

## **AURORA COMMUNICATIONS CORP. OPTION AGREEMENT**

THIS OPTION AGREEMENT (this "Agreement") is made as of December \_\_, 2004, between **AURORA COMMUNICATIONS CORP.,** a [Nevada] corporation ("Optionor"), and **LAZER BROADCASTING CORP.,** a [California] \_\_\_\_\_ ("Optionee").

### **Recitals**

A. Optionor is the licensee of Aurora Communications Corp., Nevada, pursuant to licenses issued by the Federal Communications Commission ("FCC"). Optionor and Optionee have entered into a Lease Management Agreement ("LMA"), pursuant to which Optionee has purchased the right to lease substantially all of the Corporation's / Station's program time, subject to Optionor's oversight, supervision and control.

B. Optionee desires to obtain from Optionor, and Optionor desire to grant to Optionee, the right to acquire the Corporation's / Station's Assets (defined below) on the terms and conditions set forth in this Agreement and the LMA.

### **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 (including an option payment (the "Option Payment") in the amount of ONE MILLION DOLLARS (\$1,000,000.00) made by Optionee to Optionor this date, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. **Option.** Optionor hereby irrevocably grants to Optionee an exclusive option (the "Option") to acquire the Aurora Communications Corp. Assets (defined below) for the aggregate consideration (the "Exercise Price") described on **Schedule A** hereto and made a part hereof . The Option may be exercised by Optionee at any time within fifteen (15) years from the date first above written (the "Term"), by giving written notice thereof to Optionor (an "Exercise Notice"). If permitted under the FCC's Rules and otherwise lawful, upon exercise of the Option, Optionor and Optionee shall simultaneously negotiate in good faith a purchase agreement (the "Purchase Agreement") for the sale of the Corporation's / Station's', the Corporation's / Station's licenses (the "FCC Licenses") and Corporation's / Station's Assets (defined below), which shall include representations, warranties, covenants, indemnities and confidentiality and other provisions as are customary in similar broadcast Corporation's / Station's transactions of this type and size and as specified in Sections 2 through 6 below, and which Purchase Agreement shall be submitted to the FCC for approval along with the FCC Application (defined below).

2. **Corporation's / Station's Assets.** As used herein and subject to the LMA, the term "Corporation's / Station's Assets" means all tangible and intangible assets and properties used or held for use in the operation of the Corporation's / Station's (whether now existing or hereafter acquired by Optionor), including without limitation the FCC Licenses and the goodwill of the business of the Corporation's / Station's, free and clear of liens, claims and encumbrances,

except for Permitted Liens (defined below). If the Option is exercised, then at the Closing (defined below) and subject to the LMA, Optionee shall assume the obligations of Optionor arising thereafter under the Corporation's / Station's Contracts (defined below). The term "Permitted Liens" as used herein means (i) liens for real estate taxes not yet due for which Optionee receives a purchase price adjustment at the Closing, and (ii) post-Closing obligations under the Corporation's / Station's Contracts.

3. Corporation's / Station's Contracts. If the Option is exercised, then Optionor shall use commercially reasonable efforts to obtain any third party consents necessary for the assignment of the Corporation's / Station's Contracts. At Closing, Optionor shall assign and Optionee shall assume those Corporation's / Station's operating contracts, agreements and leases which are approved by Optionee in writing prior to the Closing (the "Corporation's / Station's Contracts"); provided, however, that, to the extent that any Corporation's / Station's Contract may not be assigned without the consent of any third party, and such consent is not obtained prior to the Closing, this Agreement and any assignment executed pursuant hereto shall not constitute an assignment thereof, but to the extent permitted by law shall constitute an equitable assignment by Optionor and assumption by Optionee of Optionor's rights and obligations under the applicable Corporation's / Station's Contract, with Optionor making available to Optionee the benefits thereof and Optionee performing the obligations thereunder on Optionor's behalf.

4. Closing. If the Option is exercised, then consummation of the sale and purchase of the Corporation's / Station's Assets (the "Closing") shall occur on a date (the "Closing Date") designated by Optionee after FCC Consent (defined below) and not later than ten (10) business days after the date the FCC Consent becomes effective or becomes final and non-appealable, at Optionee's option. On the Closing Date, Optionor shall deliver and convey the Corporation's / Station's Assets to Optionee by conveyance and transfer documents in form and substance reasonably satisfactory to Optionor and Optionee, free and clear of liens, claims and encumbrances, except for Permitted Liens, and Optionee shall pay Optionor the Exercise Price, subject to the provisions of **Schedule A**. Within five (5) days after delivery of an Exercise Notice, the parties shall promptly negotiate in good faith the Purchase Agreement and shall file with the FCC an application (the "FCC Application") requesting consent to the assignment of the FCC Licenses to Optionee pursuant to the terms of the Purchase Agreement. Thereafter the parties shall diligently prosecute the FCC Application. The initial consent of the FCC to the FCC Application is referred to herein as the "FCC Consent."

