

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT dated as of _____, 2001 (this "Agreement"), by and between KB PRIME MEDIA LLC, a Delaware limited liability company ("Seller"), and PEGASUS BROADCAST TELEVISION, INC., a Delaware corporation ("Buyer").

WITNESSETH:

WHEREAS, Pegasus Communications Corporation, the Seller, W.W. Keen Butcher ("Butcher"), Guyon W. Turner ("Turner"), KB Communications Corporation, a Delaware corporation ("KB Communications"), Channel 24 Corporation, a Delaware corporation ("Channel 24") (Channel 24, together with the Seller and KB Communications, collectively the "KB Companies") are parties to an Option Agreement, dated April 14, 1998 (the "Option") and amendments thereto, dated August 19, 1998, November 9, 1998, and February 27, 2001, respectively (the "Amendments") (the Option, as amended by the Amendments, collectively the "Option Agreement");

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

WHEREAS, the Option Agreement may be assigned to a person controlling, controlled by, or under common control of Pegasus Communications Corporation or the KB Companies (an "Affiliate");

WHEREAS, Buyer is an Affiliate of Pegasus Communications Corporation; and

WHEREAS, Pegasus Communications Corporation desires that Buyer exercise the option under the Option Agreement to purchase from Seller all licenses, permits and authorizations and certain other assets necessary and useful to operate television station WFXU-TV (Channel 49), Live Oak, Florida (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 the 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 operation of the Station (the "Assets"), including, but not limited to, the following:

(a) All licenses, permits and other authorizations 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 Fox Television Network programming, or the programming supplied by any other television network, on the Station;

(c) The Time Brokerage Agreement dated as of June 18, 1997 by and between Telecast of Florida, Inc. and L.O. Telecast, LLC;

(d) All of Seller's right, title and interest in and to the call letters "WFXU" and any trademarks, copyrights, jingles, slogans, logos, and other intangible property which is used by the Station to promote or identify itself;

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

(f) The contracts, agreements, or understandings listed or described in Schedule 6.9;

(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; and

(h) 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 or operation of the Station on or prior to the Closing, except for (i) the post-closing obligations of Seller under the Authorizations and (ii) all current liabilities of Seller incurred in connection with the ownership or operation of the Station that are listed on Schedule 2.1.

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, of \$250,914.00 (the "Purchase Price") by wire transfer of immediately available funds.

3.2 Allocation of Purchase Price. The Purchase Price shall be allocated as mutually agreed upon by Buyer and Seller prior to Closing. In the event that Buyer and Seller shall be unable to mutually agree upon the allocation by Closing, such dispute shall be settled by an independent certified public accountant mutually acceptable to the parties, and the fees and expenses of such accountant shall be paid one-half by Buyer and one-half by Seller. Buyer and Seller agree that the allocation determined by their mutual agreement or otherwise by the independent certified public accountant, as the case may be, shall be conclusive and binding on Buyer and Seller for all purposes, including without limitation, reporting and disclosure requirements of the Internal Revenue Service.

Buyer and Seller further agree that the allocation shall be made in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. Buyer and Seller each agrees to file Internal Revenue Service Form 8594, and all federal, state, local, and foreign tax returns, in accordance with the allocation. Buyer and Seller each agrees 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. Within ten (10) business days after execution of this Agreement, the parties shall file with the FCC an application for assignment of the Authorizations ("FCC Application") from Seller to Buyer. The parties shall thereafter use all reasonable efforts to obtain the grant of the FCC Application as expeditiously as practicable (but no party shall have any obligation to satisfy complainants or the FCC by taking any steps which would have a material adverse effect on the results of operations of a party or any affiliated entity). If the FCC Consent imposes any condition on a party

hereto, such party shall use reasonable efforts to comply with such condition; provided, however, that no party shall be required hereunder to comply with any condition that would have a material adverse effect on the results of operations of such party or any affiliated entity. 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; provided, however, such party shall not be required to take any action which would have a material adverse effect on the results of operations of such party or any affiliated entity. Nothing in this Section 4.2 shall be construed to limit a party's right to terminate this Agreement pursuant to Article 13 hereof.

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 (i) 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 (ii) 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 thirty (30) 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 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 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 will prior to Closing be) duly authorized by all necessary actions on the part of Seller. This Agreement and all other documents have been 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 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 threatened, nor, to the best knowledge of Seller, do any facts exist, 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. The Station is operating in compliance in all material respects with the Authorizations.

6.4 Compliance With Law. The Assets and the operation of the Station are in compliance 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. There are no claims, actions, suits, litigation, labor disputes, arbitrations, proceeding, or investigations pending or, to the best knowledge of Seller, threatened against or affecting the Assets 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 and, to the best knowledge of Seller, no facts or circumstances exist which indicate that any such investigations or claims in respect of Taxes may be brought or are under discussion with any governmental authorities. 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. There is no fact known to Seller and not disclosed in this Agreement which adversely affects, or may in the future adversely affect, the Station, its business or operations.

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, the 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 software to be used by the Station;
- (c) any distributor, dealer, sales agency, advertising representative, or advertising or public relations contract;
- (d) any guarantee of the obligations of customers, suppliers, officers, directors, employees, affiliates, or others;
- (e) any contract not made in the ordinary course of business; or
- (f) any other contract, agreement, commitment, understanding, or instrument which is material to the Station.

6.10 Environmental Matters.

(a) Seller's operation of the Station complies with all federal, state, and local laws and regulations derived from, relating to, or addressing the environment, health, or safety, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq., the Occupational Safety and Health Act, 29 U.S.C. §§ 651 et seq., and the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., and, with respect to each, any amendment thereto, any successor statute, and any regulations promulgated thereunder ("Environmental Laws").

(b) With respect to Seller's operation of the Station, there has been no discharge or release of pollutants, contaminants, or hazardous or toxic substances or wastes into ambient air, water, or land, or other distribution, use, treatment, storage, disposal, transportation, or handling of pollutants, contaminants, or hazardous or toxic substances or wastes.

(c) Seller is not, with respect to the Station, subject to any

agreement, judicial, or administrative proceeding, order, judgment, decree, or settlement alleging or addressing a violation of or liability under any federal, state, or local Environmental Law or otherwise relating to any Environmental Law, remediation action, or claim of losses and expenses arising from the release or threatened release of a contaminant into the environment.

(d) Seller has not received any notice of claim to the effect that it is or may be liable to any person as a result of the release or threatened release of a contaminant.

6.11 Intellectual Property. No infringement of any intellectual property right of any other person has occurred or results in any way from the operations of the Station, 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 the Seller has had no notice of or knowledge of any basis for a 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 Assets. The Assets include all assets owned by Seller and used by or useful to the Station.

6.13 Status of Contracts. Except as set forth in Schedule 6.13, each Asset that is a lease, contract, or other agreement (each, a "Seller Agreement") constitutes a valid and binding obligation of the parties thereto and is in full force and effect and (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 the provisions hereof) may be transferred to Buyer pursuant to this Agreement and will continue in full force and effect thereafter, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder and 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, and 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. None of the Seller Agreements contain terms unduly burdensome or harmful to the Station. Complete and correct copies of each of the Seller Agreements have heretofore been delivered to Buyer by Seller.

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 organized,

validly existing, and in good standing under the laws of the State of Delaware.

7.2 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; and
- (d) conduct the Station's business in the ordinary course consistent with past practices or as required by 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 agreements cancelable without penalty 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 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.

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 hereof.

(d) All consents that may be necessary for Buyer to consummate the transactions contemplated hereby shall have been received by it.

(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 in the Assets or the financial condition or operations of the Station.

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 hereof.

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 of Sale, assignments, 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 Section 9.1. The delivery of such certificate shall constitute a representation and warranty of Seller as to the statements set forth therein.

(c) Updated Schedules reflecting any changes necessary to render the information contained therein true and accurate on the Closing Date.

(d) 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.

(e) A legal opinion of Schnader Harrison Segal & Lewis LLP, counsel to the Seller, substantially in the form of Schedule 10.1(e) attached hereto.

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

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 by wire transfer of immediately available funds.

(b) 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 Section 9.2. The delivery of such certificate shall constitute a representation and warranty of Buyer as to the statements set forth therein.

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. 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, document, or instrument delivered to Buyer under this Agreement.
- (b) Any and all obligations of Seller not assumed by 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.
- (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 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) Any and all obligations of Seller assumed by Buyer pursuant to this Agreement.

(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 Section 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) above: (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 Section 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 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. 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, Buyer may assign its rights hereunder, or a portion of its 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 Broadcast Television, Inc.
c/o Pegasus Communications Management Company
225 City Line Avenue
Bala Cynwyd, PA 19004
Attn: Ted S. Lodge, Executive Vice-President

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 consummation of the transactions contemplated by this Agreement; provided, however, that the representations and warranties contained in Articles 6 and 7 shall terminate on 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 Agreement as of the date and year first above written.

KB PRIME MEDIA LLC

By: _____
Guyon W. Turner
President

PEGASUS BROADCAST TELEVISION, INC.

By: _____
Ted S. Lodge
Executive Vice President