

Execution Copy

**ASSET PURCHASE AGREEMENT**

**among**

**PEGASUS BROADCAST TELEVISION, INC.**

**and**

**WBPG LICENSE CORP.**

**as Seller,**

**and**

**EMMIS TELEVISION BROADCASTING, L.P.**

**and**

**EMMIS TELEVISION LICENSE CORPORATION**

**as Buyer**

**November 13, 2002**

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EXHIBIT:

Exhibit A	Noncompetition Agreement
Exhibit B	Form of Opinion of Seller's FCC Counsel

## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement"), dated as of November 13, 2002, among PEGASUS BROADCAST TELEVISION, INC., a Pennsylvania corporation ("Pegasus"), and WBPG LICENSE CORP., a Delaware corporation ("WBPG License," and Pegasus and WBPG License individually and collectively referred to as the "Seller"); and EMMIS TELEVISION BROADCASTING, L.P., an Indiana limited partnership ("Emmis LP"), and EMMIS TELEVISION LICENSE CORPORATION, a California corporation ("Emmis License," and Emmis LP and Emmis License individually and collectively referred to as the "Buyer").

### RECITALS:

**WHEREAS**, Pegasus owns and operates television station WBPG-TV on Channel 55, Gulf Shores, Alabama (the "Station").

**WHEREAS**, WBPG License holds the licenses and authorizations issued by the Federal Communications Commission for the operation of the Station.

**WHEREAS**, the Station serves the Mobile, Alabama - Pensacola, Florida DMA.

**WHEREAS**, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, substantially all the assets principally used or useful in the business and operation of the Station.

## ARTICLE I TERMINOLOGY

### 1.1 Defined Terms.

As used herein, the following terms shall have the meanings indicated:

Affiliate: With respect to any specified Person, another Person which, directly or indirectly controls, is controlled by, or is under common control with, the specified Person.

Appraisal Firm: BIA Consulting, Inc.

Code: The Internal Revenue Code of 1986, as amended.

Documents: This Agreement, all Exhibits and Schedules to this Agreement, and each other agreement or instrument required to be delivered in connection with this Agreement.

Earnest Money: As of a given date, the amount deposited as of such date with the Escrow Agent under the Escrow Agreement, together with the interest and other earnings thereon as of such date.

Escrow Agent: Bank One Trust Company, National Association.

Escrow Agreement: The Escrow Agreement, dated as of the date hereof, by and among Seller, Buyer and the Escrow Agent relating to the deposit, holding, investment and disbursement of the Earnest Money.

FCC: Federal Communications Commission.

FCC Order: The order or decision of the FCC (or its delegatee) granting its consent to the transfer of all of the FCC Licenses to Buyer.

Final Action: An action of the FCC that has not been reversed, stayed, enjoined, set aside, annulled or suspended; with respect to which no timely petition for reconsideration or administrative or judicial appeal or sua sponte action of the FCC with comparable effect is pending; and as to which the normally applicable time for filing any such petition or appeal (administrative or judicial) or for the taking of any such sua sponte action of the FCC has expired.

Lien: Any mortgage, deed of trust, pledge, hypothecation, right of first refusal, security or other adverse interest, encumbrance, easement, restriction, claim, option, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, affecting any assets or property, including any agreement to give or grant any of the foregoing, any conditional sale or other title retention agreement, and the filing of or agreement to give any financing statement with respect to any assets or property under the Uniform Commercial Code or comparable law of any jurisdiction.

Loss: With respect to any person or entity, any and all costs, obligations, liabilities, losses, demands, claims, settlement payments, awards, judgments, fines, penalties, damages and reasonable out-of-pocket expenses, including court costs and reasonable attorney fees, whether or not arising out of a third party claim.

Material Adverse Condition: A condition which would adversely affect or impair in any material respect the right of Buyer to the ownership, use, control or operation of the Station; provided, however, that any condition which requires that the Station be operated in accordance with requirements similar to and not more adverse than those contained in the present FCC Licenses issued for operation of the Station, shall not be a Material Adverse Condition.

Material Adverse Effect: A material adverse effect on the assets, business, operations, financial condition or results of operations of the Station.

Permitted Lien: (i) Any statutory Lien which secures a payment not yet due that arises, and is customarily discharged, in the ordinary course of Seller's business; (ii) Liens arising in connection with equipment or maintenance financing or leasing under the terms of any Station Agreement; and (iii) any other Liens or imperfection in Seller's title to any Sale Asset that, individually and in the aggregate, are not significant in character or amount and would not reasonably be expected to significantly detract from the value or significantly interfere with the existing use of the Sale Assets.

Person: Any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, other form of business or legal entity or governmental authority.

Subsidiary: With respect to any Person, a corporation, partnership, limited liability company, or other entity of which shares of stock or other ownership interests having ordinary voting power to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

Taxes: All federal, state, local and foreign taxes including, without limitation, income, gains, transfer, unemployment, withholding, payroll, social security, real property, personal property, excise, sales, use and franchise taxes, levies, assessments, imposts, duties, licenses and registration fees and charges of any nature whatsoever, including interest, penalties and additions with respect thereto and any interest in respect of such additions or penalties.

Tax Return: Any return, filing, report, declaration, questionnaire or other document required to be filed for any period with any taxing authority (whether domestic or foreign) in connection with any Taxes (whether or not payment is required to be made with respect to such document).

Transfer Taxes: All sales, use, conveyance, recording and other similar transfer Taxes and fees applicable to, imposed upon or arising out of the sale by Seller and the purchase by Buyer of the Station whether now in effect or hereinafter adopted and regardless of which party such Transfer Tax is imposed upon. Transfer Taxes shall in no event include any net or gross income Taxes.

## **1.2 Additional Defined Terms.**

As used herein, the following terms shall have the meanings defined in the section indicated below:

Acquisition Proposal	Section 5.13
Act	Section 3.6(b)
Adjustment Amount	Section 2.7(a)
Agreement	Introduction

Appraisal Report	Section 2.6(a)
Arbitrating Firm	Section 2.7(e)
Assumed Obligations	Section 2.3(a)
Benefit Plans	Section 3.15(a)
Buyer	Recitals
Broker	Section 3.19
Buyer's Trade Credit	Section 2.7(b)
Carrying System	Section 3.21
CERCLA	Section 3.18(f)
Closing	Section 8.1
Closing Date	Section 8.1
Closing Date Accounts Receivable	Section 2.1(g)
Employees	Section 3.15(a)
ERISA	Section 3.15(a)
Excluded Assets	Section 2.2
FCC Licenses	Section 3.6(a)
Indemnified Party	Section 9.4(a)
Indemnifying Party	Section 9.4(a)
Intellectual Property	Section 2.1(e)
Interim Balance Sheet	Section 3.11(a)
Leased Real Property	Section 3.9(c)
Microwave Antenna and Equipment	Section 5.17
Mid-Range	Section 2.7(e)
Multiemployer Plan	Section 3.15(c)
Preliminary Adjustment Report	Section 2.7(b)
Provisional Closing Date	Section 8.1
Purchase Price	Section 2.5(a)
Real Property	Section 2.1(b)
Real Property Lease	Section 3.9(c)
Related Persons	Section 3.15(a)
Sale Assets	Section 2.1
Seller	Recitals
Seller's Enforcement Costs	Section 10.2(c)
Seller's Liquidated Damage Amount	Section 10.2(c)
Seller's Parent	Section 3.24
Seller's Trade Credit	Section 2.7(b)
Station	Recitals
Station Agreements	Section 2.1(d)
Station Broadcast Site	Section 5.17
Survival Period	Section 9.1
Tangible Personal Property	Section 2.1(a)
Trade Agreements	Section 3.7(a)
Transferred Employees	Section 12.1(a)

## ARTICLE II PURCHASE AND SALE

### 2.1 Sale Assets.

Upon and subject to the terms and conditions in this Agreement, on the Closing Date, Seller will sell, transfer, assign and convey to Buyer, and Buyer will purchase from Seller, all of Seller's right, title and interest in and to all tangible and intangible assets (except Excluded Assets) principally used or useful in the operation of the Station as now or previously operated (the "Sale Assets"), including the following:

(a) Tangible Personal Property. All transmitter, antenna and other broadcast equipment, studio equipment, furniture, parts, artwork, computers and office equipment, supplies, programming library and other tangible personal property owned or leased by Seller and principally used in the operation of the Station, including but not limited to (i) such items located at Seller's studio and office facility in Jackson, Mississippi that are exclusively used in the operation of the Station and (ii) the items listed on Schedule 3.8; together with such modifications, replacements, improvements and additional items, and subject to such deletions therefrom, made or acquired by Seller between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement (the "Tangible Personal Property").

