

FCC Form 314
Section II, Question No. 3
KB Prime Media LLC
Section III, Question No. 3
WPME License Corp.
February 2004

EXHIBIT 10
Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

Dated as of February 17, 2004

by and between

KB PRIME MEDIA LLC (Seller)

and

PEGASUS SATELLITE COMMUNICATIONS, INC. (Buyer)

For television station WPME (Channel 35), Lewiston, Maine

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of February 17, 2004 (this "Agreement"), by and between KB PRIME MEDIA LLC, a Delaware limited liability company ("Seller"), and PEGASUS SATELLITE COMMUNICATIONS, INC., a Delaware corporation ("Buyer").

WITNESSETH:

WHEREAS, Buyer (formerly known as Pegasus Communications Corporation), Seller, W.W. Keen Butcher ("Butcher"), Guyon W. Turner ("Turner"), KB Communications Corporation, a Delaware corporation ("KB Communications"), Channel 24 Corporation, a Delaware corporation (which, along with KB Communications were subsequently dissolved) are parties to an Option Agreement, dated April 14, 1998, as amended (the "Option Agreement");

WHEREAS, pursuant to the Option Agreement, Seller, Butcher and Turner granted to Buyer an option to purchase all the membership interests of Seller or such part of the assets of Seller that are used or useful in connection with the construction and operation of a television broadcast station in a specific geographic location;

WHEREAS, Buyer desires to exercise the option provided for in the Option Agreement to purchase from Seller all licenses, permits and authorizations and certain other assets necessary or useful in the business and operations of Television Station WPME-TV (Channel 35), Lewiston, Maine (the "Station"), all on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, the parties hereto agree intending to be legally bound hereby, as follows:

ARTICLE 1 PURCHASE OF ASSETS

1.1 Transfer of Assets. On the Closing Date (as hereinafter defined), subject to the satisfaction of the conditions contained herein, Seller shall sell, assign, transfer and convey to Buyer, and Buyer shall purchase from Seller, on a going concern basis, all of the business and operations of Seller related to the Station, and all of the assets, properties, interests and rights of Seller of whatsoever kind and nature, tangible and intangible, which are used or held for use in connection with the business and operations of the Station (the "Assets"), including, but not limited to, any of the following:

(a) All licenses, permits and other authorizations, including digital television licenses or permits, relating to the Station issued to Seller by the Federal Communications Commission ("FCC") or any other governmental authority on or prior to the Closing Date, together with renewals or modifications thereof, including, without limitation, those listed in Schedule 1.1(a) hereto (the "Authorizations");

(b) All rights arising from the broadcast of Paramount Programming Network programming, or the programming supplied by any other television network, on the Station;

(c) All of Seller's right, title and interest in and to the call letters "WPME" and any trademarks, copyrights, jingles, slogans, logos, and other intangible property which are used by the Station to promote or identify itself, together with any additions thereto between the date of this Agreement and the Closing Date;

(d) All notes and accounts receivable generated by the Station;

(e) The contracts, agreements, or understandings listed or described in Schedule 6.9 (each a "Seller Agreement");

(f) All equipment, tools, vehicles, furniture, leasehold improvements, office equipment, inventory, spare parts, and other tangible personal property owned or leased by Seller which are used or useful in the business or operations of the Station, together with any additions thereto between the date of this Agreement and the Closing Date (the "Tangible Personal Property");

(g) All of Seller's rights, claims, or causes of action against third parties relating to the Assets, business, or operations of the Station arising out of transactions occurring prior to the Closing Date;

(h) All of the rights and benefits relating to the Assumed Liabilities (as defined in Section 2.1); and

(i) All files, records, and books of account relating to the Station.

The Assets shall be transferred to Buyer free and clear of all liens, encumbrances, debts, security interests, mortgages, trusts, claims, pledges, charges, covenants, conditions or restrictions of any kind ("Liens").

ARTICLE 2 ASSUMPTION OF OBLIGATIONS

2.1 Assumption of Liabilities and Obligations by Buyer. At the Closing, Buyer shall not assume or become liable for any obligations or liabilities of Seller, actual or contingent, known or unknown, including without limitation, any Liens or liabilities on account of, or arising out of, the Assets, business, or operation of the Station on or prior to the Closing (collectively, the "Retained Liabilities"), except for the

following obligations and liabilities of the Seller (collectively, the "Assumed Liabilities"): (i) the post-Closing obligations of Seller under the Authorizations and (ii) all current liabilities of Seller incurred in connection with the ownership, business, or operation of the Station that are listed on Schedule 2.1. Seller covenants, agrees, and accepts that all Retained Liabilities shall remain and be the obligations and liabilities solely of Seller.

ARTICLE 3 CONSIDERATION

3.1 Purchase Price. In consideration for the transfer of the Assets, Buyer shall pay to Seller at the Closing the Option Price (as defined in the Option Agreement) calculated as of the end of the month closest to the date in which the FCC Consent (as defined below) is received and which results in Buyer setting a Closing Date within 30 days of such FCC Consent (i.e., if FCC Consent is received on or before the 15th of the month, then the end of the prior month shall be used in the calculation; if FCC Consent is received on or after the 16th of the month, then the end of that month shall be used in the calculation) (the "Purchase Price"). The parties estimate the Purchase Price will be \$3,775,523 as of May 31, 2004. The Buyer shall pay the Purchase Price by wire transfer of immediately available funds pursuant to wire instructions delivered by Seller to Buyer at least two (2) business days prior to the Closing Date and by the delivery and assignment to the Seller at the Closing of the promissory note described in Schedule 3.1.

3.2 Allocation of Purchase Price. Buyer and Seller agree to allocate the Purchase Price for tax and recording purposes as soon as possible, but in no event later than ninety (90) days following the Closing Date. Buyer may, in its sole discretion and at its sole cost and expense, engage an appraisal firm mutually agreeable to Buyer and Seller to conduct such allocation. The allocation conducted by the appraisal firm, if any, shall be reasonably acceptable to Buyer and Seller. Buyer and Seller agree that the allocation determined by their mutual agreement or otherwise by an appraisal firm engaged by Buyer, as the case may be, shall be (i) conclusive and binding on Buyer and Seller for all purposes, including without limitation, reporting and disclosure requirements of the Internal Revenue Service; and (ii) made in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. Buyer and Seller each further agrees (x) to file Internal Revenue Service Form 8594, and all federal, state, local, and foreign tax returns, in accordance with the allocation; and (y) to provide the other promptly with any other information required to complete Form 8594.

