

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this “Agreement”) is made as of November 1, 2013 among Sainte 51, L.P., a California limited partnership (“Seller”), and Serestar Communications Corporation, a California corporation (“Buyer”).

Recitals

A. Seller owns and operates the following television broadcast station (the “Station”) pursuant to certain authorizations issued by the Federal Communications Commission (the “FCC”):

KCSO-LD, Sacramento, California (FCC Fac. ID 18998)

B. Pursuant to the terms and subject to the conditions set forth in this Agreement, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, the Station Assets (defined below).

Agreement

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

ARTICLE 1: PURCHASE OF ASSETS

1.1. Station Assets. On the terms and subject to the conditions hereof, at Closing (defined below), except as set forth in Sections 1.2 and 1.3, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase and acquire from Seller, all right, title and interest of Seller in and to all assets and properties of Seller, real and personal, tangible and intangible, that are used or held for use in the operation of the Station, including without limitation those described below in this Section 1.1 (the “Station Assets”):

(a) all licenses, permits and other authorizations issued to Seller by the FCC with respect to the Station (the “FCC Licenses”), including without limitation those listed on *Schedule 1.1(a)*, and any renewals or modifications thereof between the date hereof and Closing;

(b) all of Seller’s equipment, transmitters, antennas, cables, towers, vehicles, furniture, fixtures, spare parts and other tangible personal property of every kind and description that are used or held for use in the operation of the Station, including without limitation those listed on *Schedule 1.1(b)*, except for any retirements or dispositions thereof made between the date hereof and Closing in the ordinary course of business and in accordance with Article 4 (the “Tangible Personal Property”);

(c) all of Seller’s real property used or held for use in the operation of the Station (including any appurtenant easements and improvements located thereon), including without limitation that which is listed on *Schedule 1.1(c)* (the “Real Property”);

(d) all agreements for the sale of advertising time on the Station entered into in the ordinary course of business, and all other contracts, agreements and leases used in the Station's business that are listed on *Schedule 1.1(d)*, together with all contracts, agreements and leases made between the date hereof and Closing in accordance with Article 4 (the "Station Contracts");

(e) all of Seller's rights in and to the Station's call letters and Seller's rights in and to the trademarks, trade names, service marks, internet domain names, copyrights, programs and programming material, jingles, slogans, logos, and other intangible property which are used or held for use solely in the operation of the Station, including without limitation those listed on *Schedule 1.1(e)* (the "Intangible Property"); and

(f) Seller's rights in and to all the files, documents, records, and books of account (or copies thereof) relating solely to the operation of the Station, including the Station's local public file, programming information and studies, engineering data, advertising studies, marketing and demographic data, sales correspondence, lists of advertisers, credit and sales reports, and logs, but excluding records relating to Excluded Assets (defined below).

1.2. Excluded Assets. Notwithstanding anything to the contrary contained herein, the Station Assets shall not include the following assets or any rights, title and interest therein (the "Excluded Assets"):

(a) all cash and cash equivalents of Seller, including without limitation certificates of deposit, commercial paper, treasury bills, marketable securities, money market accounts and all such similar accounts or investments;

(b) all tangible and intangible personal property of Seller retired or disposed of between the date of this Agreement and Closing in accordance with Article 4;

(c) all Station Contracts that are terminated or expire prior to Closing in accordance with Article 4;

(d) Seller's corporate and trade names unrelated to the operation of the Station (including the name "Sainte"), charter documents, and books and records relating to the organization, existence or ownership of Seller, duplicate copies of the records of the Station, and all records not relating to the operation of the Station;

(e) subject to Section 5.4, 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 related to such insurance policies;

(f) all pension, profit sharing plans and trusts and the assets thereof and any other employee benefit plan or arrangement and the assets thereof, if any, maintained by Seller;

(g) the Station's accounts receivable and any other rights to payment of cash consideration (including without limitation all rights to payments under the Station's network affiliation agreements, whether or not offset) for goods or services sold or provided prior to the

Effective Time (defined below) or otherwise arising during or attributable to any period prior to the Effective Time (the “A/R”);

(h) any computer software and programs used in the operation of the Station that are not transferable;

(i) all rights and claims of Seller, whether mature, contingent or otherwise, against third parties with respect to the Station and the Station Assets, to the extent arising during or attributable to any period prior to the Effective Time;

(j) all deposits and prepaid expenses (and rights arising therefrom or related thereto), except to the extent Seller receives a credit therefor under Section 1.7;

(k) all claims of Seller with respect to any tax refunds; and

(l) the assets listed on *Schedule 1.2*.

1.3. Shared Contracts.

The Station Contracts identified on *Schedule 1.1(d)* are used in the operation of multiple stations owned or operated by Seller (the “Shared Contracts”). The parties shall use commercially reasonable efforts to obtain reasonably comparable replacement or separated contracts that provide similar rights and obligations as currently available under the Shared Contract listed on *Schedule 1.1(d)*, but only with respect to the Station (the “Replacement Contracts”), and any Replacement Contracts so obtained, shall be assigned to Buyer at Closing in lieu of the applicable Shared Contract.

1.4. Assumption of Obligations. On the Closing Date (defined below), Buyer shall assume the obligations of Seller arising during, or attributable to, any period of time on or after the Closing Date under the Station Contracts and the FCC Licenses, the obligations with respect to accrued and unused vacation for Transferred Employees as described in Section 5.6, and any other liabilities of Seller to the extent Buyer receives a credit therefor under Section 1.7 (collectively, the “Assumed Obligations”). Except for the Assumed Obligations, Buyer does not assume, and will not be deemed by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby to have assumed, any other liabilities or obligations of Seller (the “Retained Obligations”).