(b) Real Property. All interests of Seller (including, but not limited to, leaseholds) in the real estate listed on Schedule 3.9 and all fixtures and improvements thereon, together with such additional improvements and interests in real estate made or acquired for use by the Station between the date hereof and the Closing Date (the "Real Property").

(c) Permits. The FCC Licenses and all other governmental permits, licenses and authorizations (and any renewals, extensions, amendments or modifications thereof) now held by Seller or hereafter obtained by Seller between the date hereof and the Closing Date, that are necessary for or used or useful in the operation of the Station.

(d) Station Agreements. All rights of Seller in, to and under all contracts, leases, agreements, commitments and other arrangements, and any amendments or modifications, principally used or useful in the operation of the Station as of the date hereof (including, but not limited to, those listed on Schedule 3.7(b)) or made or entered into by Seller between the date hereof and the Closing Date in compliance with this Agreement principally for use by the Station (the "Station Agreements").

(e) Intellectual Property. All trade names, trademarks, service marks, copyrights, patents, jingles, slogans, symbols, logos, the call letters WBPB, internet domain names, inventions, and any other proprietary material, process, trade secret or trade right principally used by Seller in the operation of the Station, and all registrations, applications and licenses for any of the foregoing, including, without limitation, those set forth on Schedule 3.10; any

additional such items acquired or used by Seller in connection with the operation of the Station between the date hereof and the Closing Date; and all goodwill associated with any of the foregoing (collectively, the "Intellectual Property"); provided, however, that the Intellectual Property shall not include, and Seller shall retain exclusive rights to, all right, title and interest whatsoever in or to the name "Pegasus" or any derivations thereof or any signs, symbols or logos bearing the name "Pegasus".

(f) Records. The originals or true and complete copies of all of the books, records, accounts, files, logs, ledgers and journals pertaining to or used in the operation of the Station, including, but not limited to, any of such items stored on computer disks or tapes.

(g) Closing Date Accounts Receivable. All rights to payment of cash consideration owed but unpaid prior to the Closing Date for goods sold or services rendered in the operation of the Station's business prior to the Closing Date (the "Closing Date Accounts Receivable").

(h) Miscellaneous Assets. Any other tangible or intangible assets, properties or rights of any kind or nature not otherwise described above in this Section 2.1 and now or before Closing owned or used by Seller principally in connection with the operation of the Station, including but not limited to (i) all goodwill of the Station, and (ii) all of Seller's rights under manufacturers' and vendors' warranties, and other similar rights against third parties, relating to items included in the Sale Assets.

## **2.2 Excluded Assets.**

Notwithstanding any provision of this Agreement to the contrary, the Sale Assets shall not include the following (the "Excluded Assets"):

(a) Any and all cash, bank deposits and other cash equivalents, certificates of deposit, marketable securities, cash deposits made by Seller to secure contract obligations (except to the extent Seller receives a credit therefor under Section 2.7);

(b) All rights and claims of Seller whether mature, contingent or otherwise, against third parties with respect to, or which are made under or pursuant to, other Excluded Assets;

(c) All prepaid expenses (and rights arising therefrom or related thereto) except to the extent taken into account in determining the Adjustment Amount under Section 2.7;

(d) All Benefit Plans, including but not limited to any "stay put" arrangements to provide incentive to any employees of the Station to continue their employment through the Closing Date;

(e) All claims of Seller with respect to any Tax refunds;

(f) All of Seller's rights under or pursuant to this Agreement or any other rights in favor of Seller pursuant to the other Documents;

(g) All loan agreements and other instruments evidencing indebtedness for borrowed money;

(h) All contracts of insurance, all coverages and proceeds thereunder and all rights in connection therewith, including, without limitation, rights arising from any refunds due with respect to insurance premium payments to the extent they relate to such insurance policies;

(i) All tangible personal property disposed of or consumed between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement;

(j) Seller's minute books, ownership transfer records and other entity records, and any records relating to Excluded Assets and to liabilities and obligations other than the Assumed Obligations;

(k) The contracts, agreements and other assets listed on Schedule 2.2(k);

(l) Each contract or agreement which is required to be listed, but is not listed, on the Schedules to this Agreement or which is entered into by Seller on or after the date of this Agreement in violation of the terms and provisions of this Agreement, including but not limited to the covenants set forth in Section 5.1; provided, however, that (A) Buyer may specify and require by written notice to Seller that any such contract or agreement be included as a Sale Asset, and (B) Seller may specify and require by written notice to Buyer that one or more of such contracts or agreements not approved by Buyer be included as Sale Assets, subject to the limitation that the aggregate value of the consideration required to be paid or provided by Buyer on or after the Closing Date under all such contracts and agreements specified by Seller may not exceed \$10,000; and

(m) All assets of Seller located at Seller's studio and office facility in Jackson, Mississippi that are not exclusively used in the operation of the Station and all assets of Seller which are not principally used or useful in the operation or business of the Station, it being understood that Seller engages in other business and activities, including other broadcasting business.

### **2.3 Assumed Obligations.**

(a) Buyer shall at Closing assume and agree to pay, satisfy, discharge and perform the following liabilities and obligations of Seller and the Station (collectively, the "Assumed Obligations"):

(i) All liabilities and obligations arising under all Station Agreements and the FCC Licenses assigned and transferred to Buyer in accordance with this Agreement to the extent arising during and relating to any period on or after the Closing Date (excluding, however, any liability or obligation arising from either (A) the breach of any Station Agreement by reason of its assignment to Buyer without a required consent or (B)

any other breach or default by Seller upon or prior to Closing under any Station Agreement).

(ii) Provided that Seller pays Buyer the amount, if any, owed by Seller after Closing under Section 2.7, the Assumed Obligations shall also include such other liability of Seller and the Station to the extent, and only to the extent, the amount thereof is included as a credit to Buyer in calculating the Adjustment Amount as ultimately determined pursuant to Section 2.7.

(b) Except for the Assumed Obligations, Buyer shall not assume or in any manner be liable for any liabilities or obligations of Seller of any kind or nature, whether direct or indirect, accrued or unaccrued, absolute or contingent, or liquidated or unliquidated, all of which Seller shall pay, discharge and perform when due.

#### **2.4 Earnest Money.**

(a) Concurrently with the execution of this Agreement, Buyer has deposited with the Escrow Agent in immediately available funds the sum of Five Hundred Thousand Dollars (\$500,000).

(b) The Escrow Agent shall hold the Earnest Money under the terms of the Escrow Agreement in trust for the benefit of Seller and Buyer.

(c) If Closing does not occur, the Earnest Money shall be delivered to Seller or returned to Buyer in accordance with Section 10.2, and if Closing does occur, the Earnest Money shall be applied at Closing as provided in Section 2.5.

#### **2.5 Purchase Price.**

(a) The purchase price for the Sale Assets ("Purchase Price") shall be Eleven Million Five-Hundred Thousand Dollars (\$11,500,000), subject to adjustment as provided in Section 2.7 and payable on the Closing Date as follows:

(i) An amount equal to the Earnest Money shall be paid on the Closing Date by the Escrow Agent's disbursement of the Earnest Money to Seller by wire transfer of immediately available funds pursuant to joint written instructions from Seller and Buyer.