ARTICLE 4 GOVERNMENTAL CONSENTS

4.1 FCC Consent. It is specifically understood and agreed by Buyer and Seller that consummation of the transactions contemplated hereby is expressly conditioned on and is subject to the prior consent and approval of the FCC ("FCC Consent") without the imposition of any conditions which might be expected to have a material adverse effect on the results of operations of Buyer.

4.2 FCC Application.

(a) Within ten (10) business days after execution of this Agreement, the parties shall file with the FCC an application (the "FCC Application") for assignment of the Authorizations from Seller to Buyer. The parties shall thereafter use all reasonable efforts to obtain the grant of the FCC Application as expeditiously as practicable. If the FCC Consent imposes any condition on a party hereto, such party shall use reasonable efforts to comply with such condition. If reconsideration or judicial review is sought with respect to the FCC Consent, the party affected shall vigorously oppose such efforts for reconsideration or judicial review. Notwithstanding the foregoing, nothing in this Section 4.2(a) shall be interpreted as requiring any party hereto to take any action which would have a material adverse effect on the results of operations of such party or any affiliated entity.

(b) If the Closing shall not have occurred for any reason within the original effective period of the FCC Consents, the parties shall jointly request one or more extensions of the effective period of such consents. Nothing in this Section 4.2 shall be construed to limit a party's right to terminate this Agreement pursuant to Article 13.

ARTICLE 5 CLOSING

5.1 Closing. Except as otherwise mutually agreed upon by Seller and Buyer, the consummation of the transactions contemplated herein (the "Closing") shall take place within thirty (30) business days after the latest to occur of (i) the satisfaction of all conditions precedent and (ii) the FCC Consent becoming a Final Order (as hereinafter defined) (the "Closing Date"). As used herein, the term "Final Order" means a written action or order issued by the FCC setting forth the FCC Consent (a) which has not been reversed, stayed, enjoined, set aside, annulled or suspended, and (b) with respect to which under the Communications Act of 1934, as amended, and the rules and regulations of the FCC (1) no requests have been filed for administrative or judicial review, reconsideration, appeal or stay, and the time for filing any such requests and for the FCC to set aside the action on its own motion (whether upon reconsideration or otherwise) has expired, or (2) in the event of review, reconsideration or appeal, the time for further review, reconsideration or appeal has expired. Notwithstanding the foregoing, Buyer may elect to proceed with the Closing upon public notice of the grant of FCC Consent but prior to the date on which the FCC Consent shall have become a Final Order upon ten (10) business days written notice to Seller. All actions taken at the Closing will be considered as having been taken simultaneously and no such actions will be considered to be completed until all such actions have been completed. The Closing shall be held at such place and by such means as the parties hereto may agree.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

6.1 Organization, Standing and Authority. Seller is a limited liability company duly organized, validly existing, and in good standing under the laws of Delaware. Seller has all requisite company power and authority (i) to own, lease, and use the Assets as now owned, leased, and used and (ii) to conduct the business and operation of the Station as now conducted. Seller has all requisite power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by it hereunder and thereunder. Seller is not a participant in any joint venture or partnership with any other person or entity with respect to any part of the business or operation of the Station or any of the Assets.

6.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement, and the execution, delivery and performance of any other documents to be delivered or executed in connection with this Agreement and the transactions contemplated by this Agreement, by Seller have been (or, with respect to such other documents, will prior to Closing be) duly authorized by all necessary actions on the part of Seller. This Agreement has been and all such other documents will prior to Closing be duly executed and delivered by Seller and constitute the legal, valid, and binding obligation of Seller, enforceable in accordance with their terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, and by judicial discretion in the enforcement of equitable remedies.

6.3 Authorizations. Schedule 1.1(a) includes a true and complete list of the Authorizations. The FCC Authorizations have been validly issued pursuant to Final Orders. Seller is the authorized legal holder of the Authorizations. The Authorizations are in good standing and in full force and effect. The Authorizations are all of the licenses, permits, or other authorizations from governmental and regulatory authorities necessary to operate the Station. None of the Authorizations are subject to any restriction or condition that would materially limit the full operation of the Station. No proceedings are pending or, to the best knowledge of Seller, threatened, which may result in the revocation, modification, non-renewal, or suspension of any of the Authorizations, the denial of any pending applications, the issuance of any cease and desist order, the imposition of any administrative actions by the FCC with respect to the Authorizations or which may affect Buyer's ability to operate the Station in accordance with the Authorizations and the FCC's rules and regulations.

6.4 Compliance With Law. The Assets and the operation of the Station are in compliance in all material respects with all applicable statutes, laws, ordinances, regulations, rules, or orders of any foreign, federal, state, or local government, governmental department, or agency, including, without limitation, all foreign, federal, state, and local energy, public utility, zoning, building code, health,

employee safety, and Occupational Safety and Health Administration ("OSHA") requirements.

6.5 Litigation. Except for any FCC rulemaking proceedings generally affecting the broadcasting industry or as listed on Schedule 6.5, there are no claims, actions, suits, litigation, labor disputes, arbitrations, proceeding, or investigations pending or, to the best knowledge of Seller, threatened against, relating to, or affecting the Assets, Seller's ownership or operation of the Stations, or the transactions contemplated by this Agreement.

6.6 Taxes. Seller has paid all Taxes (as defined in Section 14.16(a)) required to be paid by Seller. There are no pending or, to the best knowledge of Seller, threatened, investigations or claims against Seller for or relating to any liability in respect of any Taxes. All Taxes required to be withheld by Seller on or before the date hereof have been withheld and paid when due to the appropriate agency or authority.

6.7 Disclosure. The representations and warranties of Seller herein or in any document, exhibit, statement, certificate or schedule furnished by or on behalf of Seller to Buyer as required by this Agreement do not contain nor will contain any untrue statement of a material fact or omit or will omit to state any material fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

6.8 Reports. All material disclosures, returns, reports, and statements which Seller and the Station are required to file with the FCC or with any other governmental agency have been filed, and all reporting requirements of the FCC and other governmental authorities having jurisdiction over Seller and the Station have been complied with in all material respects. All of such returns, reports, and statements are complete and correct as filed. Seller has timely paid to the FCC all regulatory fees payable with respect to the Authorizations.

