

LOCAL PROGRAMMING AND MARKETING AGREEMENT

THIS LOCAL PROGRAMMING AND MARKETING AGREEMENT (this “Agreement”) is made as of January 30, 2008 between Sage Broadcasting Corporation, a Texas corporation (“Licensee”) and Bayou City Broadcasting LLC, a Texas limited liability company (“Programmer”).

Recitals

A. Licensee owns and operates the following television broadcast stations (the “Stations”) pursuant to licenses issued by the Federal Communications Commission (“FCC”):

KIDY(TV) AND KIDY-DT, SAN ANGELO, TX (FACILITY ID NO. 58560)

KXVA(TV) AND KXVA-DT, ABILENE, TX (FACILITY ID NO. 62293)

KIDZ-LP, ABILENE, TX (FACILITY ID NO. 58561)

KIDU-LP, BROWNWOOD, TX (FACILITY ID NO. 58559)

KIDB-CA, SWEETWATER, TX (FACILITY ID NO. 53545)

KIDV-LP, ALBANY, TX (FACILITY ID NO. 58571)

AND

KIDT-LP; STAMFORD, TX (FACILITY ID NO. 58568);

B. Licensee, and Programmer have entered into an Asset Purchase Agreement dated the date hereof (the “Purchase Agreement”), pursuant to which Licensee proposes to sell to Programmer substantially all of the assets used or useful in the operation of the Station.

C. In connection with the transactions contemplated by the Purchase Agreement, Licensee and Programmer desire to enter into this Agreement pursuant to which Programmer shall provide programming for the Stations that is in conformity with the Communications Act of 1934, as amended, and the rules, regulations, written policies promulgated or adopted by the FCC, the Stations’ policies and procedures, and the provisions hereof.

D. Licensee maintains, and shall continue to maintain during the term of this Agreement, ultimate control over the Stations’ facilities, including control over the Stations’ finances, personnel, and programming.

E. Any capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Purchase Agreement.

Agreement

NOW, THEREFORE, taking the foregoing recitals into account, and in consideration of the mutual covenants and agreements contained herein and for other good and valuable

consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. Term. The term of this Agreement (the “Term”) will begin on the date hereof (the “LMA Commencement Date”) and will continue until the Closing or Termination of the Purchase Agreement unless terminated as set forth below.

2. Programming. During the Term, Programmer shall purchase from Licensee airtime on the Stations for the price and on the terms specified below, and shall transmit to Licensee programming that it produces or owns (the “Programs”) for broadcast on the Stations twenty-four hours per day, seven days per week (the “Broadcasting Period”). Programmer will transmit, at its own cost, the Programs to the Stations’ transmitting facilities in a manner that ensures that the Programs meet technical and quality standards at least equal to those of the Stations’ broadcasts prior to commencement of the Term. Notwithstanding anything herein to the contrary, the Stations shall continue to broadcast any programming required to be aired under the terms of the Stations’ Contracts (as defined in the Purchase Agreement), and shall continue to broadcast any trade-out advertisements to which the Licensee is obligated in order to cause the trade-out advertising to be in balance with the trade-out benefits, provided however, the Licensee shall credit to the Programmer the value of any trade out advertisements that exceed the value of the trade-out benefits in excess of \$5000. Licensee, in its good faith discretion, may designate such time as it may require for the broadcast of programming necessary for the Stations to broadcast local, news, public affairs, religious and non-entertainment programming as required by the rules and regulations of the FCC, all at such times to be agreed upon by Licensee and Programmer. At Licensee’s request, Programmer shall assist, at Programmer's cost, Licensee in the production and transmission of local programs sufficient to meet the obligations of Class A stations under the FCC’s rules. All program time not reserved by or designated for Licensee shall be available for use by Programmer and no other party.

3. Broadcasting. In return for the payments to be made by Programmer hereunder, during the Term, Licensee shall broadcast the Programs, subject to the provisions of Section 6 below. During the Term, Licensee shall provide Programmer with the benefits of any Stations Contracts, including without limitation the Stations’ network affiliation agreement and other programming agreements, and Programmer shall perform the obligations of Licensee thereunder, and the Programs shall include the programming required to be aired under such agreements.

4. Advertising. During the Term, Programmer will be exclusively responsible for the sale of advertising on the Stations and for the collection of accounts receivable arising therefrom, and Programmer shall be entitled to all such collections for the sale of advertising on the Stations that are run during the term of this Agreement, provided however, the Licensee shall not be obligated to compensate the Programmer for any trade-out advertisement run by the Programmer. Any payment received after the LMA Effective Date shall be credited to the invoice for which the payment is intended to pay and shall be paid daily to either the Licensee or the Programmer who is entitled to such payment. If there is no invoice identifying information on the payment, Licensee or Programmer shall call the payor to determine which invoice the payment is for. Programmer and Licensee shall reconcile any payments received by either party and each party shall reimburse the other party within five (5) business days of the end of each month for any payments received for the other party. On the termination of this Agreement

(other than a termination at Closing under the Purchase Agreement), all trade, barter or similar contracts for advertising on the Stations which may be entered into by Programmer shall be prorated between Licensee and Programmer, and all accounts receivable for advertising created during the term of this Agreement shall be retained by the Programmer. If the Closing under the Purchase Agreement occurs, then there will be no proration of trade, barter or similar contracts for advertising entered into by Programmer.

5. Payments and Expenses. As consideration for the air time made available hereunder, Programmer shall make payments to Licensee as set forth in Attachment I hereto (as described therein, the "LMA Fees"). During the Term, Programmer will also be responsible for (a) the salaries, taxes, insurance and other costs for all of Programmer's personnel used in the production of the Programs supplied to Licensee, and (b) the costs of delivering the Programs which Programmer originates to the Licensee.

6. Control.

(a) Notwithstanding anything to the contrary in this Agreement, Licensee shall have full authority, power and control over the management and operation of the Stations during the Term. Without limiting the generality of the foregoing, Licensee will retain control over the policies, programming and operation of the Stations. Nothing contained herein shall prevent Licensee from (i) rejecting or refusing programs which Licensee believes to be contrary to the public interest, or (ii) substituting programs which Licensee believes to be of greater local or national importance or which are designed to address the problems, needs and interests of the local communities, or in the case of the Class A Television Stations, locally-produced programs. Licensee reserves the right to (i) refuse to broadcast any Program containing matter which violates any right of any third party, which constitutes a "personal attack" as that term has been defined by the FCC, or which does not meet the requirements of the rules, regulations, and policies of the FCC, (ii) preempt any Program in the event of a local, state, or national emergency, or (iii) delete any commercial announcements that do not comply with the requirements of the FCC's sponsorship identification policy. Licensee expressly agrees that its right of preemption shall not be exercised in an arbitrary manner or for the commercial purposes of Licensee or others.

(b) Programmer shall cooperate with Licensee to ensure that EAS transmissions are properly performed in accordance with Licensee's instructions. Each party shall deliver to the other a copy of any letters of complaint it receives with respect to the Stations for inclusion with the Stations' records. When on the Licensee's premises, all employees of Programmer used to provide Programmer's programming or other services to the Stations shall be subject to the overall supervision of Licensee's management personnel.

(c) Licensee shall continue to maintain a main studio, as that term is defined by FCC; shall maintain its local public inspection file in accordance with the rules and regulations of the FCC; and shall prepare and place in such inspection file in a timely manner all material required by the rules and regulations of the FCC, including the Stations' quarterly issues and program lists and the quarterly Children's Television Programming Reports as filed with the FCC.

7. Programs.

(a) Programmer shall ensure that the contents of the Programs shall conform to all FCC rules, regulations and policies applicable to low power television stations.

(b) Licensee shall oversee and take ultimate responsibility with respect to the provision of equal opportunities, lowest unit charge, and reasonable access to political candidates, and compliance with the political broadcast rules of the FCC. During the Term, Programmer shall cooperate with Licensee as Licensee complies with its political broadcast responsibilities, and shall supply such information promptly to Licensee as may be necessary to comply with the political time record keeping and lowest unit charge requirements of federal law. Programmer shall release advertising availabilities to Licensee during the Broadcasting Period as necessary to permit Licensee to comply with the political broadcast rules of the FCC; provided, however, that revenues received by Licensee as a result of any such release of advertising time shall promptly be remitted to Programmer.

(c) During the Term, subject to Section 5, Licensee and Programmer will maintain music licenses with respect to the Stations and the Programs, as appropriate.

8. Call Signs. During the Term, Licensee will retain all rights to the call letters of the Stations or any other call letters which may be assigned by the FCC for use by the Stations, and will ensure that proper station identification announcements are made with such call letters in accordance with FCC rules and regulations. Programmer shall include in the Programs an announcement at the beginning of each hour of such Programs to identify such call letters, as well as any other announcements required by the rules and regulations of the FCC.

9. Facilities.

(a) During the Term, Licensee, at Programmer's cost (in accordance with Attachment I) shall maintain the operating power in accordance with the FCC Licenses of the Stations' and shall repair and maintain the Stations' transmission facilities in good operating condition and repair. Licensee shall undertake such repairs as are necessary to maintain full-time operation of the Stations with its maximum authorized facilities as expeditiously as possible following the occurrence of any loss of damage preventing such operation.

(b) If requested by Programmer, during the Term, subject to any necessary landlord consent, Licensee shall provide Programmer access to and the use of the Licensee's studio and office for the Stations (for purposes of providing the Programs and for no other purpose). When on Licensee's premises, Programmer's personnel shall be subject to the direction and control of Licensee's management personnel, and shall not act contrary to the terms of any lease for such premises.

(c) The Programmer shall also have the right to make capital expenditures to for KIDY and KXVA to construct the digital facilities in accordance with KIDY's digital construction permit, FCC File No. BPCDT-19991029AFV under the supervision of the Licensee. The Licensee has not yet filed for a digital construction permit for KXVA. Immediately after the LMA Commencement Date, the Licensee shall prepare and file an application for a digital construction permit for KXVA in accordance with the facilities

contained in Appendix B of the Seventh Report and Order in the Advanced Television Systems and their Impact Upon the Existing Television Broadcast Service (MM Docket No. 87-268 released August 6, 2007). Once a digital construction permit is granted for KXVA, Programmer shall have the right to make capital expenditures to construct the digital facilities of KXVA in accordance with the then issued permit, under the supervision of the Licensee. Notwithstanding anything herein to the contrary, the Licensee remains solely responsible for complying with any and all FCC rules and regulations regarding the construction of digital facilities including complying with any “use or lose”, interference protection, or construction build-out deadlines, but the Programmer shall pay for all of the capital expenditure costs incurred for such compliance.

10. Representations. Programmer and Licensee each represent and warrant to the other that (a) it has the power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, (b) it is in good standing in the jurisdiction of its organization and is qualified to do business in the State of Texas, (c) it has duly authorized this Agreement, and this Agreement is binding upon it, and (d) the execution, delivery, and performance by it of this Agreement does not conflict with, result in a breach of, or constitute a default or ground for termination under any agreement to which it is a party or by which it is bound specifically with respect to Licensee, the Stations Affiliation Agreement dated as of December 13, 2001 (including any amendments and supplemental agreements related thereto, the “Station Affiliation Agreement”), among Fox Broadcasting Company, Fox Children’s Network, Inc., and Fox News Network, L.L.C. (collectively, “Fox”), and Licensee; provided, however, that the foregoing representation is only with respect to the express terms of such agreements, contracts or other obligations, and other than with respect to the Stations Affiliation Agreement, excludes any deemed assignment that a third party may claim to arise from Programmer’s provision of services hereunder.

11. Termination.

(a) This Agreement shall terminate upon the Closing under the Purchase Agreement.

(b) This Agreement may be terminated by either party, by written notice to the other party if the party seeking to terminate is not then in material default or breach of its obligations hereunder or under the Purchase Agreement, in the event the Purchase Agreement is terminated prior to the Closing thereunder.

(c) Licensee may terminate this Agreement upon written notice to Programmer if: (i) Programmer fails to make timely payments under this Agreement, which is not cured within the Cure Period (defined below); or (ii) there is a material default by Programmer under this Agreement, which is not cured within the Cure Period, and which creates a substantial risk of causing Licensee to be in violation of a rule or policy of the FCC, and Licensee has no other reasonable recourse under this Agreement to assure compliance with such rules or policies.

(d) The term “Cure Period” means a period commencing on the date Licensee or Programmer receives written notice from the other of a breach or default hereunder and continuing until the date 15 calendar days thereafter as to non financial obligations. The Cure Period for the failure of the Programmer to reimburse the expenses shall be five days from the date due and there shall be no requirement of notice. If this Agreement is terminated for any reason other than at the Closing under the Purchase Agreement, the parties agree to cooperate with one another and to take all actions necessary to rescind this Agreement and return the parties to the status *quo ante*.

(e) Upon termination of this Agreement other than pursuant to Section 11(a), (i) the accounts receivable and trade, barter and similar accounts shall be allocated between the Licensee and the Programmer as provided under Section 4 hereof , (ii) all operating expenses shall be prorated to the date of termination, and (iii) Programmer shall be reimbursed for all capital expenditures paid or due by Programmer for equipment acquired or ordered and labor incurred in the installation of such equipment associated with the construction of the KIDY and KXVA digital facilities as long as Programmer is not in breach of this Agreement or the Purchase Agreement.

12. Indemnification. Programmer shall indemnify and hold Licensee harmless against any and all liability for libel, slander, illegal competition or trade practice, infringement of trademarks, trade names, or program titles, violation of rights of privacy, and infringement of copyrights and proprietary rights resulting from the broadcast of the Programs on the Stations. Licensee shall indemnify and hold Programmer harmless against any and all liability for libel, slander, illegal competition or trade practice, infringement of trademarks, trade names, or program titles, violation of rights of privacy, and infringement of copyrights and proprietary rights resulting from the broadcast of its programming on the Stations. The obligations under this Section shall survive any termination of this Agreement, except that upon the Closing of the Purchase Agreement, any indemnity claims hereunder shall be subject to and made in accordance with the indemnity provisions of Section VIII of the Purchase Agreement.

13. Assignment. Neither party may assign this Agreement without the prior written consent of the other party hereto. 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. 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.

14. Severability. If this Agreement conflicts with FCC rules, regulations and policies in any material respect, then (a) if the terms hereof can be modified so as to comply with such rules, regulations and policies without depriving either party of the benefits of this Agreement in any material respect, then the parties shall modify this Agreement in such manner, or (b) if such modification is not possible, then either party may (but is not obligated to) terminate this Agreement by written notice to the other. The obligations of the parties under this Agreement are subject to the rules, regulations and policies of the FCC and all other applicable laws. The parties agree that Licensee may file a copy of this Agreement with the FCC.

15. Miscellaneous. This Agreement and any amendments hereto 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. Any notices under this Agreement shall be given at the addresses and in the manner set forth in the Purchase Agreement. 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. This Agreement is not intended to be, and shall not be construed as, an agreement to form a partnership, agency relationship, or joint venture between the parties. Neither party shall be authorized to act as an agent of or otherwise to represent the other party. The construction and performance of this Agreement shall be governed by the laws of the State of Texas without giving effect to the choice of law provisions thereof. The exclusive forum for the resolution of any disputes arising hereunder shall be the federal or state courts located in the State of Texas, and each party irrevocably waives the reference of an inconvenient forum to the maintenance of any such action or proceeding. This Agreement (including the Schedule 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. Capitalized terms used herein and not otherwise defined shall have their respective meanings set forth in the Purchase Agreement.

16. Certifications. Licensee certifies that it maintains ultimate control over the Stations' facilities including, specifically, control over the Stations' finances, personnel and programming.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE TO SAGE BROADCASTING AND BAYOU CITY
BROADCASTING,LLC LOCAL PROGRAMMING AND MARKETING
AGREEMENT

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

PROGRAMMER:

BAYOU CITY BROADCASTING LLC.

By: 

LICENSEE:

SAGE BROADCASTING COMPANY

By: _____
Paris R. Schindler
CEO

ATTACHMENT I

LOCAL MARKETING AGREEMENT FEES

Reimbursement of Expenses. On the 15th day and the 30th day of each month, the Programmer will pay to the Licensee one half (1/2) of the reasonable monthly operating costs and expenses (including salaries of Employees) in the ordinary course of business consistent with past practices and not paid directly by Programmer ("Monthly Costs"), estimated by Programmer and Licensee to be incurred by Licensee for the month in which the payment is made, provided however, the Programmer stipulates that the Monthly Costs incurred by Licensee during 2007 were reasonable. Within fifteen (15) days after the end of each calendar month during the Term, Licensee shall provide to Programmer a schedule (with reasonably detailed supporting documentation) of, and the parties shall promptly review and reconcile, Licensee's actual "Monthly Costs". The Monthly Costs shall not be materially inconsistent with operating costs and expenses incurred by the Stations in prior operating months, except for changes effected by this Agreement and the Purchase Agreement and subject to the provisions below regarding maintenance, repair and replacement of Stations equipment and facilities. Programmer shall pay Licensee the amount of the Monthly Costs within ten (10) days of the provision by Licensee to the Programmer of such schedule and supporting documentation.

With respect to the foregoing items, it is understood and agreed that the Monthly Costs shall refer only to such ordinary operating expenses as have been actually incurred by Licensee and have been timely paid. To the extent, if any, that Programmer has, prior to payment of the Monthly Costs, advanced funds to the Licensee for any items comprising the Monthly Costs, such funds shall be deducted from any further reimbursement of Monthly Costs.

Licensee shall be responsible for paying the salaries, payroll costs, insurance and other related out-of-pocket expenses and employee benefits for its Employees, which shall be included in Monthly Costs. Notwithstanding the foregoing, Programmer shall not be responsible for paying or reimbursing Licensee for compensation paid to its Employees in excess of the amounts agreed to by the parties or if there shall be no such agreement, the amounts in effect as of the date of this Agreement. Licensee shall be responsible for any other compensation due to Bill Carter for services rendered by Bill Carter to the Licensee. In addition, Bill Carter shall no longer maintain a permanent office at the main studio of the Stations and Licensee shall designate another employee as the management level employee, but Bill Carter shall represent the Licensee and shall be provided appropriate office space from time to time in order to perform the duties of the Licensee.

Description of Monthly Costs for Station Operation. The following is a description of the general categories of expenses for the operation of the Stations (excluding Employee compensation and benefits described above) which expenses are included in Monthly Costs if paid by Licensee:

Engineering Department: Leased tower space, dues and subscriptions, travel, outside engineering, equipment rental, equipment repair at all locations, building maintenance and repair at transmitter site, freight and shipping, satellite waiver software, transmitter utilities, vehicle maintenance and repair.

Administrative Department: Bank fees for check processing, building repair and maintenance for main studio, dues and subscriptions, equipment lease or rental for office equipment, all business and liability insurance, maintenance on owned office equipment, office supplies, postage, shipping and freight, property taxes, state vehicle taxes, FCC fees, rent and utilities, local and long distance telephone charges, cable and high speed internet subscription fees, main studio utilities.

Sales Department: Commissions payable to the Stations' national sales representative firm, audience survey expense, traffic system license fees and expense, dues and subscriptions, sales department activity tracking software license fees, sales department market research software (i.e. _____), client incentives, sales promotions.

Promotion Department: Advertising, promotional items.

Programming Department: Program contractual payment obligations, Fox network affiliation contractual payment obligations, music license fees, tape costs.

Operations Department: Tape costs, outside production, outside talent, studio supplies, travel and entertainment, vehicle maintenance and repair.

Repair and Maintenance Expenses. Programmer shall either perform under the supervision of Licensee or reimburse such amounts as are reasonably required for the maintenance, repair and replacement of the Stations' equipment and facilities in accordance with the rules and regulations of the FCC and generally accepted standards of good engineering practice.

All equipment and facilities paid for by Licensee in connection with any such maintenance, repair or replacement shall be (i) included in the Assets conveyed to Programmer upon the Closing, or (ii) retained by Licensee upon the termination of this Agreement other than upon Closing and the costs of the Assets shall be reimbursed pursuant to Section 9(c) of this Agreement.

Additional Provisions. Time is of the essence in Programmer's payment of the Local Management Agreement Fees to Licensee, subject to Programmer's right to dispute in good faith whether any such fees are due and owing in accordance with the terms hereof.