

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made this 18th day of June 2004 by and between ACME Television, LLC ("Seller"), a Delaware limited liability company, and Barrington Michigan Corporation, a Delaware corporation ("Buyer").

Recitals

WHEREAS, Seller's parent, ACME Communications, Inc. ("ACME"), is a party to that certain Agreement dated July 14, 2000 by and among Pelican Broadcasting Company, Inc. ("Pelican"), Vista Communications, Inc. ("Vista"), and ACME (the "CP Agreement") concerning the acquisition of a construction permit (the "CP") to be issued by the Federal Communications Commission (the "FCC") to build a new analog television broadcast station (the "Station") to operate on Channel 61 in Bay City, Michigan, FCC File No. BPCT-19960710KZ; and

WHEREAS, Pelican and Vista filed a Joint Request for Approval of Settlement Agreement, Dismissal of Application, and Grant of Amended Application (the "Joint Request") with the FCC to obtain its approval of the Settlement Agreement between Vista and Pelican to resolve a conflict between their mutually exclusive FCC applications and for the dismissal of Pelican's application and the grant of Vista's application, and that Joint Request remains pending before the FCC; and

WHEREAS, at the request of Pelican and Vista pursuant to their Settlement Agreement, the FCC has amended the TV Table of Allotments by substituting channel 46 for channel 61 at Bay City, Michigan, and directed Vista to submit a minor change application for a construction permit (FCC Form 301) to its pending application (the "CP Application") specifying Channel 46 in lieu of Channel 61; and

WHEREAS, Vista filed an amendment with the FCC to its CP Application on Form 301 on October 9, 2003, as further amended, *inter alia*, by a Form 301 application filed on March 8, 2004, requesting the FCC to issue the CP to build the Station on Channel 46 in Bay City, Michigan (the "CP Application"); and

WHEREAS, ACME has assigned to Seller all of ACME's rights and obligations under the CP Agreement; and

WHEREAS, Seller entered into an Option Agreement, dated as of April 16, 2004, (the "Option Agreement") with Tim and Phyllis Duperon for an option (the "Option") to lease land that can be used as a tower site for the Station; and

WHEREAS, consummation of the CP Agreement is conditioned upon numerous actions by the FCC, including the issuance of the CP to Seller; and

WHEREAS, Buyer is desirous of acquiring the CP and other related assets from Seller (including the Option), and Seller is prepared to assign the CP and other related assets to Buyer, all in accordance with the terms and conditions of this Agreement;

NOW, THEREFORE, in view of the foregoing and the mutual promises and covenants contained herein, the parties hereby agree as follows:

(1) Assignment of Assets. Subject to (1) Seller's acquisition of the CP pursuant to the CP Agreement, and (2) the prior approval of the FCC as provided herein, Seller shall, at Closing (as defined herein) sell, transfer, assign, and otherwise convey to Buyer, to the fullest extent permitted by law, the following assets (the "Assets"), in each case free and clear of any and all security interests, encumbrances, and liens of any kind (collectively, "Liens"), other than for taxes accrued but not yet due to be paid which shall be prorated by the parties hereto at Closing, (a) the CP; (b) Seller's rights and obligations under the Option Agreement; (c) all of Seller's rights and obligations under agreements with cable television systems for the distribution of programming in the Flint, Michigan DMA; (d) all of Seller's rights and obligations under the Station Affiliation Agreement with the WB Television Network for distribution of the Station's programming, a copy of which is annexed hereto as Schedule 1; and (e) all of the rights and obligations of ACME Television Holdings, L.L.C. under the agreement dated as of January 17, 2003 by and between ACME Television Holdings, L.L.C. and Carsey-Werner Distribution, LLC for "That '70s Show," a copy of which is annexed hereto as Schedule 2 (with the agreements referenced in clauses (c), (d) and (e) sometimes collectively referred to hereinafter as the "Programming Agreements"). The Assets will be sold, transferred, assigned and otherwise conveyed to Buyer on the Closing Date, as defined herein: provided, that, notwithstanding the foregoing, Buyer shall assume all of Seller's rights and obligations under the Programming Agreements on the later of August 15, 2004 or the date on which the particular Programming Agreement(s) become effective (if, and only to the extent that, such agreements are reflected in a document executed by the parties thereto), subject to Seller's obligation to secure any required consent under Section 4(a) hereof, regardless of whether the Closing has occurred; provided further, that Buyer and Seller shall unwind the transfer of the Programming Agreements, such that Seller shall assume the rights and obligations under the Programming Agreements as of June 15, 2006 (or as of any earlier date of termination of this Agreement as provided herein for any reason other than Buyer's material breach) and for the period going forward, in the event the Closing has not occurred by June 15, 2006 or by the date of such termination (except when termination is based on Buyer's material breach).