5. Representations and Warranties. Optionor represents and warrants to Optionee as follows:

(a) Optionor is duly organized, validly existing and in good standing under the laws of the State of [Nevada]. Optionor is duly qualified to do business and is in good standing in such states in which the failure to so qualify would have a material adverse effect on the business of the Corporation's / Station's. Optionor has the requisite power to enter into and complete the transactions contemplated by this Agreement.

(b) All company actions necessary to be taken by or on the part of Optionor in connection with the transactions contemplated by this Agreement have been duly and validly

taken, and this Agreement has been duly and validly authorized, executed, and delivered by Optionor and constitutes the legal, valid and binding obligation of Optionor, enforceable against Optionor in accordance with its terms. No broker or finder fee or similar payment is due in connection with this Agreement or the transactions contemplated hereby as a result of any action or agreement of Optionor or any party acting on its behalf.

(c) Upon the Closing, the FCC Licenses will be held by Optionor. Subject to the LMA, the tangible personal property and real property included in the Corporation's / Station's Assets will be held and maintained in good operating condition and repair, ordinary wear and tear excepted. The use of intangible property included in the Corporation's / Station's Assets will not infringe upon the rights of any other person or entity.

6. Covenants. During the Term (and thereafter until the Closing if the Option is exercised):

(a) Optionor shall (i) use its commercially reasonable best efforts to perform and enforce the LMA; (ii) carry on the business of the Corporation's / Station's, keep its books and accounts, records and files, in the ordinary course of business, and operate the Corporation's / Station's in accordance with the terms of the LMA, the FCC Licenses and in compliance with all applicable laws, rules and regulations (including without limitation all applicable FCC rules and regulations); (iii) maintain the FCC Licenses in full force and effect and timely file and prosecute any necessary applications for renewal of the FCC Licenses; (iv) subject to the LMA keep all tangible personal property and real property included in the Corporation's / Station's Assets in good operating condition (ordinary wear and tear excepted) and repair and maintain adequate and usual supplies of inventory, office supplies, spare parts and other materials, and maintain in effect adequate casualty and liability insurance with respect to the Corporation's / Station's and the Corporation's / Station's Assets (risk of loss of the Corporation's / Station's Assets remaining with Optionor until Closing).

(b) Subject to the LMA, Optionor shall not, without the prior written consent of Optionee (which shall not be unreasonably withheld as to any matter that does not diminish the value of the Corporation's / Station's or the Corporation's / Station's Assets to Optionee or otherwise adversely affect Optionee or its rights under, or the benefits of, this Agreement): (i) sell, lease, transfer, or otherwise dispose of, any Corporation's / Station's Assets, except for non-material sales or leases, in the ordinary course of business, of items which are being replaced by assets of comparable or superior kind, condition and value; (ii) except as may be required by applicable law, grant any raises to Optionor's Corporation's / Station's employees or pay any substantial bonuses, except in the ordinary course of business, or enter into any contract of employment with any employee of the Corporation's / Station's except for contracts terminable upon exercise of the Option; (iii) renew, renegotiate, modify, amend or terminate any contract with respect to the Corporation's / Station's except in the ordinary course of business; (iv) adversely modify the LMA or the FCC Licenses or make any adverse change in any of the buildings, leasehold improvements or fixtures of the Corporation's / Station's, without Optionee's prior written permission; or (v) enter into any transaction with any affiliate of Optionor or any officer, manager, member, director or shareholder of Optionor or any affiliate of Optionor (or relative thereof).

(c) At the request of Optionee, Optionor shall from time to time give or cause to be given to the officers, employees, accountants, counsel, agents, consultants and representatives of Optionee full access during normal business hours to all facilities, properties, accounts, books, deeds, title papers, insurance policies, licenses, agreements, contracts, commitments, records and files, equipment, machinery, fixtures, furniture, vehicles, notes and accounts payable and receivable of Optionor with respect to the Corporation's / Station's, and all such other information concerning the Corporation's / Station's as Optionee may reasonably request. Optionor shall cause its accountants and any agent of Optionor in possession of Optionor's books and records with respect to the Corporation's / Station's to cooperate with Optionee's requests for information pursuant to this Agreement.

(d) Optionor shall give detailed written notice to Optionee promptly upon learning of the occurrence of any event that would cause or constitute a breach (or that would have caused a breach had such event occurred or been known to Optionor prior to the date hereof) of any of Optionor's representations, warranties or covenants contained in this Agreement. Optionor will promptly notify Optionee in writing upon becoming aware of any order or decree (or any complaint seeking an order or decree) restraining or enjoining the consummation of the transactions contemplated hereunder, or receiving any notice from any court or governmental authority of its intention to institute an investigation into, or institute a suit or proceeding to restrain or enjoin, the consummation of such transactions, or to nullify or render ineffective such transactions if consummated.

(e) Nothing contained in this Agreement shall give Optionee any right to control, supervise or direct the operation of the Corporation's / Station's prior to the Closing.