1.5 Purchase Price. In consideration of the sale of the Station Assets, Buyer shall pay to Seller One Million Six Hundred Thousand Dollars (\$1,600,000) (the “Purchase Price”), which shall be payable to Seller as follows:

(a) On the Closing Date, Buyer shall pay to Seller by wire transfer of immediately available funds, the sum of Seven Hundred Fifty Thousand Dollars (\$750,000), less the amount of the Deposit which shall be paid to Seller and credited against the Purchase Price pursuant to Section 1.6, subject to adjustment pursuant to Section 1.7;

(b) On the Closing Date, Buyer shall deliver to Seller a senior secured promissory note in the principal amount of Eight Hundred Fifty Thousand Dollars (\$850,000)

(subject to adjustment as set forth in Exhibit 1.5(b)), bearing interest at the rate of four percent (4%) per annum, with a term of four (4) years and due upon any sale of the Station, change of control of Buyer or Buyer entering into a local marketing or time brokerage agreement pursuant to which all or substantially all of the Station's broadcast time is brokered to a third party, in form and substance reasonably satisfactory to the parties (the "Note"). The Note shall provide for annual payments of all outstanding interest and shall provide for a balloon payment of Two Hundred Fifty Thousand Dollars (\$250,000) of principal on the third anniversary of the Note and a balloon payment of Six Hundred Thousand Dollars (\$600,000) of principal, together with any other amounts then outstanding, on the fourth anniversary of the Note. The Note shall provide that upon the occurrence of a Note Adjustment Event (as defined in Exhibit 1.5(b)) amounts due under the Note shall be adjusted as provided in Exhibit 1.5(b).

(c) The Note shall be secured by a first-priority, perfected lien on all of the Station Assets, and all replacements, proceeds and after-acquired assets used by the Station (collectively the "Collateral"). At Closing, Buyer shall deliver to Seller a security agreement, UCC-1 and other lien filings, and such other documents as Seller may reasonably request, in form and substance reasonably acceptable to the parties, granting Seller a first-priority perfected lien on the Collateral and other customary terms (such documents, together with the Note, collectively the "Loan Documents").

1.6. Deposit. Within three (3) business days after the date of this Agreement, Buyer shall make a cash deposit in immediately available funds in the amount of Seventy Thousand Dollars (\$70,000.00) (the "Deposit") with Branch Banking & Trust Company (the "Escrow Agent") pursuant to the escrow agreement among Buyer, Seller and the Escrow Agent. At Closing, the Deposit shall be disbursed to Seller and applied to the Purchase Price and any interest accrued thereon shall be disbursed to Buyer. If this Agreement is terminated by Seller pursuant to Section 10.1(c), the Deposit shall be disbursed to Seller and credited as payment of liquidated damages under Section 10.5. If this Agreement is terminated for any other reason, the Deposit shall be disbursed to Buyer. The parties shall each instruct the Escrow Agent to disburse the Deposit to the party entitled thereto, and all interest thereon to Buyer, and shall not, by any act or omission, delay or prevent any such disbursement. Any failure by Buyer to make the Deposit on the date hereof constitutes a material default as to which the Cure Period under Section 10.1 does not apply entitling Seller to immediately terminate this Agreement.

1.7. Prorations and Adjustments.

(a) All prepaid and deferred income and expenses relating to the Station Assets and arising from the operation of the Station shall be prorated between Buyer and Seller as of 12:01 a.m. on the day of Closing (the "Effective Time"). Such prorations shall include without limitation all ad valorem, real estate and other property taxes (except transfer taxes as provided by Section 11.1), music and other license fees, employee performance incentives set forth in employment agreements or annual compensation plans, any accrued and unused vacation for Transferred Employees (defined below), utility expenses, rent and other amounts under Station Contracts and similar prepaid and deferred items. Seller shall receive a credit for all of the Station's deposits under Station Contracts to the extent such amounts remain on deposit after Closing, and prepaid expenses to the extent relating to Assumed Obligations. Sales commissions related to the sale of advertisements broadcast on the Station prior to Closing shall be the

responsibility of Seller, and sales commissions related to the sale of advertisements broadcast on the Station after Closing shall be the responsibility of Buyer.

(b) With respect to trade, barter or similar agreements for the sale of time for goods or services assumed by Buyer pursuant to Section 1.1(d), if at Closing the Station has an aggregate negative or positive barter balance (*i.e.*, the amount by which the value of air time to be provided by the Station after the Effective Time exceeds, or conversely, is less than, the fair market value of corresponding goods and services), there shall be no proration or adjustment, unless the negative or positive barter balance of the Station as an aggregate exceeds \$15,000, in which event such excess or deficiency, as the case may be, shall be treated either as prepaid time sales or a receivable of Seller, and adjusted for as a proration in Buyer's or Seller's favor, as applicable. In determining barter balances, the value of air time shall be based upon Seller's rates as of Closing, and corresponding goods and services shall include (i) those to be received by the Station after Closing *plus* (ii) those received by the Station before Closing to the extent conveyed by Seller to Buyer as a part of the Station Assets and based on their fair market value as of Closing.

(c) No later than three (3) business days prior to the scheduled Closing date, Seller shall provide Buyer with a statement setting forth a reasonably detailed computation of Seller's reasonable and good faith estimate of the Adjustment Amount (defined below) as of Closing (the "Preliminary Adjustment Report"). As used herein, the "Adjustment Amount" means the net amount by which the Purchase Price is to be increased or decreased in accordance with this Section 1.7. If the Adjustment Amount reflected on the Preliminary Adjustment Report is a credit to Buyer, then the Purchase Price payable at Closing 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, then the Purchase Price payable at Closing shall be increased by the amount of such preliminary Adjustment Amount. For a period of ninety (90) days after Closing, Seller and its accountants and Buyer and its accountants may review the Preliminary Adjustment Report and the related books and records of Seller with respect to the Station, and Buyer and Seller will in good faith seek to reach agreement on the final Adjustment Amount. If agreement is reached within such 90-day period, then promptly thereafter 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. If agreement is not reached within such 90-day period, then the parties shall select, and jointly pay the fees of, a nationally recognized independent accounting firm who shall determine the final Adjustment Amount, which determination shall be binding upon the parties.