(2) Purchase Price. In exchange for its acquisition of the Assets, Buyer shall pay Seller at the Closing Four Million Five Hundred Thousand Dollars (\$4,500,000) (the "Purchase Price") by wire transfer of immediately available funds pursuant to instructions provided by Seller to Buyer at least two (2) business days prior to the Closing, as defined herein.

(3) FCC Application. Within ten (10) days after the consummation of the CP Agreement and Seller's simultaneous acquisition of the CP, Seller and Buyer shall file a Form 314 application (the "Application") with the FCC seeking FCC consent to the assignment of the CP from Seller to Buyer: provided, that the parties will not file the Application if, as contemplated herein, Seller assigns to Buyer Seller's right to acquire the CP under the CP Agreement. The parties will use any and all commercially reasonable efforts to cooperate with each other in preparing the Application and prosecuting the Application to a grant by the FCC at the earliest practicable time. Those efforts shall require, among other obligations, timely responses to any questions or requests for additional information from the FCC, amendment of this Agreement as requested by the FCC in any way that is not materially adverse to either party,

and the defense of any petition to deny or other third party challenge to the Application. Each party will provide the other party with copies of any and all correspondence and other communications to or from the FCC with respect to the Application. The filing fees for the Application shall be shared equally by Seller and Buyer.

(4) Representations, Warranties and Covenants.

(a) Seller represents, warrants and covenants to Buyer (i) that the Assets shall be at the Closing (or, in the case of the Programming Agreements, the date of assignment) free and clear of any and all Liens; (ii) that Seller is or will be at the Closing (or, if earlier, the date of assignment) in material compliance with the Programming Agreements that have been executed by every party thereto, that, to Seller's knowledge, the other party to each Programming Agreement that has been executed by the parties thereto is in material compliance with the particular Programming Agreement, that each of the Programming Agreements that has been executed by the parties thereto is in full force and effect, and that Seller shall secure whatever consent is required under any and every Programming Agreement to assign the Programming Agreement to Buyer; (iii) that Seller is, or will be at the Closing, the holder of the CP for the Station (unless Seller assigns its right to acquire the CP to Buyer as contemplated herein), that the CP (if acquired by Seller prior to Closing) shall be valid and in full force and effect and shall not be subject to any conditions or restrictions other than those in the ordinary course or that appear on the CP itself, and that there shall not have been any modification or amendment of such CP which has a material adverse effect on the Station or the Assets or on Buyer's ability to complete construction and initiate operations of such Station under the CP; and (iv) that there is no litigation, arbitration or other proceeding before any court, commission or other body pending, or to the knowledge of Seller, threatened, relating to the Assets or the Station that could have a material adverse effect on the Assets or the Station or that would materially affect Seller's ability to consummate the transactions contemplated herein in accordance with the terms and conditions of this Agreement.

(b) Each of the parties represents, warrants and covenants to the other party that it is legally qualified and empowered to execute this Agreement and that the execution, delivery, and performance of this Agreement does not and shall not, with the provision of notice or the passage of time or both, constitute a breach or violation of any articles of incorporation, operating agreement, or other organizational documents of such party or any agreement, contract, court order, statute, government regulation (including the FCC rules and policies), or any other obligation to which either party is subject or by which it is bound; provided, that the parties acknowledge that Buyer's acquisition of the CP (together with other pending applications or interests of Buyer in television broadcast stations in the Flint, Michigan DMA) may not be in compliance with existing Section 73.3555(b) of the FCC's rules, but would be in compliance with Section 73.3555(b) of the FCC's rules as adopted in the Report and Order in MB Docket 02-277 released July 2, 2003; provided further, that Buyer will use commercially reasonable efforts to ensure that it remains or, if FCC rules prohibit ownership of the CP because of Buyer's other aforementioned and pre-existing interests in television broadcast stations in the Flint, Michigan DMA, becomes legally qualified to acquire the CP by Closing (including the filing of a request for a waiver of applicable FCC rules that might otherwise preclude Buyer from acquiring the CP and the reasonable prosecution of such waiver); provided further, that, notwithstanding anything in this section to the contrary, Buyer's failure to become legally