6.9 Contracts. Except as set forth in Schedule 6.9 and any other Schedule hereto, Seller is not a party or bound by:

- (a) Any contract for the purchase or sale of real property;
- (b) Any contract for the purchase, licensing, or development of programming to be used by the Station;
- (c) Any contract for the purchase, licensing, or development of software to be used by the Station;
- (d) Any distributor, dealer, sales agency, advertising representative, or advertising or public relations contract;
- (e) Any guarantee of the obligations of customers, suppliers, officers, directors, employees, affiliates, or others;

(f) Any contract not made in the ordinary course of business;
or

(g) Any other contract, agreement, commitment, understanding, or instrument (including any amendments and other modifications thereto) which relates to the business and operations of the Station, and which is in effect on the date of this Agreement.

6.10 Status of Contracts. Except as set forth in Schedule 6.10, each Seller Agreement (as defined in Section 1.1(d)) (i) constitutes a valid and binding obligation of the parties thereto and is in full force and effect and (ii) except for those Seller Agreements which by their terms will expire prior to the Closing Date or are otherwise terminated prior to the Closing Date in accordance with their respective terms, may be transferred to Buyer pursuant to this Agreement and will continue in full force and effect thereafter, in each case (A) without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder and (B) without the consent, approval, or act of, or the making of any filing with, any other party. Seller has fulfilled and performed its obligations under each of the Seller Agreements and Seller is not in, or alleged to be in, breach or default under, nor is there or is there alleged to be any basis for termination of, any of the Seller Agreements. To the best of Seller's knowledge, no other party to any Seller Agreement has breached or defaulted thereunder, and no event has occurred and no condition or state of facts exists which, with the passage of time or the giving of notice or both, would constitute such a default or breach by Seller or by any such other party. Seller is not currently renegotiating any of the Seller Agreements or paying liquidated damages in lieu of performance thereunder. Complete and correct copies of each of the Seller Agreements have heretofore been delivered to Buyer by Seller.

6.11 Intellectual Property. To Seller's knowledge, no infringement of any intellectual property right of any other person has occurred or results in any way from the operations of the Station, to Seller's knowledge, no claim of any infringement of any intellectual property right of any other person has been made or asserted in respect of the operations of the Station, and Seller has had no notice of any claim against Seller that the operations, activities, products, software, equipment, machinery, or processes of the Station infringe any intellectual property right of any other person.

6.12 Tangible Personal Property. Except as described in Schedule 6.12, Seller owns and has good title to each item of Tangible Personal Property, and none of the Tangible Personal Property owned by Seller is subject to any Lien, capital lease, or conditional sales agreement, except as set forth on Schedule 6.12. Each item of Tangible Personal Property is available for immediate use in the business and operations of the Station. Except as set forth on Schedule 6.12, all items of Tangible Personal Property are in good condition and repair in all material respects consistent with their current use (ordinary wear and tear excepted) and will permit the Station to operate in compliance with the terms of its FCC licenses, the rules and regulations of the FCC, and with all other applicable federal, state, and local statutes, ordinances, rules, and regulations.

6.13 No Material Changes. Since January 1, 2003, Seller has conducted its business in the ordinary and usual course, except pursuant to or as contemplated by this Agreement, and there has not been any Material Adverse Change (as defined below) and, to Seller's knowledge, there is no condition of any kind currently in existence that could reasonably be expected to result in a Material Adverse Change. The terms "Material Adverse Change" means a material adverse change in the Assets, the Assumed Liabilities, operations, financial condition, or business of the Station taken as a whole as currently conducted or the ability of Seller to perform its material obligations under this Agreement.

6.14 Personnel. Seller has no written contract of employment with any employee of Seller who is employed at the Station.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

7.1 Organization and Standing. Buyer is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Delaware. Buyer has all corporate requisite power and authority to own, lease, and use its assets and to conduct its business as now conducted. Buyer has all requisite power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by it hereunder and thereunder.

7.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement, and the execution, delivery and performance of any other documents to be delivered or executed in connection with this Agreement and the transactions contemplated by this Agreement, by Buyer have been (or, with respect to such other documents, will prior to Closing be) duly authorized by all necessary actions on the part of Buyer. This Agreement has been and all such other documents will prior to Closing be duly executed and delivered by Buyer and constitute the legal, valid, and binding obligation of Buyer, enforceable in accordance with their terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, and by judicial discretion in the enforcement of equitable remedies.

7.3 Litigation. There are no claims, actions, suits, litigation, labor disputes, arbitrations, proceedings, or investigations pending or, to the best knowledge of Buyer, threatened against Buyer which would prohibit the transactions contemplated by this Agreement.

ARTICLE 8 COVENANTS

8.1 Operation of Business. Between the date of this Agreement and the Closing Date, Seller shall:

(a) Preserve and protect all of the Assets in good repair and condition, normal wear and tear excepted;

(b) Maintain the Station's books of account and records in the usual and ordinary manner, and in conformity with past practices;

(c) Maintain and preserve Seller's rights under the Authorizations;

(d) Comply in all material respects with all laws, rules, and regulations applicable or relating to the ownership and operation by Seller of the Station; and

(e) Conduct the Station's business in the ordinary course consistent with past practices (except where such conduct would conflict with Seller's other obligations under this Agreement). By way of amplification and not limitation, without the prior written consent of Buyer, which shall not be unreasonably withheld, Seller shall not:

(i) enter into any agreement, contract, lease, or commitment, other than written agreements which are (A) in the ordinary course of the Station's business, (B) cancelable without penalty prior to the Closing Date and (C) delivered to Buyer prior to the Closing Date;

(ii) place or allow to be placed on any of the Assets or properties relating to the Station any Lien;

(iii) sell, assign, transfer or otherwise dispose of any of the Assets;

(iv) commit any act or omit to do any act which will cause a breach of any agreement, contract, lease or commitment;

(v) violate any law, statute, rule, governmental regulation, or order of any court or governmental or regulatory authority (whether federal, state or local);

(vi) cause or permit by any act, or failure to act, any of the Authorizations to expire, be surrendered, adversely modified, or otherwise terminated, or the FCC to institute any proceedings for the suspension, revocation or adverse modification of any of the Authorizations or fail to prosecute with due diligence any pending applications to the FCC;

(vii) terminate any contract; or

(viii) waive any right relating to the Station or the Assets, or permit, by any act or failure to act, any cable system located within the Station's "designated market area" to refuse to carry the Station's signal.