7. Survival. Optionor's representations and warranties set forth in this Agreement shall be deemed continuing during the Term (and thereafter until the Closing if the Option is exercised) and made again by Optionor to Optionee as of Closing. If the Option is exercised, such representations and warranties, and Optionor's covenants under this Agreement, shall survive such exercise and shall survive Closing. Optionor shall indemnify and hold harmless Optionee from and against any loss, liability, cost or expense arising from any breach or default by Optionor under this Agreement. Any exercise of the Option may be rescinded and re-exercised by Optionee from time to time during the Term.

8. Confidentiality. Subject to the requirements of applicable law, and except as provided by Section 13 hereof, this Agreement, the transactions contemplated hereby, and 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 the parties' attorneys, accountants, investment bankers, investors and lenders, and their respective attorneys, for the purpose of consummating the transactions contemplated by this Agreement.

9. Further Assurances. Each party hereto shall execute all such instruments and take all such actions as any other party shall reasonably request, without payment of further consideration, to carry out and effect the intent of this Agreement and, at and after Closing, any confirmatory and other instruments any and all actions which may reasonably be necessary to

consummate the transactions contemplated hereby. Notwithstanding anything in this Agreement to the contrary, Optionee is not obligated to exercise the Option.

10. Cure and Specific Performance. In the event of a breach or threatened breach by Optionor of any representation, warranty, covenant or agreement under this Agreement or the LMA, at Optionee's election, in addition to any other remedy available to it, Optionee may cure Optionor's breach at Optionor's cost and shall be entitled to an injunction restraining any such breach or threatened breach and, subject to obtaining any requisite approval of the FCC, to enforcement of this Agreement by a decree of specific performance requiring Optionor to fulfill its obligations under this Agreement, the APA and the LMA, in each case without the necessity of showing economic loss or other actual damage and without any bond or other security being required.

11. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns.

12. Notices. All notices, requests, demands and other communications that are required or may be given pursuant to the terms of this Agreement (including without limitation any Exercise Notice) shall be in writing and shall be deemed given when delivered by hand, overnight courier, or sent by facsimile transmission or on the third day after mailing if mailed by express mail or its equivalent, postage prepaid, return-receipt requested, if available, as set forth in the LMA, or to such other address as any party shall have designated by a notice in writing so delivered to the other parties.

13. FCC Filing and Local Recordation. Within thirty (30) calendar days of the date of this Agreement, Optionor shall file a copy of this Agreement with the FCC and shall cause a copy hereof to be placed in the public inspection file of the Corporation's / Station's. The parties shall execute such documents and instruments and make such filings, recordings and placements of this Agreement in all public offices, and shall do such other acts and things, as Optionee may request to establish, maintain, provide notice of, or otherwise protect Optionee's rights hereunder, including without limitation the filing and recording of this Agreement (or a memorandum of this Agreement) and UCC-1 Financing Statements evidencing it in the public records of each jurisdiction in which any Corporation's / Station's Assets are located.

14. Miscellaneous. This Agreement and **Schedule A** constitutes the entire agreement of the parties with respect to the subject matter hereof, and this Agreement supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof. This Agreement may be amended or modified only by an agreement in writing executed by all of the parties hereto. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and shall become effective when each of the parties hereto shall have delivered to it this Agreement duly executed by the other party hereto. The headings in this Agreement are for the sole purpose of convenience of reference and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement. This Agreement shall be construed under and in accordance with the laws of the State of California without giving effect to the principles of conflicts of laws.



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

OPTIONOR:  
**CORP.**

**AURORA COMMUNICATIONS CORP.**

By: \_\_\_\_\_  
Name: John Cooper  
Title: President Aurora Communications Corp.

OPTIONEE:

**LAZER BROADCASTING CORP.**

By: \_\_\_\_\_  
Name: Alfredo Placentia  
Title: President Lazer Broadcasting





## **SCHEDULE A**

The Exercise Price payable by Optionee to Optionor shall be the amount of ONE MILLION DOLLARS (\$1,000,000.00), which is fully refundable if Aurora Communication is not acquired by Lazer Broadcasting.

The Exercise Price is subject to adjustment at closing as follows:

- a) the Option Payment (\$1,000,000.00) shall be deducted from the Exercise Price at Closing;
- b) the fees paid by Optionee (as "Broker") to Optionor (as "Licensee") under the LMA (20% of fair market price of each independent station's fair market value assessed by independent broker / and or a cap of \$3,000,000) shall be deducted from the Option Payment until such time as the option payment has been fully utilized. Thereafter, Optionee shall pay the fees directly to Optionor pursuant to the terms of the LMA and such subsequent fees in excess of the Option Payment amount shall be deducted from the Exercise Price at Closing.

Expenses payable by Optionee (Broker) pursuant to Section 9 of the LMA shall be deducted from the Exercise Price.

In the event that Optionee determines, prior to the expiration of the Term, not to exercise the Option, Optionee shall be entitled to retain the remaining balance (if any) of the Exercise Price and Optionee shall be required to pay the LMA fees to Optionor until such time as the LMA is terminated. Upon Optionee's determination not to exercise the Option, this Agreement shall terminate and Optionor may elect at its sole discretion and upon reasonable notice to Optionee, to terminate the LMA.