qualified to obtain the CP under FCC rules shall not constitute a material breach of this Agreement (i) if any such waiver request is denied by the FCC despite Buyer's commercially reasonable efforts to prosecute the waiver request to a grant or (ii) if Buyer fails to file any such waiver request because of its good faith belief that there is no reasonable basis to support such a request; and, provided further, that if Buyer is unable to acquire the CP solely because of Buyer's ownership of another broadcast television station in the Flint, Michigan DMA, then, in that event, Seller and Buyer shall execute an Outsourcing Agreement at the Closing substantially in the form of Exhibit A annexed hereto at the Closing at which all the Assets (other than the CP) will be assigned to Buyer in exchange for payment of ninety percent (90%) of the Purchase Price, as defined herein, and an option to acquire the CP from Seller (when Buyer becomes qualified under FCC Rules to acquire the CP) in exchange for payment of the remaining ten percent (10%) of the Purchase Price.

(5) Escrow Account. Upon execution of this Agreement, the parties shall execute an Escrow Agreement in the form of Exhibit B annexed hereto to provide for the deposit of Two Hundred Twenty-Five Thousand Dollars (\$225,000) (the "Escrow Deposit") by Buyer to secure its performance under this Agreement. The Escrow Deposit, including all interest accrued thereon, shall be credited toward the Purchase Price at the Closing. In the event of a termination of this Agreement solely because of Buyer's material breach under Section 12(a)(i) hereof, the Escrow Deposit shall be forwarded to Seller as its exclusive remedy for such breach and the interest accrued thereon shall be returned to Buyer. Payment of the Escrow Deposit to Seller under such circumstances shall be deemed to be liquidated damages in light of the impossibility of quantifying Seller's damages in the event of a termination of this Agreement because of Buyer's breach. If this Agreement is terminated for any reason other than Buyer's material breach, the Escrow Deposit and all interest accrued thereon shall be returned to Buyer.

(6) Closing.

(a) Consummation of the transactions contemplated by this Agreement (the "Closing") shall be held at the offices of Dickstein Shapiro Morin & Oshinsky LLP, 2101 L Street, N.W., Washington, DC 20037, or at such other place mutually agreed to by the parties on a date (the "Closing Date") which is ten (10) days after the FCC order (the "Order") granting the Application becomes "Final" (meaning that the time periods for filing any requests for administrative or judicial review or reconsideration have expired under applicable regulation and law and that the time period for the FCC to reconsider the Order on its own motion has expired under FCC rules): provided, that Buyer may, in the exercise of its unilateral discretion, require that the Closing be held at any time ten (10) days after the Order becomes effective; and provided further, that, notwithstanding anything in this paragraph to the contrary, the consummation of the assignment of the Programming Agreements shall be held on the later of August 15, 2004 or the date on which the particular Programming Agreement becomes effective. At the Closing (or, if held earlier, the consummation of the assignment of the Programming Agreements), (i) the parties shall execute an assignment and assumption agreement covering the Assets to be sold, transferred, assigned or otherwise conveyed on such date as well as any other document reasonably requested by any party, with the understanding that all such documents shall be reasonably satisfactory to both parties as to form and substance and (ii) Seller shall provide an opinion letter from its counsel, in form and substance reasonably satisfactory to Buyer, which is limited to the following matters: (x) that Seller is the authorized holder of the

CP under FCC rules, (ii) that the CP is in full force and effect, (iii) that the FCC has consented to the assignment of the CP to Buyer and such consent has become a Final order, and (iv) that, to the knowledge of Seller's counsel, there is no investigation, complaint or other proceeding pending or threatened before the FCC with respect to the CP (other than proceedings of general applicability) that could have a material adverse effect on the CP.

(b) Notwithstanding anything in this Agreement to the contrary, the parties shall use commercially reasonable efforts to cooperate with each other to determine whether Seller's rights and obligations under the CP Agreement can be assigned to Buyer under the Communications Act and FCC Rules without any material adverse impact on either Seller or Buyer. If such assignment can be effectuated on that condition, Seller shall undertake commercially reasonable efforts to secure whatever consent is required from Vista and Pelican to effectuate such assignment and, upon obtaining any such consent, the parties shall (i) amend this Agreement accordingly and (ii) arrange for a Closing that would include an assignment of the Option and other Assets (other than the CP), including the assignment to Buyer of Seller's rights and obligations under the CP Agreement, and payment of the Purchase Price.