8.2 Access to Information. From the date hereof to the Closing Date, Seller shall afford to Buyer and the officers, employees and agents of Buyer complete access at all reasonable times to Seller's officers, employees, agents, properties, books, records, and contracts, and shall furnish Buyer all financial, operating, and other data and information as Buyer may reasonably request. No investigation pursuant hereto shall affect any representations or warranties of the parties herein or the conditions to the obligations of the parties hereto.

8.3 FCC Cooperation. Seller shall fully cooperate with Buyer or its designee if and when Buyer or its designee files for permission with the FCC to own two television stations in the Portland-Auburn Designated Market Area including, but not limited to, the submission of affidavits and documents supporting any applicable waiver request including, but not limited to, a request for an unbuilt station waiver as that waiver is defined in the FCC's rules, adjudications and policies.

8.4 Employment Matters.

(a) Buyer shall not be obligated to employ any Station Employee at or following the Closing. Buyer may offer employment to any Station Employee and such employment by Buyer shall be at its sole discretion and shall be on terms, conditions, and policies of employment established by Buyer.

(b) Seller shall remain responsible for the payment of all salary, benefits and other wages and compensation for all Station Employees for all periods of employment with the Station on and prior to the Closing Date. Buyer shall only be responsible for salary, benefits and other wages and compensation accruing after the Closing Date with respect to any Station Employees who accept Buyer's offer of employment (if any) beginning after the Closing Date. Upon Seller's termination of any Station Employee, including as a result of the transactions contemplated by this Agreement, Seller shall be solely responsible for paying any severance and other benefits and related employment taxes to which such terminated Station Employee may be entitled pursuant to the terms of Seller's employee benefit and welfare plans or arrangements.

(c) This Section 8.4 shall operate exclusively for the benefit of the parties to this Agreement and is not intended for the benefit of any other person, including any current or former employee of either party hereto.

**ARTICLE 9
CONDITIONS**

9.1 Conditions Precedent to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the

fulfillment, prior to or at the Closing, of each of the following conditions, except to the extent Buyer shall have waived in writing satisfaction of such condition:

(a) The representations and warranties made by Seller in this Agreement, or in any other agreements between the parties hereto, shall be true and correct in all material respects as of the date of this Agreement and on the Closing Date as though such representations and warranties were made on such date.

(b) Seller shall have performed and complied in all material respects with all covenants, agreements, representations, warranties, and undertakings required by this Agreement to be performed or complied with prior to the Closing.

(c) Seller shall have delivered to Buyer all of the documents required by Section 10.1.

(d) All consents designated as "material" on Schedule 6.10 shall have been obtained and delivered to Buyer without any material adverse change in the terms or conditions of any agreement or any governmental license, permit or other authorization.

(e) The FCC Consent shall have become a Final Order.

(f) There shall have been no Material Adverse Change since the date of this Agreement.

9.2 Conditions Precedent to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, except to the extent Seller shall have waived in writing satisfaction of such condition:

(a) The representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects as of the date of this Agreement and on the Closing Date as though such representations and warranties were made on such date.

(b) Buyer shall have performed and complied in all material respects with all covenants, agreements, representations, warranties, and undertakings required by this Agreement to be performed or complied with by it prior to the Closing.

(c) The FCC shall have granted the FCC Consent.

(d) Buyer shall have delivered to Seller all of the documents required by Section 10.2.

ARTICLE 10
CLOSING DELIVERIES

10.1 Seller's Deliveries. At the Closing, Seller shall deliver or cause to be delivered, to Buyer the following:

(a) Bill(s) of sale, endorsements, assignments, certificates of title and other good and sufficient instruments of conveyance, transfer, and assignment, all in form and substance reasonably satisfactory to counsel for Buyer, as shall be effective to vest in Buyer or its permitted assignee, good and marketable title in and to the Assets.

(b) A certificate, executed by an officer of Seller in such detail as Buyer shall reasonably request, certifying to the fulfillment or satisfaction of the conditions set forth in Sections 9.1(a), 9.1(b), and 9.1(f). The delivery of such certificate shall constitute a representation and warranty hereunder of Seller as to the statements set forth therein.

(c) Originals or copies of all program, operations, transmissions, or maintenance logs and all other records required to be maintained by the FCC with respect to the Station, including the Station's public file, shall be left at the Station and thereby delivered to Buyer.

(d) A legal opinion of Cozen O'Connor, counsel to Seller, substantially in the form of Schedule 10.1(d) attached hereto.

(e) Copies of all contracts listed in Schedule 6.9.

(f) Copies of appropriate resolutions of Seller's managers and members authorizing this Agreement and the consummation of the transactions contemplated herein.

(g) Such other documents or instruments as Buyer may reasonably request to consummate the transactions contemplated by this Agreement.

10.2 Buyer's Deliveries. At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

(a) The payment of the Purchase Price as provided in Section 3.1.

(b) Assumption and assignment agreements as shall evidence the assumption of the Assumed Liabilities by Buyer; provided, however, that nothing contained in any such agreement shall require Buyer to pay, perform or discharge any Assumed Liabilities so long as Buyer shall in good faith contest or cause to be contested the amount or validity thereof and shall have indemnified and held harmless Seller with respect thereto.

(c) A certificate, executed by an officer of Buyer, in such detail as Seller shall reasonably request, certifying to the fulfillment or satisfaction by Buyer of the conditions set forth in Sections 9.2(a) and 9.2(b). The delivery of such certificate shall constitute a representation and warranty of Buyer as to the statements set forth therein.

(d) Such other documents or instruments as Seller may reasonably request to consummate the transactions contemplated by this Agreement.

ARTICLE 11 FEES AND EXPENSES

11.1 Expenses. Buyer shall pay the filing fees payable in connection with the assignment of the Authorizations. Except as otherwise provided in this Agreement, each party shall pay its own expenses incurred in connection with the authorization, preparation, execution, and performance of this Agreement, including all fees and expenses of counsel, accountants, agents, and representatives.

ARTICLE 12 INDEMNIFICATION

12.1 Representations and Warranties. Subject to Section 14.10, all representations, warranties, and covenants contained in this Agreement shall be deemed continuing representations, warranties and covenants and shall survive the Closing. Any investigations by or on behalf of any party hereto shall not constitute a waiver as to enforcement of any representation, warranty, or covenant contained in this Agreement, and no notice or information delivered by Seller shall affect Buyer's right to rely on any representation, warranty, or covenant made by Seller or relieve Seller of any obligations under this Agreement as the result of its breach of any of its representations, warranties, or covenants.

12.2 Indemnification by Seller. Notwithstanding the Closing, and regardless of any investigation made at any time by or on behalf of Buyer or any information Buyer may have, Seller hereby agrees to indemnify and hold Buyer harmless against and with respect to, and shall reimburse Buyer for:

(a) Any and all losses, liabilities, obligations, or damages resulting from or relating to any untrue representation, breach of warranty, or nonfulfillment of any covenant by Seller contained in this Agreement or in any certificate (including the certificate described in Section 10.1(b)), document, or instrument delivered to Buyer under this Agreement.

(b) The Retained Liabilities.

(c) Any loss, liability, obligation, or cost resulting from the failure of the parties to comply with the provisions of any bulk sales law applicable to the transfer of the Assets.

(d) Any and all losses, liabilities, obligations, or damages (other than the Assumed Liabilities) resulting from the construction, operation, or ownership of the Station prior to the Closing, including any liabilities arising under the Authorizations which relate to breaches of Seller (or events that would constitute a breach after notice, the passage of time or both) occurring prior the Closing Date.

(e) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs, and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

12.3 Indemnification by Buyer. Notwithstanding the Closing, and regardless of any investigation made at any time by or on behalf of Seller or any information Seller may have, Buyer hereby agrees to indemnify and hold Seller harmless against and with respect to, and shall reimburse Seller for:

(a) Any and all losses, liabilities, or damages resulting from or relating to any untrue representation, breach of warranty, or nonfulfillment of any covenant by Buyer contained in this Agreement or in any certificate, document, or instrument delivered to Seller under this Agreement.

(b) The Assumed Liabilities.

(c) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs, and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

12.4 Procedure for Indemnification. The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "Claimant") shall promptly give written notice to the party from which indemnification is claimed (the "Indemnifying Party") of any claim, whether between the parties or brought by a third party, specifying in reasonable detail the factual basis for the claim.

(b) With respect to claims solely between the parties, following receipt of written notice from the Claimant of a claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the claim as the Indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant agrees to make available to the Indemnifying Party and/or its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of the thirty-day period (or any mutually agreed upon extension thereof) to the validity and amount of such claim, the Indemnifying Party shall immediately pay to the Claimant the full amount of the claim. If the Claimant and the Indemnifying Party do not agree within the thirty-day period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate remedy at law or equity.

(c) If any third party shall notify Claimant with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against the Indemnifying Party under this Article 12, then the Claimant shall promptly notify the Indemnifying Party thereof in writing; *provided, however*, that no delay on the part of the Claimant in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder.

(d) Any Indemnifying Party shall have the right to defend the Claimant against the Third Party Claim with counsel of its choice reasonably satisfactory to Claimant so long as: (i) the Indemnifying Party notifies the Claimant in writing within fifteen (15) days after the Claimant has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Claimant from and against the entirety of any losses or other adverse consequences the Claimant may suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim; (ii) the Indemnifying Party provides the Claimant with evidence acceptable to the Claimant that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder; (iii) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief, (iv) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Claimant, likely to establish a precedential custom or practice adverse to the continuing business interests of the Claimant; and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(e) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 12.4(d): (i) the Claimant may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; (ii) the Claimant shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be withheld unreasonably); and (iii) the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Claimant (not to be withheld unreasonably).

(f) If any of the conditions in Section 12.4(d) above is not or no longer satisfied, however, (i) the Claimant may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it reasonably may deem appropriate (and the Claimant need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith); (ii) the Indemnifying Party shall reimburse the Claimant promptly and periodically for the costs of defending against the Third Party Claim (including attorney's fees and expenses); and (iii) the Indemnifying Party shall remain responsible for any losses or other adverse consequences the Claimant may suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim to the fullest extent provided in this Article 12.

12.5 Specific Performance. The parties recognize that if Seller breaches its obligation to consummate the transactions contemplated by this Agreement and

refuses to perform under the provisions of this Agreement, monetary damages alone would not be adequate to compensate Buyer for its injury. Buyer shall therefore be entitled, in addition to any other remedies that may be available, including money damages, to obtain specific performance of the terms of this Agreement. If any action is brought by Buyer to enforce this Agreement, Seller shall waive the defense that there is an adequate remedy at law.

12.6 Attorneys' Fees. In the event of a default by either party which results in a lawsuit or other proceeding for any remedy available under this Agreement, the prevailing party shall be entitled to reimbursement from the other party of its reasonable legal fees and expenses.

ARTICLE 13 TERMINATION RIGHTS

13.1 Termination by Seller. This Agreement may be terminated by Seller and the purchase and sale of the Assets abandoned, if Seller is not then in material breach, upon written notice to Buyer, upon the occurrence of any of the following:

(a) Material Breach. If Buyer shall be in material breach of any representation, warranty, or covenant contained in this Agreement, or any other agreement between the parties hereto, Seller has notified Buyer of such breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach.

(b) Judgments. If there shall be in effect on the date that would otherwise be the Closing Date any judgment, decree, or order that would prevent or make unlawful the Closing.

13.2 Termination by Buyer. This Agreement may be terminated by Buyer and the purchase and sale of the Assets abandoned, if Buyer is not then in material breach, upon written notice to Seller, upon the occurrence of any of the following:

(a) Material Breach. If Seller shall be in material breach of any representation, warranty, or covenant contained in this Agreement, or in any other agreement between the parties hereto, Buyer has notified Seller of such breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach.

(b) Judgments. If there shall be in effect on the date that would otherwise be the Closing Date any judgment, decree, or order that would prevent or make unlawful the Closing.

(c) Upset Date. If the Closing shall not have occurred by the date that is one (1) year from the date hereof.

13.3 Rights on Termination. If this Agreement is terminated pursuant to Section 13.1 or Section 13.2 and neither party is in material breach of any provision of

this Agreement, the parties hereto shall not have any further liability to each other with respect to the purchase and sale of the Assets or the Assumed Liabilities. If this Agreement is terminated due to a material breach of this Agreement, then each party shall have all rights and remedies available to it at law or in equity.

ARTICLE 14 MISCELLANEOUS PROVISIONS

14.1 Further Assurances. The parties shall take any actions and execute any other documents that may be necessary or desirable to the implementation and consummation of this Agreement, including, in the case of Seller, any additional transfer documents that, in the reasonable opinion of Buyer, may be necessary to ensure, complete, and evidence the full and effective transfer of the Assets to Buyer pursuant to this Agreement. Seller will cooperate with Buyer, after the Closing Date, in the preparation of tax returns and any other required filings.

14.2 Risk of Loss. The risk of loss or damage to any of the Assets prior to the Closing Date shall be upon Seller. In consultation with Buyer, Seller shall repair, replace and restore any such damaged or lost Asset to its prior condition as soon as possible and in no event later than the Closing Date.

14.3 Benefit and Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party may assign its interest under this Agreement without the prior written consent of the other parties, which consent shall not be unreasonably withheld; *provided, however*, that Buyer may assign its rights hereunder, or a portion of such rights, without the consent of Seller.

14.4 Governing Law. This Agreement shall be governed, construed, and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to any choice of law or conflict of law provisions (whether of the Commonwealth of Pennsylvania or any other jurisdiction) that would cause the application of laws of any jurisdiction other than the Commonwealth of Pennsylvania.

14.5 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

14.6 Severability. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

14.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

14.8 Notices. All notices, demands, and requests required or permitted to be given under the provisions of this Agreement shall be in writing and shall be deemed given upon personal delivery, four days after being mailed by registered or certified mail, return receipt requested, or twenty-four (24) hours after delivery to a courier service which guarantees overnight delivery, addressed as follows:

If to Seller: KB Prime Media LLC
1320 Lafayette Road
Gladwyne, Pennsylvania 19035
Attn: Guyon W. Turner

If to Buyer: Pegasus Satellite Communications, Inc.
225 City Line Avenue
Bala Cynwyd, PA 19004
Attn: Scott Blank, General Counsel

or to any other or additional persons and addresses as the parties may from time to time designate in a writing delivered in accordance with this Section.

14.9 Waivers. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof, nor shall such waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

14.10 Survival of Obligations. All representations, warranties, covenants, and obligations contained in this Agreement shall survive the Closing and shall terminate on the third anniversary of the Closing Date; provided, however, that (a) the representations and warranties contained Sections 6.1 and 7.1 shall survive the Closing Date in perpetuity; (b) the representations and warranties contained in Sections 6.6, shall survive the Closing Date until the day immediately following expiration of the applicable statute of limitations; and (c) the covenant in Section 14.11 shall survive until the sixth anniversary of the Closing Date. Except as otherwise provided herein, no claim shall be made for the breach of any representation or warranty contained in Article 6 or 7 or under any certificate delivered with respect thereto under this Agreement after the date on which such representations and warranties terminate as set forth in this Section.

14.11 Access to Records after Closing. For a period of six years after the Closing Date, Seller and its representatives shall have reasonable access to all of the books and records of the Station transferred to Buyer hereunder to the extent that such access may reasonably be required by Seller in connection with matters relating to or affected by the operations of the Station prior to the Closing Date. Such access shall be afforded by Buyer upon receipt of reasonable advance notice and during normal business hours. Seller shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 14.11. If Buyer shall desire to dispose of any of such books and records prior to the expiration of such six-year period, Buyer shall, prior to such disposition, give

Seller a reasonable opportunity, at Seller's expense, to segregate and remove such books and records as Seller may select.

14.12 Entire Agreement. This Agreement and the Schedules attached hereto and the ancillary documents provided for herein, constitute the entire agreement and understanding of the parties hereto relating to the matters provided for herein and supersede any and all prior agreements, arrangements, negotiations, discussions and understandings relating to the matters provided for herein.

14.13 Interpretation. Article titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The Schedules referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein.

14.14 Submission to Jurisdiction. Buyer and Seller hereby irrevocably submit in any suit, action, or proceeding arising out of or related to this Agreement or any of the transactions contemplated hereby or thereby to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania and the jurisdiction of any court of the Commonwealth of Pennsylvania located in Philadelphia and waive any and all objections to jurisdiction that they may have under the laws of the Commonwealth of Pennsylvania or the United States.

14.15 Preservation of Accuracy of Representations, Warranties, and Covenants. Each of the parties hereto shall refrain from taking any action which would render any representation, warranty, or covenant contained in this Agreement inaccurate as of the Closing Date. Each party shall promptly notify the other of any action, suit, or proceeding that shall be instituted or threatened against such party to restrain, prohibit, or otherwise challenge the legality of any transaction contemplated by this Agreement. Seller shall promptly notify Buyer of any lawsuit, claim, proceeding, or investigation that may be threatened, brought, asserted, or commenced against Seller related to the Assets or the Station.

14.16 Taxes.

(a) Seller shall be liable for and shall pay any federal, state, local, or federal net income, alternative or add-on minimum, gross income, gross receipts, property, sales, use, transfer, gains, license, excise, employment, payroll, withholding, or minimum tax, or any other tax custom, duty, governmental fee, or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax, or additional amount imposed by any governmental body ("Taxes"), whether assessed or unassessed, applicable to the Station and the Assets, in each case attributable to periods (or portions thereof) ending on or prior to the Closing Date. Buyer shall be liable for and shall pay all Taxes, whether assessed or unassessed, applicable to the Station and the Assets, in each case attributable to periods (or portions thereof) beginning after the Closing Date. Any period beginning before and ending after the Closing Date shall be treated as two partial periods, one ending on the Closing Date and the other

beginning after the Closing Date, except that Taxes (such as property taxes) imposed on a periodic basis shall be allocated on a daily basis.

(b) Notwithstanding Section 14.16(a), any Taxes (including by way of amplification and not limitation, sales, use, real property transfer, gains, documentary stamp, or other taxes) attributable to the sale or transfer of the Assets shall be paid by Seller. Buyer agrees to timely sign and deliver such certificates or forms as may be necessary or appropriate to establish an exemption from (or otherwise reduce), or make a report with respect to, such Taxes.

(c) Buyer or Seller, as the case may be, shall provide reimbursement for any Tax paid by one party, all or a portion of which is the responsibility of the other party in accordance with the terms of this Section 14.16. Within a reasonable time prior to the payment of any said Tax, the party paying such Tax shall give notice to the other party of the Tax payable and the portion which is the liability of each party, although failure to do so will not relieve the other party from its liability hereunder.

[Signatures on Following Page.]

IN WITNESS WHEREOF, the parties hereto have executed this Asset Purchase Agreement as of the date and year first above written.

SELLER:

KB PRIME MEDIA LLC

By: 

Name: Caryn W. Fennell

Title: Pres.

BUYER:

PEGASUS SATELLITE
COMMUNICATIONS, INC.

By: 

Name: SCOTT A. BLANK

Title: SENIOR VICE PRESIDENT

LIST OF SCHEDULES

Schedule 1.1(a)	--	Authorizations
Schedule 2.1	--	Assumed Current Liabilities
Schedule 3.1	--	Promissory Note
Schedule 6.5	--	Litigation
Schedule 6.9	--	Contracts
Schedule 6.10	--	Status of Contracts
Schedule 10.1(d)	--	Form of Legal Opinion of Seller's Counsel

SCHEDULE 1.1(a)**Authorizations****CURRENT FCC LICENSES AND AUTHORIZATIONS
WPME(TV) AND ASSOCIATED AUXILIARY STATIONS**

Main Station WPME(TV), Lewiston, Maine
Channel: 35
Facility ID Number: 48408
KB Prime Media LLC

Type of Authorization	Call Sign	FCC File Number	Grant Date	Expiration Date
Consent to Transfer of Control From: KB Communications Corp. To: W.W. Keen Butcher	WPME(TV)	BTCCT-20010830ABR	10/23/01 (Consummated on 12/18/01)	N/A
Consent to Assignment of License From: New England Television, Inc. To: KB Prime Media LLC	WPME(TV)	BALCT-20000627AGK	12/05/00 (Consummated on 02/27/01)	N/A
Television Broadcast Station License	WPME(TV)	BLCT-19970813KG	02/18/00	04/01/07

Pending Applications
Main Station WPME(TV), Lewiston, Maine
Facility ID Number: 48408

Type of Authorization	Call Sign	FCC File Number	Grant Date	Expiration Date
Application for Digital Television Broadcast Station Construction Permit	WPME-DT	BPCDT-19980831KE	Pending	N/A

Antenna Structures Associated with
Main Station WPME(TV), Lewiston, Maine
Facility ID Number: 48408

Registration Number	Issue Date	Coordinates	Overall Height	Owner
1022678	07/03/02	43° 51' 6.0" N 70° 19' 38.0" W	212.4 meters	SpectraSite Communications, Inc.

Broadcast Auxiliary Stations Associated with
Main Station WPME(TV), Lewiston, Maine
Facility ID Number: 48408

Type of Authorization	Call Sign	FCC File Number	Grant Date	Expiration Date
Remote Pickup	WPKX977	--	09/22/97	04/01/07
TV Studio Transmitter Link	WPN1566	--	10/20/97	04/01/07

Business Radio Stations Associated with
Main Station WPME(TV), Lewiston, Maine
Facility ID Number: 48408

Type of Authorization	Call Sign	FCC File Number	Grant Date	Expiration Date
None Found				

Earth Stations Associated with
Main Station WPME(TV), Lewiston, Maine
Facility ID Number: 48408

Type of Authorization	Call Sign	FCC File Number	Grant Date	Expiration Date
None Found				

SCHEDULE 2.1

Assumed Current Liabilities

None.

SCHEDULE 6.5

Litigation

None.

SCHEDULE 6.9

Contracts

1. Time Brokerage Agreement dated as of January 29, 1996, by and among New England Cable Television, Inc., Wilson Hickam, and B.T. Satellite, Inc., as amended by that certain Amendment to Time Brokerage Agreement dated as of February 27, 2001, by and between New England Television, Inc., Wilson Hickam, and B.T. Satellite, Inc.
2. Programming Agreement dated as of February 27, 2001, by and between Wilson Hickam and KB Prime Media, LLC.
3. Affiliation Agreement, dated September 1, 2001, among The United Paramount Network, Pegasus Broadcast Television, Inc., and KB Prime Media, LLC.
4. Lease Agreement dated as of February 27, 2001, by and between B.T. Satellite, Inc. and KB Prime Media, LLC.
5. Retransmission Consent Letter Agreement with Adelphia Cable, dated November 11, 1999.
6. Retransmission Consent Letter Agreement with Bee Line Cable, dated November 11, 1999.
7. Retransmission Consent Letter Agreement with Cable TV of the Kennebunks (n/k/a Adelphia Cable), dated November 11, 1999.
8. Retransmission Consent Letter Agreement with Casco Cable, dated November 11, 1999.
9. Retransmission Consent Letter Agreement with New England Cablevision, Inc. dated November 11, 1999.
10. Retransmission Consent Letter Agreement with Time Warner Cable, dated November 10, 1999.
11. SESAC Local Station Blanket Television License Agreement (undated), between SESAC, Inc. and KB Prime Media LLC.
12. 1999 BMI Local Television Station Interim License Agreement, dated September 6, 2001, between Broadcast Music, Inc. and KB Prime Media LLC.
13. ASCAP Interim Local Station Blanket Television License, dated as of February 27, 2001, between American Society of Composers, Authors and Publishers and KB Prime Media LLC.