(ii) The difference of (A) the Purchase Price minus (B) the Earnest Money shall be paid by Buyer to Seller on the Closing Date by wire transfer of immediately available funds pursuant to written instructions from Seller to Buyer.

(b) Seller shall furnish Buyer wire instructions at least two (2) business days prior to the Closing Date.

## **2.6 Allocation of the Purchase Price.**

(a) Seller and Buyer agree to retain the Appraisal Firm promptly after Closing to appraise the classes of Sale Assets. The Appraisal Firm shall be instructed to perform an appraisal of the classes of Sale Assets and to deliver a report to Seller and Buyer as soon as reasonably practicable. Seller and Buyer shall each pay one-half (1/2) of the fees, costs and expenses of the Appraisal Firm.

(b) Buyer and Seller agree to report the allocation determined in accordance with Section 2.6(a) to the Internal Revenue Service on IRS Form 8594 as required by Treasury Regulations Section 1.1060-IT and to use such allocation for all other reporting purposes after Closing in connection with federal, state and local income and, to the extent permitted under applicable law, franchise Taxes. Prior to filing its IRS Form 8594, each party shall furnish its form to the other party for its approval which shall not be unreasonably withheld, conditioned or delayed.

## **2.7 Adjustment of Purchase Price.**

(a) The Closing Date Accounts Receivable are being purchased by Buyer as part of the Sale Assets, and a portion of the Purchase Price is being paid for the Closing Date Accounts Receivable. Accordingly, Sellers shall not receive any credit or other adjustment in the Purchase Price under this Section or otherwise in respect of the Closing Date Accounts Receivable. Except for the Closing Date Accounts Receivable, all operating income and operating expenses of the Station shall be adjusted and allocated between Seller and Buyer, and an adjustment in the Purchase Price shall be made as provided in this Section, to the extent necessary to reflect the principle that all such income and expenses attributable to the operation of the Station on or before the date preceding the Closing Date shall be for the account of Seller, and all such income and expenses attributable to the operation of the Station on and after the Closing Date shall be for the account of Buyer. The net amount by which the Purchase Price is to be increased or decreased in accordance with this Section is herein referred to as the "Adjustment Amount".

(b) Without limiting the generality of the foregoing:

(i) The FCC annual regulatory fee for the Station for the regulatory fiscal year (i.e., October 1 through September 30) in which Closing occurs shall be prorated between Seller and Buyer based upon their respective periods of ownership during such year.

(ii) Seller shall receive a credit for the unapplied portion, as of Closing, of the security deposits made by Seller under those Station Agreements assumed by Buyer at Closing in accordance with Section 2.3.

(iii) Buyer shall be given a credit ("Buyer's Trade Credit") in the amount equal to the financial value (determined in accordance with generally accepting accounting principles) of all time required to be broadcast on the Station on or after the Closing Date

under the Trade Agreements, and Seller shall be given a credit (“Seller’s Trade Credit”) for the financial value (determined in accordance with generally accepted accounting principles) of the goods and services to be received on or after the Closing Date under the Trade Agreements, provided that Seller’s Trade Credit shall in no event exceed Buyer’s Trade Credit.

(iv) Buyer shall be given a credit equal to the amount or value of both cash and noncash consideration that Seller has not paid or provided prior to the Closing Date for programming run by the Station prior to the Closing Date.

(v) The credit given Seller for each prepaid expense shall not exceed an amount commensurate with the benefit therefrom to be received by Buyer after Closing.

(c) To the extent not inconsistent with the express provisions of this Agreement, the allocations made pursuant to this Section shall be made in accordance with generally accepted accounting principles.

(d) No later than three (3) business days prior to the Closing Date, Seller shall provide Buyer with a statement setting forth a detailed computation of Seller’s reasonable and good faith estimate of the Adjustment Amount as of the Closing Date (the “Preliminary Adjustment Report”), which will include a preliminary proration of the FCC annual regulatory fee based upon the amount of such fee for the regulatory fiscal year most recently ended prior to Closing. If the Adjustment Amount reflected on the Preliminary Adjustment Report is a credit to Buyer, the Purchase Price payable on the Closing Date shall be reduced by the amount of the preliminary Adjustment Amount, and if the Adjustment Amount reflected on the Preliminary Adjustment Report is a charge to Buyer, the Purchase Price payable on the Closing Date shall be increased by the amount of such preliminary Adjustment Amount. Thereafter, Seller and its auditors and Buyer and its auditors shall have ninety (90) days after the Closing Date to review the Preliminary Adjustment Report and the related books and records of Seller, and Buyer and Seller will in good faith seek to reach agreement on the final Adjustment Amount as of the Closing Date. If agreement is reached within ninety (90) days after the Closing Date, then upon reaching such agreement, Seller shall pay to Buyer or Buyer shall pay to Seller, as the case may be, an amount equal to the difference between (i) the agreed Adjustment Amount and (ii) the preliminary Adjustment Amount indicated in the Preliminary Adjustment Report. Any such payment shall be made as provided in Section 2.7(i). If agreement is not reached within such 90-day period, then the dispute resolutions of Section 2.7(e) shall apply.

(e) If Seller and its auditors and Buyer and its auditors do not, within the 90-day period specified in Section 2.7(d), reach an agreement on the Adjustment Amount as of the Closing Date, then an independent accounting firm of recognized national standing (the “Arbitrating Firm”) selected by Seller and Buyer shall resolve the disputed items. If Seller and Buyer do not agree on the Arbitrating Firm within five (5) days, the Arbitrating Firm shall be a nationally recognized independent accounting firm selected by lot (after excluding one firm designated by Seller and one firm designated by Buyer). Buyer and Seller shall each inform the Arbitrating Firm in writing as to their respective positions concerning the Adjustment Amount as

of the Closing Date, and each shall make readily available to the Arbitrating Firm any books and records and work papers relevant to the preparation of the Arbitrating Firm's computation of the Adjustment Amount. The Arbitrating Firm shall be instructed to complete its analysis within thirty (30) days from the date of its engagement and upon completion to inform the parties in writing of its own determination of the Adjustment Amount, the basis for its determination, whether Buyer's or Seller's written position as to the Adjustment Amount is closer to its own determination, and whether its own determination of the Adjustment Amount is within a range that (i) equals twenty percent (20%) of the absolute difference between the written positions of Buyer and Seller as to the Adjustment Amount and (ii) has a midpoint equal to the mean of such written positions of Buyer and Seller (the "Mid-Range"). Any determination by the Arbitrating Firm in accordance with this Section shall be final and binding on the parties for purposes of this Section. Within five (5) days after the Arbitrating Firm delivers to the parties its written determination of the Adjustment Amount, Seller shall pay to Buyer, or Buyer shall pay to Seller, as the case may be, an amount equal to the difference between (i) the Adjustment Amount as determined by the Arbitrating Firm and (ii) the preliminary Adjustment Amount indicated in the Preliminary Adjustment Report. Any such payment shall be made as provided in Section 2.7(i).

(f) If the Arbitrating Firm determines that the written position of Buyer concerning the Adjustment Amount is closer to its own determination, Seller shall pay the fees and disbursements of the Arbitrating Firm in connection with its analysis. If the Arbitrating Firm determines that the written position of Seller concerning the Adjustment Amount is closer to its own determination, Buyer shall pay the fees and disbursements of the Arbitrating Firm in connection with its analysis. However, if the Arbitrating Firm's determination of the Adjustment Amount is within the Mid-Range, Seller and Buyer shall each pay one-half of the fees and disbursements of the Arbitrating Firm in connection with its analysis.

(g) Concurrently with the payment of any amount required to be paid under Section 2.7(d) or (e), the payor shall pay the payee interest on such amount for the period from the Closing Date until the date paid at a rate equal to seven percent (7%) per annum.