1.8. Allocation. After Closing, Buyer and Seller will allocate the Purchase Price in accordance with the respective fair market values of the Station Assets and the goodwill being purchased and sold in accordance with the requirements of Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"). Buyer and Seller shall file its federal income tax returns and its other tax returns reflecting the allocation made pursuant to this Section.

1.9. Closing. The consummation of the sale and purchase of the Station Assets provided for in this Agreement (the "Closing") shall take place on the fifth (5th) business day after the date of the FCC Consent (defined below) pursuant to the FCC's initial order (or on such

earlier day after such consent as Buyer and Seller may mutually agree), subject to the satisfaction or waiver of the conditions set forth in Articles 6 or 7 below. The date on which the Closing is to occur is referred to herein as the “Closing Date.”

1.10. Governmental Consents.

(a) Within five (5) business days of the date of this Agreement, Buyer and Seller shall file an application with the FCC (the “FCC Application”) requesting FCC consent to the assignment of the FCC Licenses to Buyer. FCC consent to the assignment of the main station FCC Licenses to Buyer is referred to herein as the “FCC Consent. ” Buyer and Seller shall diligently prosecute the FCC Application and otherwise use their commercially reasonable efforts to obtain the FCC Consent as soon as possible.

(b) Buyer and Seller shall notify each other of all documents filed with or received from any governmental agency with respect to this Agreement or the transactions contemplated hereby. Buyer and Seller shall furnish each other with such information and assistance as the other may reasonably request in connection with their preparation of any governmental filing hereunder. The FCC Consent is referred to herein as the “Governmental Consents. ”

ARTICLE 2: SELLER REPRESENTATIONS AND WARRANTIES

Seller makes the following representations and warranties to Buyer:

2.1. Organization. Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Seller has the requisite power and authority to execute, deliver and perform this Agreement and all of the other agreements and instruments to be made by Seller pursuant hereto (collectively, the “Seller Ancillary Agreements”) and to consummate the transactions contemplated hereby.

2.2. Authorization. The execution, delivery and performance of this Agreement and the Seller Ancillary Agreements by Seller have been duly authorized and approved by all necessary action of Seller and do not require any further authorization or consent of Seller. This Agreement is, and each Seller Ancillary Agreement when made by Seller and the other parties thereto will be, a legal, valid and binding agreement of Seller enforceable in accordance with its terms, except in each case as such enforceability may be limited by bankruptcy, moratorium, insolvency, reorganization or other similar laws affecting or limiting the enforcement of creditors’ rights generally and except as such enforceability is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

2.3. No Conflicts. Except as set forth on *Schedule 2.3* and except for the Governmental Consents and such consents to assign certain of the Station Contracts as set forth on *Schedules 1.1(c)* and/or *1.1(d)*, the execution, delivery and performance by Seller of this Agreement and the Seller Ancillary Agreements and the consummation by Seller of any of the transactions contemplated hereby does not conflict with any organizational documents of Seller or any law, judgment, order, or decree to which Seller is subject, or require the consent or

approval of, or a filing by Seller with, any governmental or regulatory authority or any third party.

2.4. FCC Licenses. Seller is the holder of the FCC Licenses listed on *Schedule 1.1(a)*. The FCC Licenses are in full force and effect and have not been revoked, suspended, canceled, rescinded or terminated, and have not expired. There is not pending any action by or before the FCC to revoke, suspend, cancel, rescind or materially adversely modify any of the FCC Licenses (other than proceedings to amend FCC rules of general applicability). There is not issued or outstanding, by or before the FCC, any order to show cause, notice of violation, notice of apparent liability, or order of forfeiture against the Station or against Seller with respect to the Station that could result in any such action. The Station is operating in compliance in all material respects with the FCC Licenses, the Communications Act of 1934, as amended (the “Communications Act”), and the rules, regulations and policies of the FCC.

2.5. Taxes. Seller has, in respect of the Station’s business, filed all federal, state, and local income, excise, property, sales, use, franchise and other tax returns and reports which are required to have been filed by it under applicable law, and has paid all taxes which have become due pursuant to such returns or pursuant to any assessments which have become payable.

2.6. Personal Property. *Schedule 1.1(b)* contains a list of material items of Tangible Personal Property included in the Station Assets. Except as set forth on *Schedule 1.1(b)*, Seller has title to the Tangible Personal Property free and clear of liens, claims and encumbrances (“Liens”) other than Permitted Liens (defined below). Except as set forth on *Schedule 1.1(b)*, all material items of Tangible Personal Property are in operating condition, ordinary wear and tear excepted. As used herein, “Permitted Liens” means, collectively, the Assumed Obligations, liens for taxes not yet due and payable, liens that will be released at or prior to Closing, and with respect to the Real Property such other easements, rights of way, building and use restrictions, exceptions, reservations and limitations that do not materially detract from the value of the property subject thereto or impair the use thereof in the ordinary course of the business of the Station.

2.7. Real Property. *Schedule 1.1(c)* contains a description of all Real Property included in the Station Assets. The Station Assets do not include any owned Real Property. *Schedule 1.1(c)* includes a description of each lease of Real Property or similar agreement included in the Station Contracts (the “Real Property Leases”). To Seller’s knowledge, the Real Property is not subject to any suit for condemnation or other taking by any public authority.

2.8. Contracts. Except as set forth on *Schedule 1.1(d)*, each of the Station Contracts (including without limitation each of the Real Property Leases) is in effect and is binding upon Seller and, to Seller’s knowledge, the other parties thereto (subject to bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforcement of creditors’ rights generally). Seller has performed its obligations under each of the Station Contracts in all material respects, and is not in material default thereunder, and to Seller’s knowledge, no other party to any of the Station Contracts is in default thereunder in any material respect.

