
Birmingham, Alabama 35243
Attention: Michael E. Reed
Telephone No: 205-298-7100
Facsimile No: 205-298-7104

With a copy to:

Thomas B. Henson
6100 Fairview Road, Suite 650
Charlotte, North Carolina 28210
Telephone No: 704-643-4148
Facsimile No: 704-643-4482

SECTION 13.03. Headings.

The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 13.04. Severability.

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced because of any Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

SECTION 13.05. Entire Agreement.

This Agreement, the Confidentiality Agreement, the Ancillary Agreements and any agreements and other documents entered into contemporaneously with this Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, between the Sellers on the one hand and Buyer on the other hand with respect to the subject matter hereof and thereof, except as otherwise expressly provided herein.

SECTION 13.06. Successors and Assigns.

This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party hereto.

SECTION 13.07. No Recourse.

Notwithstanding any of the terms or provisions of this Agreement, Sellers and Buyer agree that neither it nor any Person acting on its behalf may assert any claims or cause of action against any employee, officer or director of the other party or stockholder or limited partner of such other party in connection with or arising out of this Agreement or the transactions contemplated hereby.

SECTION 13.08. No Third-Party Beneficiaries.

Except as expressly provided in Article XII, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 13.09. Amendments and Waivers.

- (a) This Agreement may not be amended or modified except by an instrument in writing signed by Sellers and Buyer.
- (b) At any time prior to the Closing, any party may (i) extend the time for the performance of any of the obligations or other acts of any other party hereto, (ii) waive any inaccuracies in the representations and warranties of the other party hereto contained herein or in any document delivered pursuant hereto or (iii) waive compliance by the other party hereto with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby.
- (c) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Except as set forth herein, the rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 13.10. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the Laws of the State of North Carolina.

SECTION 13.11. Counterparts.

This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 13.12. No Presumption.

This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

SECTION 13.13. Saturdays, Sundays and Legal Holidays.

If the time period by which any acts or payments required hereunder must be performed or paid expires on a Saturday, Sunday or legal holiday, then such time period shall be automatically extended to the close of business on the next regularly scheduled business day.

SECTION 13.14 InterNIC's Transfers.

Sellers will sign, or cause to be signed, any document reasonably requested by Buyer to compel Sellers' Internet Service Provider to transfer the Sellers' domain names in full compliance with InterNIC's technical transfer protocols and procedures in effect at the time of transfer.

SECTION 13.15 Emails.

Sellers agree to use commercially reasonable efforts to promptly deliver to Buyer, all electronic mail messages intended for Buyer but mistakenly misdirected to Sellers prior to Closing, if any, whether received by Sellers prior or subsequent to the execution of this Agreement, due to Sellers' e-mail registration. Sellers agree to use commercially reasonable efforts to archive said electronic mail messages in such a manner as to facilitate Buyer's retrieval of said electronic mail messages. Sellers further agree to promptly forward to Buyer any and all such misdirected e-mail messages which might be received thereafter.


IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

CHANNEL 26 ASSOCIATES LIMITED PARTNERSHIP

By: WILMINGTON TELECASTERS, INC., general partner

By: 
Robinson O. Everett, President

WILMINGTON TELECASTERS, INC.

By: 
Robinson O. Everett, President

SOUTHEASTERN MEDIA HOLDINGS, INC.

By: _____
Michael E. Reed, President

EXECUTION COPY

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

CHANNEL 26 ASSOCIATES LIMITED PARTNERSHIP

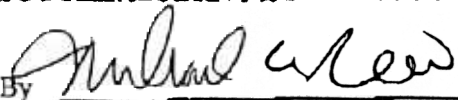
By: WILMINGTON TELECASTERS, INC., general partner

By: _____
Robinson O. Everett, President

WILMINGTON TELECASTERS, INC.

By: _____
Robinson O. Everett, President

SOUTHEASTERN MEDIA HOLDINGS, INC.

By:  _____
Michael E. Reed, President