(h) Notwithstanding an otherwise final determination of the Adjustment Amount pursuant to Section 2.7(d) or (e), if the actual amount of the FCC annual regulatory fee for the Station for the regulatory fiscal year in which Closing occurs differs from the amount used for such fee in determining the Adjustment Amount, Buyer will, after receipt of the FCC notice specifying the actual amount of such fee, provide Seller a copy of the such notice. Within ten (10) days after Seller's receipt of such notice, the appropriate amount shall be paid by Seller or Buyer to the other as a further and final proration and adjustment in respect of such fee.

(i) Any payments required under Section 2.7(d), (e), (g) or (h) shall be paid by wire transfer in immediately available funds to the account of the payee at a financial institution in the United States and shall for all purposes constitute an adjustment to the Purchase Price.

## **2.8 Closing Date Accounts Receivable.**

Seller shall promptly remit to Buyer any amounts received by Seller on or after the Closing Date in payment of any Closing Date Accounts Receivable.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer as follows;

#### **3.1 Organization, Good Standing and Requisite Power.**

Pegasus is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and has all requisite power to own, operate and lease those Sale Assets which it owns or leases and to carry on its business. Pegasus is duly licensed, qualified to do business and in good standing as a foreign corporation under the laws of the States of Mississippi, Alabama and Florida. WBPG License is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power to own and operate those Sale Assets which it owns and to carry on its business.

#### **3.2 Authorization and Binding Effect of Documents.**

Seller has all requisite power and authority to enter into this Agreement and the other Documents and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and each of the other Documents by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary action (including all necessary shareholder approvals, if any) on the part of Seller. This Agreement has been, and each of the other Documents at or prior to Closing will be, duly executed and delivered by Seller. This Agreement constitutes (and each of the other Documents, when executed and delivered, will constitute) the valid and binding obligation of Seller enforceable against Seller in accordance with its terms.

#### **3.3 Absence of Conflicts.**

Except as set forth on Schedule 3.3, and except for necessary approval under the Act, the execution, delivery and performance by Seller of this Agreement and the other Documents, and consummation by Seller of the transactions contemplated hereby and thereby, do not and will not (i) conflict with, (ii) constitute a breach or default under, (iii) result in a violation of, (iv) give any third party the right to modify, terminate or accelerate any obligation under, or (v) result in the creation of any Lien upon the Sale Assets under, the organizational documents of Seller, any material indenture, mortgage, lease, loan agreement or other material agreement or instrument to which Seller is bound or affected, or any material law, statute, rule, judgment, order or decree to which Seller is subject.

### **3.4 Consents.**

Except as set forth on Schedule 3.4 and except for necessary approval under the Act, the execution, delivery and performance by Seller of this Agreement and the other Documents, and consummation by Seller of the transactions contemplated hereby and thereby, do not and will not require the authorization, consent, approval, exemption, clearance or other action by or notice or declaration to, or filing with, any court, any administrative or other governmental body, or any other third party.

### **3.5 Sale Assets; Title.**

(a) The Sale Assets constitute all of the assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, that are currently used in or required for the operation of the Station as now operated, with the exception of the Excluded Assets.

(b) Seller has good and marketable title to, or holds (pursuant to one or more Station Agreements listed on Schedule 3.7(b)), a valid lessee's or licensee's interest in, all of the Sale Assets free and clear of all Liens except (i) Liens described on Schedule 3.5(b) which Seller shall cause to be released prior to Closing and (ii) Permitted Liens.

### **3.6 FCC Licenses.**

Except as set forth on Schedule 3.6:

(a) WBPB License is the valid and legal holder of each of the licenses, permits and authorizations of the FCC listed on Schedule 3.6 (the "FCC Licenses"), and any action of the FCC with respect to each FCC License is a Final Action with the exception of the FCC Order. The expiration date of the term of each FCC License is shown on Schedule 3.6.

(b) The FCC Licenses (i) are valid and in full force and effect, and constitute all of the licenses, permits and authorizations used in or required for the current operation of the Station under the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC thereunder (collectively, the "Act"), and (ii) constitute all the licenses and authorizations, including amendments and modifications, issued by the FCC to Seller for the operation of the Station.

(c) Other than as set forth in the FCC Licenses, none of the FCC Licenses is subject to any restriction or condition which limits in any material respect the full operation of the Station as now conducted, and as of the Closing Date, none of the FCC Licenses shall be subject to any restriction or condition which would limit in any material respect the full operation of the Station as currently operated.

(d) The Station is being operated with visual transmitter output power, calculated in accordance with applicable FCC regulations, that is not less than 95% of the power specified in

the FCC Licenses (subject to intermittent and short-lived fluctuations of up to 5%) and otherwise in all material respects in accordance with the terms and conditions of the FCC Licenses and the Act, including but not limited to those pertaining to RF emissions.

(e) No applications, complaints or proceedings are pending or, to the knowledge of Seller, are threatened which may result in the revocation, modification, non-renewal or suspension of any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC, in each case, with respect to the Station or its operation, other than actions or proceedings affecting the television broadcasting industry in general.

(f) Seller has, with respect to the Station, complied in all material respects with all requirements to file registrations, reports, applications and other documents with the FCC and all such registrations, reports, applications and documents are true, correct and complete in all material respects.

(g) Other than actions or proceedings affecting the television broadcasting industry in general, Seller has no knowledge of matters (i) which with respect to the Station might reasonably be expected to result in the adverse modification, suspension or revocation of or the refusal to renew any of the FCC Licenses or the imposition of any fines or forfeitures by the FCC against Seller, or (ii) which might reasonably be expected to result in the FCC's denial or delay of approval of the assignment to Buyer of any FCC License or the imposition of any Material Adverse Condition in connection with approval of the transfer to Buyer of any FCC License.

(h) There are no unsatisfied or otherwise outstanding citations issued by the FCC with respect to the Station or its operation.

(i) True, complete and accurate copies of all FCC Licenses have been delivered by Seller to Buyer.

(j) Except for the FCC Licenses, there are no material licenses, permits or authorizations from governmental or regulatory authorities required for the lawful operation and conduct of the Station as previously and currently operated by Seller.

### **3.7 Station Agreements.**

(a) Schedule 3.7(a) lists, as of the date indicated on such Schedule, all agreements, contracts, understandings and commitments (excluding, however, programming agreements) for the sale of time on the Station for other than monetary consideration ("Trade Agreements"), and sets forth for each Trade Agreement the parties, the financial value of the time required to be provided from and after the date of such Schedule and the estimated financial value of the goods or services to be received by Seller from and after the date of such Schedule. True and complete copies of all written Trade Agreements in effect as of such date, including all amendments, modifications and supplements, have been delivered to Buyer, and summaries of those that are oral are set forth on Schedule 3.7(a). A copy of each written Trade Agreement, and a summary

of each oral Trade Agreement, entered into by Seller between the date of this Agreement and Closing shall be promptly delivered to Buyer.

(b) Schedule 3.7(b) lists all agreements (other than Trade Agreements) used in or relating to the operation of the Station, including but not limited to:

- (i) Agreements for sale of broadcast time on the Station;
- (ii) All network affiliation agreements;
- (iii) All sales agency or advertising representation contracts;
- (iv) Each lease of any Sale Asset (including a description of the leased property);
- (v) All collective bargaining agreements, employment agreements and agreements with independent contractors;
- (vi) All programming agreements; and
- (vii) All agreements requiring the Station to acquire goods or services exclusively from a single supplier or provider, or prohibiting the Station from providing certain goods or services to any Person other than a specified Person.

True and complete copies of all the Station Agreements that are in writing, and true and accurate summaries of all the Station Agreements that are oral, including all amendments, modifications and supplements, have been delivered to Buyer.

(c) Schedule 3.7(c) lists all of the contracts and agreements used in or relating to the operation of the Station to which an Affiliate of Seller is a party. True and complete copies of those in writing have been delivered to Buyer, and summaries of those that are oral are set forth on Schedule 3.7(c).