2.9. Environmental. Except as set forth on *Schedule 1.1(c)*, to Seller’s knowledge, no hazardous or toxic substance or waste regulated under any applicable environmental, health or safety law has been generated, stored, transported or released on, in, from or to the Real Property

included in the Station Assets. Except as set forth on *Schedule 1.1(c)*, to Seller's knowledge, Seller has complied in all material respects with all environmental, health and safety laws applicable to the Station.

2.10. Intangible Property. *Schedule 1.1(e)* contains a description of the material Intangible Property included in the Station Assets. Except as set forth on *Schedule 1.1(e)*, to Seller's knowledge, Seller's use of the Intangible Property does not infringe upon any third party rights in any material respect. Except as set forth on *Schedule 1.1(e)*, to Seller's knowledge, Seller owns or has the right to use the Intangible Property free and clear of Liens other than Permitted Liens.

2.11. Employees. Except as set forth on *Schedule 2.11*, to Seller's knowledge: (i) Seller has complied in all material respects with all labor and employment laws, rules and regulations applicable to the Station's business, including without limitation those which relate to prices, wages, hours, discrimination in employment and collective bargaining, (ii) there is no unfair labor practice charge or complaint against Seller in respect of the Station's business pending or to Seller's knowledge threatened before the National Labor Relations Board, any state labor relations board or any court or tribunal, and there is no strike, dispute, request for representation, slowdown or stoppage pending or threatened in respect of the Station business, and (iii) Seller is not party to any collective bargaining, union or similar agreement with respect to the Station employees, and to Seller's knowledge no union represents, claims to represent or is attempting to organize such employees or any of them.

2.12. Insurance. Seller maintains insurance policies or other arrangements with respect to the Station and the Station Assets consistent with its practices for other stations, and will maintain such policies or arrangements until the Effective Time.

2.13. Compliance with Law. Except as set forth on *Schedule 2.13*: (i) Seller has complied in all material respects with all laws, rules and regulations, and all decrees and orders of any court or governmental authority which are applicable to the operation of the Station, and (ii) there are no governmental claims or investigations pending or threatened against Seller in respect of the Station except those affecting the industry generally.

2.14. Litigation. Except as set forth on *Schedule 2.14*, there is no action, suit or proceeding pending or, to Seller's knowledge, threatened against Seller in respect of the Station that would be reasonably likely to subject Buyer to liability or to affect Seller's ability to perform its obligations under this Agreement.

2.15. Financial Reports. Seller operates the Station as part of a consolidated group of stations and does not have stand-alone financial statements with respect to the Station. Seller has provided to Buyer copies of its internal accounting reports with respect to revenue, expenses, assets and liabilities which are specific to the Station for the two most recently ended fiscal years and any interim periods ending prior to the date hereof. Such reports are not separately audited. Such reports have been prepared pursuant to Seller's internal accounting procedures, consistently applied.

2.16 Station Assets. The Station Assets, together with the Excluded Assets and the Shared Contracts, constitute all material properties and assets used by Seller in the operations of the Station as currently conducted.

ARTICLE 3: BUYER REPRESENTATIONS AND WARRANTIES

Buyer hereby makes the following representations and warranties to Seller:

3.1. Organization. Buyer is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and is qualified to do business in each jurisdiction in which the Station Assets are located. Buyer has the requisite power and authority to execute, deliver and perform this Agreement and all of the other agreements and instruments to be executed and delivered by Buyer pursuant hereto (collectively, the "Buyer Ancillary Agreements") and to consummate the transactions contemplated hereby.

3.2. Authorization. The execution, delivery and performance of this Agreement and the Buyer Ancillary Agreements by Buyer have been duly authorized and approved by all necessary action of Buyer and do not require any further authorization or consent of Buyer. This Agreement is, and each Buyer Ancillary Agreement when made by Buyer and the other parties thereto will be, a legal, valid and binding agreement of Buyer enforceable in accordance with its terms, except in each case as such enforceability may be limited by bankruptcy, moratorium, insolvency, reorganization or other similar laws affecting or limiting the enforcement of creditors' rights generally and except as such enforceability is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.3. No Conflicts. Except for the Governmental Consents, the execution, delivery and performance by Buyer of this Agreement and the Buyer Ancillary Agreements and the consummation by Buyer of any of the transactions contemplated hereby does not conflict with any organizational documents of Buyer or any law, judgment, order or decree to which Buyer is subject, or require the consent or approval of, or a filing by Buyer with, any governmental or regulatory authority or any third party.

3.4. Litigation. There is no action, suit or proceeding pending, or to Buyer's knowledge threatened, against Buyer which questions the legality or propriety of the transactions contemplated by this Agreement or would be reasonably likely to materially adversely affect the ability of Buyer to perform its obligations hereunder.

3.5. Qualification. Buyer is legally, financially and otherwise qualified to be the licensee of, acquire, own and operate the Station under the Communications Act and the rules, regulations and policies of the FCC. There are no facts that would, under existing law and the existing rules, regulations, policies and procedures of the FCC, disqualify Buyer as an assignee of the FCC Licenses or as the owner and operator of the Station. No waiver of or exemption applicable to Buyer from any FCC rule or policy is necessary for the FCC Consent to be obtained. There are no matters applicable to Buyer which might reasonably be expected to result in the FCC's denial or delay of approval of the FCC Application.

ARTICLE 4: SELLER COVENANTS

4.1. Seller's Covenants. Between the date hereof and Closing, except as permitted by this Agreement or with the prior written consent of Buyer, which shall not be unreasonably withheld, delayed or conditioned, Seller shall:

- (a) operate the Station in the ordinary course of business and in all material respects in accordance with FCC rules and regulations and with all other applicable laws, regulations, rules and orders;
- (b) not take any action to, or permit any action to be taken to, adversely modify any of the FCC Licenses;
- (c) not sell, lease or dispose of or agree to sell, lease or dispose of any of the Station Assets unless replaced with similar items of substantially equal or greater value and utility, or create, assume or permit to exist any Liens upon the Station Assets, except for Permitted Liens, provided the Seller may sell, lease or dispose of Station Assets, without replacement or Buyer's consent, if done in the ordinary course of business and with respect to Station Assets with a fair market value of not more than \$20,000 for all such transactions during the term of this Agreement;
- (d) upon reasonable notice, give Buyer reasonable access during normal business hours to the Station Assets, and furnish Buyer with information relating to the Station Assets that Buyer may reasonably request, provided that such access rights shall not be exercised in a manner that unreasonably interferes with the operation of the Station;
- (e) except in the ordinary course of business and as otherwise required by law, and not in limitation of the provisions of Section 4.1(f): (i) not enter into any employment, labor, or union agreement or plan (or amendments of any such existing agreements or plan) that will be binding upon Buyer after Closing, or (ii) increase the compensation payable to any employee of the Station, except for bonuses and other compensation payable by Seller in connection with the consummation of the transactions contemplated by this Agreement;
- (f) not enter into any new contract, agreement or lease with a term of more than 90 days or requiring payment by Seller of more than \$20,000 in the aggregate for all such contracts, agreements and leases, or amend any existing Station Contract in any material respect or other than in the ordinary course of business; and
- (g) use its commercially reasonable efforts to maintain in effect all material Station Contracts, including without limitation, tower and transmitter site leases, network affiliation agreements, and agreements for the carriage of the Station's signal on cable or satellite systems.

4.2. Joint Sales and Services Agreement. Upon Buyer's written request, at any time during the period that the FCC Application is pending before the FCC, Seller and Buyer shall, as promptly as is practicable, execute and deliver a Joint Sales and Services Agreement (the "JSSA") pursuant to which Buyer shall provide advertising sales and other services to the Station with respect to all of the Station's broadcast time, commencing upon

execution and delivery of the JSSA, and shall collect and retain all revenues from the operations of the Station and pay or reimburse Seller for the costs of the operations of the Station. The JSSA shall be in form and substance customary in the television broadcast industry, including without limitation reasonable terms to comply with applicable law and the rules and policies of the FCC, shall be reasonably satisfactory to the parties, and shall provide for the payment of no consideration by Buyer other than the reimbursement of Seller's reasonable and necessary direct expenses incurred in operating the Station.

ARTICLE 5: JOINT COVENANTS

Buyer and Seller hereby covenant and agree as follows:

5.1. Confidentiality. Subject to the requirements of applicable law, all non-public information regarding the parties and their business and properties that is disclosed in connection with the negotiation, preparation or performance of this Agreement shall be confidential and shall not be disclosed to any other person or entity, except on a confidential basis to the parties' attorneys, accountants, investment bankers, investors and lenders, and their respective attorneys for the purpose of consummating the transaction contemplated by this Agreement.

5.2. Announcements. Prior to Closing, no party shall, without the prior written consent of the other, issue any press release or make any other public announcement concerning the transactions contemplated by this Agreement, except to the extent that such party is so obligated by law, in which case such party shall give advance notice to the other.

5.3. Control. Buyer shall not, directly or indirectly, control, supervise or direct the operation of the Station prior to Closing. Consistent with the Communications Act and the FCC rules and regulations, control, supervision and direction of the operation of the Station prior to Closing shall remain the responsibility of Seller as the holder of the FCC Licenses.

5.4. Risk of Loss.

(a) Seller shall bear the risk of any loss of or damage to any of the Station Assets at all times until the Effective Time, and Buyer shall bear the risk of any such loss or damage thereafter.

(b) If prior to the Effective Time any item of Tangible Personal Property is damaged or destroyed or otherwise not in the condition described in Section 2.6 in any material respect, then Seller shall use commercially reasonable efforts to repair or replace such item in all material respects.

(c) If such repair or replacement is not completed prior to Closing, and if (i) the fair market value of the affected Station Assets, as agreed upon in good faith by the parties, is no more than \$50,000, and (ii) the loss or damage does not impair the Station's ability to broadcast its signal, then the parties shall proceed to Closing and, at Buyer's sole election, either: (x) Seller shall assign to Buyer the proceeds of any and all insurance with respect to such loss or damage, or (y) Seller shall repair or replace such item in all material respects after Closing (and Buyer will provide Seller access and any other reasonable assistance requested by Seller with respect to such obligation). In such event, Seller's representations and warranties, and Buyer's

pre-Closing termination rights and post-Closing indemnification rights, shall be deemed modified to take into account any such condition.

5.5. Consents.

(a) The parties shall use commercially reasonable efforts to obtain (i) any third party consents necessary for the assignment of any Station Contract (which shall not require any payment to any such third party), and (ii) execution of reasonable estoppel certificates by lessors under any Real Property Leases requiring consent to assignment (if any), but no such consents or estoppel certificates are conditions to Closing except for the Required Consents (defined below). Receipt of consent to assign to Buyer the agreements designated with a diamond on *Schedule 1.1(d)* and *Schedule 1.1(c)* (if any), and with respect to real property leases so designated, receipt of estoppel certificates, are conditions precedent to Buyer's obligation to close under this Agreement (the "Required Consents").

(b) To the extent that any Station Contract may not be assigned without the consent of any third party, and such consent is not obtained prior to Closing, this Agreement and any assignment executed pursuant to this Agreement shall not constitute an assignment of such Station Contract; provided, however, with respect to each such Station Contract, Seller and Buyer shall cooperate to the extent feasible in effecting a lawful and commercially reasonable arrangement under which Buyer shall receive the benefits under the Station Contract from and after Closing, and to the extent of the benefits received, Buyer shall pay and perform Seller's obligations arising under the Station Contract from and after Closing in accordance with its terms. Nothing in this Section 5.5(b) shall limit Buyer's right to receive Required Consents as a condition to Closing.

5.6. Employees.

(a) Seller has provided Buyer a list of employee positions and annualized pay rates for employees of the Station. Buyer shall be under no obligation to offer employment to any employees of the Station, but shall provide Seller with written notice at least thirty (30) days prior to Closing of those employees to which Buyer intends to offer employment. With respect to each employee who accepts such offer (collectively, the "Transferred Employees"), at Closing employment with Seller shall terminate and employment with Buyer shall commence.

(b) With respect to Transferred Employees, Seller shall be responsible for all compensation and benefits arising prior to the Effective Time and Buyer shall be responsible for all compensation and benefits arising after the Effective Time. Notwithstanding anything herein to the contrary, Buyer shall grant credit to each Transferred Employee for all unused vacation accrued as of the Effective Time as an employee of Seller, and Buyer shall assume and discharge Seller's obligation to provide such leave to such employees (such obligations being a part of the Assumed Obligations and for which Buyer shall receive proration credit pursuant to Section 1.7).

5.7. Accounts Receivable and Accounting Services.

(a) For a period of one hundred twenty (120) days after Closing (the "Collection Period"), and subject to the terms of the JSSA, if any, Buyer shall, without charge to Seller, use commercially reasonable efforts to collect the A/R in the ordinary course of business

and shall apply all amounts collected from the Station's account debtors to the oldest account first. Any amounts relating to the A/R that are paid directly to Seller shall be retained by Seller. Buyer shall not discount, adjust or otherwise compromise any A/R and Buyer shall refer any disputed A/R to Seller. Within ten calendar days after the end of each month, Buyer shall deliver to Seller a report showing A/R collections for the prior month and Buyer shall make a payment, without offset, to Seller equal to the amount of all such collections. At the end of the Collection Period, any remaining A/R shall be returned to Seller for collection.

(b) During the first fifteen (15) business days after Closing, Buyer shall provide to Seller at no additional cost the services of the Station's business offices, together with reasonable access to related systems and records, for the purposes of closing the books of the Station for the period prior to Closing in accordance with the procedures and practices applied by the business offices for periods prior to Closing.

ARTICLE 6: SELLER CLOSING CONDITIONS

The obligation of Seller to consummate the Closing hereunder is subject to satisfaction, at or prior to Closing, of each of the following conditions (unless waived in writing by Seller):

6.1. Representations and Covenants.

(a) The representations and warranties of Buyer made in this Agreement, shall be true and correct in all material respects as of the Closing Date except for changes permitted or contemplated by the terms of this Agreement.

(b) The covenants and agreements to be complied with and performed by Buyer at or prior to Closing shall have been complied with or performed in all material respects.

(c) Seller shall have received a certificate dated as of the Closing Date from Buyer executed by an authorized officer of Buyer to the effect that the conditions set forth in Sections 6.1(a) and (b) have been satisfied.

6.2. Proceedings. Neither Seller nor Buyer shall be subject to any court or governmental order or injunction restraining or prohibiting the consummation of the transactions contemplated hereby.

6.3. FCC Authorization. The FCC Consent shall have been obtained.

6.4. Deliveries. Buyer shall have complied with its obligations set forth in Section 8.2.

ARTICLE 7: BUYER CLOSING CONDITIONS

The obligation of Buyer to consummate the Closing hereunder is subject to satisfaction, at or prior to Closing, of each of the following conditions (unless waived in writing by Buyer):

7.1. Representations and Covenants.

(a) The representations and warranties of Seller made in this Agreement shall be true and correct in all material respects as of the Closing Date except for changes permitted or contemplated by the terms of this Agreement.

(b) The covenants and agreements to be complied with and performed by Seller at or prior to Closing shall have been complied with or performed in all material respects.

(c) Buyer shall have received a certificate dated as of the Closing Date from Seller executed by an authorized officer of Seller to the effect that the conditions set forth in Sections 7.1(a) and (b) have been satisfied.

7.2. Proceedings. Neither Seller nor Buyer shall be subject to any court or governmental order or injunction restraining or prohibiting the consummation of the transactions contemplated hereby.

7.3. FCC Authorization. The FCC Consent shall have been obtained, and shall have become a final order of the FCC, no longer subject to review, reconsideration or appeal.

7.4. Deliveries. Seller shall have complied with its obligations set forth in Section 8.1.

ARTICLE 8: CLOSING DELIVERIES

8.1. Seller Documents. At Closing, Seller shall deliver or cause to be delivered to Buyer:

(i) certified copies of resolutions authorizing the execution, delivery and performance of this Agreement, including the consummation of the transactions contemplated hereby;

(ii) the certificate described in Section 7.1(c);

(iii) an assignment of FCC authorizations assigning the FCC Licenses from Seller to Buyer;

(iv) an assignment and assumption of contracts assigning the Station Contracts from Seller to Buyer;

(v) an assignment and assumption of leases assigning the Real Property Leases from Seller to Buyer;

(vi) a bill of sale conveying the other Station Assets from Seller to Buyer;

(vii) true and correct copies of each of the Required Consents;

(viii) any other third party consents to assignment, estoppel certificates or Replacement Contracts obtained by Seller; and

(x) any other instruments of conveyance, assignment and transfer that may be reasonably necessary to convey, transfer and assign the Station Assets from Seller to Buyer, free and clear of Liens, except for Permitted Liens.

8.2. Buyer Documents. At Closing, Buyer shall deliver or cause to be delivered to Seller:

- (i) the Purchase Price in accordance with Section 1.5 hereof;
- (ii) certified copies of resolutions authorizing the execution, delivery and performance of this Agreement, including the consummation of the transactions contemplated hereby;
- (iii) the certificate described in Section 6.1(c);
- (iv) an assignment and assumption of contracts assuming the Station Contracts;
- (v) an assignment and assumption of leases assuming the Real Property Leases; and
- (vi) the Note and other Loan Documents; and
- (vii) such other documents and instruments of assumption that may be necessary to assume the Assumed Obligations.

ARTICLE 9: SURVIVAL; INDEMNIFICATION

9.1. Survival. The representations and warranties in this Agreement shall survive Closing for a period of nine (9) months from the Closing Date whereupon they shall expire and be of no further force or effect, except (a) that if within such period the indemnified party gives the indemnifying party written notice of a claim for breach thereof describing in reasonable detail the nature and basis of such claim, then such claim shall survive until the resolution of such claim, and (b) as otherwise provided in Schedule 1.1(d). The covenants and agreements in this Agreement shall survive Closing until performed.

9.2. Indemnification.

(a) Subject to Section 9.2(b), from and after Closing, Seller shall defend, indemnify and hold harmless Buyer from and against any and all losses, costs, damages, liabilities and expenses, including reasonable attorneys' fees and expenses ("Damages") incurred by Buyer arising out of or resulting from:

- (i) any breach by Seller of its representations and warranties made under this Agreement; or
- (ii) any default by Seller of any covenant or agreement made under this Agreement; or

- (iii) Seller's failure to perform and discharge the Retained Obligations; or
- (iv) the business or operation of the Station before the Effective Time, except for the Assumed Obligations.

(b) Notwithstanding the foregoing or anything else herein to the contrary, but subject to Schedule 1.1(d), after Closing, (i) Seller shall have no liability to Buyer under Section 9.2(a)(i) until, and only to the extent that, Buyer's aggregate Damages exceed \$25,000, and (ii) the maximum liability of Seller under Section 9.2 shall be an amount equal \$500,000.

(c) From and after Closing, Buyer shall defend, indemnify and hold harmless Seller from and against any and all Damages incurred by Seller arising out of or resulting from:

(i) any breach by Buyer of its representations and warranties made under this Agreement; or

(ii) any default by Buyer of any covenant or agreement made under this Agreement; or

(iii) Buyer's failure to perform and discharge the Assumed Obligations; or

(iv) the business or operation of the Station after the Effective Time.

(d) Notwithstanding the foregoing or anything else herein to the contrary, after Closing, (i) Buyer shall have no liability to Seller under Section 9.2(c)(i) until, and only to the extent that, Sellers's aggregate Damages exceed \$25,000, and (ii) the maximum liability of Buyer under Section 9.2 shall be an amount equal \$500,000.

9.3. Procedures.

(a) The indemnified party shall give prompt written notice to the indemnifying party of any demand, suit, claim or assertion of liability by third parties that is subject to indemnification hereunder (a "Claim"), but a failure to give such notice or delaying such notice shall not affect the indemnified party's rights or the indemnifying party's obligations except to the extent the indemnifying party's ability to remedy, contest, defend or settle with respect to such Claim is thereby prejudiced and provided that such notice is given within the time period described in Section 9.1.

(b) The indemnifying party shall have the right to undertake the defense or opposition to such Claim with counsel selected by it. In the event that the indemnifying party does not undertake such defense or opposition in a timely manner, the indemnified party may undertake the defense, opposition, compromise or settlement of such Claim with counsel selected by it at the indemnifying party's cost (subject to the right of the indemnifying party to assume defense of or opposition to such Claim at any time prior to settlement, compromise or final determination thereof).

(c) Anything herein to the contrary notwithstanding:

(i) the indemnified party shall have the right, at its own cost and expense, to participate in the defense, opposition, compromise or settlement of the Claim;

(ii) the indemnifying party shall not, without the indemnified party's written consent, settle or compromise any Claim or consent to entry of any judgment which does not include the giving by the claimant to the indemnified party of a release from all liability in respect of such Claim; and

(iii) in the event that the indemnifying party undertakes defense of or opposition to any Claim, the indemnified party, by counsel or other representative of its own choosing and at its sole cost and expense, shall have the right to consult with the indemnifying party and its counsel concerning such Claim and the indemnifying party and the indemnified party and their respective counsel shall cooperate in good faith with respect to such Claim.

ARTICLE 10: TERMINATION AND REMEDIES

10.1. Termination. Subject to Section 10.3, this Agreement may be terminated prior to Closing as follows:

(a) by mutual written consent of Buyer and Seller;

(b) by written notice of Buyer to Seller if Seller breaches its representations or warranties or defaults in the performance of its covenants contained in this Agreement and such breach or default is material in the context of the transactions contemplated hereby and is not cured within the Cure Period (defined below);

(c) by written notice of Seller to Buyer if Buyer breaches its representations or warranties or defaults in the performance of its covenants contained in this Agreement and such breach or default is material in the context of the transactions contemplated hereby and is not cured within the Cure Period; provided, however, that the Cure Period shall not apply to Buyer's obligations to make the Deposit on the date hereof and to pay the Purchase Price at Closing; or

(d) by written notice of Seller to Buyer or Buyer to Seller if Closing does not occur by the date twelve (12) months after the date of this Agreement.

10.2. Cure Period. Each party shall give the other party prompt written notice upon learning of any breach or default by the other party under this Agreement. The term "Cure Period" as used herein means a period commencing on the date Buyer or Seller receives from the other written notice of breach or default hereunder and continuing until the earlier of (i) twenty (20) calendar days thereafter or (ii) five (5) business days after the scheduled Closing date; provided, however, that if the breach or default is non-monetary and cannot reasonably be cured within such period but can be cured before the date five (5) business days after the scheduled Closing date, and if diligent efforts to cure promptly commence, then the Cure Period shall continue as long as such diligent efforts to cure continue, but not beyond the date five (5) business days after the scheduled Closing date.

10.3. **Survival.** Neither party may terminate under Sections 10.1(b) or (c) if it is then in material default under this Agreement. Except as provided by Section 10.5, the termination of this Agreement shall not relieve any party of any liability for breach or default under this Agreement prior to the date of termination. Notwithstanding anything contained herein to the contrary, Sections 1.6 (Deposit) (and Sections 10.4 and 10.5 with respect to the Deposit), 5.1 (Confidentiality) and 11.1 (Expenses) shall survive any termination of this Agreement.

10.4. **Specific Performance.** In the event of failure or threatened failure by either party to comply with the terms of this Agreement, the other party shall be entitled to an injunction restraining such failure or threatened failure and, subject to obtaining any necessary FCC consent, to enforcement of this Agreement by a decree of specific performance requiring compliance with this Agreement.

10.5. **Liquidated Damages.** If Seller terminates this Agreement pursuant to Section 10.1(c), then Seller shall be entitled to receive the Deposit and such payment shall constitute liquidated damages and the sole remedy of Seller under this Agreement. Buyer and Seller acknowledge and agree that Seller's recovery of such amount shall constitute payment of liquidated damages and not a penalty and that Seller's liquidated damages amount is reasonable in light of the substantial but indeterminate harm anticipated to be caused by Buyer's material breach or default under this Agreement, the difficulty of proof of loss and damages, the inconvenience and non-feasibility of otherwise obtaining an adequate remedy, and the value of the transactions to be consummated hereunder.

ARTICLE 11: MISCELLANEOUS

11.1. **Expenses.** Each party shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement. All governmental fees and charges applicable to any requests for Governmental Consents shall be paid by the party upon whom the applicable governmental authority imposes the fee or charge (or shall be shared equally if not imposed upon either party), provided that filing fees in connection with the FCC Application shall be shared equally by the parties. Buyer and Seller shall share equally all governmental taxes, fees and charges applicable to the transfer of the Station Assets under this Agreement. Each party is responsible for any commission, brokerage fee, advisory fee or other similar payment that arises as a result of any agreement or action of it or any party acting on its behalf in connection with this Agreement or the transactions contemplated hereby.

11.2. **Further Assurances.** After Closing, each party shall from time to time, at the request of and without further cost or expense to the other, execute and deliver such other instruments of conveyance and assumption and take such other actions as may reasonably be requested in order to more effectively consummate the transactions contemplated hereby.

11.3. **Assignment.** Neither party may assign this Agreement without the prior written consent of the other party hereto, provided that Buyer may assign its rights and obligations hereunder to an entity controlling, controlled by, or under common control with, Buyer provided such assignment (i) shall not relieve Buyer of its obligations as a primary obligor under this Agreement, the Note and any other Loan Documents; and (ii) does not delay grant of the Governmental Consents. The terms of this Agreement shall bind and inure to the benefit of the

parties' respective successors and any permitted assigns, and no assignment shall relieve any party of any obligation or liability under this Agreement.

11.4. Notices. Any notice pursuant to this Agreement shall be in writing and shall be deemed delivered on the date of personal delivery or confirmed facsimile transmission or confirmed delivery by a nationally recognized overnight courier service, and shall be addressed as follows (or to such other address as any party may request by written notice):

if to Seller:

Sainte 51, L.P.
PO Box 4159
Modesto, CA 95352
Attention: Robert Castro
Facsimile: 209-523-0839

with copies (which shall not constitute notice) to:

Edinger Associates PLLC
1875 I Street, NW
Suite 500
Washington, DC 20006
Attn: J. Ladd Johnson
Facsimile: (202) 747-1691

if to Buyer:

Serestar Communications Corporation
Rancho Santa Fe, CA 92067
P.O. Box 2630 Attention: Philip C. Wilkinson
Facsimile: 858-756-9438

with a copy (which shall not constitute notice) to:

Latham & Watkins LLP
555 11th Street, NW
Washington, DC 20004
Attention: David D. Burns, Esq.
Facsimile: 202-637-2201

11.5. Amendments. No amendment or waiver of compliance with any provision hereof or consent pursuant to this Agreement shall be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of such amendment, waiver, or consent is sought.

11.6. Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings with respect to the subject matter hereof. No party makes any representation or warranty with respect to the transactions contemplated by this Agreement except as expressly set forth in this Agreement. Without limiting the generality of the foregoing, Seller makes no representation or warranty to Buyer with respect to any projections, budgets or other estimates of the Station's revenues, expenses or results of operations, or, except as expressly set forth in Article 2, any other financial or other information made available to Buyer with respect to the Station.

11.7. Severability. If any court or governmental authority holds any provision in this Agreement invalid, illegal or unenforceable under any applicable law, then, so long as no party is deprived of the benefits of this Agreement in any material respect, this Agreement shall be construed with the invalid, illegal or unenforceable provision deleted and the validity, legality and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby.

11.8. No Beneficiaries. Nothing in this Agreement expressed or implied is intended or shall be construed to give any rights to any person or entity other than the parties hereto and their successors and permitted assigns.

11.9. Governing Law. The construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to the choice of law provisions thereof.

11.10. Counterparts. This Agreement may be executed in separate counterparts, each of which will be deemed an original and all of which together will constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT

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

BUYER: SERESTAR COMMUNICATIONS CORPORATION

By: Philip C. Wilkinson
Name: Philip C. Wilkinson
Title: President/CEO

SELLER: SAINTE 51, L.P.

By: _____
Name:
Title:

SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT

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

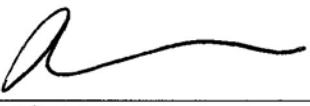
BUYER: SERESTAR COMMUNICATIONS CORPORATION

By: _____

Name:

Title:

SELLER: SAINTE 51, L.P.

By: 

Name: ROB CASTRO

Title: CEO