(7) Cooperation. The parties shall use any and all commercially reasonable efforts to cooperate with each other to consummate the transactions contemplated by this Agreement at the earliest practicable time. Seller shall assist Buyer in setting up one or more cable transmission agreements between Buyer and Comcast, or other cable operators reasonably acceptable to Buyer, and Seller shall assist Buyer in its discussions with the WB Television Network in connection with the Station's Affiliation Agreement.

(8) Closing Deliveries and Conditions of Closing.

(a) At the Closing, Seller shall deliver the following to Buyer:

- (i) the CP;
- (ii) an assignment of Seller's rights and obligations under the Option Agreement;
- (iii) the Programming Agreements (unless such agreements have been assigned to Buyer prior to Closing as provided in this Agreement); (iv) an assignment and assumption agreement, bill of sale, and such other documents as Buyer may reasonably request; and
- (v) the opinion of Seller's counsel described in Section 6(a) of this Agreement.

(b) At the Closing, Buyer shall deliver the following to Seller:

- (i) the Purchase Price; and
- (ii) an assignment and assumption agreement, bill of sale, and such other documents as Seller may reasonably request.

(c) The obligations of Buyer hereunder to close the transaction contemplated herein are subject to the following conditions precedent (unless any such conditions are waived in writing by Buyer):

(i) All the representations and warranties made by Seller shall be true and correct in all material respects on and as of the Closing Date, with the same effect as if such warranties and representations had been made by Seller on and as of the Closing Date.

(ii) Seller shall have performed and complied in all material respects with all agreements, covenants and conditions herein required to be performed or complied with prior to the Closing Date.

(iii) Seller shall have executed a document assigning to Buyer Seller's rights and obligations under the Option Agreement, and construction of the Station in accordance with the terms of the CP shall not require, by its terms, any prior or subsequent approval of the Canadian government.

(d) The obligations of Seller hereunder to close the transaction contemplated herein are subject to the following conditions precedent (unless any such conditions are waived in writing by Seller):

(i) All the representations and warranties made by Buyer shall be true and correct in all material respects on and as of the Closing Date, with the same effect as if such warranties and representations had been made by Buyer on and as of the Closing Date.

(ii) Buyer shall have performed and complied in all material respects with all agreements, covenants and conditions herein required to be performed or complied with prior to the Closing Date.

(9) Notices. Any and all notices and other communications required or authorized by this Agreement shall be delivered to the other party by hand or by overnight courier (charges pre-paid) at the address specified below (or at any other address which any party may specify in writing to the other party):

If to Seller:

Doug Gealy, President & COO
ACME Television, LLC
10829 Olive Boulevard
Suite 202
St. Louis, MO 63141
Tel: (314) 989-0566
Fax: (314) 989-0616

and

Tom Allen, Executive VP and CFO
ACME Television, LLC
2102 East Fourth Street
Suite 202A
Santa Ana, CA 92705
Tel: (714) 245-9499
Fax: (714) 245-9494

with copy to:

Lewis J. Paper
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street, N.W.
Washington, DC 20037
Tel: (202) 785-9700
Fax: (202) 887-0689

If to Buyer:

James Yager, COO
Barrington Michigan Corporation
Suite 880
2500 West Higgins Road
Hoffman Estates, Illinois 60195

with copy to:

John Griffith Johnson, Jr.
Paul, Hastings, Janofsky & Walker LLP
1299 Pennsylvania Avenue, N.W.
10th Floor
Washington, DC 20004
Tel: (202) 508-9500
Fax: (202) 508-9700

(10) Construction. This Agreement shall be governed by the laws of the State of Delaware without regard to conflict of laws provisions.

(11) Litigation. If any party files a lawsuit to enforce its rights under this Agreement, the prevailing party shall be reimbursed by the other party for all reasonable expenses incurred thereby, including reasonable attorneys' fees. The parties acknowledge that the CP constitutes a unique asset, the loss of which cannot be adequately compensated through monetary damages. Accordingly, in addition to any other rights provided by this Agreement or under law or equity, Buyer shall have the right to obtain specific performance of Seller's obligations under this Agreement (assuming that Buyer is not then in material breach of its obligations under this Agreement). If Buyer files a lawsuit seeking specific performance of this Agreement, Seller shall waive any defense that Buyer has an adequate remedy at law.