(d) Except as set forth in the Schedules, (i) each programming agreement relating to the Station is valid, binding, in full force and effect, and enforceable in accordance with its terms; (ii) neither Seller nor, to the knowledge of Seller, any other party is in material default under, and no event has occurred which (after the giving of notice or the lapse of time or both) would constitute a material default by Seller or, to Seller's knowledge, any other party under, any such programming agreement; (iii) neither Seller nor any Affiliate of Seller has granted or been granted any material waiver or forbearance with respect to any such programming agreement; (iv) Seller holds the right to enforce and receive the benefits under each such programming agreement, free and clear of Liens (other than Permitted Liens and Liens described on Schedule 3.5(b) which Seller shall cause to be released prior to Closing) but subject to the terms and provisions of each such agreement; (v) none of the rights of Seller or any Affiliate of Seller under any such programming agreement is subject to termination or modification as a

result of the consummation of the transactions contemplated by this Agreement; and (vi) no consent or approval by each party to any such programming agreement is required thereunder for the consummation of the transactions contemplated hereby.

(e) With respect to the Station Agreements (other than programming agreements) which are, individually or in the aggregate, material to the assets, business, operations, financial condition or results of operations of the Station, except as set forth in the Schedules, (i) such Station Agreements are valid, binding, in full force and effect, and enforceable in accordance with their respective terms; (ii) neither Seller nor, to the knowledge of Seller, any other party is in material default under, and no event has occurred which (after the giving of notice or the lapse of time or both) would constitute a material default by Seller or, to Seller's knowledge, any other party under, any such Station Agreements; (iii) neither Seller nor any Affiliate of Seller has granted or been granted any material waiver or forbearance with respect to any such Station Agreements; (iv) Seller holds the right to enforce and receive the benefits under all such Station Agreements, free and clear of Liens (other than Permitted Liens and Liens described on Schedule 3.5(b) which Seller shall cause to be released prior to Closing) but subject to the terms and provisions of each such agreement; (v) none of the rights of Seller or any Affiliate of Seller under any such Station Agreements is subject to termination or modification as a result of the consummation of the transactions contemplated by this Agreement; and (vi) no consent or approval by each party to any such Station Agreements is required thereunder for the consummation of the transactions contemplated hereby.

### **3.8 Tangible Personal Property.**

(a) Schedule 3.8 lists, as of the date of this Agreement, all Tangible Personal Property (other than Excluded Assets, office supplies and other incidental items) material to the conduct of the business and operations of the Station as now operated.

(b) Except as specified on Schedule 3.8, the equipment constituting a part of the Tangible Personal Property used in or necessary for the operation of the Station as now operated by Seller has been properly maintained in all material respects in accordance with the manufacturers' recommendations and industry practices, is in a good state of repair and operating condition (subject to ordinary wear and tear), and complies in all material respects with the Act and other applicable laws, rules, regulations and ordinances.

### **3.9 Real Property.**

(a) The list of Real Property set forth on Schedule 3.9 is a correct and complete list of all of the interests in real estate which Seller holds or which are used to any material extent in the operation of the Station.

(b) Seller does not own any of the Real Property.

(c) A listing of each lease (including all amendments, modifications and supplements) under which Seller leases an interest in any of the Real Property (each, a "Real

Property Lease”) and a brief description of the leased Real Property, including but not limited to studio and office space and each transmitter or antenna site (the “Leased Real Property”), are set forth on Schedule 3.7(b). Except as set forth on such Schedule, Seller holds good and marketable title to the lessee’s interest under each Real Property Lease free and clear of all Liens except Permitted Liens and Liens described on Schedule 3.5(b) which Seller shall cause to be released prior to Closing. True and complete copies of all Real Property Leases, including all amendments, modifications and supplements, have been delivered to Buyer.

(d) Except as set forth on the Schedules hereto, (i) each Real Property Lease is legal, valid, binding and enforceable in accordance with its terms; (ii) neither Seller nor, to the knowledge of Seller, any other party, is in material default under any Real Property Lease; (iii) to the knowledge of Seller, there has not occurred any event which, after the giving of notice or the lapse of time or both, would constitute a material default by Seller or, to Seller’s knowledge, any other party under, or result in the material breach of, any Real Property Lease, nor has Seller received written notice alleging any such event has occurred; (iv) none of the rights of Seller under any Real Property Lease is subject to termination or modification as a result of the consummation of the transactions contemplated by this Agreement; (v) no consent or approval by any party to any Real Property Lease is required for the consummation of the transactions contemplated hereby; and (vi) Seller has not granted or been granted any material waiver or forbearance with respect to any Real Property Lease.

(e) All improvements on the Real Property are in compliance in all material respects with all applicable federal, state and local laws, building codes, ordinances and regulations, including but not limited to zoning and land use laws, ordinances and regulations. Seller’s improvements on the Real Property are in good working condition and repair, subject to ordinary wear and tear. Seller, as the lessee under the Real Property Lease for the Station Broadcast Site, has adequate rights of ingress and egress to and from such site.

### **3.10 Intellectual Property.**

Schedule 3.10 lists all trade names, trademarks, service marks, copyrights and patents constituting the Intellectual Property, including all registrations, applications and licenses for any of the Intellectual Property. Except as disclosed on Schedule 3.10:

(a) Seller owns, free and clear of Liens, all right and interest in, and right and authority to use in connection with the conduct of the business of the Station as presently conducted, all of the Intellectual Property listed on Schedule 3.10, and all of the rights and properties constituting the Intellectual Property are in full force and effect.

(b) There are no outstanding or, to the knowledge of Seller, threatened judicial or adversary proceedings with respect to any of the Intellectual Property.

(c) Seller has not granted to any other person or entity any license or other right or interest in or to any of the Intellectual Property or to the use thereof.

(d) Seller has no knowledge of any infringement or unlawful use of any of the Intellectual Property.

(e) Seller has not violated any provisions of the Copyright Act of 1976, 17 U.S.C. §101, et seq., in any material respect. Seller has filed all notices and statements of account and has made all payments that are required in connection with the transmission by Seller of any television or other signals.

(f) Seller has delivered to Buyer copies of all state and federal registrations and other material documents, if any, establishing any of the rights and properties constituting a part of the Intellectual Property.

### **3.11 Financial Statements.**

(a) Attached as Schedule 3.11 are:

(i) The unaudited balance sheet of the Station as of December 31, 2001;

(ii) The unaudited income statement of the Station for the year ended December 31, 2001;

(iii) The unaudited balance sheet of the Station as of September 30, 2002 (the "Interim Balance Sheet") and

(iv) The unaudited income statement of the Station for the interim period ended September 30, 2002.

All such statements (i) are in accordance in all material respects with the books and records of the Station and (ii) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present in all material respects the assets and liabilities of the Station as of the dates stated and accurately reflect the results of operations of the Station for the periods covered by the statements, with the exceptions that (A) statements of cash flows are not included with the unaudited statements of operations, (B) federal income tax, expense or benefit are not shown, (C) the unaudited statements do not contain the disclosures required by generally accepted accounting principles in notes accompanying financial statements, and (D) the interim statements are subject to normal year-end adjustments.

(b) The Station has no debt, liability or obligation, secured or unsecured (whether absolute, accrued, contingent or otherwise, and whether due or to become due), of a nature required by generally accepted accounting principles to be reflected in a balance sheet or disclosed in the notes thereto, except such debts, liabilities and obligations which (i) are fully accrued or fully reserved against in the Interim Balance Sheet or (ii) are incurred after the date of the Interim Balance Sheet in the ordinary course of business consistent with past practice or (iii) are obligations of Seller under guaranties in favor of the banks and other financial institutions

that provide the credit facility for Pegasus Media & Communications, Inc., and guaranties of the 12 1/2% Senior Subordinated Notes Due 2005 issued by Pegasus Media & Communications, Inc.

(c) (i) Seller is not, and after giving effect to the transactions contemplated by this Agreement, Seller will not be, insolvent as such term is defined in the federal Bankruptcy Code; (ii) after giving effect to the transactions contemplated by this Agreement, the property remaining with Seller will not constitute an unreasonably small capital to conduct its business as proposed to be conducted after consummation of the transactions contemplated by this Agreement; and (iii) Seller does not intend to incur, or believe that Seller will incur, concurrently with or after consummation of the transactions contemplated by this Agreement, debts beyond its ability to pay as such debts mature.

### **3.12 Absence of Certain Changes or Events.**

Since the date of the Interim Balance Sheet, other than as described on Schedule 3.12:

(a) There has not been any damage, destruction or other casualty loss with respect to the Sale Assets (whether or not covered by insurance) which, individually or in the aggregate has had or is reasonably likely to have a Material Adverse Effect.

(b) Neither Seller nor the Station has suffered any adverse change or development which, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect, except for changes or developments (i) generally affecting the television broadcast industry or (ii) due to general economic conditions.

(c) Seller has not:

(i) amended or terminated any Station Agreement except in the ordinary course of business consistent with Seller's past practices in the operation of its other broadcast television stations, or any Real Property Lease;

(ii) mortgaged, pledged or subjected to any Lien, any of the Sale Assets, except for Permitted Liens and Liens described on Schedule 3.5(b) which Seller shall cause to be released prior to Closing;

(iii) acquired or disposed of any Sale Assets or entered into any agreement or other arrangement for such acquisition or disposition, except in the ordinary course of business consistent with Seller's past practices in the operation of its other broadcast television stations;

(iv) entered into any agreement, commitment or other transaction relating to the Station other than in the ordinary course of business consistent with Seller's past practices in the operation of its other broadcast television stations;

(v) paid any bonus to any officer, director or employee of the Station or granted to any such officer, director or employee any other increase in compensation in any form, except in the ordinary course of business consistent with past practices and except in connection with any “stay put” arrangement to provide incentive to any such officer, director or employee to continue his or her employment through the Closing Date;

(vi) adopted or amended any collective bargaining, bonus, profit-sharing, compensation, stock option, pension, retirement, deferred compensation, severance or other plan, agreement, trust, fund or arrangement for the benefit of any Station employees (whether or not legally binding) or made any material changes in its policies of employment at the Station, except those that apply generally to substantially all employees of Seller;

(vii) entered into any agreement (other than agreements that will be terminated at or prior to Closing) with any Affiliate of Seller relating to the Station; or

(viii) operated the Station's business other than in the ordinary course consistent with past practices.

### **3.13 Litigation.**

Except as described in Schedule 3.13, (i) there are no actions, suits, claims, investigations or administrative, arbitration or, to the knowledge of Seller, other proceedings pending or threatened against Seller before or by any court, arbitration tribunal or governmental department or agency, domestic or foreign, that relates to the Station or the Sale Assets; (ii) neither Seller nor, to the knowledge of Seller, any of the officers or employees of Seller, has been charged with, or to the knowledge of Seller is under investigation with respect to, any violation of any provision of any federal, state, foreign or other applicable law or administrative regulation in respect of such officer's or employee's employment at the Station; and (iii) neither Seller, any Sale Assets nor, to the knowledge of Seller, any officer or employee of Seller is a party to or bound by any order, arbitration award, judgment or decree of any court, arbitration tribunal or governmental department or agency, domestic or foreign, in respect of any business practices, the acquisition of any property, or the conduct of any business of Seller which, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect or materially impair the ability of Seller to perform its obligations hereunder and consummate the transactions contemplated hereby.

### **3.14 Labor Matters.**

(a) Except as listed on Schedule 3.14(a):

(i) To Seller's knowledge, no present or former employee or independent contractor of the Station has a pending claim or charge which has been asserted or threatened against Seller for (A) overtime pay; (B) wages, salaries or profit sharing; (C)

vacations, time off or pay in lieu of vacation or time off; (D) any violation of any statute, ordinance, contract or regulation relating to minimum wages, maximum hours of work or the terms or conditions of employment; (E) discrimination against employees on any basis; (F) unlawful or wrongful employment or termination practices; (G) unlawful retirement, termination or labor relations practices or breach of contract; or (H) any violation of occupational safety or health standards.

(ii) There is not pending or, to the knowledge of Seller, threatened against Seller any labor dispute, strike or work stoppage that affects or interferes with the operation of the Station, and Seller has no knowledge of any organizational effort currently being made or threatened by or on behalf of any labor union with respect to employees of the Station. There are no material unresolved unfair labor charges against Seller, and Seller has not experienced any strike, work stoppage or other similar significant labor difficulties within the preceding twelve (12) months.

(b) Except as set forth on Schedule 3.7(b), (i) Seller is not a signatory or a party to, or otherwise bound by, a collective bargaining agreement which covers employees or former employees of the Station, (ii) Seller has not agreed to recognize any union or other collective bargaining unit with respect to any employees of the Station, and (iii) no union or other collective bargaining unit has been certified as representing any employees of the Station.

(c) Schedule 3.14(c) sets forth a true and complete list, as of the date set forth on such list, of all persons employed by Seller principally in connection with the operation of the Station, and states the current level of compensation payable to each employee, any bonus plan or arrangement applicable to each employee, the termination pay or other severance benefits, if any, that may be payable to each employee upon termination of employment, and whether the employee is employed under a written contract. A true and complete copy of any handbook, policy manual or similar written guidelines furnished to employees of the Station has been delivered to Buyer.

### **3.15 Employee Benefit Plans.**

(a) All compensation and benefit plans, policies, practices, arrangements and agreements covering any employee or former employee of the Station or the beneficiaries or dependents of such employee or former employee (such employees, former employees, beneficiaries and dependents herein referred to collectively as the "Employees") which are or have been established or maintained and are currently in effect, or to which contributions are being made by Seller or by any other trade or business, whether or not incorporated, which is or has been treated as a single employer together with Seller under Section 414 of the Code (such other trades and businesses referred to collectively as the "Related Persons") or to which Seller or any Related Person is obligated to contribute, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), employment, retention, change of control, severance, stock option or other equity based, bonus, incentive compensation, deferred compensation, retirement, fringe benefit and welfare plans, policies, practices, arrangements and agreements (collectively, the

“Benefit Plans”), are disclosed in Schedule 3.15. Except pursuant to a Benefit Plan disclosed in Schedule 3.15 or any agreements disclosed in Schedule 3.7(b), Seller has no fixed or contingent liability or obligation to any of the Employees or to any person whose services are or were provided principally for the Station as an independent contractor to Seller or the Station.

(b) All Benefit Plans have been administered and are in compliance in all material respects with applicable provisions, if any, of ERISA and the Code and all other applicable law. Neither Seller nor any Related Person has engaged in a transaction with respect to any Benefit Plan that could result in a material Tax, penalty or other liability under the Code or ERISA being imposed against Buyer, the Station or the Sale Assets.

(c) No Benefit Plan is a multiemployer plan within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA (a “Multiemployer Plan”).

(d) Neither Seller nor any Related Person has, to Seller’s knowledge, incurred or expects to incur, with respect to any Multiemployer Plan covering any past or present Station employee, any material withdrawal liability under Subtitle E of Title IV of ERISA regardless of whether based on contributions by any entity which is considered a predecessor of Seller or one employer with Seller under Section 4001 of ERISA.

(e) All contributions required to have been made by Seller under the terms of any Benefit Plan or applicable law have been timely made or have been duly provided for on Seller’s books and records.

(f) Seller has no unfunded obligations (including projected obligations) for retiree health and life benefits under any Benefit Plan covering any of the Employees other than continuation coverage required by law.

(g) Neither Seller nor any Related Person, to Seller’s knowledge, has incurred any material liability under or pursuant to Part 4 of Title I or Title IV of ERISA or the penalty, excise tax or joint and several liability provisions of the Code relating to any Benefit Plans and, to Seller’s knowledge, no event or condition has occurred or exists which would reasonably be expected to have a Material Adverse Effect.

### **3.16 Compliance with Law.**

Seller has operated and is operating the Station in all material respects in compliance with the Act and all other federal, state and local laws, statutes, ordinances, regulations, licenses, permits or exemptions therefrom and all applicable orders, writs, injunctions and decrees of any court, commission, board, agency or other instrumentality, and except as specified on Schedule 3.16, Seller has not received any written notice of noncompliance pertaining to Seller’s operation of the Station that has not been cured.

### **3.17 Tax Returns and Payments.**

(a) Except as set forth in Schedule 3.17, Seller has accurately prepared in all material respects and is not delinquent in the filing of any Tax Returns required to be filed by Seller with respect to the Station, including filings regarding employees, sales, operations or assets. All Taxes due and payable pursuant thereto and all other Taxes or assessments due and payable by Seller or chargeable as a Lien upon its assets with respect to the Station have been paid, except for any such Taxes that are being contested in good faith for which adequate reserves have been made on Seller's financial statements.

(b) Except as set forth in Schedule 3.17, (i) no outstanding unsatisfied deficiency, delinquency or default for any Tax has been claimed or assessed against Seller with respect to the Station, (ii) Seller has not received notice of any such deficiency, delinquency or default, and (iii) to Seller's knowledge, no taxing authority is now threatening to assert any such deficiency, delinquency or default.

(c) No Tax is required to be withheld by Buyer pursuant to Section 1445 of the Code as a result of the transactions contemplated by this Agreement.

### **3.18 Environmental Matters.**

(a) Except as set forth on Schedule 3.18, Seller has obtained all environmental, health and safety permits necessary for the operation of the Station, all such permits are valid and in full force and effect, and Seller is in compliance in all material respects with all terms and conditions of such permits.

(b) Except as set forth on Schedule 3.18, there is no proceeding pending or, to Seller's knowledge, threatened which may result in the reversal, rescission, termination, modification or suspension of any environmental or health or safety permits necessary for the operation of the Station, and to Seller's knowledge, there is no basis for any such proceeding.

(c) Except as set forth on Schedule 3.18, Seller has operated and is operating the Station in all material respects in compliance with all federal, state, local and other laws, statutes, ordinances and regulations, and licenses, permits, exemptions, orders, writs, injunctions and decrees of any court, commission, board, agency or other governmental instrumentality, applicable to Seller relating to environmental matters.

(d) Except as set forth on Schedule 3.18, there are no conditions or circumstances associated with the Sale Assets or the operation of the Station which may reasonably be expected to give rise to any material liability or material cost under applicable environmental law. Except as listed on Schedule 3.18, Seller does not own or use any electrical or other equipment containing polychlorinated biphenyls.

(e) For the purposes of this Section 3.18, (i) "hazardous materials" shall mean any waste, substance, materials, smoke, gas, emissions or particulate matter designated as hazardous

or toxic under any applicable environmental law, and (ii) “environmental law” shall mean any federal, state, local or other laws, statutes, ordinances, regulations, licenses, permits or any order, writ, injunction or decree of any court, commission, board, agency or other instrumentality relating to the regulation of hazardous materials.

(f) Except as set forth on Schedule 3.18, with respect to the operation of the Station, Seller has not filed or been required to file any notice under any applicable law, rule, regulation, order, judgment, injunction, decree or ruling reporting a release of a hazardous material into the environment, and no notice pursuant to Section 103(a) or (c) of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. §9601, et seq. (“CERCLA”) or any other applicable environmental law or regulation has been or was required to be filed.

(g) Except as set forth on Schedule 3.18, Seller has not received any notice letter under CERCLA or any other written notice, and, to Seller’s knowledge, there is no investigation pending or threatened, to the effect that Seller has or may have material liability for or as a result of the release or threatened release of a hazardous material into the environment in connection with or resulting from operation of the Station, or for the suspected unlawful presence of hazardous material on any of the Real Property, nor to Seller’s knowledge does there exist any basis for such investigation.

### **3.19 Broker’s or Finder’s Fees.**

Except for Media Venture Partners, Ltd. (the “Broker”) who has acted on behalf of Seller, no agent, broker, investment banker or other person or firm acting on behalf of or under the authority of Seller or any Affiliate of Seller is or will be entitled to any broker’s or finder’s fee or any other commission or similar fee, directly or indirectly, in connection with the transactions contemplated by this Agreement, and Seller shall be solely responsible for payment of any commission owed to Broker in connection with the transactions contemplated by this Agreement.

### **3.20 Insurance.**

Schedule 3.20 lists and briefly describes each insurance policy maintained by Seller with respect to the assets and business of the Station with a complete claims history of claims respecting the Station. All such insurance policies are in full force and effect, and Seller is not in default with respect to its obligations under any such insurance policy and has not been denied insurance coverage.

### **3.21 Cable Television Transmission.**

Schedule 3.21 lists (i) to the best of Seller’s knowledge, each cable television system on which the signal of the Station is currently being carried (each, a “Carrying System”) and (ii) the cable channel on which the Station is currently carried on each Carrying System. Carriage of the Station’s signal on each Carrying System is pursuant to a valid retransmission consent agreement

which, except as set forth on Schedule 3.21, does not expire before December 31, 2005. Except as set forth in Schedule 3.21, (i) Seller has not agreed to reimburse any cable television system for any copyright royalties in respect of carriage of the signal of the Station, (ii) no cable system has advised Seller or the Station of any signal quality or copyright indemnity or other prerequisite to cable carriage of the Station's signal, (iii) no cable system has declined or threatened to decline such carriage or failed to respond to a request for carriage or sought any form of relief from carriage from the FCC, and (iv) there are no pending or decided requests to the FCC seeking modification of the Station's market pursuant to Section 76.59 of the FCC rules.

### **3.22 Transactions with Affiliates.**

Except as described on Schedule 3.22, Seller has not been involved in any business arrangement or relationship relating to the Station with any Affiliate of Seller, and no Affiliate of Seller owns any property or right, tangible or intangible, which is used in the operation of the Station or is material to the Sale Assets or the business, operations, financial condition or results of operations of the Station.

### **3.23 Florida Sales Tax.**

No past, present or future act or omission on the part of Seller shall cause the sale of the Sale Assets (other than motor vehicles, if any) to Buyer pursuant to this Agreement not to be exempt from the Florida personal property sales tax.

### **3.24 Seller's Parent Corporation.**

Pegasus and WBPG License are direct or indirect wholly-owned subsidiaries of Pegasus Communications Corporation (the "Seller's Parent").

### **3.25 Disclosure.**

To Seller's knowledge, this Agreement (including the Schedules) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make any statement herein or therein not misleading in any material respect.

### **3.26 SpectraSite Payment.**

The Site Cost Reimbursement Amount of approximately \$75,000 required to be paid under the Site Agreement with SpectraSite Broadcast Towers, Inc. listed on Schedule 3.7(b) is not an Assumed Obligation and has been paid in full by Seller.

**ARTICLE IV  
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller as follows:

**4.1 Organization and Good Standing.**

Emmis LP is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Indiana and has all requisite power to own, operate and lease its properties and carry on its business. Emmis License is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and has all requisite power to own, operate and lease its properties and carry on its business.

**4.2 Authorization and Binding Effect of Documents.**

Buyer has all requisite corporate power and authority to enter into this Agreement and the other Documents and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and each of the other Documents by Buyer and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or partnership action (including necessary shareholder or partner approvals, if any) on the part of Buyer. This Agreement has been, and each of the other Documents at or prior to Closing will be, duly executed and delivered by Buyer. This Agreement constitutes (and each of the other Documents, when executed and delivered, will constitute) the valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

**4.3 Absence of Conflicts.**

Except as set forth on Schedule 4.3 and except for necessary approval under the Act, the execution, delivery and performance by Buyer of this Agreement and the other Documents, and consummation by Buyer of the transactions contemplated hereby and thereby, do not and will not (i) conflict with, (ii) constitute a breach or default under, (iii) result in a violation of, or (iv) give any third party the right to modify, terminate or accelerate any obligation under, the organizational documents of Buyer, any indenture, mortgage, lease, loan agreement or other agreement or instrument to which Buyer is bound or affected, or any law, statute, rule, judgment, order or decree to which Buyer is subject.

#### **4.4 Consents.**

Except as set forth on Schedule 4.3 and except for necessary approval under the Act, the execution, delivery and performance by Buyer of this Agreement and the other Documents, and consummation by Buyer of the transactions contemplated hereby and thereby, do not and will not require the authorization, consent, approval, exemption, clearance or other action by or notice or declaration to, or filing with, any court or administrative or other governmental body, or the consent, waiver or approval of any other Person.

#### **4.5 Broker's or Finder's Fees.**

No agent, broker, investment banker, or other person or firm acting on behalf of Buyer or under its authority is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, from Buyer in connection with the transactions contemplated by this Agreement.

#### **4.6 Litigation.**

There are no legal, administrative, arbitration or other proceedings or governmental investigations pending or, to the knowledge of Buyer, threatened against Buyer that would give any third party the right to enjoin or delay the transactions contemplated by this Agreement.

#### **4.7 Buyer's Qualification.**

Buyer has no knowledge of matters which might reasonably be expected to result in the FCC's denial or delay of approval of the transfer to Buyer of any FCC License or the imposition of any Material Adverse Condition in connection with approval of the transfer to Buyer of any FCC License.

#### **4.8 Availability of Funds.**

Buyer has or will have at Closing cash in an amount sufficient to pay the Purchase Price and closing expenses.

#### **4.9 Disclosure.**

To Buyer's knowledge, this Agreement (including the Schedules) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make any statement herein or therein not misleading in any material respect.

**ARTICLE V  
OTHER COVENANTS**

**5.1 Conduct of the Station's Business Prior to the Closing Date.**

Seller covenants and agrees with Buyer that from the date of this Agreement until the earlier of the Closing Date or termination of this Agreement, unless Buyer otherwise consents in writing (which consent shall not be unreasonably withheld, delayed or conditioned), Seller shall:

(a) Operate the Station in the ordinary course of business consistent with past practices, including but not limited to (i) incurring promotional expenses for the Station consistent with the amount currently budgeted, (ii) making capital expenditures prior to the Closing Date as are necessary to repair or replace assets of the Station that are damaged or destroyed, (iii) using commercially reasonable efforts to preserve the Station's present business operations, organization and goodwill and its relationships with customers, employees, advertisers, suppliers and other contractors (including independent contractors providing on-air or production services) and to maintain programming for the Station consistent in all material respects with the type and quantity of the Station's programming as of the date of this Agreement, and (iv) continuing the Station's usual and customary policy with respect to extending credit and collection of accounts receivable and the maintenance of its facilities and equipment;

(b) Operate the Station and otherwise conduct its business in all material respects in compliance with the terms or conditions of FCC Licenses, the Act, and all other material rules, regulations, laws and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Station;

(c) Maintain Seller's financial records for the Station in accordance with generally accepted accounting principles on a basis consistent with prior periods;

(d) Promptly notify Buyer in writing of any event or condition which, with notice or the lapse of time or both, would constitute an event of material default under any of the Station Agreements which are, individually or in the aggregate, material to the Sale Assets or the business, operations, financial condition or results of operations of the Station;

(e) Timely comply in all material respects with the Station Agreements;

(f) Not sell, lease, grant any rights in or to or otherwise dispose of, or agree to sell, lease or otherwise dispose of, any of the Sale Assets unless replaced by similar assets of substantially equal or greater value and utility;

(g) With respect to the Station, not amend, enter into, renew or extend any Trade Agreement that would cause the aggregate financial value (calculated at the Station's average cash advertising rate) of all time required to be broadcast on the Station on or after the Closing

Date under all Trade Agreements to exceed \$145,000; any personal property lease that would cause the aggregate payments required to be paid under personal property leases entered into after the date of this Agreement to exceed \$7,500; studio or office lease; antenna lease; network affiliation agreement; talent agreement; employment agreement; or any agreement described in Section 3.7(b)(vii); in each case, except for any such agreements which will terminate or expire in accordance with their terms prior to the Closing Date or which are Excluded Assets;

(h) Not enter into, renew or extend any other contract or agreement unless terminable by Seller upon not more than thirty (30) days notice, or enter into or amend any other contract or agreement except on terms comparable to those of Station Agreements now in existence and otherwise in the ordinary course of business consistent with past practices;

(i) Maintain the Station's technical equipment currently in use in operating condition and repair except for ordinary wear and tear;

(j) Not increase in any material manner the compensation (including severance pay or plans) or benefits of any employees, independent contractors, consultants or commission agents of Seller or the Station, except (i) in the ordinary course of business consistent with past practice in regard to all of its employees, independent contractors, consultants or commission agents generally and (ii) in connection with "stay put" arrangements to provide incentive to any such employees to continue their employment through the Closing Date;

(k) Not introduce any material change with respect to the operation of the Station including, without limitation, any material changes in the percentages of types of programming broadcast by the Station or any other material change in the Station's programming policies, except as required by law;

(l) Not enter into any agreement relating to the Station (other than agreements that will be terminated prior to Closing) with any Affiliate of Seller;

(m) Not voluntarily enter into any collective bargaining agreement applicable to any employees of the Station or otherwise voluntarily recognize any union as the bargaining representative of any such employees; and not enter into or amend any collective bargaining agreement applicable to any employees of the Station to provide that it shall be binding upon any "successor" employer or such employees;

(n) Not take or agree to take any action that would materially delay the consummation of the Closing as contemplated by this Agreement; and

(o) Consult with Buyer regarding the extension or modification prior to Closing of current programming for the Station, the acquisition prior to Closing of new or additional programming for the Station, and the terms and conditions of each such extension, modification or acquisition.

## **5.2 Notification of Certain Matters.**

Seller shall give prompt notice to Buyer, and Buyer shall give prompt notice to Seller, of (i) the occurrence, or failure to occur, of any event that would be likely to cause any of their respective representations or warranties contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing Date, and (ii) any failure on their respective parts to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by either of them under this Agreement.

## **5.3 FCC Filing.**

(a) As promptly as practicable following execution of this Agreement and in no event more than ten (10) days after the execution of this Agreement, Seller and Buyer shall file all applications with the FCC necessary to obtain the FCC Order, and shall cooperate in taking all commercially reasonable action necessary and proper to promptly obtain the FCC Order without a Material Adverse Condition. Seller and Buyer shall cooperate in taking all commercially reasonable action necessary and proper to cause the FCC Order to become a Final Action as soon as practicable, provided that commercially reasonable action shall not include payment or providing of material consideration to settle with an objecting party.

(b) Prior to the Closing Date, Seller shall, at Buyer's request and expense, file one or more applications with the FCC for the purpose of obtaining auxiliary or ancillary authorizations which Buyer may reasonably require for operation of the Station after Closing.

## **5.4 Title; Additional Documents.**

At the Closing, Seller shall transfer and convey to Buyer good and marketable title to all of the Sale Assets free and clear of any Liens except Permitted Liens. Seller shall execute or cause to be executed such documents, in addition to those delivered at the Closing, as may be necessary to confirm in Buyer such title to the Sale Assets and to carry out the purposes and intent of this Agreement, which shall be in a form reasonably acceptable to Buyer and Seller. Buyer shall execute or cause to be executed such documents, in addition to those delivered at Closing, as may be necessary to effect and confirm Buyer's assumption of the Assumed Obligations, which shall be in a form reasonably acceptable to Buyer and Seller.

## **5.5 Consents.**

Seller shall use its commercially reasonable efforts to obtain the consents or waivers to the transactions contemplated by this Agreement required under the Station Agreements, and Buyer shall cooperate as reasonably requested by Seller in assisting Seller to obtain such consents; provided that an amendment of the network affiliation agreement with WB Television Network Partners, LP in accordance with Section 6.9 of this Agreement shall be deemed to be the consent to the transactions contemplated by this Agreement required under such network affiliation agreement. Neither Seller nor Buyer shall be required to pay or grant any material