Pending Retransmission Consent Agreements (effective January 1, 2003):

14. Metrocast Cablevision.
15. Susquehanna Communications.
16. Warner Cable.
17. White Mountain Cablevision.

SCHEDULE 6.10

Status of Contracts

List of Third-Party Consents:

1. Time Brokerage Agreement dated as of January 29, 1996, by and among New England Cable Television, Inc., Wilson Hickam, and B.T. Satellite, Inc., as amended by that certain Amendment to Time Brokerage Agreement dated as of February 27, 2001, by and between New England Television, Inc., Wilson Hickam, and B.T. Satellite, Inc.**
2. Lease Agreement dated as of February 27, 2001, by and between B.T. Satellite, Inc. and KB Prime Media, LLC.
3. Programming Agreement dated as of February 27, 2001, by and between Wilson Hickam and KB Prime Media, LLC.
4. 1999 BMI Local Television Station Interim License Agreement, dated September 6, 2001, between Broadcast Music, Inc. and KB Prime Media LLC.

**** = "material" consent**

List of Notices:

1. Affiliation Agreement, dated September 1, 2001, among The United Paramount Network, Pegasus Broadcast Television, Inc., and KB Prime Media, LLC.

SCHEDULE 6.12

Tangible Personal Property

Liens on Tangible Personal Property:

None.

SCHEDULE 10.1(d)

Form of Legal Opinion of Seller's Counsel

_____, 2004

Pegasus Satellite Communications, Inc.
225 City Line Avenue
Bala Cynwyd, PA 19004

Ladies and Gentlemen:

We have acted as counsel to KB Prime Media LLC, a Delaware limited liability company (the "Company"), in connection with the Asset Purchase Agreement, dated as of _____, 2004 (the "Asset Purchase Agreement"), between the Company and Pegasus Satellite Communications, Inc., Delaware corporation (the "Buyer"). Except as otherwise indicated herein, capitalized terms used in this letter (the "Opinion Letter") are defined as set forth in the Asset Purchase Agreement. This Opinion Letter is being delivered to you pursuant to Section 10.1(d) of the Asset Purchase Agreement.

In rendering the opinions expressed in this Opinion Letter, we have examined originals, or copies certified or otherwise identified to our satisfaction, of (i) (A) the Asset Purchase Agreement, (B) the Assignment and Assumption Agreement, dated as of the date hereof, between the Company and the Buyer, and (C) the Bill of Sale, dated as of the date hereof, by the Company in favor of the Buyer (collectively, the "Transaction Documents"); (ii) the Certificate of Formation and the Limited Liability Company Agreement of the Company (together, the "Charter Documents"); (iii) resolutions of the Members and of the Board of Managers of the Company; and (iv) a good standing certificate dated _____, 2004 from the Delaware Secretary of State.

As to factual matters material to the opinions expressed in this letter, we have relied upon and assumed, without independent investigation, the accuracy and completeness of originals or conformed or facsimile copies of company records, agreements and instruments of the Company submitted to us, certificates of public officials and of officers of the Company and the representations and warranties of the Company contained in the Asset Purchase Agreement.

In all of such examinations, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the competency of individuals, the due authority of the parties (other than the Company) executing such documents, and the conformity to the originals of all such documents submitted to us as copies or telecopies. We have also assumed (i) that the Buyer is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is not required to be qualified or authorized in any other jurisdiction, (ii) that the Buyer has duly executed and delivered the Asset Purchase Agreement, with all necessary power and authority (corporate and otherwise, including, without limitation, due authorization by all necessary corporate or other action), (iii) that the Buyer has complied

with all laws, regulations, court orders and agreements applicable to it that affect the transactions contemplated by the Asset Purchase Agreement and (iv) that the Asset Purchase Agreement is valid as to and binding upon and enforceable in accordance with its respective terms against the Buyer.

This Opinion Letter is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991), as supplemented or modified by the Pennsylvania Third-Party Legal Opinion Supplement (the "Pennsylvania Supplement") of the PBA Section of Corporation, Banking and Business Law (1992). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord and the Pennsylvania Supplement, and this Opinion Letter should be read in conjunction therewith. The law covered by the opinions expressed herein is limited to the law of the Commonwealth of Pennsylvania, the Delaware Limited Liability Company Act and the federal law of the United States.

The opinions contained herein pertain to the laws and facts existing on the date hereof, and we assume no obligation to revise these opinions to account for the occurrence of any subsequent events. In this opinion, the phrase "actual knowledge" refers only to the conscious awareness of facts or other information by those lawyers in our firm who have devoted substantive attention to the Transaction Documents.

Based upon and subject to the foregoing and the comments and qualifications set forth below, we are of the opinion that:

1. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.
2. The Company has all requisite company power and authority to execute, deliver and perform each of the Transaction Documents and to carry out its obligations thereunder and to sell, assign and transfer the Assets to the Buyer.
3. Each of the Transaction Documents constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.
4. The execution, delivery and performance by the Company of the Transaction Documents to which it is a party have been duly authorized by all requisite company action of the Company.

Our opinions above are subject to the following comments and qualifications:

- A. The opinions expressed herein are limited to the extent that the performance and enforceability of any agreement by or against any party may be subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally; (ii) the

application by a court of general principles of equity; and (iii) the unavailability of the remedy of specific performance or of injunctive relief or of any other equitable remedy.

B. No opinion is given with respect to the validity or enforceability of (i) provisions to the effect that waivers or consents by a party may not be given effect unless in writing or in compliance with particular requirements or that a person's course of dealing, course of performance, or the like or failure or delay in taking actions may not constitute a waiver of related rights or provisions or that one or more waivers may not under certain circumstances constitute a waiver of other matters of the same kind; (ii) provisions to the effect that the provisions of an agreement are severable; (iii) provisions that state a contractual election of venue or the laws of any specified jurisdiction; and (iv) the effect of course of dealing, course of performance, or the like, that would modify the terms of an agreement or the rights or obligations of the parties under an agreement or any agreements or understandings other than those expressly set forth in the Transaction Documents.

C. We have made no examination of and express no opinion with respect to the nature or extent of the interest of the Company in, the condition of title to, or the existence of liens, security interests, encumbrances or other charges on or with respect to any of the Assets.

This opinion letter is solely for your benefit and may not be delivered to, used or relied on in any manner by any other person for any purpose whatsoever without in each instance our prior written consent.

Very truly yours,

COZEN O'CONNOR