(12) Termination.

(a) This Agreement may be terminated under any one of the following circumstances:

(i) by Seller, if Buyer is in material breach of its obligations under this Agreement on the Closing Date (and Seller is not in material breach of obligations under this Agreement);

(ii) by Buyer, if Seller is in material breach of its obligations under this Agreement on the Closing Date (and Buyer is not in material breach of obligations under this Agreement);

(iii) by either party, if the Closing has not been held on or before June 15, 2006; or

(iv) by either party, if the CP Agreement has been terminated or if the FCC issues an order which has become Final which disapproves of the Joint Request, denies the CP Application, or prohibits Seller or Buyer from acquiring the CP.

(b) Notwithstanding anything in this paragraph to the contrary, no “breach” shall be deemed to have occurred under this Agreement unless and until the party alleged to be in breach has received written notice from the other party identifying the nature of the breach and has not cured the breach within thirty (30) days after receipt of such notice. To the extent necessary (other than Buyer’s payment of the Purchase Price), the Closing Date shall be extended to enable a party to cure any breach alleged to have occurred.

(13) Waivers. No waiver of any right or obligation under this Agreement shall be deemed effective unless such waiver is reflected in a document signed by the party charged with the waiver. No waiver in any one instance shall be deemed to be a waiver of any other breach in any other instance.

(14) Assignment. Neither party may assign its rights and obligations under this Agreement to any other party without the prior written consent of the other party: provided, that either party may assign its rights and obligations to any other party controlled by or under common control with such party.

(15) Indemnification.

(a) Seller shall indemnify Buyer (which, for purposes of this paragraph, shall include Buyer’s affiliates, members, stockholders, officers, directors, employees, and agents) from any and all liabilities, damages, claims and losses of any kind or nature, including but not limited to attorneys’ fees and expenses (collectively “Losses”), incurred by Buyer as a result of (i) any breach by Seller of its representations, warranties, covenants or other obligations under this Agreement and (ii) ownership of the Assets prior to the Closing (or, in the case of the Programming Agreements, prior to any assignment contemplated by this Agreement).

(b) Buyer shall indemnify Seller (which, for purposes of this paragraph, includes Seller's affiliates, members, officers, directors, employees, and agents) from and against any and all Losses incurred by Seller as a result of (i) any breach by Buyer of its representations, warranties, covenants or other obligations under this Agreement and (ii) ownership of the Assets after the Closing (or, in the case of the Programming Agreements, after any assignment contemplated by this Agreement).

(c) If any party believes that it is entitled to indemnification under this paragraph, that party will promptly notify the other party of the nature of the Losses and the basis for its claim for indemnification: provided, that any delay in the provision of such notice shall not relieve any party of its indemnification obligations under this paragraph except to the extent that any such delay has prejudiced the indemnifying party. In the event of any third party claim, the indemnifying party shall have the right to assume the defense of such third party claim through counsel of its choosing. The indemnified party may participate in such defense with counsel of its choosing and at its expense: provided, that if the indemnifying party fails to assume such defense in a timely matter, then, in that event, the party to be indemnified may assume such defense, and the costs of such defense shall be included within the Losses to be indemnified by the other party.

(16) Expenses. Except as otherwise expressly set forth in this Agreement, each party will bear its own expenses: provided, that any transfer or sales taxes imposed by any governmental authority on the sale, transfer, assignment or other conveyance of any or all of the Assets shall be shared equally by the parties; provided, that Seller shall pay all income taxes and other fees based upon gain realized by Seller as a result of the sale of the Assets.

(17) Counterpart Signatures. This Agreement may be executed in counterparts, and all such counterparts shall collectively be deemed one and the same document. Facsimile signatures shall, for purposes of this Agreement, be recognized and treated as original signatures sufficient to make this Agreement binding and effective.

(18) Integration. This Agreement represents the entire understanding of the parties with respect to the subject matter hereof and supercedes any and all prior and contemporaneous understandings, contracts, and agreements with respect to the same subject matter hereof. This Agreement may not be amended except by a writing signed by the parties.

[Remainder of Page Intentionally Left Blank]

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

ACME TELEVISION, LLC

By: _____
Name:
Title:

BARRINGTON MICHIGAN CORPORATION

By: _____
Name:
Title: