

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission File Number 1-13796

Gray Communications Systems, Inc.
(Exact name of registrant as specified in its charter)

Georgia
(State or other jurisdiction of
incorporation or organization)

58-0285030
(I.R.S. Employer
Identification Number)

126 N. Washington St., Albany, Georgia 31701
(Address of principal executive offices) (Zip code)

(912) 888-9390
(Registrant's telephone number, including area
code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last
report.)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter periods that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days. YES NO

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practical date.

Class A Common Stock, (No Par Value)	Class B Common Stock, (No Par Value)
----- 4,538,145 shares as of August 13, 1998	----- 3,411,277 shares as of August 13, 1998

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GRAY COMMUNICATIONS SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

	June 30, 1998	December 31, 1997
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,739,188	\$ 2,367,300
Trade accounts receivable, less allowance for doubtful accounts of \$1,293,000 and \$1,253,000, respectively	20,025,376	19,527,316
Recoverable income taxes	1,897,469	2,132,284
Inventories	1,320,444	846,891
Current portion of program broadcast rights	1,324,251	2,850,023
Other current assets	1,185,291	968,180
	-----	-----
Total current assets	28,492,019	28,691,994
PROPERTY AND EQUIPMENT:		
Land	864,695	889,696
Buildings and improvements	12,025,272	11,951,700
Equipment	56,624,691	52,899,547
	-----	-----
Allowance for depreciation	69,514,658 (26,340,052)	65,740,943 (23,635,256)
	-----	-----
	43,174,606	42,105,687
OTHER ASSETS:		
Deferred loan costs	7,987,427	8,521,356
Goodwill and other intangibles	261,159,342	263,425,447
Other	2,869,399	2,306,143
	-----	-----
	272,016,168	274,252,946
	-----	-----
	\$ 343,682,793	\$ 345,050,627
	=====	=====

See notes to condensed consolidated financial statements.

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GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited) (continued)

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
CURRENT LIABILITIES:		
Trade accounts payable (includes \$1,130,000 and \$850,000 payable to Bull Run Corporation, respectively)	\$ 3,391,969	\$ 3,321,903
Employee compensation and benefits	3,839,784	3,239,694
Accrued expenses	2,646,703	2,265,725
Accrued interest	4,713,304	4,533,366
Current portion of program broadcast obligations	1,189,093	2,876,060
Deferred revenue	2,183,695	1,966,166
Current portion of long-term debt	578,881	400,000
	-----	-----
Total current liabilities	18,543,429	18,602,914
LONG-TERM DEBT	226,322,573	226,676,377
OTHER LONG-TERM LIABILITIES:		

Program broadcast obligations, less current portion	424,190	617,107
Supplemental employee benefits	1,226,158	1,161,218
Deferred income taxes	1,272,533	1,203,847
Other acquisition related liabilities	4,224,998	4,494,016
	-----	-----
	7,147,879	7,476,188
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Serial Preferred Stock, no par value; authorized 20,000,000 shares; issued 2,060 shares (\$20,600,000 aggregate liquidation value)	20,600,000	20,600,000
Class A Common Stock, no par value; authorized 15,000,000 shares; issued 5,307,716 shares	10,385,595	10,358,031
Class B Common Stock, no par value; authorized 15,000,000 shares; issued 3,515,364 shares	66,527,502	66,397,804
Retained earnings	4,697,154	6,603,191
	-----	-----
	102,210,251	103,959,026
Treasury Stock at cost, Class A Common, 769,571 and 781,921 shares, respectively	(8,862,142)	(9,011,369)
Treasury Stock at cost, Class B Common, 105,588 and 166,790 shares, respectively	(1,679,197)	(2,652,509)
	-----	-----
	91,668,912	92,295,148
	-----	-----
	\$ 343,682,793	\$ 345,050,627
	=====	=====

See notes to condensed consolidated financial statements.

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GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
OPERATING REVENUES				
Broadcasting (net of agency commissions)	\$ 22,689,990	\$ 17,782,557	\$ 42,201,054	\$ 33,767,854
Publishing	7,379,114	6,081,748	13,916,449	11,306,602
Paging	1,991,407	1,634,609	3,924,873	3,184,985
	-----	-----	-----	-----
	32,060,511	25,498,914	60,042,376	48,259,441
EXPENSES				
Broadcasting	12,661,021	9,604,608	24,779,408	19,299,392
Publishing	5,983,435	4,594,834	11,440,940	8,528,255
Paging	1,327,495	946,629	2,583,100	1,836,923
Corporate and administrative	656,449	740,991	1,316,929	1,374,319
Depreciation and amortization	4,221,723	3,488,301	7,843,307	6,760,244
	-----	-----	-----	-----
	24,850,123	19,375,363	47,963,684	37,799,133
Miscellaneous income (expense), net	7,210,388	6,123,551	12,078,692	10,460,308
	-----	-----	-----	-----
	(73,209)	5,930	(314,276)	(39,893)
Interest expense	7,137,179	6,129,481	11,764,416	10,420,475
	-----	-----	-----	-----
	6,039,258	5,081,505	11,966,739	10,057,198
INCOME (LOSS) BEFORE INCOME TAXES	1,097,921	1,047,976	(202,323)	363,277
Income tax expense	260,814	426,100	443,377	202,500
	-----	-----	-----	-----
NET INCOME (LOSS)	837,107	621,876	(645,700)	160,777
Preferred Dividends	358,998	350,000	717,996	700,000
	-----	-----	-----	-----
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 478,109	\$ 271,876	\$ (1,363,696)	\$ (539,223)
	=====	=====	=====	=====
AVERAGE OUTSTANDING COMMON SHARES:				
Basic	7,944,503	7,943,309	7,932,532	7,953,460
Stock compensation awards	399,608	117,932	0-	0-
	-----	-----	-----	-----
Diluted	8,344,111	8,061,241	7,932,532	7,953,460
	=====	=====	=====	=====
BASIC EARNINGS (LOSS) PER COMMON SHARE:				
Net income (loss) available to common stockholders	\$ 0.06	\$ 0.03	\$ (0.17)	\$ (0.07)
	=====	=====	=====	=====
DILUTED EARNINGS (LOSS) PER COMMON SHARE:				
Net income (loss) available to common stockholders	\$ 0.06	\$ 0.03	\$ (0.17)	\$ (0.07)
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (unaudited)

	PREFERRED STOCK		CLASS A COMMON STOCK		CLASS B COMMON STOCK	
	SHARES	AMOUNTS	SHARES	AMOUNTS	SHARES	AMOUNTS
Balance at December 31, 1997	2,060	\$20,600,000	5,307,716	\$10,358,031	3,515,364	\$66,397,804
Net loss for the six months ended June 30, 1998						

Common Stock dividends (\$.04 per share)						
Preferred stock dividends						
Income tax expense relating to stock plans				27,564		26,326
Issuance of treasury stock:						
401(k) plan						103,372
Non-qualified stock plan						
Purchase of Class A Common Stock						
Balance at June 30, 1998	2,600	\$20,600,000	5,307,716	\$10,385,595	3,515,364	\$66,527,502

	CLASS A TREASURY STOCK			CLASS B TREASURY STOCK	
	RETAINED EARNINGS	SHARES	AMOUNTS	SHARES	AMOUNTS
Balance at December 31, 1997	\$6,603,191	(781,921)	\$(9,011,369)	(166,790)	\$(2,652,509)
Net loss for the six months ended June 30, 1998	(645,700)				
Common Stock dividends (\$.04 per share)	(317,400)				
Preferred stock dividends	(717,996)				
Income tax expense relating to stock plans					
Issuance of treasury stock:					
401(k) plan				8,702	138,389
Non-qualified stock plan	(224,941)	22,850	460,290	52,500	834,923
Purchase of Class A Common Stock		(10,500)	(311,063)		
Balance at June 30, 1998	\$4,697,154	(769,571)	\$(8,862,142)	(105,588)	\$(1,679,197)
	TOTAL				
Balance at December 31, 1997	\$92,295,148				
Net loss for the six months ended June 30, 1998	(645,700)				
Common Stock dividends (\$.04 per share)	(317,400)				
Preferred stock dividends	(717,996)				
Income tax expense relating to stock plans	53,890				
Issuance of treasury stock:					
401(k) plan	241,761				
Non-qualified stock plan	1,070,272				
Purchase of Class A Common Stock	(311,063)				
Balance at June 30, 1998	\$91,668,912				

See notes to condensed consolidated financial statements.

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GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six Months Ended June 30,	
	1998	1997
OPERATING ACTIVITIES		
Net income (loss)	\$ (645,700)	\$ 160,777
Items which did not use (provide) cash:		
Depreciation	4,175,981	3,646,840
Amortization of intangible assets	3,667,326	3,113,404
Amortization of deferred loan costs	541,723	542,139
Amortization of program broadcast rights	1,899,189	1,619,198
Payments for program broadcast rights	(1,954,588)	(1,830,304)
Supplemental employee benefits	(154,657)	(117,749)
Common stock contributed to 401(k) Plan	241,761	216,819
Deferred income taxes	68,686	2,200,000
(Gain) loss on disposal of assets	348,310	(5,314)
Changes in operating assets and liabilities:		
Receivables, inventories and other current assets	(1,012,774)	(1,203,550)
Accounts payable and other current liabilities	1,260,198	(2,691,321)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,435,455	5,650,939

INVESTING ACTIVITIES

Purchase of FCC License	(829,600)	-0-
Acquisition of satellite uplink business	-0-	(4,074,031)
Purchases of property and equipment	(5,766,160)	(6,757,526)
Deferred acquisition costs	(200,745)	(485,303)
Payments on purchase liabilities	(269,018)	(138,599)
Deferred costs associated with exchange of television station	(859,534)	-0-
Proceeds from asset sales	182,421	5,314
Other	(241,707)	(524,815)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(7,984,343)	(11,974,960)

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GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)

	Six Months Ended June 30,	
	1998	1997
	-----	-----
FINANCING ACTIVITIES		
Dividends paid	(717,400)	(712,807)
Common Stock transactions	53,890	241,545
Purchase of treasury stock	(311,063)	(1,119,775)
Sale of treasury stock	1,070,272	-0-
Proceeds from borrowings of long-term debt	10,200,000	13,500,000
Payments on long-term debt	(10,374,923)	(6,113,020)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(79,224)	5,795,943
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	371,888	(528,078)
Cash and cash equivalents at beginning of period	2,367,300	1,051,044
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,739,188	\$ 522,966
	=====	=====

See notes to condensed consolidated financial statements.

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GRAY COMMUNICATIONS SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Gray Communications Systems, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1997.

Certain amounts in the accompanying unaudited condensed consolidated financial statements have been reclassified to conform to the 1998 format.

NOTE B--BUSINESS ACQUISITIONS AND DISPOSITION

SUBSEQUENT TRANSACTIONS

On July 31, 1998, the Company completed the purchase of all of the

outstanding capital stock of Busse Broadcasting Corporation ("Busse"). The net purchase price was \$112 million plus associated transaction costs. The purchase price includes the assumption of Busse's indebtedness, including its 11 5/8% Senior Secured Notes due 2000. Immediately prior to the Company's acquisition of Busse, Cosmos Broadcasting Corporation acquired WEAU-TV from Busse and exchanged it for WALB-TV, the Company's NBC affiliate in Albany, Georgia. In exchange for WALB-TV, the Company received WEAU-TV, which was valued at \$66 million, and approximately \$12 million in cash for a total value of \$78 million. As a result of these transactions, the Company adds the following television stations to its existing broadcast group: KOLN-TV, the CBS affiliate serving the Lincoln-Hastings-Kearney, Nebraska market; its satellite station KGIN-TV, the CBS affiliate serving Grand Island, Nebraska; and WEAU-TV, an NBC affiliate serving the Eau Claire-La Crosse, Wisconsin market. These transactions also satisfy the Federal Communication Commission's requirement for the Company to divest itself of WALB-TV. The Company will pay Bull Run Corporation, a principal stockholder of the Company, a fee equal to 1% of the transaction values for services performed, of which \$780,000 was included in accounts payable at June 30, 1998.

Condensed unaudited balance sheets of WALB-TV as of June 30, 1998 and December 31, 1997 are as follows:

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
	(IN THOUSANDS)	
Current assets	\$2,662	\$2,379
Property and equipment, net	2,760	1,473
Other assets	95	471
	-----	-----
Total assets	\$5,517	\$4,323
	=====	=====
Current liabilities	\$2,027	\$ 994
Other liabilities	177	215
Stockholder's equity	3,313	3,114
	-----	-----
Total liabilities and stockholder's equity	\$5,517	\$4,323
	=====	=====

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

NOTE B--BUSINESS ACQUISITIONS AND DISPOSITION (continued)

SUBSEQUENT TRANSACTIONS (CONTINUED)

Condensed unaudited income statement data for the three months and six months ended June 30, 1998 and 1997 for WALB-TV is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	1998	1997	1998	1997
	-----	-----	-----	-----
	(in thousands)			
Broadcasting revenues	\$3,235	\$2,584	\$5,658	\$4,931
Expenses	1,418	1,162	2,556	2,255
	-----	-----	-----	-----
Income before income taxes	\$1,817	\$1,422	\$3,102	\$2,676
	=====	=====	=====	=====
Net income	\$1,126	\$ 883	\$1,923	\$1,660
	=====	=====	=====	=====

Condensed unaudited balance sheets of Busse Broadcasting Corporation (including WEAU-TV) as of June 28, 1998 and December 28, 1997 are as follows:

	JUNE 28, 1998	DECEMBER 28, 1997
	-----	-----
	(IN THOUSANDS)	
Current assets	\$13,473	\$14,123
Property and equipment, net	12,555	13,226
Deferred charges and other assets	1,503	1,812
Intangible assets and excess reorganization value	46,827	48,775
	-----	-----
Total assets	\$74,358	\$77,936
	=====	=====
Current liabilities	\$ 2,360	\$ 4,161
Long term debt	61,168	60,919
Stockholder's equity	10,830	12,856
	-----	-----
Total liabilities and stockholder's equity	\$74,358	\$77,936
	=====	=====

Condensed unaudited income statement data for the three months and six months ended June 28, 1998 and June 29, 1997 for Busse Broadcasting Corporation (including WEAU-TV) is as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 28, 1998	JUNE 29, 1997	JUNE 28, 1998	JUNE 29, 1997
	-----	-----	-----	-----
	(IN THOUSANDS)			
Broadcasting revenues	\$ 5,489	\$ 5,285	\$ 10,216	\$ 9,550
Expenses	5,939	6,074	12,242	12,048
	-----	-----	-----	-----
Loss before income taxes	\$ (450)	\$ (789)	\$ (2,026)	\$ (2,498)
	=====	=====	=====	=====
Net loss available to common stockholders	\$ (1,656)	\$ (1,995)	\$ (4,437)	\$ (4,909)
	=====	=====	=====	=====

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

NOTE B--BUSINESS ACQUISITIONS AND DISPOSITION (continued)

PRO FORMA FINANCIAL DATA (UNAUDITED)

On April 24, 1997, the Company purchased GulfLink Communications, Inc. and on August 1, 1997, the Company purchased the assets of WITN-TV (collectively referred to as the "1997 Acquisitions"). Unaudited pro forma operating data for the three months and six months ended June 30, 1998 and 1997 is presented below and assumes that the acquisition of Busse Broadcasting Corporation ("Busse Acquisition"), the exchange of WALB-TV ("WALB Exchange") and the 1997 Acquisitions were completed on January 1, 1997.

This unaudited pro forma operating data does not purport to represent the Company's actual results of operations had the Busse Acquisition, WALB Exchange and the 1997 Acquisitions been completed on January 1, 1997, and should not serve as a forecast of the Company's operating results for any future periods. The pro forma adjustments are based solely upon certain assumptions that management believes are reasonable under the circumstances at this time. Unaudited pro forma operating data for the three months and six months ended June 30, 1998 and 1997, is as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 1998	JUNE 30, 1997	JUNE 30, 1998	JUNE 30, 1997
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
Revenues, net	\$ 34,315	\$ 30,692	\$ 64,600	\$ 57,899
Expenses	34,355	30,944	67,466	60,976
	-----	-----	-----	-----
Loss before income taxes	\$ (40)	\$ (252)	\$ (2,866)	\$ (3,077)

Net loss available to common stockholders	=====	=====	=====	=====
	\$ (660)	\$ (517)	\$ (4,027)	\$ (2,731)
	=====	=====	=====	=====
Diluted loss per share available to common stockholders	\$ (0.08)	\$ (0.07)	\$ (0.51)	\$ (0.34)
	=====	=====	=====	=====

The pro forma results presented above include adjustments to reflect (i) the incurrence of interest expense to fund the respective acquisitions, (ii) depreciation and amortization of assets acquired, (iii) the elimination of the corporate expense allocation net of additional accounting and administrative expenses and (iv) the income tax effect of such pro forma adjustments.

NOTE D--LONG-TERM DEBT

In September 1996, the Company entered into the \$125.0 million senior credit facility (the "Senior Credit Facility") with KeyBank National Association, NationsBank, N.A. (South), CIBC, Inc., CoreStates Bank, N.A., and the Bank of New York. The Senior Credit Facility included scheduled reductions in the \$125.0 million credit limit which commenced on March 31, 1997, interest rates based upon a spread over LIBOR and/or Prime, an unused commitment fee of 0.50% applied to available funds and a maturity date of June 30, 2003. Effective September 17, 1997, the Senior Credit Facility was modified to reinstate the original credit limit of \$125.0 million which had been reduced by the scheduled reductions. The modification also reduced the interest rate spread over LIBOR and/or Prime. The modification also extended the maturity date from June 30, 2003 to June 30, 2004. The modification required a one-time fee of \$250,000. At June 30, 1998, the Company had approximately \$65.6 million outstanding under the Senior Credit Facility, which did not include a letter of credit in the amount of \$5.9 million which had been established but not yet drawn upon. On June 30, 1998, the balance available under the Senior Credit Facility was \$49.8 million and the interest rate on the balance outstanding was based on a spread over LIBOR and Prime of 2.00% and 0.25%, respectively. As of June 30, 1998, the credit limit of \$125.0 million as amended on September 17, 1997 had been reduced by \$3.7 million due to scheduled reductions as specified in the Senior Credit Facility.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

NOTE D--LONG-TERM DEBT (continued)

On July 31, 1998, the Company amended and restated the Senior Credit Facility to increase its committed availability from \$125 million to \$200 million. The amendment also provides for an additional \$100 million of uncommitted borrowing capacity. The modification also extended the maturity date from June 30, 2004 to June 30, 2005. The modification required a one-time fee of approximately \$750,000.

Immediately following the acquisition of Busse, the Company exercised its right to satisfy and discharge the Busse 11 5/8% Senior Secured Notes, effectively prefunding the notes at the October 15, 1998 call price of 106 plus accrued interest. The amount necessary to satisfy and discharge the notes was approximately \$69.9 million.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations of Gray Communications Systems, Inc.

INTRODUCTION

The following analysis of the financial condition and results of operations of Gray Communications Systems, Inc. (the "Company") should be read in conjunction with the Company's unaudited Condensed Consolidated Financial Statements and notes thereto included elsewhere herein.

The Company derives its revenues from its television broadcasting, publishing and paging operations. On August 1, 1997 the Company purchased

substantially all of the assets of WITN-TV ("WITN"), the NBC affiliate serving the Greenville-Washington-New Bern, North Carolina market (the "WITN Acquisition"). On April 24, 1997, the Company purchased GulfLink Communications, Inc. (the "GulfLink Acquisition"), which is in the transportable satellite uplink business, a business in which the Company was already engaged. As a result of the higher operating margins associated with the Company's television broadcasting operations, the profit contribution of these operations as a percentage of revenues, has exceeded, and is expected to continue to exceed, the profit contributions of the Company's publishing and paging operations. Set forth below, for the periods indicated, is certain information concerning the relative contributions of the Company's television broadcasting, publishing and paging operations.

	Three Months Ended June 30,			
	1998		1997	
	Amount	Percent of Total	Amount	Percent of Total
(dollars in thousands)				
Television Broadcasting				
Revenues	\$22,690	70.8%	\$17,783	69.7%
Operating income (1)	6,801	86.2	5,520	80.2
Publishing				
Revenues	\$ 7,379	23.0%	\$ 6,082	23.9%
Operating income (1)	856	10.9	1,035	15.0
Paging				
Revenues	\$ 1,991	6.2%	\$ 1,634	6.4%
Operating income (1)	231	2.9	324	4.8

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations of Gray Communications Systems, Inc. (continued)

INTRODUCTION (CONTINUED)

	Six Months Ended June 30,			
	1998		1997	
	Amount	Percent of Total	Amount	Percent of Total
(dollars in thousands)				
Television Broadcasting				
Revenues	\$42,201	70.3%	\$33,768	70.0%
Operating income (1)	11,137	82.9	9,281	78.3
Publishing				
Revenues	\$13,916	23.2%	\$11,306	23.4%
Operating income (1)	1,800	13.4	1,922	16.2
Paging				
Revenues	\$ 3,925	6.5%	\$ 3,185	6.6%
Operating income (1)	499	3.7	657	5.5

(1) Represents income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes.

The operating revenues of the Company's television stations are derived primarily from broadcast advertising revenues and, to a much lesser extent, from compensation paid by the networks to the stations for broadcasting network programming. The operating revenues of the Company's publishing operations are derived from retail advertising, circulation and classified revenue. Paging

revenue is derived primarily from the leasing and sale of pagers.

In the Company's broadcasting operations, broadcast advertising is sold for placement either preceding or following a television station's network programming and within local and syndicated programming. Broadcast advertising is sold in time increments and is priced primarily on the basis of a program's popularity among the specific audience an advertiser desires to reach, as measured by Nielsen Media Research ("Nielsen"). In addition, broadcast advertising rates are affected by the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Broadcast advertising rates are the highest during the most desirable viewing hours, with corresponding reductions during other hours. The ratings of a local station affiliated with a major network can be affected by ratings of network programming.

Most broadcast advertising contracts are short-term, and generally run only for a few weeks. Approximately 52.0% of the gross revenues of the Company's television stations for the six months ended June 30, 1998 were generated from local advertising, which is sold primarily by a station's sales staff directly to local accounts, and the remainder represented primarily national advertising, which is sold by a station's national advertising sales representative. The stations generally pay commissions to advertising agencies on local, regional and national advertising. The stations also pay commissions to the national sales representative on national advertising.

Broadcast advertising revenues are generally highest in the second and fourth quarters each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. In addition, broadcast advertising revenues are generally higher during even numbered election

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations of Gray Communications Systems, Inc. (continued)

INTRODUCTION (CONTINUED)

years due to spending by political candidates, which spending typically is heaviest during the fourth quarter.

The Company's publishing operations' advertising contracts are generally entered into annually and provide for a commitment as to the volume of advertising to be purchased by an advertiser during the year. The publishing operations' advertising revenues are primarily generated from local advertising. As with the broadcasting operations, the publishing operations' revenues are generally highest in the second and fourth quarters of each year.

The Company's paging subscribers either own pagers, thereby paying solely for the use of the Company's paging services, or lease pagers, thereby paying a periodic charge for both the pagers and the paging services. Of the Company's pagers currently in service, approximately 75% are owned and maintained by subscribers with the remainder being leased. The terms of the lease contracts are month-to-month, three months, nine months or twelve months in duration. Paging revenues are generally equally distributed throughout the year.

The broadcasting operations' primary operating expenses are employee compensation, related benefits and programming costs. The publishing operations' primary operating expenses are employee compensation, related benefits and newsprint costs. The paging operations' primary operating expenses are employee compensation and telephone and other communications costs. In addition, the broadcasting, publishing and paging operations incur overhead expenses, such as maintenance, supplies, insurance, rent and utilities. A large portion of the operating expenses of the broadcasting, publishing and paging operations is fixed, although the Company has experienced significant variability in its newsprint costs in recent years.

MEDIA CASH FLOW

The following table sets forth certain operating data for the broadcast, publishing and paging operations for the three months and six months ended June 30, 1998 and 1997:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
	(in thousands)			
Operating income	\$ 7,210	\$ 6,124	\$ 12,079	\$ 10,460
Add:				
Amortization of program license rights	959	822	1,899	1,619
Depreciation and amortization	4,221	3,488	7,843	6,760
Corporate overhead	658	741	1,317	1,374
Non-cash compensation and contributions to the Company's 401(k) plan, paid in common stock	115	95	233	210
Less:				
Payments for program license liabilities	(959)	(892)	(1,955)	(1,830)
Media Cash Flow (1)	\$ 12,204	\$ 10,378	\$ 21,416	\$ 18,593

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations of Gray Communications Systems, Inc. (continued)

MEDIA CASH FLOW (CONTINUED)

- (1) Of Media Cash Flow for the three months ended June 30, 1998 and 1997, \$10.1 million and \$8.2 million, respectively, was attributable to the Company's broadcasting operations; \$1.4 million and \$1.5 million, respectively, was attributable to the Company's publishing operations; and \$670,000 and \$694,000, respectively, was attributable to the Company's paging operations. Of Media Cash Flow for the six months ended June 30, 1998 and 1997, \$17.5 million and \$14.4 million, respectively, was attributable to the Company's broadcasting operations; \$2.5 million and \$2.8 million, respectively, was attributable to the Company's publishing operations; and \$1.4 million, respectively was attributable to the Company's paging operations.

"Media Cash Flow" is defined as operating income, plus depreciation and amortization (including amortization of program license rights), non-cash compensation and corporate overhead, less payments for program license liabilities. The Company has included Media Cash Flow data because such data are commonly used as a measure of performance for media companies and are also used by investors to measure a company's ability to service debt. Media Cash Flow is not, and should not be used as, an indicator or alternative to operating income, net income or cash flow as reflected in the Company's unaudited Condensed Consolidated Financial Statements, and is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

As discussed in the INTRODUCTION, the Company completed two broadcasting acquisitions during 1997. The financial results of the Company reflect increases between the three month and six month periods ended June 30, 1998 and 1997 in substantially all broadcast line items.

CASH FLOW PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES

The following table sets forth certain cash flow data for the Company for the six months ended June 30, 1998 and 1997.

	Six Months Ended June 30,	
	1998	1997
	(in thousands)	
Cash flows provided by (used in)		
Operating activities	\$ 8,435	\$ 5,650
Investing activities	(7,984)	(11,975)
Financing activities	(79)	5,796

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations of Gray Communications Systems, Inc. (continued)

BROADCASTING, PUBLISHING AND PAGING REVENUES

Set forth below are the principal types of operating revenues earned by the Company's broadcasting, publishing and paging operations for the periods indicated and the percentage contribution of each to the Company's total revenues:

	Three Months Ended June 30,			
	1998		1997	
	Amount	Percent of Total	Amount	Percent of Total
	(dollars in thousands)			
Broadcasting				
Net revenues:				
Local	\$11,167	34.8%	\$ 9,804	38.5%
National	6,530	20.4	5,466	21.4
Network compensation	1,358	4.2	1,148	4.5
Political	1,993	6.2	106	0.4
Production and other	1,643	5.2	1,259	4.9
	\$22,691	70.8%	\$17,783	69.7%
	=====	=====	=====	=====
Publishing				
Net revenues:				
Retail advertising	\$ 3,447	10.8%	\$ 2,895	11.4%
Classified	2,413	7.5	1,850	7.3
Circulation	1,340	4.2	1,227	4.8
Other	179	0.5	110	0.4
	\$ 7,379	23.0%	\$ 6,082	23.9%
	=====	=====	=====	=====
Paging				
Net revenues:				
Paging lease and service	\$ 1,991	6.2%	\$ 1,634	6.4%
	=====	=====	=====	=====
	\$32,061	100.0%	\$25,499	100.0%
	=====	=====	=====	=====

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations of Gray Communications Systems, Inc. (continued)

BROADCASTING, PUBLISHING AND PAGING REVENUES (CONTINUED)

	Six Months Ended June 30,			
	1998		1997	
	Amount	Percent of Total	Amount	Percent of Total
	(dollars in thousands)			
Broadcasting				
Net revenues:				
Local	\$22,065	36.7%	\$18,916	39.2%
National	12,100	20.2	10,231	21.2

Network compensation	2,573	4.3	2,281	4.7
Political	2,186	3.6	153	0.3
Production and other	3,278	5.5	2,187	4.6
	-----	-----	-----	-----
	\$42,202	70.3%	\$33,768	70.0%
	=====	=====	=====	=====
Publishing				
Net revenues:				
Retail advertising	\$ 6,424	10.7%	\$ 5,384	11.1%
Classified	4,498	7.5	3,467	7.2
Circulation	2,619	4.4	2,217	4.6
Other	375	0.6	238	0.5
	-----	-----	-----	-----
	\$13,916	23.2%	\$11,306	23.4%
	=====	=====	=====	=====
Paging				
Net revenues:				
Paging lease and service	\$ 3,925	6.5%	\$ 3,185	6.6%
	=====	=====	=====	=====
	\$60,043	100.0%	\$48,259	100.0%
	=====	=====	=====	=====

Three Months Ended June 30, 1998 compared to Three Months Ended June 30, 1997

REVENUES. Total revenues for the three months ended June 30, 1998 increased \$6.6 million, or 25.7%, over the same period of the prior year, from \$25.5 million to \$32.0 million. This increase was primarily attributable to the net effect of (i) increased revenues resulting from the WITN Acquisition, (ii) increased political revenue, (iii) increased publishing revenues and (iv) increased paging revenues. The WITN Acquisition accounted for \$2.3 million of the revenue increase.

Broadcast net revenues increased \$4.9 million, or 27.6%, over the same period of the prior year, to \$22.7 million from \$17.8 million. The WITN Acquisition accounted for \$2.3 million of the broadcast net revenue increase. On a pro forma basis, assuming the acquisition of WITN had been effective on January 1, 1997, broadcast net revenues for WITN for the three months ended June 30, 1998 remained constant at \$2.3 million when compared to the same period of the prior year. Broadcast net revenues, excluding the WITN Acquisition, increased \$2.6 million, or 14.8%, over the same period of the prior year, to \$20.4 million from \$17.8 million. This increase was due primarily to an increase in political advertising revenue of \$1.8 million.

Publishing revenues increased \$1.3 million, or 21.3%, over the same period of the prior year, to \$7.4 million from \$6.1 million. The increase in revenues was due primarily to an increase in retail advertising, classified advertising, circulation and other revenue of \$553,000, \$563,000 \$113,000 and \$69,000, respectively. The increase in retail advertising and circulation revenue was due primarily to an increase in circulation at the Gwinnett Daily Post

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Three Months Ended June 30, 1998 compared to Three Months Ended June 30, 1997 (continued)

to 64,000 at June 30, 1998 from 49,000 at June 30, 1997. The increase in retail advertising and classified advertising revenue was due primarily to linage increases.

Paging revenue increased \$357,000 or 21.8%, over the same period of the prior year, to \$2.0 million from \$1.6 million. The increase was attributable primarily to an increase in the number of pagers in service. The Company had approximately 78,500 pagers and 58,000 pagers in service at June 30, 1998 and 1997, respectively.

OPERATING EXPENSES. Operating expenses for the three months ended June 30, 1998 increased \$5.5 million, or 28.3%, over the same period of the prior year, to \$24.9 million from \$19.4 million, due primarily to the WITN Acquisition, increased expenses at the Company's existing television stations exclusive of WITN and the expense associated with the increase in circulation at the Gwinnett Daily Post. The WITN Acquisition, increased expenses at existing television stations and the cost associated with the increase in circulation at the Gwinnett Daily Post accounted for \$1.3 million, \$1.8 million and \$1.2 million (exclusive of depreciation and amortization), respectively, of the operating

expense increase.

Broadcast expenses increased \$3.1 million, or 31.8%, over the three months ended June 30, 1998, to \$12.7 million from \$9.6 million. The increase was attributable primarily to the WITN Acquisition and increased expenses at the Company's existing television stations exclusive of WITN. On a pro forma basis, assuming the acquisition of WITN had been effective on January 1, 1997, broadcast expenses for WITN for the three months ended June 30, 1998 as compared to the three months ended June 30, 1997 remained constant at \$1.3 million. Broadcast expenses, excluding the results of the WITN Acquisition increased \$1.8 million, or 18.5%, to \$11.4 million from \$9.6 million. This increase was due primarily to an increase in payroll expense, other expense and the GulfLink Acquisition of \$800,000, \$650,000 and \$250,000, respectively.

Publishing expenses for the three months ended June 30, 1998 increased \$1.4 million, or 30.2%, from the same period of the prior year, to \$6.0 million from \$4.6 million. This increase resulted primarily from an increase in the expense associated with the increase in circulation at the Gwinnett Daily Post and higher newsprint pricing. Average newsprint costs increased approximately 9.6% while newsprint consumption increased approximately 26.8%.

Paging expenses increased \$380,000 or 40.1%, over the same period of the prior year, to \$1.4 million from \$947,000. The increase was attributable primarily to an increase in payroll and other costs associated with an increase in the number of pagers in service.

Corporate and administrative expenses decreased \$84,000 or 11.3%, over the same period of the prior year, to \$656,000 from \$741,000.

Depreciation of property and equipment and amortization of intangible assets was \$4.2 million for the three months ended June 30, 1998, as compared to \$3.5 million for the same period of the prior year, an increase of \$732,000, or 21.0%. This increase was primarily the result of higher depreciation and amortization costs related to the WITN Acquisition and the GulfLink Acquisition.

INTEREST EXPENSE. Interest expense increased \$959,000, or 18.9%, to \$6.0 million for the three months ended June 30, 1998 from \$5.1 million for the three months ended June 30, 1997. This increase was attributable primarily to increased levels of debt resulting from the financing of the WITN Acquisition and the GulfLink Acquisition.

INCOME TAX EXPENSE (BENEFIT). Income tax expense decreased \$165,000, or 38.8%, to \$261,000 for the three months ended June 30, 1998 from \$426,000 for the three months ended June 30, 1997.

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS. Net income available to common stockholders of the Company was \$479,000 for the three months ended June 30, 1998, as compared with net income available to common stockholders of \$272,000 for the same period of the prior year, an increase of \$207,000.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Six Months Ended June 30, 1998 compared to Six Months Ended June 30, 1997

REVENUES. Total revenues for the six months ended June 30, 1998 increased \$11.8 million, or 24.4%, over the same period of the prior year, to \$60.0 million from \$48.3 million. This increase was primarily attributable to the net effect of (i) increased revenues resulting from the WITN Acquisition and the GulfLink Acquisition, (ii) increased publishing revenues (iii) increased political broadcast revenue and (iv) increased paging revenues. The WITN Acquisition and the GulfLink Acquisition accounted for \$4.1 million and \$1.0 million, respectively, of the revenue increase.

Broadcast net revenues increased \$8.4 million, or 25.0%, over the same period of the prior year, to \$42.2 million from \$33.8 million. The WITN

Acquisition and the GulfLink Acquisition accounted for \$4.1 million and \$1.0 million, respectively, of the broadcast net revenue increase. On a pro forma basis, assuming the acquisition of WITN had been effective on January 1, 1997, broadcast net revenues for WITN for the six months ended June 30, 1998 increased \$124,000, or 3.1%, when compared to the same period of the prior year to \$4.1 million from 4.0 million. Broadcast net revenues, excluding the WITN Acquisition and the GulfLink Acquisition, increased \$3.3 million, or 9.8%, over the same period of the prior year, to \$36.7 million from \$33.4 million. This increase was due primarily to an increase in political advertising revenue of \$2.0 million.

Publishing revenues increased \$2.6 million, or 23.1%, over the same period of the prior year, to \$13.9 million from \$11.3 million. The increase in revenues was due primarily to an increase in retail advertising, classified advertising and circulation revenue of \$1.0 million, \$1.0 million, and \$401,000, respectively. The increase in retail advertising and circulation revenue was due primarily to an increase in circulation at the GWINNETT DAILY POST. The increase in classified advertising revenue was due primarily to lineage increases.

Paging revenue increased \$741,000 or 23.3%, over the same period of the prior year, to \$3.9 million from \$3.2 million. The increase was attributable primarily to an increase in the number of pagers in service. The Company had approximately 78,500 and 58,000 pagers in service at June 30, 1998 and 1997, respectively.

OPERATING EXPENSES. Operating expenses for the six months ended June 30, 1998 increased \$10.2 million, or 26.9%, over the same period of the prior year, from \$37.8 million to \$48.0 million, due primarily to the WITN Acquisition, the GulfLink Acquisition, and the expense associated with the increase in circulation at the GWINNETT DAILY POST. The WITN Acquisition, the GulfLink Acquisition and the cost associated with the increase in circulation at the GWINNETT DAILY POST accounted for \$2.5 million, \$842,000 and \$2.7 million (exclusive of depreciation and amortization), respectively, of the operating expense increase.

Broadcast expenses increased \$5.5 million, or 28.4%, over the six months ended June 30, 1998, to \$24.8 million from \$19.3 million. The increase was attributable primarily to the WITN Acquisition and GulfLink Acquisition. On a pro forma basis, assuming the acquisition of WITN had been effective on January 1, 1997, broadcast expenses for WITN for the six months ended June 30, 1998 increased \$46,000, or 2.0%, over the six months ended June 30, 1997 to \$2.5 million from \$2.4 million. Broadcast expenses, excluding the results of the WITN Acquisition and the GulfLink Acquisition, increased \$2.2 million, or 11.3%, to \$21.2 million from \$19.0 million. This increase resulted from an increase in payroll expense and other expense of \$1.3 million and \$780,000, respectively.

Publishing expenses for the six months ended June 30, 1998 increased \$2.9 million, or 34.2%, from the same period of the prior year, to \$11.4 million from \$8.5 million. This increase resulted primarily from an increase in the expense associated with the increase in circulation at the GWINNETT DAILY POST and higher newsprint pricing. Average newsprint costs increased approximately 10.2% while newsprint consumption increased approximately 30.0%.

Paging expenses increased \$746,000 or 40.6%, over the same period of the prior year, to \$2.6 million from \$1.8 million. The increase was attributable primarily an increase in payroll and other costs associated with an increase in the number of pagers in service.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Six Months Ended June 30, 1998 compared to Six Months Ended June 30, 1997 (continued)

Corporate and administrative expenses for the six months ended June 30, 1998 decreased \$57,000, or 4.1%, over the same period of the prior year, to \$1,317,000 from \$1,374,000.

Depreciation of property and equipment and amortization of intangible assets for the six months ended June 30, 1998, increased \$1.1 million, or 16.0%, over the same period of the prior year, to \$7.8 million from \$6.7 million. This increase was primarily the result of higher depreciation and amortization costs related to the WITN Acquisition and the GulfLink Acquisition.

INTEREST EXPENSE. Interest expense increased \$1.9 million, or 19.0%, from \$10.1 million for the six months ended June 30, 1997 to \$12.0 million for the six months ended June 30, 1998. This increase was attributable primarily to increased levels of debt resulting from the financing of the WITN Acquisition and the GulfLink Acquisition.

NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS. Net loss available to common stockholders of the Company was \$1.4 million for the six months ended June 30, 1998, as compared with a net loss available to common stockholders of \$539,000 for the same period of the prior year, an increase of \$824,000.

Liquidity and Capital Resources

In September 1996, the Company entered into the \$125.0 million senior credit facility (the "Senior Credit Facility") with KeyBank National Association, NationsBank, N.A. (South), CIBC, Inc., CoreStates Bank, N.A., and the Bank of New York. The Senior Credit Facility included scheduled reductions in the \$125.0 million credit limit which commenced on March 31, 1997, interest rates based upon a spread over LIBOR and/or Prime, an unused commitment fee of 0.50% applied to available funds and a maturity date of June 30, 2003. Effective September 17, 1997, the Senior Credit Facility was modified to reinstate the original credit limit of \$125.0 million which had been reduced by the scheduled reductions. The modification also reduced the interest rate spread over LIBOR and/or Prime. The modification also extended the maturity date from June 30, 2003 to June 30, 2004. The modification required a one-time fee of \$250,000. At June 30, 1998, the Company had approximately \$65.6 million outstanding under the Senior Credit Facility, which did not include a letter of credit in the amount of \$5.9 million which had been established but not yet drawn upon. On June 30, 1998, the balance available under the Senior Credit Facility was \$49.8 million and the interest rate on the balance outstanding was based on a spread over LIBOR and Prime of 2.00% and 0.25%, respectively. As of June 30, 1998, the credit limit of \$125.0 million as amended on September 17, 1997 had been reduced by \$3.7 million due to scheduled reductions as specified in the Senior Credit Facility.

On July 31, 1998, the Company amended and restated the Senior Credit Facility to increase its committed availability from \$125 million to \$200 million. The amendment also provides for an additional \$100 million of uncommitted borrowing capacity. The modification also extended the maturity date from June 30, 2004 to June 30, 2005. The modification required a one-time fee of approximately \$750,000.

The Company's working capital was \$9.9 million and \$10.1 million at June 30, 1998 and December 31, 1997, respectively. The Company's cash provided from operations was \$8.4 million and \$5.7 million for the six months ended June 30, 1998 and 1997, respectively. Management believes that current cash balances, cash flows from operations and the available funds under its Senior Credit Facility will be adequate to provide for the Company's capital expenditures, debt service, cash dividends and working capital requirements for the foreseeable future. The Senior Credit Facility contains certain restrictive provisions, which, among other things, limit additional indebtedness and require minimum levels of cash flows. Additionally, the effective interest rate of the Senior Credit Facility can be changed based upon the Company's maintenance of certain operating ratios as defined in the Senior Credit Facility, not to exceed the lender's prime rate plus 0.5% or LIBOR plus 2.25%. The Senior Credit Facility contains restrictive provisions similar to the provisions of the Company's 10 5/8% Senior Subordinated Notes due 2006.

Liquidity and Capital Resources (continued)

The Company's cash used in investing activities was \$8.0 million and \$12.0 million for the six months ended June 30, 1998 and 1997, respectively. The decreased usage of \$4.0 million from 1997 to 1998 was primarily due to the GulfLink Acquisition which was completed on April 24, 1997. The Company will require liquidity for capital expenditures and working capital needs. For the three months ended June 30, 1998 capital expenditures totaled \$5.8 million.

It is anticipated that significant capital expenditures may be required in the future to implement advanced television ("ATV"), at the Company's television stations. The Federal Communication Commission ("FCC") has determined the technical standards, the channel assignments and a time table for implementation of ATV.

Generally, under the FCC's implementation schedule, the Company must apply for ATV construction permits for each of its present television stations by November 1, 1999 and then commence ATV operations by May 1, 2002. Under the current FCC implementation schedule the Company would generally be required to surrender to the government either the current channel or the ATV channel by December 31, 2006 and continue its digital operations thereafter on the retained channel. Recent legislation requires the FCC to extend the December 31, 2006 surrender date with respect to certain stations within a given television market if (i) at least one network affiliate is not broadcasting a digital service in the given market and has exercised "due diligence" in meeting the ATV buildout requirements for that market or (ii) digital to analog converter technology is not generally available in the given market or (iii) 15 percent or more of the television households in a given market do not subscribe to a multichannel video programming distributor that carries the digital service of each local station and those television households do not have at least one advanced television set or at least one digital to analog converter. The foregoing implementation schedule is subject to review by the FCC every two years and may also be subject to future legislation or judicial review, the effect of which cannot be predicted by the Company.

The Company is currently studying the ATV channel assignments for its television stations as well as the technical and capital expenditure requirements to implement ATV at these television stations. The Company currently intends to implement ATV at its television stations within the FCC mandated implementation period. The Company cannot presently predict the cost of such implementation but, based upon general industry estimates, currently believes that such costs will be material and will require several million dollars to commence initial ATV operations.

The Company's cash used in financing activities was \$79,000 for the six months ended June 30, 1998 as compared to cash provided by financing activities of \$5.8 million for the six months ended June 30, 1997. The decrease in cash provided by financing activities resulted primarily from decreased net borrowings of long-term debt, decreased cash provided by common stock transactions partially offset by increased funds provided by the sale of common stock. During the six months ended June 30, 1998, the Company issued 22,850 shares of Class A Common Stock and 61,202 shares of Class B Common Stock from treasury to fulfill obligations under its employee benefit plan, non-employee director stock purchase plan and long-term incentive plan. During the six months ended June 30, 1998, the Company purchased 10,500 shares of Class A Common stock at a cost of \$311,063.

The Company regularly enters into program contracts for the right to broadcast television programs produced by others and program commitments for the right to broadcast programs in the future. Such programming commitments are generally made to replace expiring or canceled program rights. Payments under such contracts are made in cash or the concession of advertising spots for the program provider to resell, or a combination of both. During the six months ended June 30, 1998, the Company paid \$2.0 million for such program broadcast rights.

On July 31, 1998, the Company completed the purchase of all of the

outstanding capital stock of Busse Broadcasting Corporation ("Busse"). The net purchase price was \$112 million plus associated transaction costs. The purchase price includes the assumption of Busse's indebtedness, including its 11 5/8% Senior Secured Notes due 2000. Immediately prior to the Company's acquisition of Busse, Cosmos Broadcasting Corporation acquired WEAU-TV from Busse and exchanged it for WALB-TV, the Company's NBC affiliate in Albany, Georgia. In exchange for WALB-TV, the Company received WEAU-TV, which was valued at \$66 million, and approximately

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity and Capital Resources (continued)

\$12 million in cash for a total value of \$78 million. As a result of these transactions, the Company adds the following television stations to its existing broadcast group: KOLN-TV, the CBS affiliate serving the Lincoln-Hastings-Kearney, Nebraska market; its satellite station KGIN-TV, the CBS affiliate serving Grand Island, Nebraska; and WEAU-TV, an NBC affiliate serving the Eau Claire-La Crosse, Wisconsin market. These transactions also satisfy the Federal Communication Commission's requirement for the Company to divest itself of WALB-TV. The Company will pay Bull Run Corporation, a principal stockholder of the Company, a fee equal to 1% of the transaction values for services performed, of which \$780,000 was included in accounts payable at June 30, 1998.

Immediately following the acquisition of Busse, the Company exercised its right to satisfy and discharge the Busse 11 5/8% Senior Secured Notes, effectively prefunding the notes at the October 15, 1998 call price of 106 plus accrued interest. The amount necessary to satisfy and discharge the notes was approximately \$69.9 million which was funded through the Senior Credit Facility.

The Company and its subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. As of June 30, 1998, the Company anticipates that it will generate taxable operating losses for the foreseeable future.

Management does not believe that inflation in past years has had a significant impact on the Company's results of operations nor is inflation expected to have a significant effect upon the Company's business in the near future.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words "believes," "expects," "anticipates," "estimates" and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the Company's future strategic plans, goals, or objectives are also forward-looking statements. Readers of this Report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of the Company or management, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) competitive pressures in the markets in which the Company operates, (iii) the effect of future legislation or regulatory changes on the Company's operations and (iv) other factors described from time to time in the Company's filings with the Securities and Exchange Commission. The forward-looking statements included in this report are made only as of the date hereof. The Company undertakes no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

Some of the Company's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software that recognize a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has completed an assessment and will have to modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The Company does not believe that the estimated total Year 2000 project cost will have a material impact upon its financial

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Impact of Year 2000 (continued)

position. Most of this cost will be realized over the estimated useful lives of the new hardware and software. To date, the Company has not incurred significant expenses associated with the Year 2000 issue.

The project is estimated to be completed no later than June 30, 1999, which is prior to any anticipated impact on its operating systems. The Company believes that with modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Company.

The costs of the project and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1 - Amended and Restated Stock Purchase Agreement by and among Busse Broadcasting Corporation, South Street Corporate Recovery Fund I, L.P., Greycliff Leveraged Fund 1993, L.P., South Street Leveraged Corporate Recovery Fund, L.P., South Street Corporate Recovery Fund I (International), L.P. and Gray Communications Systems, Inc. dated as of June 22, 1998
- 10.2 - Asset Purchase Agreement by and among Busse Broadcasting Corporation, WEAU License, Inc. and Cosmos Broadcasting Corporation dated as of June 22, 1998
- 10.3 - Exchange Agreement by and among Gray Communications Systems, Inc., WALB-TV, Inc., WALB Licensee Corporation, Cosmos Broadcasting Corporation, Busse Broadcasting Corporation, and WEAU License, Inc. dated as of June 22, 1998
- 10.4 - Escrow Agreement by and among WALB-TV, Inc. WALB Licensee

Corporation, Cosmos Broadcasting Corporation and NationsBank, N. A.
dated as of June 22, 1998

- 10.5 - Amended and Restated Loan Agreement by and among Gray Communications Systems, Inc. as Borrower, NationsBank, NA as Syndication Agent and Administrative Agent, Key Corporate Capital Inc., as Documentation Agent and The Financial Institutions Listed Herein as of July 31, 1998 with NationsBanc Montgomery Securities LLC, as Lead Arranger.
- 10.6 Asset Purchase Agreement by and among WALB-TV, Inc., WALB-TV Licensee Corp. and Cosmos Broadcasting Corporation dated as of June 22, 1998
- 27 - Financial Data Schedule
- (b) Reports on Form 8-K
- None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAY COMMUNICATIONS SYSTEMS, INC.
(Registrant)

Date: August 13, 1998

By: /s/ Frederick J. Erickson

Frederick J. Erickson
Chief Financial Officer

AMENDED AND RESTATED
STOCK PURCHASE AGREEMENT

BY AND AMONG

BUSSE BROADCASTING CORPORATION,

SOUTH STREET CORPORATE RECOVERY FUND I, L.P.,

GREYCLIFF LEVERAGED FUND 1993, L.P.,

SOUTH STREET LEVERAGED CORPORATE RECOVERY FUND, L.P.,

SOUTH STREET CORPORATE RECOVERY FUND I (INTERNATIONAL), L.P.

AND

GRAY COMMUNICATIONS SYSTEMS, INC.

DATED AS OF JUNE 22, 1998

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AMENDED AND RESTATED
STOCK PURCHASE AGREEMENT

THIS AMENDED AND RESTATED STOCK PURCHASE AGREEMENT (this "Agreement") dated as of the 22nd day of June, 1998, is made and entered into by and among BUSSE BROADCASTING CORPORATION, a Delaware corporation (the "Company"), SOUTH STREET CORPORATE RECOVERY FUND I, L.P., GREYCLIFF LEVERAGED FUND 1993, L.P., and SOUTH STREET LEVERAGED CORPORATE RECOVERY FUND, L.P., all of which are Delaware limited partnerships, and SOUTH STREET CORPORATE RECOVERY FUND I (INTERNATIONAL), L.P., a Cayman Islands exempted limited partnership (individually, a "Stockholder" and collectively, the "Stockholders"), and GRAY COMMUNICATIONS SYSTEMS, INC., a Georgia corporation ("Purchaser").

BACKGROUND:

The Stockholders collectively own, beneficially and of record, 107,700 shares of the Common Stock of the Company, representing 100% of the outstanding shares of the Common Stock and 65,524.41 shares of the Preferred Stock of the Company, representing 100% of the outstanding shares of the Preferred Stock.

The Company is the parent corporation of WEAU License, Inc. ("WEAU") and of KOLN/KGIN, Inc. ("KOLN/KGIN"). KOLN/KGIN is the parent corporation of KOLN/KGIN License, Inc. ("KOLN/KGIN License" and together with KOLN/KGIN and WEAU, sometimes collectively referred to herein as the "Subsidiaries" or individually as a "Subsidiary"). The Company, directly or indirectly, owns and operates three network-affiliated very high frequency television stations, KOLN-TV, serving Lincoln, Nebraska, KGIN-TV, serving Grand Island, Nebraska and WEAU-TV, serving Eau Claire and LaCrosse, Wisconsin (collectively, the "Stations" and individually, a "Station").

Certain terms used in this Agreement are defined in Article IX hereof.

AGREEMENT:

In consideration of the foregoing, the mutual agreements, covenants, representations and warranties contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereinafter set forth, the parties hereto agree as follows:

ARTICLE I
SALE OF STOCK

1.01 PURCHASE OF STOCK BY PURCHASER. At the Closing, and subject to the terms and conditions of this Agreement, the Stockholders shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase and accept from the Stockholders, all of the issued and outstanding Common Stock and all of the issued and outstanding Preferred Stock, in each case free and clear of any and all Liens other than those created hereunder or by Purchaser.

1.02 PURCHASE PRICE FOR THE STOCK. The total purchase price for the Stock shall be equal to (i) One Hundred Twelve Million Dollars (\$112,000,000) LESS (ii) an amount equal to the balance, as of the Closing Date, of (x) the

aggregate accreted value of the Company's 11-5/8% Senior Secured Notes due 2000 (issued under that certain Indenture, dated as of October 26, 1995, by and among the Company, certain guarantors and Shawmut Bank Connecticut, National Association) and (y) the outstanding aggregate principal balance of indebtedness for borrowed money (excluding any intercompany indebtedness) that is evidenced by a note, bond, debenture or similar instrument of the Company or its Subsidiaries, taken as whole, LESS (iii) accrued interest on the indebtedness referred to in the foregoing clause (ii), PLUS (iv) an amount equal to the sum, as of the Closing Date, of all cash, cash equivalents, marketable securities, bank accounts, certificates of deposit and short term investments (other than Accounts Receivable) of the Company and the Subsidiaries OTHER THAN the amount, if any, received by the Company pursuant to that certain Asset Purchase Agreement of even date herewith by and among the Company, WEAU License, Inc. and Cosmos Broadcasting Corp. (the "WEAU Agreement"), LESS (v) an amount equal to the net book value (calculated in accordance with GAAP) of the Option Property at the end of the month prior to the transfer of such Option Property by the Company, LESS (vi) an amount equal to the aggregate unpaid obligations, if any, of the Company to any Person (including without limitation any current or former employee, officer, director, consultant, agent, advisor or representative of the Company) with respect to or on account of any severance agreement, severance plan, severance policy, incentive compensation, bonus arrangement, employment agreement, severance benefit agreement, compensation plan, consulting agreement or personal service contract (including without limitation the Company's Long Term Incentive Plan, the Company's Incentive Fee Plan, the Amended and Restated Employment Agreement with Lawrence A. Busse and the Amended and Restated Employment Agreement with James C. Ryan) other than any such obligation that relates solely to a termination of employment by the Company after the Closing (or any such termination done at the request of Purchaser prior to the Closing) of any employee of, or any consultant or independent contractor to, the Company other than Lawrence A. Busse or James C. Ryan. Each of the foregoing components of the Purchase Price shall be calculated by the Company in a manner reasonably satisfactory to Purchaser and (a) according to GAAP, (b) in a manner consistent with the Company's publicly available financial statements and (c) as of the close of business on the Business Day immediately preceding the Closing Date. At the Closing, Purchaser shall pay the Purchase Price to the Stockholders, against delivery to Purchaser of a certificate or certificates, registered in its name or the name of its designees, representing the Stock. At the Closing, the Purchase Price shall be paid in cash by wire transfers of immediately available funds, or in such other form and manner as may be mutually satisfactory, to an account designated in writing by each of the Stockholders at least three (3) days prior to the Closing. The amount of the Purchase Price due to each Stockholder shall be in the respective percentages set forth on Exhibit 1.02 and all payments shall be in such percentages.

1.03 LETTER OF CREDIT. Simultaneously with the execution of the Stock Purchase Agreement dated as of February 13, 1998, Purchaser deposited with SSP, Inc., on behalf of and for the benefit of the Stockholders, a standby letter of credit in the amount of Five Million Eight Hundred Fifty Thousand Dollars (\$5,850,000) (the "LC") to be applied as provided herein. In the event of a termination of this Agreement, the LC will be paid to the Stockholders or Purchaser as provided in Section 8.03 below. At the Closing, the LC shall be returned to Purchaser.

1.04 CLOSING; EFFECTIVENESS OF CLOSING; DELIVERIES. The Closing shall occur at 10:00 a.m. local time on the Closing Date at the offices of Cadwalader, Wickersham & Taft in New York, New York or at such other time and place as the parties may agree. The Closing shall be effective as of the close of business on the Closing Date. All deliveries, payments and other transactions and documents relating to the Closing (i) shall be interdependent and none shall be effective unless and until all are effective (except to the extent that the party entitled to the benefit thereof has waived satisfaction or

performance thereof as a condition precedent to Closing), and (ii) shall be deemed to be consummated in the order set forth in this Agreement and, to the extent the order is not specified, shall be deemed to be consummated simultaneously.

ARTICLE II
REPRESENTATIONS AND WARRANTIES BY THE STOCKHOLDERS AND THE COMPANY

Each of the Stockholders and the Company, jointly and severally, hereby represent and warrant to Purchaser as follows:

2.01 TITLE TO STOCK; OTHER RIGHTS. Each of the Stockholders is the owner of all right, title and interest (legal and beneficial) in and to that number of shares of Common Stock and shares of Preferred Stock set forth next to its name on Exhibit 2.01, free and clear of all Liens. Collectively, the Stockholders own all right, title and interest (legal and beneficial) in and to all of the issued and outstanding shares of the Stock. Except as specifically contemplated by this Agreement, no Person has any Contract or option or any right or privilege (whether pre-emptive or contractual) capable of becoming a Contract or option for the purchase from the Stockholders of any shares of Common Stock or Preferred Stock or for the purchase, subscription or issuance of any securities of the Company.

2.02 CAPACITY AND VALIDITY. Each of the Stockholders has the full power and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The Company has the full corporate power, capacity and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Other Agreements have been approved by all necessary action of (i) the Board of Directors and stockholders of the Company and (ii) the partners of each of the Stockholders, including the Board of Directors of each corporate partner. This Agreement has been, and the Other Agreements to which the Company or any of the Stockholders are parties will be when executed and delivered, duly executed and delivered by duly authorized officers of the Company and duly authorized partners or agents of each Stockholder, including duly authorized officers of corporate partners, and the Agreement and each of the Other Agreements constitutes, or will constitute when executed and delivered, the legal, valid and binding obligation of the Company and each of the Stockholders, as the case may be, enforceable against the Company and each of the Stockholders, as the case may be, in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

2.03 ORGANIZATION. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its assets and to carry on its Business as presently conducted. Each of the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its respective assets and to carry on its respective business as presently conducted. Each of the Stockholders is a limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite power and authority to own, operate and lease its respective assets and to conduct its respective business as presently conducted. The Company and each of

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the Subsidiaries are duly qualified or licensed to transact business as a foreign corporation in good standing in the jurisdictions listed in Schedule 2.03, and the character of their respective assets or the nature of their respective businesses do not require such qualification or licensing in any other jurisdiction except where the failure to so qualify or be so licensed would not have a Material Adverse Effect on the Company or any such Subsidiary, as the case may be. Complete and correct copies of the Certificate of Incorporation of the Company and each of the Subsidiaries, and all amendments thereto (certified by the Secretary of State of the State of Delaware) and

complete and correct copies of the By-Laws of the Company and each of the Subsidiaries, and all amendments thereto, previously have been delivered to Purchaser. Except as may be set forth in Schedule 2.03, copies of all records of the proceedings of incorporators, stockholders and directors of each of the Company and each of the Subsidiaries, which are set forth in the Company's and each of the Subsidiaries' respective minute books (collectively, the "Minute Books"), are correct and complete in all Material respects and accurately reflect in all Material respects all proceedings of each of the Company's and each of the Subsidiaries' respective incorporators, stockholders and Board of Directors and all committees thereof. Except as may be set forth in Schedule 2.03, the stock record books of each of the Company and each of the Subsidiaries (collectively, the "Stock Record Books") are correct and complete and accurately reflect the stock ownership of their respective stockholders. The Minute Books and the Stock Record Books have been made available to Purchaser for review.

2.04 CAPITALIZATION. The authorized capital stock of the Company consists of 2,154,000 shares of Common Stock, of which 107,700 are issued and outstanding, and 65,524.41 shares of Preferred Stock, all of which are issued and outstanding. All of such Stock is duly and validly issued and outstanding, is fully paid and nonassessable and was issued pursuant to a valid exemption from registration under the Securities Act of 1933, as amended, and all applicable state securities laws. Except for shares of Common Stock issuable upon conversion of the Preferred Stock, no Stock is reserved for issuance. Except as contemplated by the conversion rights applicable to the Preferred Stock, the Company has no obligation to issue any additional Stock or securities convertible or exchangeable for Stock, or options or warrants for the purchase of (a) any Stock or (b) any securities convertible into or exchangeable for any Stock. Excepted as contemplated by the Registration Rights Agreement, there are no outstanding rights to either demand registration of any Stock under the Securities Act of 1933, as amended, or to sell any Stock in connection with such a registration of Stock.

2.05 NO CONFLICT. Except as disclosed on Schedule 2.05 or as contemplated in the WEAU Agreement and assuming compliance with the Hart-Scott Act and the receipt of all necessary FCC approvals, neither the execution, delivery and performance of this Agreement or the Other Agreements to which it is a party by either the Company or any of the Stockholders nor the consummation by the Company or any of the Stockholders of the transactions contemplated hereby or thereby will (i) conflict with or result in a violation, contravention or breach of any of the terms, conditions or provisions of the Certificate of Incorporation, as amended, or the By-Laws, as amended, of the Company or any of the Subsidiaries, (ii) conflict with or result in a violation, contravention or breach of any of the terms, conditions or provisions of the partnership agreement, certificate of limited partnership or other governing document or agreement of any of the Stockholders, (iii) result in a Default under, or require the consent or approval of any party to, any Contract or License of the Company or any of the Subsidiaries required to be set forth on one or more of the Schedules contemplated by Section 2.23 hereof or any Contract or License of any of the Stockholders (which, in the case of the Stockholders, would (a) affect the ability of the Stockholders to consummate the transactions contemplated hereby or (b) result in any Liability to Purchaser), (iv) result in the violation of any Law or Order applicable to the Company, any of the Subsidiaries or any of the Stockholders (which, in the case of the Stockholders, would (a) affect the ability of the Stockholders to consummate the transactions contemplated hereby or (b) result in any Liability to

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Purchaser) or (v) result in the creation or imposition of any Lien applicable to the Stock, the Company or any of the Subsidiaries, except in each case as would not have a Material Adverse Effect.

2.06 SUBSIDIARIES. Except as set forth on Schedule 2.06 and except for the Subsidiaries, neither the Company nor any of the Subsidiaries has in the past three (3) years had, and none of them currently has, a direct or indirect majority or controlling interest in any entity. Except as disclosed on Schedule 2.06, neither the Company nor any of the Subsidiaries has in the past three (3) years owned and none of them owns, directly or indirectly, more than 1% of any

capital stock or other equity, ownership, proprietary or voting interest in any Person. The Company owns, directly or indirectly, 100% of the issued and outstanding capital stock of each of the Subsidiaries. None of the Subsidiaries has any obligation to issue any additional capital stock or other securities or securities convertible or exchangeable for capital stock or other securities, or options or warrants for the purchase of (a) any capital stock or other securities or (b) any securities convertible into or exchangeable for any capital stock or other securities.

2.07 FINANCIAL STATEMENTS. The Financial Statements (of the type provided for in clauses (i) and (ii) of the definition thereof), correct and complete copies of which are included in Schedule 2.07, (i) are in accordance with the books and records of the Company and each of the Subsidiaries, which are correct and complete in all Material respects and which have been maintained in accordance with good business practices; (ii) present fairly in all Material respects the financial position of the Company and each of the Subsidiaries as of the dates indicated and the results of each of their operations and their respective cash flows for the periods then ended; and (iii) have been prepared in accordance with GAAP, subject, in the case of interim financial statements, to the condensing of the Financial Statements or the absence of footnotes. The Financial Statements contain all adjustments, which are solely of a normal recurring nature, necessary to present fairly in all Material respects the consolidated financial condition and the consolidated results of operations, changes in stockholders' equity and changes in financial position or cash flows of the Company and each of the Subsidiaries as of the dates and for the periods indicated.

2.08 ABSENCE OF UNDISCLOSED LIABILITY. Except as set forth in Schedule 2.08, neither the Company nor any of the Subsidiaries has any Undisclosed Liabilities nor does there exist any Known basis for or threat of an assertion against the Company or any of the Subsidiaries, their respective businesses or their respective assets of any Undisclosed Liability, except for Liabilities incurred since the Balance Sheet Date in the ordinary course of business consistent with past practice, none of which are Material.

2.09 ABSENCE OF CHANGES. Except as disclosed in Schedule 2.09 and other than as may be contemplated in the WEAU Agreement, since the Balance Sheet Date, (i) the Business has been carried on only in the ordinary course consistent with past practice, (ii) there has been no Material Adverse Change, and there has been no event or circumstance that reasonably is anticipated to result in a Material Adverse Change with respect to the Company or any of the Subsidiaries, their respective assets or businesses or the Business, (iii) the Company has not directly or indirectly declared, paid or authorized any dividends or other distributions or payments in respect of its Stock or other equity securities, if any, (iv) neither the Company nor any of the Subsidiaries has made any change in any method of accounting or accounting practice, and (v) except in the ordinary course of business consistent with past practice, neither the Company nor any of the Subsidiaries has canceled, modified or waived, without receiving payment or performance in full, any (a) Liability owed to the Company or any of the Subsidiaries, as the case may be, including without limitation, any receivable of the Company from any Affiliate (other than a Subsidiary) or any Related Person to an Affiliate, (b) Litigation the Company or any of the Subsidiaries may have against other Persons, or (c) other rights of the Company or any of the Subsidiaries, as the case may be

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2.10 TAX MATTERS. Except as set forth on Schedule 2.10:

(a) The Company and each of the Subsidiaries have timely filed with the appropriate Governmental Authorities all required Tax Returns in all jurisdictions in which Tax Returns are required to be filed. Neither the Company nor any of the Subsidiaries is presently the beneficiary of any extension of time within which to file any Tax Return. All Taxes (whether or not shown on any Tax Return) for all periods ending on or before the Balance Sheet Date, have been fully paid or appropriate deposits or adequate accruals have been made therefor on the Balance Sheet.

(b) Since the Balance Sheet Date, neither the Company nor any of the Subsidiaries has incurred any Liability for Taxes other than in the ordinary course of business and no such Tax Liability so incurred (other than any Liability incurred by the Company or the Subsidiaries in connection with their cooperation under Section 4.16 hereof) is Material. Neither the Company nor any of the Subsidiaries is currently delinquent in the payment of any Tax, assessment, deposit or other charge by any Governmental Authority for which any Liability is pending or has been assessed, asserted or threatened (in writing, or otherwise to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders) against the Company, any of the Subsidiaries or any of their respective assets in connection with any Tax and there is no basis for any such Liability. Neither the Company nor any of the Subsidiaries has received any notice of assessment or proposed assessment in connection with any Tax Returns and there are no pending Tax examinations of or Tax claims asserted (in writing, or otherwise to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders) against the Company, any of the Subsidiaries or any of their respective assets, including without limitation, any claim by any Governmental Authority in any jurisdiction where the Company or any of the Subsidiaries did not file Tax Returns that the Company or any of the Subsidiaries, respectively, is or may be subject to or liable for Taxes imposed by that Governmental Authority or jurisdiction. There are no Liens for any Taxes (other than any Lien for current real property or ad valorem Taxes not yet due and payable) on any of the Company's or any of the Subsidiaries' assets.

(c) None of the Company's or any of the Subsidiaries' Tax Returns have ever been audited by the IRS or any other Governmental Authority and the neither the Company nor any of the Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to a Tax assessment or deficiency. Neither the Company nor any of the Subsidiaries has filed any consent under Section 341(f) of the Code relating to collapsible corporations. No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of any of the transfers contemplated by this Agreement and the Company, each of the Subsidiaries and each of the Stockholders will provide any certificate reasonably requested by Purchaser at Closing with respect thereto.

(d) The Company and each of the Subsidiaries have withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other Third Party.

(e) Neither the Company nor any of the Subsidiaries is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code or any similar provision of foreign, state or local Law.

(f) Neither the Company nor any of the Subsidiaries has agreed, nor is it required to make, any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

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(g) Neither the Company nor any of the Subsidiaries is a party to or bound by (nor will the Company or the Subsidiaries, prior to the Closing, become a party to or be bound by) any Tax indemnity, Tax sharing or Tax allocation agreement or arrangement.

(h) Except for the group of which the Company and the Subsidiaries are presently members, none of the Company or any of the Subsidiaries has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or has any Liability for Taxes of any Person (other than the Company or any of the Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of the state, local, or foreign Law), as a transferee or successor, by contract, or otherwise.

(i) Neither the Company nor any of the Subsidiaries is a party to any joint venture, partnership, or other arrangement or Contract which is treated as a partnership for federal income Tax purposes.

(j) Neither the Company nor any of the Subsidiaries has issued or assumed any corporate acquisition indebtedness, within the meaning of Section 279(b) of the Code, or any obligation described in Section 279(a)(2) of the Code.

(k) Neither the Company nor any Subsidiary has any excess loss account (as defined in Treasury Regulation Section 1.1502-19) with respect to the stock of any Subsidiary.

(l) Schedule 2.10 contains Materially complete and accurate descriptions of the following information with respect to the Company and its Subsidiaries (or, in the case of clause (B) below, with respect to each of the Subsidiaries) as of the most recent practicable date: (A) the basis of the Company or the Subsidiary in its assets; (B) the basis of each shareholder in each Subsidiary's stock; and (C) the amount of any deferred gain or loss allocable to the Company or Subsidiary arising out of any deferred intercompany transaction.

(m) The net operating loss and other carryovers reported by the Company and each of the Subsidiaries as of the Balance Sheet Date are as set forth in Schedule 2.10; as of the Closing Date and immediately prior to the consummation of any of the transactions contemplated hereby the ability of the Company and each of the Subsidiaries to use such reported carryovers will not have been affected by Sections 382, 383 or 384 of the Code or by the SRLY or CRCO limitations of Treasury Regulation Sections 1.1502-21 or 1.1502-22. Except as set forth in this clause (m) and notwithstanding anything in this Agreement to the contrary, the Stockholders and the Company make no representation or warranty as to the extent, availability or use of the net operating loss and other carryover items reported by the Company and its Subsidiaries.

2.11 TITLE TO ASSETS; ENCUMBRANCES; CONDITION.

(a) Each of the Company and each of the Subsidiaries has good, valid and marketable (and, in the case of the Owned Real Property, insurable) title to all of its respective assets free and clear of any and all Liens, except Permitted Liens and as contemplated in the WEAU Agreement. Schedule 2.11 contains true and complete copies (in all Material respects) of (i) Commitments to issue owner's title insurance policies for all of the Owned Real Property in the amounts indicated in each such Commitment, except for the Owned Real Property located in York County, Nebraska, a copy of which will

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be delivered to Purchaser prior to Closing, and (ii) all existing owner's title insurance policies. A survey of each parcel of the Owned Real Property has been delivered to Purchaser prior to the date hereof, except for the Owned Real Property located in York County, Nebraska, a copy of which will be delivered to Purchaser prior to Closing. Copies of all documents evidencing the Liens upon the Company's and each of the Subsidiaries' respective assets are either contained in Schedule 2.11 or previously have been delivered to Purchaser.

(b) Except as set forth in Schedule 2.11, each of the Material Improvements and each item of Material Personal Property is in good condition and repair, reasonable wear and tear excepted, and is usable in the ordinary course of business consistent with past practices. Each Material Improvement and each item of Material Personal Property is adequate for its present and intended uses and operation and neither the Company nor any of the Subsidiaries has any intention to use or operate any Material Improvement or any item of Material Personal Property other than as presently used or operated. The Company's and each of the Subsidiaries' respective assets (including the Company's and each of the Subsidiaries' respective interest in all leased assets) include all Material assets required to operate the Business as presently conducted.

2.12 REAL PROPERTY.

(a) Schedule 2.12 contains a correct and complete list of all of the Real Property, including, without limitation, a legal description for all of the Owned Real Property. To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, no facts or circumstances exist which do, or potentially may, adversely affect any of the access to and from the Real Property, from and to the existing public highways and roads, and, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, there is no pending or threatened denial, revocation, modification or restriction of such access. The primary tower, transmitter and Real Property on which such tower and transmitter are located are all owned by the Company or one of the Subsidiaries in fee simple title, except for the 2000 foot television tower located on a permanent easement which is located in Eau Claire County (Fairchild Township), Wisconsin.

(b) The Real Property is served by utilities as required for its current operation.

(c) No zoning or similar land use restrictions are presently in effect or proposed by any Governmental Authority that would impair in any Material respect the operation of the Business as presently conducted by the Company and each of the Subsidiaries or which would prevent the use of any of the Real Property as currently operated. All of the Real Property is in compliance in all Material aspects with all applicable zoning laws and recorded covenants. Neither the Company nor any of the Subsidiaries has received any notice from any Governmental Authority or other Third Party with regard to encroachments on or off the Real Property, violations of building codes, zoning, subdivision or other similar Laws or other material defects in the Improvements or in the good, valid, marketable and insurable title of said Real Property.

(d) As of the Closing Date, there will be no Persons in possession of the Real Property or any part thereof other than the Company or one or more of the Subsidiaries or their lessees pursuant to Contracts that are Permitted Liens.

(e) No condemnation proceedings are pending or to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, threatened with regard to the Owned Real Property.

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(f) With respect to each parcel of Leased Real Property, (i) the lessor was the owner of the premises leased to the lessee at the time of the execution and delivery of the lease, (ii) the Company is the owner and holder of the interest of the lessee in the lease, (iii) all buildings and towers constructed by the lessee of each lease are located within the boundaries of the leased premises, (iv) each lease contains an adequate description of the leased premises, (v) each lease is enforceable by the lessee, (vi) all payments of rent are current under each lease and no default exists under any lease and (vii) except as set forth on Schedule 2.21, there are no disputes with or adverse claims asserted by any lessor of a lease. Each of the Contracts of the Company or any of the Subsidiaries relating to such Leased Real Property (other than the WEAU Agreement) is fully and accurately identified, and the expiration date and current rent are described, in Schedule 2.23(a)(i) and each such Contract is in full force and effect. Except as disclosed on Schedule 2.12, neither the Leased Real Property nor any of the Company's or any of the Subsidiaries' right, title or interest therein is affected by any Lien (other than as contemplated in the WEAU Agreement), prior interests or superior interests of any nature whatsoever that will, or could reasonably be expected to, terminate or otherwise adversely affect such Leased Real Property or any of the Company's or any of the Subsidiaries' right, title and interest therein.

2.13 PERSONAL PROPERTY.

(a) Schedule 2.13 contains a correct and complete list of each item of Personal Property, other than Inventory and the Option Property (excluding office furniture, equipment, supplies and miscellaneous items of personal property with an individual cost of less than \$2,500).

(b) Schedule 2.13 contains a correct and complete description of all Material Leased Personal Property. Each of the Contracts of the Company or any of the Subsidiaries relating to such Leased Personal Property is identified on Schedule 2.13 and each such Contract is in full force and effect.

2.14 INTELLECTUAL PROPERTY.

(a) Schedule 2.14 contains a correct and complete list of all of the Company's and each of the Subsidiaries' respective Material Intellectual Property, including all Material license agreements relating thereto. Neither the Company nor any of the Subsidiaries (or any goods or services sold by any of them) has violated, infringed upon or unlawfully or wrongfully used the Intellectual Property of others and none of the Company's or any of the Subsidiaries' Intellectual Property or any related rights or any customer lists, supplier lists or mailing lists, as used in the Business or in the other businesses now or heretofore conducted by the Company or any of the Subsidiaries, Materially infringes upon or otherwise Materially violates the rights of others, nor has any Person asserted a claim of such infringement or misuse, which infringement or violation is likely to result in a cost to the Company in excess of \$20,000. Each of the Company and the Subsidiaries has taken all reasonable measures to enforce, maintain and protect its interests and, to the extent applicable, the rights of Third Parties, in and to the Company's and each of the Subsidiaries' Material Intellectual Property. The Company and each of the Subsidiaries have all right, title and interest in the Intellectual Property identified on Schedule 2.14 (other than as contemplated in the WEAU Agreement). The consummation of the transactions contemplated by this Agreement will not alter or impair any Material Intellectual Property rights of the Company or any of the Subsidiaries. Except as set forth in Schedule 2.14, neither the Company nor any of the Subsidiaries is obligated nor has the Company or any of the Subsidiaries incurred any Liability to make any Material payments for royalties, fees or otherwise to any Person in connection with any of the Company's or any of the Subsidiaries' Intellectual Property. All patents, trademarks, trade names, service marks, assumed names, and copyrights

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and all registrations thereof included in or related to the Company's or any of the Subsidiaries' Intellectual Property are valid, subsisting and in full force and effect. The Company is unaware of any Material infringement of the Company's or any of the Subsidiaries' Material Intellectual Property, and there are no pending infringement actions against another for infringement of the Company's or any of the Subsidiaries' Intellectual Property or theft of the Company's trade secrets.

(b) No present or former officer, director, partner or employee of the Company or any of the Subsidiaries owns or has any proprietary, financial or other interest, direct or indirect, in any of the Company's or any of the Subsidiaries' Material Intellectual Property, except as described on Schedule 2.14. Except as set forth on Schedule 2.14, no officer, director, partner or employee of the Company or any of the Subsidiaries has entered into any Contract (i) that requires such officer, director, partner or employee to (A) assign any interest to inventions or other Material Intellectual Property, or (B) keep confidential any Material trade secrets, proprietary data, customer lists or other business information or (ii) that restricts or prohibits such officer, director, partner or employee from engaging in competitive activities with or soliciting customers to or from any competitor of the Company or any of the Subsidiaries.

2.15 COMPUTER SOFTWARE AND DATABASES. Schedule 2.15 identifies all Material Computer Software and Databases owned, licensed, leased, internally developed or otherwise used in connection with the Business. The Company and each of the Subsidiaries have use of or the ability to freely acquire, without substantial costs to the Company or any of the Subsidiaries for such acquisition, all Computer Software and Databases that are necessary to conduct the Business as presently conducted by the Company and each of the Subsidiaries and all documentation relating to all such Material Computer Software and Databases.

Such Computer Software and Databases perform in all Material respects in accordance with the documentation related thereto or used in connection therewith and are free of Material defects in programming and operation. The Company has previously delivered to Purchaser complete and accurate copies of all documents (other than the WEAU Agreement) relating to the sale, license, lease or other transfer or grant of Material Computer Software and Databases by the Company or any of its Subsidiaries since January 1, 1996.

2.16 ACCOUNTS RECEIVABLE. The Accounts Receivable are (i) validly existing, (ii) enforceable by the Company or the Subsidiaries in accordance with the terms of the instruments or documents creating them, and (iii) collectible in the ordinary course of business consistent with past practice at the full recorded amount thereof less an allowance for collection losses disclosed in the Balance Sheet, or in the case of Accounts Receivable arising after the Balance Sheet Date, an allowance for collection losses accrued on the books of the Company or any of the Subsidiaries in the ordinary course of business consistent with past practices and in accordance with GAAP. The allowance for collection losses on the Balance Sheet was established in the ordinary course of business consistent with past practices and in accordance with GAAP. The Accounts Receivable represent monies due for, and have arisen solely out of, bona fide sales and deliveries of goods, performance of services and other business transactions in the ordinary course of business consistent with past practices. None of the Accounts Receivable represent monies due for goods either sold on consignment or sold on approval. There are no refunds, discounts or other adjustments payable with respect to any such Accounts Receivable, and there are no defenses, rights of set-off, counterclaims, assignments, restrictions, encumbrances, or conditions enforceable by Third Parties on or affecting any Account Receivable, except, in each case, for terms arising in the ordinary course of business consistent with past practice.

2.17 INSURANCE. All of the assets and the operations of the Company, each of the Subsidiaries and the Business of an insurable nature and of a character usually insured by companies of

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similar size and in similar businesses are insured by the Company or any of the Subsidiaries in such amounts and against such losses, casualties or risks as is (i) usual in such companies and for such assets, operations and businesses, (ii) required by any Law applicable to the Company, any of the Subsidiaries or the Business, or (iii) required by any Contract of the Company or any of the Subsidiaries. Schedule 2.17 contains a complete and accurate list of all Material insurance policies now in force and held or owned by the Company or any of the Subsidiaries and such Schedule indicates the name of the insurer, the type of policy, the risks covered thereby, the amount of the premiums, the term of each policy, the policy number and the amounts of coverage and deductible in each case and all outstanding claims thereunder. Correct and complete copies or summaries of all such policies have been delivered to Purchaser by the Company or will be delivered to Purchaser by the Company as soon as such policies are available to the Company after the date hereof. All such policies are in full force and effect and enforceable in accordance with their terms. Neither the Company nor any of the Subsidiaries is now in Material Default regarding the provisions of any such policy, including, without limitation, failure to make timely payment of any premiums due thereon, and neither the Company nor any of the Subsidiaries has failed to give any Material notice or present any Material claim thereunder in due and timely fashion. Neither the Company nor any of the Subsidiaries has been refused or denied renewal of, any Material insurance coverage in connection with the Company, any of the Subsidiaries, the ownership or use of the Company's or any of the Subsidiaries' respective assets or the operation of the Business. In addition to the deductibles set forth on Schedule 2.17, such Schedule discloses all Material risks that are self-insured by the Company and each of the Subsidiaries that in the ordinary course of business could be insured.

2.18 BONDS, LETTERS OF CREDIT AND GUARANTEES. Schedule 2.18 contains a complete and accurate list of all bonds (whether denominated bid, litigation, performance, fidelity, or otherwise), letters of credit, and guarantees (other

than instruments that are guaranteed in the ordinary course) issued by the Company, any of the Subsidiaries, the Stockholders or others for the benefit of the Company or any of the Subsidiaries and now in force or outstanding. Correct and complete copies of each such Material bond, letter of credit and guarantee have been delivered to Purchaser by the Company on or before the date of this Agreement. The bonds, letters of credit and guarantees listed in Schedule 2.18 satisfy all Material requirements for bonds, letters of credit or guarantees set forth in (i) any Law applicable to the Company, any of the Subsidiaries or the Business and (ii) any Contracts of the Company or any of the Subsidiaries. All such bonds, letters of credit and guarantees are in full force and effect and enforceable in accordance with their terms. Neither the Company nor any of the Subsidiaries is in Material Default regarding the provisions of any such bond, letter of credit or guarantee, including, without limitation, the failure to make timely payment of all premiums and fees due thereon, and neither the Company nor any of the Subsidiaries has failed to give any notice or present any claim thereunder in due and timely fashion.

2.19 COMPLIANCE WITH LAW.

(a) The Company and each of the Subsidiaries have complied with and are in compliance with all Laws, Licenses and Orders applicable to, required of or binding on the Company or any of the Subsidiaries, respectively, their respective assets or the Business, including without limitation, the FCC Licenses, the Communications Act of 1934, and PUC Laws, and none of the Company, any of the Subsidiaries, or any of the Stockholders has Knowledge of any basis for any claim of current or past non-compliance with any such Law, License or Order, in each case where such non-compliance would be Material to the business, operations, assets, Liabilities, financial condition, or results of operations of the Company and the Subsidiaries, taken as a whole, including, without limitation, the value of the Company and the Subsidiaries, taken as a whole. No notices from any Governmental Authority with respect to any failure or alleged failure of the Company, any of the Subsidiaries, their respective assets or the Business to comply with any such Law, License or Order have been received by the Company, any of the Subsidiaries

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or any of the Stockholders, nor, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, are any such notices proposed or threatened. Schedule 2.19 contains a complete and correct list of all Material Licenses and Orders applicable to, required of or binding on the Company, any of the Subsidiaries, their respective assets or the Business, true and complete copies of which (other than the FCC Licenses) previously have been delivered to the Purchaser.

(b) The Company and each of the Subsidiaries hold the FCC Licenses and all other Material Licenses necessary for or used in the operations of the Business, and each of the FCC Licenses is, and all such other Material Licenses are, in full force and effect. Schedule 2.19 contains a true and complete list of the FCC Licenses currently in effect and all such other Material Licenses (showing, in each case, the expiration date). Except as set forth in Schedule 2.19, no application, action or proceeding is pending for the renewal or modification of any of the FCC Licenses or any of such other Material Licenses, and no application, action or proceeding is pending or, to the Company's, any of the Subsidiaries' or any of the Stockholder's Knowledge, threatened that may result in the denial of the application for renewal, the revocation, modification, nonrenewal or suspension of any of the FCC Licenses or any of such other Material Licenses, the issuance of a cease-and-desist order, or the imposition of any administrative or judicial sanction with respect to the Business that may materially and adversely affect the rights of Purchaser, the Company or any of the Subsidiaries under any such FCC Licenses or other Material Licenses. All Material returns, reports and statements required to be filed by the Company or any of the Subsidiaries with the FCC relating to the Business have been filed and complied with and are complete and correct in all Material respects as filed.

(c) Except as described in Schedule 2.19, there are no Material capital

expenditures that the Company, any of the Subsidiaries or any of the Stockholders anticipates will be required to be made in connection with the Company's or any of the Subsidiaries' respective assets or the Business as now conducted in order to comply with any Law applicable to the Company, any of the Subsidiaries, their respective assets or the Business as now conducted.

2.20 ENVIRONMENTAL. Except as set forth in Schedule 2.20 or the Environmental Report:

(a) There is no Environmental Litigation (or any Litigation against any Person whose Liability, or any portion thereof, for Environmental Matters or under any Environmental Laws the Company or any of the Subsidiaries has or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, may have retained or assumed contractually or by operation of Law) pending or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, threatened with respect to (i) the ownership, use, condition or operation of the Business, the Real Property or any other asset of the Company or any of the Subsidiaries or any asset formerly held for use or sale by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries, or (ii) any violation or alleged violation of or Liability or alleged Liability under any Environmental Law or any Order related to Environmental Matters. To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, there have been and there are no existing violations of (i) any Environmental Law, or (ii) any Order related to Environmental Matters, with respect to the ownership, use, condition or operation of the Business, the Real Property or any other asset of the Company or any of the Subsidiaries or any asset formerly held for use or sale by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries. To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, any Environmental Matter, that could reasonably be expected to form the basis of (i) any Environmental Litigation against the Company or any of the Subsidiaries, or (ii) any Litigation against any

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Person whose Liability (or any portion thereof) for Environmental Matters or under any Environmental Laws the Company or any of the Subsidiaries has or may have retained or assumed contractually or by operation of Law. To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, none of the Company, any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries nor anyone Known to the Company, any of the Subsidiaries or any of the Stockholders has used any assets or premises of the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries or any part thereof for the handling, treatment, storage, or disposal of any Hazardous Substances except in Material compliance with applicable Environmental Laws. The disclosure of facts set forth in Schedule 2.20 shall not relieve the Company, any of the Subsidiaries or any of the Stockholders of any of their respective obligations under this Agreement.

(b) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, no release, discharge, spillage or disposal of any Hazardous Substances has occurred or is occurring at any assets owned, leased, operated or managed by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries or any part thereof while or before such assets were owned, leased, operated or managed by the Company or any of the Subsidiaries.

(c) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, no soil or water in, under or adjacent to any assets owned, leased, operated or managed, directly or indirectly, by the Company or any of the Subsidiaries or assets formerly held for use or sale by the Company or any of the Subsidiaries or, in either case, any of their respective predecessors or any of their respective current or former subsidiaries has been contaminated by

any Hazardous Substance while or before such assets were owned, leased, operated or managed by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries.

(d) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, all waste containing any Hazardous Substances generated, used, handled, stored, treated or disposed of (directly or indirectly) by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries has been released or disposed of in compliance with all applicable reporting requirements under any Environmental Laws and there is no Environmental Litigation with respect to any such release or disposal.

(e) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, all underground tanks and other underground storage facilities presently or previously located at any Real Property owned, leased, operated or managed by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries or any such tanks or facilities located at any Real Property while such Real Property was owned, leased, operated, or managed by the Company or any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries are listed together with the capacity and contents (former and current) of each such tank or facility in Schedule 2.20. To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, none of such underground tanks or facilities is leaking or has ever leaked, and none of the Company, any of the Subsidiaries or any of their respective current or former subsidiaries holds any responsibility or Liability for any underground tanks or underground facilities at any other location.

(f) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, all hazardous waste has been removed from all Real Property of the Company and each of

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the Subsidiaries and each of their respective predecessors and each of their respective current and former subsidiaries in Material compliance with applicable Environmental Laws.

(g) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, the Company, each of the Subsidiaries and each of their respective predecessors or any of their respective current or former subsidiaries has complied with all applicable reporting requirements under all Environmental Laws concerning the disposal or release of Hazardous Substances and none of the Company, any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries has made any such reports concerning any Real Property of the Company or any of the Subsidiaries or concerning the operations or activities of the Company, any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries.

(h) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, no building or other Improvement or any Real Property owned, leased, operated or managed by the Company or any of the Subsidiaries contains any asbestos-containing materials.

(i) To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, without limiting the generality of any of the foregoing, (i) all on-site and off-site locations where the Company, any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries has disposed or arranged for the disposal of Hazardous Substances are identified in Schedule 2.20, (ii) none of the on-site or off-site locations identified in Schedule 2.20 is listed on any federal, state or local government lists of abandoned disposal sites or sites where Hazardous Substances have or may have occurred, and (iii) no polychlorinated biphenyls ("PCB's") are used or stored on or in any real property owned, leased, operated or managed by the Company, any of the subsidiaries or any of their respective predecessors or any

of their respective current or former Subsidiaries, except in Material compliance with applicable Environmental Laws.

(j) Schedule 2.20 contains a correct and complete list of all environmental site assessments and other studies relating to the investigation of the possibility of the presence or existence of any Environmental Matter with respect to the Company, any of the Subsidiaries, the Business, any assets owned, leased, operated or managed by the Company, any of the Subsidiaries or any of their respective predecessors or any of their respective current or former subsidiaries, and the Company has previously delivered to Purchaser a correct and complete copy of each such assessment and study.

2.21 LITIGATION AND CLAIMS. Except as disclosed on Schedule 2.21:

(a) There is no Litigation pending or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, threatened and none of the Company, any of the Subsidiaries or any of the Stockholders has any Knowledge of any basis for any such Litigation or any facts or the occurrence of any event which might give rise to any Litigation;

(b) No Litigation has been pending during the three (3) years prior to the date hereof that, individually or in the aggregate resulted in an uninsured Loss in excess of \$150,000 or granted any injunctive relief against the Company or any of the Subsidiaries; and

(c) Neither the Company nor any of the Subsidiaries has been advised by any attorney representing it that there are any "loss contingencies" (as defined in Statement of Financial Accounting Standards No. 5 issued by the Financial Accounting Standards Board in March 1975 ("FASB

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5"), which would be required by FASB 5 to be disclosed or accrued in financial statements of the Company or any of the Subsidiaries, were such financial statements prepared as of the date hereof.

2.22 BENEFIT PLANS.

(a) Schedule 2.22 lists every Employee Benefit Plan of the Company and each of the Subsidiaries. On or after September 26, 1980, none of the Company, any of the Subsidiaries or any entity aggregated with the Company or any of the Subsidiaries under Code Section 414 (for purposes of this Section, an "ERISA Affiliate") has had an "obligation to contribute" (as defined in ERISA Section 4212) to a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) and (3)(37)(A)). No Employee Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA.

(b) The Employee Benefit Plans listed in Schedule 2.22 have been or will be made available to Purchaser for review, including correct and complete copies of: (i) all trust agreements or other funding arrangements for such Employee Benefit Plans (including insurance contracts), and all amendments thereto, (ii) with respect to any such Employee Benefit Plans or amendments, all determination letters, rulings, opinion letters, information letters, or advisory opinions issued by the United States Internal Revenue Service, the United States Department of Labor, or the Pension Benefit Guaranty Corporation after December 31, 1974, (iii) annual reports or returns, audited or unaudited Financial Statements, actuarial valuations and reports, and summary annual reports prepared for any Employee Benefit Plan with respect to the most recent three plan years, and (iv) the most recent summary plan descriptions and any material modifications thereto.

(c) Except as disclosed in Schedule 2.22, all the Employee Benefit Plans and the related trusts subject to ERISA comply in all Material respects with and have been administered in compliance in all Materials respects with, (i) the applicable provisions of ERISA, (ii) all applicable provisions of the Code relating to qualification and Tax exemption under Code Sections 401(a) and 501(a) or otherwise applicable to secure intended Tax consequences, (iii) all

applicable state or federal securities Laws, and (iv) all other applicable Laws and collective bargaining agreements, and neither the Company nor any of the Subsidiaries has received any notice from any Governmental Authority questioning or challenging such compliance. All available determination letters and required registrations under federal and state securities Laws ("Permits") for the Employee Benefit Plans have been obtained, including, but not limited to, timely determination letters on the qualification of the ERISA Plans and Tax exemption of related trusts, as applicable under the Code, and all such Permits continue in full force and effect. No event has occurred which will or could reasonably be expected to give rise to disqualification of any such plan or loss of intended Tax consequences under the Code or to any Tax under Section 511 of the Code.

(d) Except as disclosed in Schedule 2.22, no oral or written representation or communication with respect to any aspect of the Employee Benefit Plans has been made to employees of the Company or any of the Subsidiaries prior to the date hereof that is not in accordance with the written or otherwise preexisting terms and provisions of such plans. None of the Company, any of the Subsidiaries or any administrator or fiduciary of any Employee Benefit Plan (or any agent of any of the foregoing) has engaged in any transaction, or acted or failed to act in any manner that could subject the Company, any of the Subsidiaries or Purchaser to any direct or indirect Material Liability (by indemnity or otherwise) for breach of any fiduciary, co-fiduciary or other duty under ERISA. There are no unresolved claims or disputes under the terms of, or in connection with, the Employee Benefit Plans other than claims for benefits which are payable in the ordinary course and no Litigation has been commenced with respect to any Employee Benefit Plan.

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(e) Except as disclosed in Schedule 2.22, all Employee Benefit Plan documents and annual reports or returns, audited or unaudited financial statements, actuarial valuations, summary annual reports, and summary plan descriptions issued with respect to the Employee Benefit Plans are correct and complete in all Material respects, have been timely filed with the IRS and the United States Department of Labor, have been timely distributed to participants in the Employee Benefit Plans, and there have been no changes in the information set forth therein.

(f) No "party in interest" (as defined in Section 3(14) of ERISA) or "disqualified person" (as defined in Code Section 4975) of any Employee Benefit Plan has engaged in any Material nonexempt "prohibited transaction" (described in Code Section 4975 or ERISA Section 406). Except as disclosed in Schedule 2.22, there has been no (i) "reportable event" (as defined in Section 4043 of ERISA), or event described in Sections 4041, 4042, 4062 (including ERISA Section 4062(e)), 4064, 4069 or 4063 of ERISA, or (ii) termination or partial termination, withdrawal or partial withdrawal with respect to any of the ERISA Plans which the Company or any of the Subsidiaries maintains or contributes to or has maintained or contributed to. Except as disclosed in Schedule 2.22, neither the Company nor any of the Subsidiaries has incurred any liability under Title IV of ERISA, including any Liability that could arise under Title IV of ERISA as a result of the Company's or any of the Subsidiaries' membership in a "controlled group" as defined in ERISA ss.ss. 4001(a)(14) and 4001(b)(1).

(g) Except as disclosed in Schedule 2.22, for any ERISA Plan that is an employee pension benefit plan as defined in ERISA ss. 3(2) ("ERISA Pension Plan"), the fair market value of such Plan's assets equals or exceeds the present value of all benefits (whether vested or not) accrued to date by all present or former participants in such ERISA Pension Plan. For this purpose the assumptions prescribed by the Pension Benefit Guaranty Corporation for valuing plan assets or liabilities upon plan termination shall be applied and the term "benefits" shall include the value of all benefits, rights and features protected under Code ss. 411(d)(6) or its successors and any ancillary benefits (including disability, shutdown, early retirement and welfare benefits) provided under any such employee pension benefit plan and all "benefit liabilities" as defined in ERISA Section 4001(a)(16). Since the date of the most recent actuarial valuation, there has been (i) no Material change in the financial

position of an ERISA Pension Plan, (ii) no change in the actuarial assumptions with respect to any ERISA Pension Plan, and (iii) no increase in benefits under any ERISA Pension Plan as a result of ERISA Pension Plan amendments or changes in any applicable regulation which is reasonably likely to have, individually or in the aggregate, a Material effect on the funding status of such ERISA Pension Plan. All contributions with respect to an Employee Benefit Plan of the Company or of an ERISA Affiliate that is subject to Code Section 412 or ERISA Section 302 have been, or will be, timely made and there is no Lien or expected to be a Lien under Code Section 412(n) or ERISA Section 302(f) or Tax under Code Section 4971. No ERISA Pension Plan of the Company or any of the Subsidiaries or of an ERISA Affiliate has a "liquidity shortfall" as defined in Code Section 412(m) (5). No event described in Code Section 401(a) (29) has occurred or can reasonably be expected to occur with respect to the Company or its ERISA Affiliates. All premiums required to be paid under ERISA Section 4006 have been paid by the Company and each of the Subsidiaries and by any Person aggregated with the Company or any of the Subsidiaries under ERISA Sections 4001(a) (14) and 4001(b) (1).

(h) Neither the Company nor any of the Subsidiaries has, or maintains, an Employee Benefit Plan providing welfare benefits (as defined in ERISA Section 3(1)) to employees after retirement or other separation of service except to the extent required under Part 6 of Title I of ERISA or Code Section 4980B or their successors. No Material Tax under Code Sections 4980B or 5000 has been incurred with respect to any Employee Benefit Plan and no circumstances exist which could reasonably be expected to give rise to such Taxes.

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(i) Except as disclosed on Schedule 2.22, neither the execution or delivery of this Agreement or the Other Agreements nor the consummation of the transactions contemplated by this Agreement will (1) entitle any current or former employee of the Company or any of the Subsidiaries to severance pay, unemployment compensation or any payment contingent upon a change in control or ownership of the Company or any of the Subsidiaries, or (2) accelerate the time of payment or vesting, or increase the amount, of any compensation due to any such employee or former employee.

(j) Except as disclosed on Schedule 2.22, all individuals participating in (or eligible to participate in) any Employee Benefit Plan maintained (or contributed to) by the Company or any of the Subsidiaries are common-law employees.

2.23 CONTRACTS.

(a) Description.

(i) Real Property. Schedule 2.23(a) (i) is a list or brief description of all Material Contracts affecting or relating to the Real Property, including, without limitation, Contracts evidencing Material Liens (including those referred to in Schedule 2.11).

(ii) Personal Property. Schedule 2.23(a) (ii) is a list of all Contracts affecting or relating to the Personal Property, including, without limitation, Contracts evidencing Liens (including those referred to in Schedule 2.11) (other than Contracts affecting rights in the Personal Property each of which does not involve the payment by the Company or any of the Subsidiaries of more than \$25,000 per year).

(iii) Purchase Orders -- Non-Capital Assets. Schedule 2.23(a) (iii) is a list of all outstanding Contracts of the Company or any of the Subsidiaries or that relate to the Business, for the acquisition or sale of goods, assets or services (other than purchase orders or other commitments for the acquisition of capital assets), all of which were executed in the ordinary course of business consistent with past practice of the Company or any of the Subsidiaries (other than purchase orders and other commitments which do not exceed \$25,000 each).

(iv) Purchase Orders -- Capital Assets. Schedule 2.23(a) (iv) is a list

of all outstanding Contracts of the Company or any of the Subsidiaries or that relate to the Business, for the acquisition of capital assets and that were executed in the ordinary course of business consistent with past practice of the Company or any of the Subsidiaries (other than purchase orders and other commitments which do not exceed \$25,000 each).

(v) Sales. Schedule 2.23(a)(v) is a list or brief description of all Contracts of the Company or any of the Subsidiaries or that relate to the Business, for the sale of products or the performance of services by the Company or any of the Subsidiaries and which exceed \$5,000 each.

(vi) Employment; Other Affiliate Contracts. Schedule 2.23(a)(vi) contains a list of all Material Contracts of the Company or any of the Subsidiaries or that relate to the Business, with any employee, officer, agent, consultant, distributor, dealer or Affiliate of the Company or any of the Subsidiaries (other than those entered into in the ordinary course of business consistent with past practice that are immediately terminable at will by the Company or any of the Subsidiaries, as the case may be, without any Liability).

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(vii) Sales Representatives. Schedule 2.23(a)(vii) is a list of all Material Contracts of the Company or any of the Subsidiaries or that relate to the Business, with any agent, broker, sales representative of, or any Person in a similar representative capacity for, the Company or any of the Subsidiaries (other than those entered into in the ordinary course of business consistent with past practice that are terminable within sixty (60) days by the Company or any of the Subsidiaries, as the case may be, without Liability).

(viii) Powers of Attorney. Schedule 2.23(a)(viii) is a list of all powers of attorney given by the Company or any of the Subsidiaries, whether limited or general, to any Person continuing in effect.

(ix) Programming, Network Affiliation, Operating and Cable Retransmission Agreements. Schedule 2.23(a)(ix) is a list of all network affiliation agreements, operating agreements, cable retransmission agreements and all programming agreements of the Company or that relate to the Business (correct and complete copies of which previously have been delivered to Purchaser), including for each of those agreements the amounts and availability dates of programming and the dollar amount and schedule of payments thereunder.

(x) Barter and Trade Agreements. Schedule 2.23(a)(x) is a list of all "barter" and "trade" agreements of the Company or any of the Subsidiaries or that relate to the Business (correct and complete copies of which previously have been delivered to Purchaser) and includes an estimate of the positive or negative trade balances associated with each such agreement.

(xi) Any Other Contracts. Schedule 2.23(a)(xi) is a list or brief description of any other Contracts of the Company or any of the Subsidiaries or that relate to the Business and that: (A) payments provided for or actually made thereunder by or to the Company or any of the Subsidiaries in any calendar year exceed \$25,000, (B) require performance by the Company or any of the Subsidiaries of any obligation for a period of time extending beyond six (6) months from the Closing Date or which is not terminable by the Company or any of the Subsidiaries without penalty upon sixty (60) days or less notice, (C) evidence, create, guarantee or service indebtedness of the Company or any of the Subsidiaries, (D) establish or provide for any joint venture, partnership or similar arrangement involving any of the Stockholders, the Company or any of the Subsidiaries, or (E) guarantee or endorse the Liabilities of any other Person.

The lists in all Schedules referred to above are correct and complete as of the date hereof unless otherwise noted thereon.

(b) Copies. Correct and complete copies of all the written Contracts, and correct and complete descriptions of all oral Contracts, referred to in Section 2.23(a) have been delivered to Purchaser on or before the date hereof.

(c) No Default. None of the Company, any of the Subsidiaries or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, any other party is in Default under any of the Contracts or any Liens referred to in Section 2.23(a) and, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, there is no basis for any claim of Material Default under any of the foregoing.

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(d) Assurances. Each of the Contracts referred to in this Section 2.23 is in full force and effect and constitutes a valid, legal and binding agreement of the Company or the Subsidiaries party thereto and, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, the other parties thereto, enforceable in accordance with its terms except for bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting creditors' rights generally, or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing, and as otherwise set forth in Schedule 2.23. Neither the Company nor any of the Subsidiaries is a party to or bound by any Contract or Contracts that, either separately or in the aggregate has or will have a Material Adverse Effect with respect to the Company, any of the Subsidiaries, their respective assets, or the Business. The continuation, validity and effectiveness of each of the Contracts referred to in this Section 2.23 will not be affected in any way by the consummation of the transactions contemplated by this Agreement.

2.24 SUPPLIERS AND CUSTOMERS. Schedule 2.24 sets forth each supplier to whom payments were made that equaled or exceeded five percent (5%) of the Company's and each of the Subsidiaries' aggregate operating expenses for the fiscal year ended December 28, 1997 (the "Large Suppliers"). Schedule 2.24 sets forth each customer or group of related customers from whom payments were received that equaled or exceeded five percent (5%) of the Company's and each of the Subsidiaries' aggregate gross sales for the fiscal year ended December 28, 1997 (the "Large Customers"). Except as reflected in Schedule 2.24, no Large Supplier is a sole source of supply of any good or service to the Company or any of the Subsidiaries. To the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, the relationships of the Company and each of the Subsidiaries with its Large Suppliers and Large Customers are good commercial working relationships and, except as set forth on Schedule 2.24, neither (i) any of the Large Suppliers or any of the Large Customers, nor (ii) any Large Supplier who at any time during 1997 was or now is the sole source of supply of any good or service, has terminated, or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, made any threat reasonably likely to be acted upon to terminate, its relationship with the Company or any of the Subsidiaries or has during the last twelve (12) months materially decreased or materially limited, or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, made any threat reasonably likely to be acted upon to materially decrease or materially limit, its services, supplies or materials to the Company or any of the Subsidiaries or its usage or purchase of the goods or services of the Company or any of the Subsidiaries, as the case may be. None of the Company, any of the Subsidiaries or any of the Stockholders has any Knowledge and belief that any of the Large Suppliers or any of the Large Customers intends to terminate or otherwise modify adversely to the Company or any of the Subsidiaries its relationship with the Company or any of the Subsidiaries or to decrease or limit its services, supplies or materials to the Company or any of the Subsidiaries or its usage or purchase of the goods or services of the Company or any of the Subsidiaries, as the case may be, and the acquisition of the Stock by Purchaser will not, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders adversely affect the relationship of the Business or of the Company or any of the Subsidiaries with any of the Large Suppliers or any of the Large Customers.

2.25 LABOR MATTERS. Schedule 2.25 contains a correct and complete list of all employees of the Company and each of the Subsidiaries whose direct annual compensation exceeds \$50,000. Except as disclosed on Schedule 2.25, the employment of all employees of the Company and each of the Subsidiaries is terminable at will by the Company and each of the Subsidiaries, respectively,

without any penalty or severance obligation incurred by the Company or any of the Subsidiaries. Except as set forth on Schedule 2.25 and other than in the ordinary course of business consistent with past practices, neither the Company nor any of the Subsidiaries will owe any amounts to any of its employees as of the Closing Date, including, without limitation, any amounts incurred for wages, bonuses, vacation pay, sick

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leave or any severance obligations other than amounts owed with respect to the then current pay period. Except as and to the extent set forth in Schedule 2.25, (i) neither the Company nor any of the Subsidiaries is a party to any union agreement or collective bargaining agreement or work rules or practices agreed to with any labor organization or employee association applicable to any employees of the Company or any of the Subsidiaries and, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, no attempt to organize any of the employees of the Business has been made, proposed or threatened in the past three years, (ii) neither the Company nor any of the Subsidiaries is, or within the past three years has been, subject to any Equal Employment Opportunity Commission charges or other claims of employment discrimination made against it, (iii) no Wage and Hour Department investigations have been made in the past 3 years of the Company or any of the Subsidiaries, (iv) no labor strike, dispute, slowdown, stoppage or lockout is pending or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, threatened against or affecting the Company, any of the Subsidiaries, their respective assets or the Business and during the past five (5) years there has not been any such action, (v) no unfair labor practice charge or complaint against the Company or any of the Subsidiaries is pending or, to the Knowledge of the Company, any of the Subsidiaries or any of the Stockholders, threatened before the National Labor Relations Board or any similar Governmental Authority, and (vi) neither the Company nor any of the Subsidiaries has received any formal notice (other than as set forth in Section 6.07 hereof) that any of the employees listed on Schedule 2.25 will terminate or contemplates terminating his or her employment currently or at any time within sixty (60) days after the Closing Date or will otherwise not be available to the Company or any of the Subsidiaries. Since the enactment of the Worker Adjustment and Retraining Notification Act (the "WARN Act"), neither the Company nor any of the Subsidiaries has effectuated (a) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the Company or any of the Subsidiaries; or (b) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of the Company or any of the Subsidiaries; nor has either the Company or any of the Subsidiaries been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state or local Law. Except as set forth in Schedule 2.25, none of the Company's or any of the Subsidiaries' employees has suffered an "employment loss" (as defined in the WARN Act) since six (6) months prior to the date hereof.

2.26 BROKERS AND FINDERS. Except as set forth on Schedule 2.26, no finder or any agent, broker or other Person acting pursuant to authority of the Company, any of the Subsidiaries or any of the Stockholders is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

2.27 INTERESTED TRANSACTIONS. Except as set forth in Schedule 2.27, neither the Company nor any of the Subsidiaries is a party to any Contract or other transaction with any Affiliate of the Company or any of the Subsidiaries, any Related Party of any Affiliate of the Company or any of the Subsidiaries (other than as a stockholder or employee of the Company or any of the Subsidiaries), or any Person in which any of the foregoing (individually or in the aggregate) beneficially or legally owns, directly or indirectly, five percent (5%) or more of the equity or voting interests (other than, in each case, Contracts or transactions between or among the Company and its Subsidiaries). Each of such Contracts and other transactions described in the preceding sentence was negotiated on an arm's length basis, contains pricing terms that reflected fair market value at the time entered into and otherwise contains terms and

conditions comparable to those customarily contained in similar transactions between unrelated parties. Except as described in Schedule 2.27 and other than the Stockholders and their Affiliates, none of the Persons described in the first sentence of this Section 2.27 owns, or during the last three (3) years has owned, directly or indirectly, beneficially or legally, (individually or in the aggregate) five percent (5%) or more of

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the equity or voting interests of any Person that competes with the Company, any of the Subsidiaries or the Business.

2.28 OFFICERS, DIRECTORS AND BANK ACCOUNTS. Schedule 2.28 lists (i) the names of all officers and directors of the Company and each of the Subsidiaries and (ii) the name and location of each bank or other institution in which the Company or any of the Subsidiaries has any deposit account or safe deposit box in which the Company or any of the Subsidiaries has any interest or access, all account numbers and names of all Persons authorized to draw thereon or to have access thereto.

2.29 REPORTS AND FINANCIAL STATEMENTS. The Company has filed all reports required to be filed with the Securities and Exchange Commission since January 1, 1997 (collectively, the "SEC Reports"). None of such SEC Reports, as of their respective dates or as of the date of any amendment or supplement thereto, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the financial statements (including the related notes) included in the SEC Reports presents fairly, in all Material respects, the consolidated financial position and consolidated results of operations and cash flows of the Company and its subsidiaries as of the respective dates or for the respective periods set forth therein, all in conformity with GAAP consistently applied during the periods involved, except as otherwise noted therein, and subject, in the case of the unaudited interim financial statements, to normal year-end adjustments and any other adjustments described therein. All of such SEC Reports, as of their respective dates, complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.30 STATEMENTS TRUE AND CORRECT. No representation or warranty made by the Company or the Stockholders, nor any statement, certificate or instrument furnished or to be furnished to Purchaser pursuant to this Agreement, the Other Agreements or any other document, agreement or instrument referred to herein or therein, including, without limitation, the Financial Statements, contains or will contain any untrue statement of fact or omits or will omit to state a Material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Company and the Stockholders that:

3.01 ORGANIZATION. Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the State of Georgia, with the corporate power and authority to carry on its business and to own, lease and operate its assets.

3.02 CAPACITY AND VALIDITY. Purchaser has the full corporate power and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Other Agreements will have been approved by all necessary action of the Board of Directors and stockholders of Purchaser on or before Closing. This Agreement has been, and the Other Agreements will be

when executed and delivered, duly executed and delivered by duly authorized officers of Purchaser, and the Agreement and each of the Other Agreements constitutes, or will constitute when executed and delivered, the legal, valid and binding obligation of

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Purchaser, enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

3.03 NO CONFLICT. Except as disclosed on Schedule 3.03, neither the execution, delivery and performance of this Agreement and the Other Agreements to which it is a party by Purchaser nor the consummation of the transactions contemplated hereby or thereby, will (i) conflict with or result in a violation, contravention or breach of any of the terms, conditions or provisions of the Articles of Incorporation, as amended, or By-laws, as amended, of Purchaser, (ii) result in a Default under, or require the consent or approval of any party to, Contract or License of Purchaser, (iii) result in the violation of any Law or Order, or (iv) result in the creation or imposition of any Lien.

3.04 BROKERS AND FINDERS. Except as set forth in Schedule 3.04, no finder or any agent, broker or other Person acting pursuant to authority of Purchaser is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

3.05 INVESTMENT REPRESENTATION. Purchaser is purchasing the Stock for investment and is not acquiring the Stock with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act of 1933, as amended.

3.06 QUALIFICATION OF PURCHASER. Purchaser is fully qualified to assume control and operation of the Stations and, to the best of Purchaser's knowledge and belief, there exists no reason for the FCC to refuse to consent to the assignment of the broadcast Licenses to Purchaser.

3.07 FINANCING. Purchaser has all necessary financial resources or has secured a binding commitment for all financing necessary for Purchaser to consummate the transactions contemplated by this Agreement.

3.08 STATEMENTS TRUE AND CORRECT. No representation or warranty made by Purchaser, nor any statement, certificate or instrument furnished or to be furnished to the Company or the Stockholders pursuant to this Agreement, the Other Agreements or any other document, agreement or instrument referred to herein or therein, contains or will contain any untrue statement of fact or omits or will omit to state a fact necessary to make the statements contained therein not misleading.

ARTICLE IV

COVENANTS AND ADDITIONAL AGREEMENTS OF THE COMPANY, THE STOCKHOLDERS AND PURCHASER

4.01 CONDUCT OF BUSINESS. Prior to the Closing Date, except with the prior written consent of Purchaser and except as necessary to effect the transactions contemplated in this Agreement, the Company shall, and the Stockholders shall cause the Company and each of the Subsidiaries to:

(a) other than in connection with the WEAU Agreement, conduct the Business in substantially the same manner as presently being conducted, and refrain from entering into any transaction or Contract other than in the ordinary course of business consistent with past practice, except as otherwise contemplated by this Agreement;

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(b) confer on a regular and frequent basis with Purchaser to report Material operational matters and to report the general status of ongoing operations;

(c) notify Purchaser of any unexpected emergency or other change in the normal course of the Business or the operation of the assets of the Company or any of the Subsidiaries, and of any Litigation (or communications indicating that the same may be contemplated), affecting the Company, any of the Subsidiaries, the Business or any Material assets, and keep Purchaser fully informed of such events and permit its representatives prompt access to all materials prepared in connection therewith in each case where such emergency, change, Litigation or other event could cause a Material Adverse Effect;

(d) except in the ordinary course of business consistent with past practice, not make any Material capital expenditure;

(e) other than in connection with the WEAU Agreement, not take any action, or omit to take any action, that would cause the representations and warranties contained in Article II hereof to be incorrect or incomplete in any Material respect;

(f) promptly notify Purchaser in writing of any Material Adverse Change with respect to the Company, the Business or any of the Subsidiaries, or any condition or event which threatens to result in a Material Adverse Change with respect to the Company, the Business or any of the Subsidiaries;

(g) notwithstanding the \$1,000,000 threshold contained in the definition of Material Adverse Change in Article IX, use all reasonable efforts to promptly remedy any adverse change, condition or event that causes or is reasonably likely to cause any of the Stations to be or go off the air; and

(h) not make any agreement or commitment which will result in or cause to occur a Default of any of the items contained in paragraphs (a) through (g) above.

Notwithstanding any of the foregoing provisions of this Section 4.01, prior to the Closing, control of the operation of the Stations shall remain exclusively with the Company, any of the Subsidiaries and the Stockholders.

4.02 RIGHT OF INSPECTION; ACCESS. In order to allow Purchaser to conduct its due diligence investigation, including, without limitation, environmental due diligence, the Company shall give to Purchaser and its designees, during normal working hours, full and free access to all of its and each of the Subsidiaries' respective assets, Contracts, reports and other records and shall furnish to Purchaser and its designees all additional financial, legal and other information with respect to the Company, any of the Subsidiaries, their respective assets and the Business that Purchaser may reasonably request. The Company shall also allow and arrange for Purchaser and its designees free and full access and opportunity, during normal business hours, to consult and meet with the officers, directors, employees, attorneys, accountants and other agents of the Company and each of the Subsidiaries. The Company shall instruct such individuals to cooperate fully with Purchaser and its designees. Purchaser and its designees shall have the right to make copies of any of the records referred to above. In addition to the foregoing, the Company and the Stockholders shall provide to Purchaser such evidence as Purchaser reasonably requires to verify the accuracy of the representation and warranty contained in paragraph (m) of Section 2.10. Within thirty (30) days after the date of this Agreement, the Stockholders shall provide to Purchaser a letter from Arthur Andersen in form and substance reasonably satisfactory to Purchaser and its counsel that verifies that since

April 20, 1995 there has not been an ownership change (within the meaning of Section 382 of the Code) with respect to the Company. Further, at Closing, the Stockholders shall provide to Purchaser an updated letter from Arthur Andersen

bringing current to the Closing Date the letter provided pursuant to the foregoing sentence. Purchaser agrees to indemnify against and hold the Company, the Subsidiaries and the Stockholders harmless from any claim for Liability, costs, expenses (including reasonable attorneys' fees actually incurred), damages or injuries arising out of or resulting from the inspection of the Company by Purchaser or its agents.

4.03 OTHER OFFERS AND EXCLUSIVE DEALING. Unless and until this Agreement is terminated prior to Closing pursuant to Section 8.01 and other than in connection with the WEAU Agreement, the Company and each of the Stockholders shall, and shall cause each of the Subsidiaries to, deal exclusively with Purchaser with respect to the sale of the Stock or any assets or properties of the Company or any of the Subsidiaries. In addition, unless and until this Agreement is terminated prior to Closing pursuant to Section 8.01 and other than in connection with the WEAU Agreement, neither the Company nor any of the Stockholders, acting in any capacity, shall, and the Company and the Stockholders shall direct each of the Subsidiaries and the officers, directors, limited partners, general partners (as applicable), financial advisors, accountants and counsel of the Company, any of the Subsidiaries and the Stockholders not to, either directly or indirectly, through the Company, any of the Subsidiaries, any officer, director, employee, agent or otherwise, (a) solicit, initiate or encourage submission of proposals or offers from any Person relating to any purchase of the Stock, or any merger, sale of substantial assets, or purchase of securities or similar transaction involving the Company or any of the Subsidiaries, (b) participate in any discussions or negotiations regarding, or, except as required by a legal or judicial process, furnish to any other Person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to purchase the assets of the Company or any of the Subsidiaries, or engage in a merger, purchase of substantial assets or purchase of stock or similar transaction involving the Company or any of the Subsidiaries, or (c) approve or undertake any such transaction. If, notwithstanding the foregoing, the Company, the Stockholders or any of their respective shareholders, directors, partners, officers, employees or agents shall receive any written proposal or inquiry regarding any such transaction, the Company and the Stockholders shall, and shall cause any of the Subsidiaries to, promptly communicate to Purchaser the terms of any such proposal or offer upon Knowledge or receipt of such written proposal or offer.

4.04 CONFIDENTIALITY. For a period of one (1) year from and after the date hereof and other than in connection with the WEAU Agreement, each of Purchaser, the Company and the Stockholders agrees that it will not, and will use reasonable efforts to ensure that none of its representatives or Affiliates will, use in the conduct of its business (except as contemplated by this Agreement), or disclose to or file with any other Person (other than financing sources, financial advisors, accountants and attorneys for the foregoing who will be informed of the confidential nature of such information and who have a need to know such information), (a) any confidential or non-public information relating to the other parties to this Agreement or (b) the existence of this Agreement or the fact of the transactions contemplated hereby, except (i) for a disclosure that is required by Law or by a Governmental Authority or is reasonably believed to be so required, including, without limitation, disclosures to the FCC and the Department of Justice for purposes of obtaining consents to the transactions contemplated hereby and disclosures to the Securities and Exchange Commission and related public disclosures (in connection with public offerings or otherwise); (ii) information that is ascertainable or obtained from public or published information; (iii) information received from a Third Party not known to the disclosing party to be under an obligation to keep such information confidential; (iv) information independently developed by the disclosing party; or (v) information disclosed to or filed with any Persons necessary to obtaining the consents or the equity and debt financing relating to the transactions contemplated by this Agreement. Notwithstanding the foregoing, (i)

neither Purchaser nor its assignees, in the course of any investigation it shall deem necessary and desirable in connection with the transactions contemplated by

this Agreement, shall be prohibited from discussing the Company, any of the Subsidiaries, their respective assets and the Business with others having business dealings with the Company or any of the Subsidiaries, and (ii) the foregoing provisions of this Section 4.04 shall not apply to Purchaser or any of its representatives or Affiliates after consummation of the transactions contemplated hereby at the Closing with respect to information relating to the Company or its Subsidiaries. If the transaction contemplated by this Agreement is not consummated, each party will return or destroy as much of such written information as the party furnishing such information may reasonably request.

4.05 CONSENTS AND APPROVALS. The Company and the Stockholders shall obtain the waiver, consent and approval of all Persons whose waiver, consent or approval (i) is required in order to consummate the transactions contemplated by this Agreement, or (ii) is required by any Material Contract, Order, Law or License to which the Company, any of the Subsidiaries or any of the Stockholders is a party or subject on the Closing Date, and Purchaser shall cooperate with the Company and the Stockholders in connection therewith. All written waivers, consents and approvals obtained by the Company and the Stockholders shall be produced at Closing in form and content reasonably satisfactory to Purchaser.

4.06 SUPPLYING OF FINANCIAL STATEMENTS. The Stockholders shall cause the Company and each of the Subsidiaries to deliver to Purchaser within twenty (20) days following the end of each month true and complete copies of all unaudited monthly financial statements of the Company and each of the Subsidiaries for each calendar month ending subsequent to the date hereof and prior to the Closing Date in the format historically utilized internally by the Company and each of the Subsidiaries. In addition, the Stockholders shall cause the Company and each of the Subsidiaries to deliver to Purchaser as soon as practicable consolidated audited financial statements as of December 28, 1997 and for the year then ended.

4.07 QUALIFICATION AND CORPORATE EXISTENCE. The Company shall deliver to Purchaser (i) certificates of the Secretary of State of the State of Delaware, dated within ten (10) days prior to the Closing Date, stating that the Company and each of the Subsidiaries are corporations in good standing under the laws of the State of Delaware, and have paid all applicable franchise and other fees and Taxes due to such state and (ii) certificates of the appropriate officials of the states and foreign jurisdictions listed on Schedule 2.03, each dated not more than ten (10) days prior to the Closing Date, stating that each of the Company and each of the Subsidiaries is duly qualified and in good standing to transact business as a foreign corporation as stated in Section 2.03 in each such state and foreign jurisdiction and has paid all applicable franchise and other fees and Taxes due to each such state and foreign jurisdiction.

4.08 PUBLIC ANNOUNCEMENTS. Upon execution of this Agreement, Purchaser and the Company shall each issue a press release and public announcement regarding this Agreement and the transactions contemplated hereby, each of which press releases shall be reasonably satisfactory to the other party. Except as permitted by the foregoing sentence or Section 4.04, none of Purchaser, the Company, or the Stockholders, nor any of their representatives or Affiliates, shall make any public announcement with respect to this Agreement or the transactions contemplated hereby without the prior consent of the other parties hereto unless required by Law or judicial process, in which case notification shall be given to the other parties hereto prior to such disclosure.

4.09 CLOSING CONDITIONS. Subject to the terms and conditions herein provided, each of the parties hereto agrees to take, or cause to be taken, all commercially reasonable actions to consummate the transactions contemplated by this Agreement and to satisfy the conditions precedent to Closing set forth in Article VI and Article VII of this Agreement.

4.10 SUPPLEMENTS TO SCHEDULES. The Company and the Stockholders shall from time to time after the date hereof, supplement or amend the Schedules referred to in Article II with respect to any matter arising after the date hereof which, if existing or occurring at the date hereof, would have been required to be set

forth or described in such Schedules. Purchaser may unilaterally extend the Closing Date if necessary to allow Purchaser five (5) business days to review such supplements to the Schedules prior to the Closing Date. If, in Purchaser's reasonable determination, any such supplements to the Schedules reveal any Material Adverse Change with respect to the Company, any of the Subsidiaries or the Business, or any condition or event which threatens to result in a Material Adverse Change with respect to the Company, any of the Subsidiaries or the Business, Purchaser may, subject to the Stockholder's right to cure any such Material Adverse Change or reduce the Purchase Price in the manner contemplated herein, terminate this Agreement pursuant to Section 8.01.

4.11 CERTAIN TAX MATTERS.

(a) Purchaser, on the one hand, and the Company and the Stockholders, on the other hand, shall provide the other parties to this Agreement, at the expense of the requesting party, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, any audit or other examination by any Governmental Authority, or any judicial or administrative proceedings relating to any Liability for Taxes, and each will retain and provide the requesting party with any records or information that may be relevant to any of the foregoing.

(b) The Stockholders shall cause the Company to prepare and file on or before the due date therefor (including any extensions thereof) all Tax Returns and amendments thereto required to be filed by the Company on or before the Closing Date, and shall cause the Company to pay, or cause to be paid, all Taxes (including estimated taxes) due on such Tax Return or which are otherwise required to be paid at any time prior to or during such period. Such Tax Returns shall be prepared in accordance with the most recent Tax practices as to elections and accounting method. Purchaser shall have a reasonable opportunity to review all Material Tax Returns and amendments thereto prior to their filing.

(c) The Stockholders shall not, without the prior written consent of Purchaser, file or cause to be filed, any amended Tax Return or claim for Tax Refund with respect to the Company or any Subsidiary for any period ending on or before the Closing Date, to the extent that any such filing may affect the Tax Liability of Purchaser, any of its Affiliates, the Company or any Subsidiary for any period ending after the Closing Date (including, but not limited to, the imposition of Tax deficiencies, the reduction of asset basis or cost adjustments, the lengthening of any amortization or depreciation periods, the denial of amortization or depreciation deductions, or the reduction of loss or credit carryforwards).

(d) To the extent the Company, any of the Subsidiaries or any of the Stockholders have Knowledge of the commencement or scheduling of any Tax audit, the assessment of any Tax, the issuance of any notice of Tax due or any bill for collection of any Tax, or the commencement or scheduling of any other administrative or judicial proceeding with respect to the determination, assessment or collection of any Tax of the Company or any of the Subsidiaries, the Company, the Subsidiaries or the Stockholders shall provide prompt notice to Purchaser of such matter, setting forth information (to the extent Known) describing any asserted Tax Liability in reasonable detail and including copies of any notice or other documentation received from the applicable Tax authority with respect to such matter.

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(e) The Stockholders shall furnish Purchaser on or before the Closing Date an affidavit, stating, under penalty of perjury, the transferor's United States taxpayer identification number and that the transferor is not a foreign person, pursuant to Section 1445(b)(2) of the Code.

(f) The Stockholders shall not agree to settle any Tax Liability or compromise any claim with respect to Taxes which settlement or compromise may affect the Liability for Taxes hereunder (or right to Tax benefit hereunder) of the Company or Purchaser without Purchaser's prior written consent.

4.12 EXPENSES.

(a) Except as provided below, regardless of whether the transactions contemplated by this Agreement are consummated, the Company shall be responsible for all expenses and fees incurred by it and by the Stockholders in connection with the transactions contemplated hereby and Purchaser shall be responsible for all expenses and costs incurred by it in connection with the transactions contemplated hereby.

(b) At the Closing the Stockholders shall pay out of the Purchase Price all Taxes, if any, relating to the transfer of the Stock to Purchaser. The Stockholders shall file all necessary documentation and Tax Returns required to be filed by them with respect to such Taxes.

(c) The Company and Purchaser each shall pay one-half of the costs and fees relating to the environmental report or reports required by Section 6.11.

(d) The Company and Purchaser shall each pay one-half of the initial \$45,000 filing fee associated with the pre-merger notifications and reports required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(e) The Company shall bear the costs and expenses associated with delivery of the title documents described in Section 6.13.

(f) The Company and Purchaser shall each pay one-half of the processing fees incident to the filing of the transfer of control applications with the FCC; provided that none of the Company or any Stockholder shall have any obligation to pay any such processing fees arising out of the transactions contemplated by Section 4.16.

4.13 FURTHER ASSURANCES. At any time and from time to time after the Closing, the Company and the Stockholders shall, at the request of Purchaser, take any and all actions necessary to fulfill their respective obligations hereunder, to put Purchaser in actual possession and control of the Stock and execute and deliver such further instruments of conveyance, sale, transfer and assignment, and take such other actions necessary or desirable to effectuate, record or perfect the transfer of the Stock to Purchaser free and clear of all Liens, to confirm the title of the Stock to Purchaser, to assist Purchaser in exercising rights relating thereto, or to otherwise effectuate or consummate any of the transactions contemplated hereby.

4.14 DELIVERY OF BOOKS AND RECORDS. The Company and the Stockholders shall deliver to Purchaser at the Closing all original documents, books and records pertaining to the Company, the Business and the Stock, including without limitation, the original minute books and stock record books. The Company and the Stockholders may retain copies of any of the foregoing for their own use. Without

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limiting the generality of the foregoing, the Company and the Stockholders shall deliver to Purchaser at the Closing all documents and records relating to the Intellectual Property, including without limitation, Certificates of Registration for all letters patent, trademarks and service marks listed on Schedule 2.14 and all such documents relating thereto.

4.15 FCC MATTERS.

(a) If not previously filed, then as promptly as practical following the date of this Agreement, the Company and Purchaser or its assignees shall prepare and file, and the Company shall cause each of the Subsidiaries as may be required or necessary to prepare and file, with the FCC all necessary applications for approval of the transactions contemplated in this Agreement. In connection therewith, Purchaser or its assignees shall provide the information requested by the FCC and take actions reasonably necessary to enable the FCC to grant the applications including, but not limited to, authority for KGIN-TV to

operate as a satellite of KOLN-TV within the time periods contemplated by this Agreement.

(b) The Company, each of the Stockholders and Purchaser further covenant that from the date hereof until the Closing Date, without the prior written consent of the Company or Purchaser, as the case may be, neither the Company nor Purchaser shall take any action, and neither the Company nor any of the Stockholders shall permit any of the Subsidiaries to take any action, that is reasonably likely to adversely affect, or delay or interfere with, obtaining the FCC Order or complying with or satisfying the terms thereof, including without limitation, acquiring any new or increased attributable interest, as defined in the FCC rules, in any media property, which property could not be held (without the need for a waiver) in common control by the Company, any of the Subsidiaries and Purchaser following the Closing Date.

4.16 COOPERATION TO EFFECT STATION EXCHANGE. Each of the Stockholders and the Company shall use reasonable efforts to cooperate with Purchaser to effect a tax-free, like-kind exchange of Purchaser's Albany station with a designated purchaser of one or more of the Stations, provided that such exchange shall not be likely to cause the Closing to occur subsequent to September 1, 1998. Purchaser will bear all costs and expenses resulting from or arising out of any such like-kind exchange. In addition, the identification of such purchaser, the closing of such transaction or the execution of documents relating thereto shall not be a condition to the Closing.

4.17 NAME CHANGE. Immediately following the Closing, Purchaser shall cause the Company to take all action necessary to change its name to delete any references to "Busse" therein.

4.18 SEVERANCE AND INCENTIVE PAYMENTS. The parties intend that either (i) prior to the Closing, the Company will make payments to certain of its employees or former employees pursuant to the Company's obligations to make severance or incentive payments as a result of the transactions contemplated by this Agreement and the WEAU Agreement, which payments include payments required under the Company's Long Term Incentive Plan, the Company's Incentive Fee Plan, the Amended and Restated Employment Agreement with Lawrence A. Busse and the Amended and Restated Employment Agreement with James C. Ryan or (ii) the amount of such obligations will be a reduction in the Purchase Price pursuant to Section 1.02. Further, the Company and the Stockholders shall provide Purchaser with such evidence as it shall reasonably require to verify that such payments were made prior to the Closing or to verify the amount of such obligations for purposes of calculating the Purchase Price.

4.19 HSR FILINGS. Purchaser, the Company and the Stockholders shall, as promptly as practicable following the execution of this Agreement, and in cooperation with each other, file with the

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Department of Justice and the Federal Trade Commission the premerger notification forms and any other documents required under the HSR Act, and each shall use its best efforts to obtain earliest termination of all waiting periods under the HSR Act.

4.20 FURTHER ACTIONS. Subject to the terms and conditions of this Agreement, the Stockholders, the Company and Purchaser each agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated in this Agreement and to satisfy the conditions hereto, in each case in as prompt a manner as is reasonably possible.

ARTICLE V
NO SURVIVAL OF REPRESENTATIONS AND WARRANTIES

None of the representations or warranties made by the parties in this Agreement and the Other Agreements shall survive the Closing hereunder.

ARTICLE VI
CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived, in whole or in part, by Purchaser for purposes of consummating such transactions, but without prejudice to any other right or remedy which Purchaser may have hereunder as a result of any misrepresentation by, or breach of any agreement, covenant or warranty of the Company or the Stockholders contained in this Agreement or any Other Agreement, provided that the entering into and consummation of the transactions contemplated by the WEAU Agreement shall not be deemed to affect the following:

6.01 REPRESENTATIONS TRUE AND COVENANTS PERFORMED AT CLOSING. The representations and warranties made by the Company and each of the Stockholders shall be correct and complete in all Material respects at the close of business on the day before the Closing Date with the same force and effect as if such representations and warranties had been made on and as of the close of business on the day before the Closing Date. The Company and each of the Stockholders shall have each duly performed and complied in all Material respects with all of the agreements, covenants, acts and undertakings to be performed or complied with by it in all Material respects on or prior to the Closing Date. The Company and each of the Stockholders shall have delivered to Purchaser a certificate or certificates dated as of the Closing Date certifying as to the fulfillment of the conditions of this Section 6.01. Notwithstanding any other provision of this Agreement to the contrary, for purposes of this Section 6.01, all Materiality qualifications contained in the representations and warranties made by the Company and each of the Stockholders shall be disregarded and given no effect.

6.02 INCUMBENCY CERTIFICATE. Purchaser shall have received an appropriate incumbency certificate or certificates, dated the Closing Date, certifying the incumbency of all officers of the Company and the partners and agents of each Stockholder who have executed this Agreement and the Other Agreements. The certificate or certificates shall contain specimens of the signatures of each of the officers, agents and partners whose incumbency is certified and shall be executed by officers of the Company and partners of each Stockholder other than officers and partners, respectively, whose incumbency is certified.

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6.03 CERTIFIED COPIES OF RESOLUTIONS. Purchaser shall have received copies, certified by the duly qualified and acting Secretary or Assistant Secretary of the Company and each corporate general partner of any Stockholder, of resolutions adopted by the Board of Directors of the Company and each such corporate partner of any Stockholder approving this Agreement and the Other Agreements and the consummation of the transactions contemplated hereby and thereby.

6.04 OPINIONS OF COUNSEL. Purchaser shall have received (i) a written opinion of Cadwalader, Wickersham & Taft, counsel to the Stockholders, dated the Closing Date and substantially in the form of Exhibit 6.04(i) attached hereto and made a part hereof by this reference, (ii) a written opinion of Winston & Strawn, counsel to the Company and the Subsidiaries, dated the Closing Date and substantially in form and substance reasonably satisfactory to Purchaser and its counsel, and (iii) a written opinion of Pepper & Corazzini L.L.P., FCC counsel to the Company and each of the Subsidiaries, dated the Closing Date and substantially in the form of Exhibit 6.04(ii) attached hereto and made a part hereof by this reference.

6.05 NO MATERIAL ADVERSE CHANGE. There shall not have occurred any Material Adverse Change, or any condition or event that is reasonably likely to cause a Material Adverse Change, with respect to the Business, the Company, or any of the Subsidiaries, taken as a whole, or any of their respective assets from the Balance Sheet Date. The Company and each of the Stockholders shall have delivered to Purchaser a certificate or certificates dated as of the Closing

Date executed by the Company and each of the Stockholders certifying the foregoing statement.

6.06 NO INJUNCTION, ETC. No Litigation, Law, Order or legislation shall have been instituted, threatened or proposed by a Third Party before any court or Governmental Authority to enjoin, restrain, prohibit or obtain damages in respect of this Agreement or the consummation of the transactions contemplated hereby, if such Litigation, Law, Order or legislation, in the reasonable judgment of Purchaser, would make it inadvisable to consummate the transactions contemplated hereby.

6.07 RESIGNATIONS. Purchaser shall have received a written instrument signed by each of the directors and officers of the Company and each of the Subsidiaries resigning from the Board of Directors and as corporate officers of the Company and each of the Subsidiaries, as the case may be, effective the Closing Date.

6.08 APPROVAL OF LEGAL MATTERS. All actions, proceedings, instruments and documents reasonably deemed necessary or appropriate by Purchaser or its attorneys to effectuate this Agreement and to consummate the transactions contemplated hereby shall have been approved by such attorneys in the exercise of their reasonable discretion.

6.09 FCC APPROVALS. The FCC shall have given all requisite approvals and consents, without any condition or qualification Materially adverse to Purchaser or its assignee, the Company or any of the Subsidiaries or Materially adverse to the operations of the Business, to the acquisition of control of the Company or any of the Subsidiaries by Purchaser as provided in this Agreement (whether or not any appeal or request for reconsideration or review is pending or the time for filing any appeal or request for reconsideration or review, or for any sua sponte action by the FCC with similar effect has expired), including without limitation, any Materially Adverse Condition on Purchaser's acquisition or operation of any of the Stations. In addition, the FCC shall have granted the renewal of the FCC Licenses of each Station for a full eight (8) year term from the date of the expiration of the most recent License term.

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6.10 HART-SCOTT APPROVAL. All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

6.11 ENVIRONMENTAL REPORT. Prior to the Closing, the Company shall (i) provide to Purchaser a letter from the Nebraska Department of Environmental Quality ("DEQ") stating that no further investigation or remediation will be required by DEQ related to the two fuel oil underground storage tanks formerly located at KOLN-TV, Lincoln, Nebraska and noted in Section 4.7 of the Environmental Report related to KOLN-TV (the "Former USTs"), or (ii) cause, at its sole cost and expense, Montgomery Watson or such other environmental consultant as shall be reasonably acceptable to Purchaser (the "Environmental Consultant") to perform an investigation, consistent with applicable state regulations (the "Investigation"), of the area surrounding the Former USTs to determine if contamination from the Former USTs is present. In the event actionable levels of contamination related to the Former USTs are detected by such Investigation, the Stockholders may, at their sole discretion, elect to cause the Company to remediate the identified contamination in compliance with applicable state regulations (the "Remedial Action"). In the event the Stockholders do not make such election or the Remedial Action is not completed on or prior to the Closing Date, then the Purchase Price shall be reduced by the amount determined by the Environmental Consultant to be reasonably necessary to complete the Remedial Action. The Company shall keep the Purchaser reasonably apprised of the status of any Investigation or Remedial Action by providing the Purchaser with Material documents and information relating to the performance of the Investigation and Remedial Action.

Prior to the Closing, the Company shall further cause Montgomery Watson or the Environmental Consultant to visually observe the towers located in Beaver

Crossing and Heartwell, Nebraska and provide a letter report summarizing such observations to Purchaser and the Company. The Environmental Consultant's costs to conduct such visual observations shall be paid equally by the Stockholders and Purchaser. Such letter report shall state that no condition exists with respect to the assets currently owned, leased, operated, or controlled by the Company or any of the Subsidiaries that has resulted in, or would reasonably be expected to result in, any violation of an Environmental Law, any Environmental Claim, or in any Liability relating to an Environmental Matter. Such report shall include an estimate of the total cost of remedying any such condition reported therein. In the event such letter report indicates that such a condition exists, the Stockholders shall remedy such condition to Purchaser's reasonable satisfaction within ninety (90) days after the date of the Stockholders' receipt of the final draft of the letter report. If such condition cannot be remedied to Purchaser's reasonable satisfaction within ninety (90) days, the Purchase Price shall be reduced by the amount determined by Montgomery Watson or the Environmental Consultant to be reasonably necessary to remedy such condition.

6.12 SALES AND USE TAXES. The Company shall have used its reasonable best efforts to obtain and deliver to Purchaser an updated certificate or certificates from the Michigan, Nebraska and Wisconsin Departments of Revenue (or similar Taxing authorities) and from any other state and foreign Tax authority listed on Schedule 2.03 stating that no sales or use Taxes are due relating to the Business or the assets or operations of the Company or any of the Subsidiaries prior to Closing.

6.13 TITLE DOCUMENTS. Purchaser shall have received an owner's title insurance policy (or an endorsement to an existing owner's title insurance policy) for each parcel of the Owned Real Property bringing forward the effective date of the policy to the Closing Date subject to no additional Liens other than Permitted Liens and reflecting no change in ownership of the Owned Real Property. With respect to each parcel of Leased Real Property in which the Company or its Subsidiaries is the lessee, except for the Kalamazoo, Michigan leased property, Purchaser shall have received a leasehold insurance policy insuring the Company or its Subsidiary, as the case may be, subject to no Liens other than Permitted

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Liens and a current updated and revised ALTA survey. Each of the title insurance policies described in this Section 6.13 shall contain zoning endorsements in form and substance reasonably satisfactory to Purchaser and shall be paid equally by the Stockholders and Purchaser. The title insurance commitment for the owner's title insurance policy for the Owned Real Property in Eau Claire County, Wisconsin will be endorsed to remove exception No. 21 relating to a mortgage held by Chemical Bank so that the policy when issued will contain no special exception for the mortgage held by Chemical Bank, but will reference the estate, right, title and interest of Americus (successor to Sage Broadcasting) and all parties claiming by, through or under Americus.

ARTICLE VII CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY AND STOCKHOLDERS

The obligations of the Company and the Stockholders to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived, in whole or in part, by the Company and the Stockholders for purposes of consummating such transactions, but without prejudice to any other right or remedy which the Company and the Stockholders may have hereunder as a result of any misrepresentation by, or breach of any agreement, covenant or warranty of Purchaser contained in this Agreement or any Other Agreement:

7.01 REPRESENTATIONS TRUE AND COVENANTS PERFORMED AT CLOSING. The representations and warranties made by Purchaser shall be correct and complete in all Material respects on the Closing Date with the same force and effect as

if such representations and warranties had been made on and as of the Closing Date. Purchaser shall have duly performed and complied with all of the agreements, covenants, acts and undertakings to be performed or complied with by it on or prior to the Closing Date. Purchaser shall have delivered to the Company and the Stockholders a certificate dated as of the Closing Date certifying as to the fulfillment of the conditions of this Section 7.01. Notwithstanding any other provision of this Agreement to the contrary, for purposes of this Section 7.01, all Materiality qualifications contained in the representations and warranties made by Purchaser shall be disregarded and given no effect.

7.02 INCUMBENCY CERTIFICATE. The Company and the Stockholders shall have received an incumbency certificate or certificates dated the Closing Date certifying the incumbency of all officers of Purchaser who have executed this Agreement or documents in connection with this Agreement. The certificate or certificates shall contain specimens of the signatures of each of the officers whose incumbency is certified and shall be executed by an officer of Purchaser other than an officer whose incumbency is certified.

7.03 CERTIFIED COPIES OF RESOLUTIONS. The Company and the Stockholders shall have received copies, duly certified by the duly qualified and acting Secretary or Assistant Secretary of Purchaser of resolutions adopted by the Board of Directors of Purchaser approving this Agreement and the consummation of the transactions contemplated herein.

7.04 NO INJUNCTION, ETC. No Litigation, Law, Order or legislation shall have been instituted, threatened or proposed by a Third Party before any court or Governmental Authority to enjoin, restrain, prohibit or obtain damages in respect of this Agreement or the consummation of the transactions contemplated hereby, if such Litigation, Law, Order or legislation, in the reasonable judgment of Purchaser, would make it inadvisable to consummate the transactions contemplated hereby.

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7.05 HART-SCOTT ACT APPROVAL. All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

7.06 APPROVAL OF LEGAL MATTERS. All actions, proceedings, instruments and documents reasonably deemed necessary or appropriate by the Stockholders or their attorneys to effectuate this Agreement and to consummate the transactions contemplated hereby shall have been approved by such attorneys in the exercise of their reasonable discretion.

7.07 FCC APPROVALS. The FCC shall have given all requisite approvals and consents, without any condition or qualification Materially adverse to Purchaser or its assignee, the Company or any of the Subsidiaries or Materially adverse to the operations of the Business, to the acquisition of control of the Company or any of the Subsidiaries by Purchaser as provided in this Agreement (whether or not any appeal or request for reconsideration or review is pending or the time for filing any appeal or request for reconsideration or review, or for any sua sponte action by the FCC with similar effect has expired), including without limitation, any Materially Adverse Condition on Purchaser's acquisition or operation of any of the Stations. In addition, the FCC shall have granted the renewal of the FCC Licenses of each Station for a full eight (8) year term from the date of the expiration of the most recent License term.

7.08 OPINIONS OF COUNSEL. The Stockholders shall have received a written opinion of either Heyman & Sizemore or Alston & Bird, LLP, counsel to Purchaser, dated the Closing Date and in form and substance reasonably satisfactory to the Stockholders and their counsel.

8.01 CAUSES FOR TERMINATION. This Agreement and the transactions contemplated by this Agreement may be terminated at any time prior to the Closing Date: (i) by the mutual consent of the Stockholders and Purchaser; (ii) by Purchaser in the event the conditions set forth in Article VI of this Agreement shall not have been satisfied or waived by September 1, 1998; (iii) by the Stockholders in the event that the conditions set forth in Article VII of this Agreement shall not have been satisfied or waived by September 1, 1998; (iv) by Purchaser pursuant to Sections 4.10 or 6.11; or (v) by Purchaser or the Stockholders at any time if Purchaser determines in good faith that any Material Adverse Change, or any condition or event that is reasonably likely to cause a Material Adverse Change, with respect to the Company, any of the Subsidiaries, their respective assets or the Business shall have occurred or been discovered since the Balance Sheet Date.

8.02 NOTICE OF TERMINATION. Notice of termination of this Agreement as provided for in this Article VIII shall be given by the party so terminating to the other parties hereto in accordance with the provisions of Section 10.01.

8.03 EFFECT OF TERMINATION.

(a) In the event of a termination of this Agreement pursuant to Section 8.01 hereof, except for the confidentiality provisions of Section 4.04, which shall remain in full force and effect, this Agreement shall become void and of no further force and effect, and each party shall pay the costs and expenses incurred by it in connection with this Agreement, and no party (or any of its agents, counsel, representatives, Affiliates or assigns) shall be liable to any other party for any Loss hereunder. Notwithstanding the foregoing sentence, if the non-occurrence of Closing is the direct or indirect result of

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the Material Default by any of the Stockholders or the Company of any of their or its respective obligations hereunder, including without limitation, any Material inaccuracy in any representation or warranty made by such party, and Purchaser has not Materially Defaulted on any of its obligations hereunder, such Defaulting parties shall be fully liable to Purchaser for any such Default; and if the non-occurrence of Closing is the direct or indirect result of the Material Default by Purchaser of any of its obligations hereunder, and neither the Company nor any of the Stockholders has Materially Defaulted on any of its respective obligations hereunder, the LC shall be paid to the Stockholders as liquidated damages to compensate the Stockholders and the Company for the damages resulting to such parties from such Default. The parties agree that actual damages pursuant to a breach of this Agreement prior to the Closing would be impossible to measure. Receipt of the LC shall be the sole and exclusive remedy that the Stockholders and the Company shall have in the event of such Default and shall constitute a waiver of any and all other legal or equitable rights or remedies that any of the Stockholders or the Company may otherwise have as a result of Purchaser's Default, and that in consideration for the receipt of the LC as liquidated damages, neither the Company nor any of the Stockholders may obtain any further legal or equitable relief, including specific performance, to which it may otherwise have been entitled and Purchaser shall have no further Liability to the Company or any of the Stockholders as a result of such Default or the non-occurrence of Closing.

(b) If the Closing does not occur due to the nonfulfillment of any of the conditions in Article VI or for any other reason except Purchaser's Material Default in the performance of any of its obligations under this Agreement, neither the Company nor any of the Stockholders shall be entitled to the LC and, promptly after the termination of this Agreement, the LC shall be returned to Purchaser. In addition, the Company and each of the Stockholders acknowledge that Purchaser, at its option (to be exercised in its sole and absolute discretion), may elect to have the Agreement specifically performed by the Company and the Stockholders in addition to receipt of the LC. The Company and the Stockholders further acknowledge that any breach of this Agreement by either the Company or any of the Stockholders will cause irreparable damage and injury to Purchaser and that Purchaser will be entitled to injunctive relief in any court of competent jurisdiction without the necessity of posting any bond.

(c) It is agreed that time is of the essence in the performance and satisfaction of this Agreement and each of the conditions specified in Articles VI and VII of this Agreement are Material for purposes of this Agreement.

8.04 RISK OF LOSS. The Stockholders assume all risk of condemnation, destruction or Loss to the Company or any of the Subsidiaries due to fire or other casualty from the date of this Agreement until the Closing.

ARTICLE IX
DEFINITIONS

The following terms (in their singular and plural forms as appropriate) as used in this Agreement shall have the meanings set forth below unless the context requires otherwise:

"ACCOUNTS RECEIVABLE" means, as of any applicable date, all accounts receivable, notes receivable, and other monies due to the Company or any of the Subsidiaries for sales and deliveries of goods, performance of services and other business transactions (whether or not on the books of the Company or any of the Subsidiaries).

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"AFFILIATE" of a Person means: (i) any Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person; (ii) any officer, director, partner, employee, agent, or representative or direct or indirect beneficial or legal owner of any 10% or greater equity or voting interest of such Person (other than the limited partners of the Stockholders); (iii) any entity for which a Person described in (ii) above acts in any such capacity.

"AGREEMENT" means this Amended and Restated Stock Purchase Agreement, including the Exhibits and Schedules delivered pursuant hereto or referred to herein, each of which is incorporated herein by reference.

"BALANCE SHEET" means initially, the consolidated balance sheet of the Company and each of the Subsidiaries as of September 28, 1997 and included in the Financial Statements and, subsequently, when delivered to Purchaser pursuant to Section 4.06, the consolidated audited balance sheet of the Company and each of the Subsidiaries as of December 28, 1997 and included in the Financial Statements.

"BALANCE SHEET DATE" means the date of the most recent Balance Sheet.

"BOARD OF DIRECTORS" means the Board of Directors of a Person that is a corporation.

"BUSINESS" means the Company's business conducted through the Subsidiaries, of owning and operating (i) the television station KOLN/TV, serving Lincoln, Nebraska, (ii) the television station KGIN-TV, serving Grand Island, Nebraska and (iii) the television station WEAU-TV serving Eau Claire and LaCrosse, Wisconsin.

"BUSINESS DAY" means a day other than a Saturday, a Sunday, a day on which banking institutions in the State of Georgia are authorized or obligated by law or required by executive order to be closed, or a day on which the New York Stock Exchange is closed.

"CERTIFICATE OF INCORPORATION" means the certificate of incorporation of a Person that is a corporation.

"CLOSING" means the consummation of the transactions contemplated by this Agreement.

"CLOSING DATE" means the fifth business day after issuance of the FCC Order as set forth in Section 4.15 and the satisfaction (or waiver) of all of the conditions set forth in Articles VI and VII, or such other date as the parties may agree in writing; provided that the Closing Date may be extended to September 1, 1998 by Purchaser as necessary to effectuate the tax-free like-kind exchange described in Section 4.16; provided, further, that the provisions of Section 4.16 shall continue to be in effect on the date of issuance of such FCC Order.

"CODE" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"COMMITMENTS" means the owner's title insurance policy commitments contained in Schedule 2.11.

"COMMON STOCK" means the \$.01 par value per share common stock of the Company.

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"COMPUTER SOFTWARE" means all computer programs, materials, tapes, source and object codes, and all prior and proposed versions, releases, modifications, updates, upgrades and enhancements thereto, as well as all documentation and listings related thereto used in the Business.

"CONTRACT" means any written or oral contract, agreement, understanding, lease, usufruct, license, plan, instrument, commitment, restriction, arrangement, obligation, undertaking, practice or authorization of any kind or character or other document to which any Person is a party or that is binding on any Person or its securities, assets or business.

"DATABASES" means databases in all forms, versions and media, together with prior and proposed updates, modifications and enhancements thereto, as well as all documentation and listings therefor used in the Business, other than Licenses.

"DEFAULT" means (1) a breach of, default under, or misrepresentation in or with respect to any Contract or License, (2) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of, default under, or misrepresentation in any Contract or License, or (3) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right to terminate, change the terms of or renegotiate any Contract or License or to accelerate, increase, or impose any Liability under any Contract or License.

"EMPLOYEE BENEFIT PLAN" means collectively, each pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other incentive plan, any other written or unwritten employee program, arrangement, agreement or understanding, whether arrived at through collective bargaining or otherwise, any medical, vision, dental or other health plan, any life insurance plan, or any other employee benefit plan or fringe benefit plan, including, without limitation, any "employee benefit plan," as that term is defined in Section 3(3) of ERISA currently or previously adopted, maintained by, sponsored in whole or in part by, or contributed to by the Company, any of the Subsidiaries or any other ERISA Affiliate thereof or under which the Company, any of the Subsidiaries, any other ERISA Affiliate thereof has any Liability for the benefit of employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate. "Employee Benefit Plans" also means any plans, programs, agreements, arrangements or understandings previously maintained by, sponsored in whole or in part by, or contributed to by the Company, any of the Subsidiaries, or any other ERISA Affiliate thereof that could result in a Material Liability to the Company or any of the Subsidiaries, including but not limited to, any plan covered by or subject to Title IV of ERISA. Employee Benefit Plans include (but are not limited to) "employee benefit plans" as

defined in Section 3(3) of ERISA and any other plan, fund, policy, program, practice, custom, understanding or arrangement providing compensation or other benefits to any current or former officer or employee or director or independent contractor of the Company, any of the Subsidiaries or any dependent or beneficiary thereof, maintained by the Company or any of the Subsidiaries or under which the Company or any of the Subsidiaries has any obligation or Liability, whether or not they are or are intended to be (i) covered or qualified under the Code, ERISA or any other applicable Law, (ii) written or oral, (iii) funded or unfunded, (iv) actual or contingent, or (v) generally available to any or all employees (or former employees) of the Company or any of the Subsidiaries (or their beneficiaries or dependents), including, without limitation, all incentive, bonus, deferred compensation, flexible spending accounts, cafeteria plans, vacation, holiday, medical, disability, share purchase or other similar plans, policies, programs, practices or arrangements.

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"ENVIRONMENTAL LAWS" means all Laws relating to pollution or protection of the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended, 42 U.S.C. 9601 et seq. ("CERCLA"), the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq. ("RCRA"), and other Laws relating to emissions, discharges, releases or threatened releases of any Hazardous Substance, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any Hazardous Substance.

"ENVIRONMENTAL LITIGATION" means any Litigation against the Company, any of the Subsidiaries, or the Business or the assets of the Company, or any of the Subsidiaries (including, without limitation, written notice or other written communication by any Person alleging potential Liability for investigatory costs, cleanup costs, private or governmental response or remedial costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based upon, or resulting from (i) any Environmental Matter or (ii) any circumstances or state of facts forming the basis of any Liability or alleged Liability under, or violation or alleged violation of, any Environmental Law.

"ENVIRONMENTAL MATTER" means any matter or circumstances related in any manner whatsoever to (i) the emission, discharge, disposal, release or threatened release of any Hazardous Substance into the environment, or (ii) the transportation, treatment, storage, recycling or other handling of any Hazardous Substance or (iii) the placement of structures or materials into waters of the United States, by, in each case, the Company, any of the Subsidiaries or any of their respective predecessors or (iv) the presence of any Hazardous Substance, including, but not limited to, asbestos, in any building, structure or workplace or on any of the Real Property.

"ENVIRONMENTAL REPORT" means collectively, the three independent Phase I environmental site assessment reports of the Company's and its Subsidiaries' properties and operations prepared for the Company and Purchaser by Montgomery Watson, each dated February, 1998.

"ERISA" means Employee Retirement Income Security Act of 1974, as amended.

"ERISA PLAN" means any Employee Benefit Plan which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, or an "employee welfare benefit plan" as that term is defined in Section 3(1) of ERISA.

"FCC" means the Federal Communications Commission.

"FINANCIAL STATEMENTS" means (i) the consolidated audited balance sheets of the Company and each of the Subsidiaries as of December 29, 1996 and December 31, 1995 and, when delivered to Purchaser pursuant to Section 4.06, December 28, 1997 and the related statements of income and cash flows for the periods then ended and (ii) the consolidated unaudited balance sheets of the Company and each

of the Subsidiaries as of the end of each fiscal quarter from December 30, 1996 through December 28, 1997 and the related statements of income for the months then ended, and (iii) the monthly financial statements provided to Purchaser pursuant to Section 4.06.

"GAAP" means generally accepted accounting principles as in effect in the United States consistently applied.

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"GOVERNMENTAL AUTHORITY" means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority, board or body.

"HART-SCOTT ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C.A. ss. 18(a), as amended, and all Laws promulgated thereunder.

"HAZARDOUS SUBSTANCE" means (i) any hazardous substance, hazardous material, hazardous waste pollutants, contaminants, or toxic substance (as those terms are defined by any applicable Environmental Laws) and (ii) any petroleum, petroleum products, or oil.

"IMPROVEMENTS" means all buildings, structures, fixtures and other improvements included in the Real Property.

"INTELLECTUAL PROPERTY" means, with the exception of the Option Property, (i) patents and pending patent applications together with any and all continuations, divisions, reissues, extensions and renewals thereof, (ii) trade secrets, know-how, inventions, formulae and processes, whether trade secrets or not, (iii) trade names, trademarks, service marks, logos, assumed names, brand names and all registrations and applications therefor together with the goodwill of the business symbolized thereby, (iv) copyrights and any registrations and applications therefor, (v) technology rights and licenses, and (vi) Computer Software and all other intellectual property owned by, registered in the name of, or used in the business of a Person or in which a Person or its business has any interest.

"INVENTORY" means all inventories of raw materials, supplies, products, advertising materials, and other inventories.

"IRS" means the Internal Revenue Service of the United States of America.

"KNOWLEDGE" or "KNOWN" with respect to the Company, any of the Subsidiaries or any of the Stockholders, means collectively those facts that any of the Company, any of the Subsidiaries, any of its officers and employees listed on Exhibit IX hereto or Alfred C. Eckert, III, after due inquiry, knew or reasonably should have known.

"LAW" means any code, law, order, ordinance, regulation, rule, or statute of any Governmental Authority.

"LEASED PERSONAL PROPERTY" means all Personal Property that is not owned by the Company or any of the Subsidiaries that the Company or any of the Subsidiaries either uses or has the right to use.

"LEASED REAL PROPERTY" means all Real Property that is not owned in fee simple by the Company or any of the Subsidiaries that the Company or any of the Subsidiaries either occupies or uses or has the right to occupy or use.

"LIABILITY" means any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, expense (including, without limitation, costs of investigation, collection and defense), claim, deficiency, guaranty or endorsement of or by any Person (other than endorsements of notes, bills and checks presented to banks for collection or deposit in the ordinary course of business) of any type, whether accrued, absolute, contingent, liquidated, unliquidated, matured, unmatured or otherwise.

"LICENSE" means any license, franchise, notice, permit, easement, right, certificate, authorization, approval or filing with any Governmental Authority or court to which any Person is a party or that is or may be binding on any Person or its securities, property or business.

"LIEN" means any mortgage, lien, security interest, pledge, hypothecation, encumbrance, restriction, reservation, encroachment, infringement, easement, conditional sale agreement, title retention, lease, right of occupancy or other security arrangement, defect of title, adverse right or interest, charge or claim of any nature whatsoever of, on, or with respect to any property or property interest.

"LITIGATION" means any action, administrative or other proceeding, arbitration, cause of action, claim, complaint, criminal prosecution, inquiry, hearing, investigation (governmental or otherwise), litigation, notice (written or oral) before any Governmental Authority or arbitration, mediation or similar tribunal by any Person alleging potential Liability or requesting information relating to or affecting the Company or any of the Subsidiaries, their respective assets (including, without limitation, Contracts relating to the Company or any of the Subsidiaries), the Business or the transactions contemplated by this Agreement.

"LOSS" means any and all direct or indirect demands, claims, payments, obligations, recoveries, deficiencies, fines, penalties, interest, assessments, actions, causes of action, suits, losses, diminution in the value of assets, damages, punitive, exemplary or consequential damages (including, but not limited to, lost income and profits and interruptions of business), liabilities, costs, expenses (including without limitation, (i) interest, penalties and reasonable attorneys' fees and expenses, (ii) attorneys' fees and expenses necessary to enforce rights to indemnification hereunder, and (iii) consultants' fees and other costs of defense or investigation), and interest on any amount payable to a Third Party as a result of the foregoing, whether accrued, absolute, contingent, known, unknown, or otherwise as of the Closing Date or thereafter.

"MATERIAL" or "MATERIALLY" shall be determined in light of the facts and circumstances of the matter in question; provided, however, that any specific monetary amount cited in this Agreement shall be deemed to determine materiality in that instance.

"MATERIAL ADVERSE CHANGE" or "MATERIAL ADVERSE EFFECT" means any Material adverse change in or effect on (i) the business, operations, assets, Liabilities, financial condition or results of operations of such Person, including, without limitation, any Material adverse change in the value of the Company or its Subsidiaries, taken as a whole, (ii) the ability of such party to consummate the transactions contemplated by this Agreement or any of the Other Agreements to which it is or will be a party, or (iii) the ability of such party to perform any of its obligations under this Agreement or any of the Other Agreements to which it is or will be a party, if such change or effect Materially impairs the ability of such party to perform its obligations hereunder or thereunder, taken as a whole. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of less than \$1,000,000, no Material Adverse Change or Material Adverse Effect will be deemed to have occurred. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of \$1,000,000 or more but less than \$7,500,000, no Material Adverse Effect will be deemed to have occurred and the Stockholders shall have the option to either (i) cure such change, condition or event or (ii) reduce the Purchase Price by the amount of the adverse effect caused by such change, condition or event. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of \$7,500,000 or more, either Purchaser or the Stockholders may terminate this Agreement at their discretion. Neither a Material Adverse Change nor a

Material Adverse Effect shall be deemed to result from an adverse change in general economic conditions, industry conditions or general conditions in the markets in which the Company operates. Further, notwithstanding the \$1,000,000 threshold contained in the third sentence of this definition, the Stockholders shall cause the Company to use all reasonable efforts to promptly remedy any adverse change, condition or event that causes or is reasonably likely to cause any of the Company's stations to be or go off the air.

"OPTION PROPERTY" means all of the Personal Property subject to Lawrence A. Busse's option to purchase under that certain letter agreement dated the date hereof, 1998 between Mr. Busse and the Company, a correct and complete list of each item of Option Property is contained on Exhibit X.

"ORDER" means any decree, injunction, judgment, order, ruling, writ, quasi-judicial decision or award or administrative decision or award of any federal, state, local, foreign or other court, arbitrator, mediator, tribunal, administrative agency or Governmental Authority to which any Person is a party or that is or may be binding on any Person or its securities, assets or business (including, in the case of the FCC, a public notice or other written authorization).

"OTHER AGREEMENTS" means the agreements, documents, assignments and instruments to be executed and delivered by the Company or the Stockholders pursuant to this Agreement.

"OWNED REAL PROPERTY" means all Real Property other than Leased Real Property.

"PERMITTED LIENS" means (i) Liens for current real property Taxes not yet due and payable, (ii) non-monetary Liens that do not affect the value or use of any parcel of Real Property, (iii) Liens related to the Company's 11-5/8% Senior Secured Notes due 2000 referred to in Section 1.02 and (iv) all Special Exceptions (but not General Exceptions) to title contained in the Commitments.

"PERSON" means a natural person or any legal, commercial or governmental entity, such as, but not limited to, a business association, corporation, general partnership, joint venture, limited partnership, limited liability company, trust, or any person acting in a representative capacity.

"PERSONAL PROPERTY" means collectively and with the exception of the Option Property all of the personal property or interests therein owned, leased, used or controlled by the Company or any of the Subsidiaries including, without limitation, machinery, tools, equipment (including office equipment and supplies), furniture, furnishings, fixtures (including trade fixtures), vehicles, leasehold improvements, all other tangible personal property other than Inventory (which is specifically excluded from the Personal Property).

"PREFERRED STOCK" means the \$.01 par value per share Series A preferred stock of the Company.

"PUC LAWS" means public utility commission laws, rules and regulations.

"PURCHASE PRICE" means the total consideration to be paid to the Stockholders by Purchaser for the purchase of the Stock pursuant to this Agreement and which shall be paid in accordance with Section 1.02 of this Agreement.

"REAL PROPERTY" means collectively all the real property or interests therein owned, leased, occupied, or used by the Company or any of the Subsidiaries as of the date of this Agreement, together

with (i) all rights, easements, tenements, hereditaments, appurtenances, privileges, immunities, mineral rights and other benefits belonging or appertaining thereto which run with said real property and (ii) all right, title and interest, if any, of the Company or any of the Subsidiaries in and to (A)

any land lying in the bed of any street, road, avenue, open or proposed, adjoining said real property, (B) any award made or to be made in lieu of the land described in the preceding clause (A), (C) any unpaid award for damage to said real property, and (D) all strips and rights-of-way abutting or adjoining said real property, if any. The Real Property includes, without limitation, all buildings, structures, fixtures and other improvements located on the land described in the preceding sentence.

"REGISTRATION RIGHTS AGREEMENT" means that certain Registration Rights Agreement dated May 3, 1995 entered into by the Company and KOLN/KGIN, Inc., as amended.

"RELATED PERSON" means, with regard to any natural Person, its spouse, parent, sibling, child, aunt, uncle, niece, nephew, in-law, grandparent and grandchild (including by adoption) and any trustees or other fiduciaries for the benefit of such relatives.

"STOCK" means the Common Stock and the Preferred Stock.

"SUBSIDIARY" means any of WEAU License, Inc., a Delaware corporation, or its successor; KOLN/KGIN, Inc., a Delaware corporation, and KOLN/KGIN License, Inc., a Delaware corporation.

"TAX" or "TAXES" means any federal, state, county, local, foreign and other taxes, assessments, charges, fees, and impositions, including interest and penalties thereon or with respect thereto, whether disputed or not, and including Liabilities relating to unclaimed property.

"TAX RETURNS" means all returns, reports, filings, declarations and statements relating to Taxes that are required to be filed, recorded, or deposited with any Governmental Authority, including any attachment thereto or amendment thereof.

"THIRD PARTY" or "THIRD PARTIES" means any Person that is not Purchaser, the Company, the Stockholders, the Subsidiaries or an Affiliate of any of the foregoing.

"UNDISCLOSED LIABILITIES" means any Liability that is not fully reflected or reserved against in the Financial Statements or fully disclosed in a Schedule to this Agreement.

ARTICLE X MISCELLANEOUS

10.01 NOTICES.

(a) All notices, requests, demands and other communications hereunder shall be (i) delivered by hand, (ii) mailed by registered or certified mail, return receipt requested, first class postage prepaid and properly addressed, (iii) sent by national overnight courier service, or (iv) sent by facsimile, graphic scanning or other telegraphic communications equipment to the parties or their assignees, addressed as follows:

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To the Company: Busse Broadcasting Corporation
141 East Michigan Avenue
Suite 300
Kalamazoo, Michigan 49007
Attention: Mr. Lawrence A. Busse
Telephone: (616) 388-8019
Facsimile: (616) 388-6089

with copies to: Winston & Strawn
35 West Wacker Drive
Chicago, Illinois 60601-9703
Attention: Steven J. Gavin, Esquire

Telephone: (312) 558-5600
Facsimile: (312) 558-5700

To the Stockholders: SSP, Inc.
c/o Greenwich Street Capital Partners, Inc.
388 Greenwich Street -- 36th Floor
New York, New York 10013
Attention: Mr. Alfred C. Eckert, III
Telephone: (212) 816-9506
Facsimile: (212) 816-0166

with copies to: Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attn: Jonathan M. Wainwright, Esquire
Telephone: (212) 504-6122
Facsimile: (212) 504-6666

and to: Morgan, Stanley & Co. Incorporated
1585 Broadway -- 35th Floor
New York, New York 10036
Attention: Mr. Michael F. Wyatt
Telephone: (212) 761-4000
Facsimile: (212) 761-0501

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To Purchaser: Gray Communications Systems, Inc.
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319-3099
Attention: Mr. Robert S. Prather, Jr.
Telephone: (404) 266-8333
Facsimile: (404) 261-9607

with copies to: Alston & Bird LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3424
Attention: Stephen A. Opler, Esquire
Telephone: (404) 881-7693
Facsimile: (404) 881-4777

(b) All notices, requests, instructions or documents given to any party in accordance with this Section 10.01 shall be deemed to have been given (i) on the date of receipt if delivered by hand, overnight courier service or if sent by facsimile, graphic scanning or other telegraphic communications equipment or (ii) on the date three (3) business days after depositing with the United States Postal Service if mailed by United States registered or certified mail, return receipt requested, first class postage prepaid and properly addressed.

(c) Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 10.01.

10.02 ENTIRE AGREEMENT. This Agreement, the Schedules, the Exhibits and the Other Agreements constitute the entire agreement between the parties relating to the subject matter hereof and thereof and supersede all prior oral and written, and all contemporaneous oral, negotiations, discussions, writings and agreements relating to the subject matter of this Agreement, including without limitation that certain Stock Purchase Agreement dated February 13, 1998 by and among Busse Broadcasting Corporation, South Street Corporate Recovery Fund I, L.P., Greycliff Leveraged Fund 1993, L.P., South Street Corporate Recovery Fund, L.P., South Street Corporate Recovery Fund I (International), L.P. and Gray Communications Systems, Inc.

10.03 MODIFICATIONS, AMENDMENTS AND WAIVERS. The failure or delay of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect its right to enforce that provision. No

single or partial waiver by any party of any condition of this Agreement, or the breach of any term, agreement or covenant or the inaccuracy of any representation or warranty of this Agreement, whether by conduct or otherwise, in any one or more instances shall be construed or deemed to be a further or continuing waiver of any such condition, breach or inaccuracy or a waiver of any other condition, breach or inaccuracy.

10.04 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto, and their respective estates, successors, legal or personal representatives, heirs, distributees, designees and assigns, but no assignment shall relieve any party of the obligations hereunder. This Agreement or any portion thereof cannot be assigned by any party without the prior written consent of the other parties hereto; provided, however, that Purchaser may assign this Agreement with the prior written consent of the Company and the Stockholders, to an Affiliate of Purchaser; provided, further, such assignment shall not relieve Purchaser of its obligations hereunder.

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With respect to such assignments, all representations, warranties, covenants and indemnification rights shall be binding upon, and inure to the benefit of, the assignee or assignees as if such representations, warranties, covenants and indemnification rights were made directly between the original parties to this Agreement.

10.05 TABLE OF CONTENTS; CAPTIONS; REFERENCES. The table of contents and the captions and other headings contained in this Agreement as to the contents of particular articles, sections, paragraphs or other subdivisions contained herein are inserted for convenience of reference only and are in no way to be construed as part of this Agreement or as limitations on the scope of the particular articles, sections, paragraphs or other subdivisions to which they refer and shall not affect the interpretation or meaning of this Agreement. All references in this Agreement to "Section" or "Article" shall be deemed to be references to a Section or Article of this Agreement.

10.06 GOVERNING LAW. This Agreement shall be controlled, construed and enforced in accordance with the substantive Laws of the State of New York, without respect to the Laws related to choice or conflicts of Laws.

10.07 PRONOUNS. All pronouns used herein shall be deemed to refer to the masculine, feminine or neuter gender as the context requires.

10.08 SEVERABILITY. Should any one or more of the provisions of this Agreement be determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as practicable to that of the invalid, illegal or unenforceable provisions.

10.09 REMEDIES NOT EXCLUSIVE. Except for the liquidated damages provided for in Section 8.03(a), no remedy conferred by any of the specific provisions of this Agreement is intended to be, nor shall be, exclusive of any other remedy available at law, in equity or otherwise.

10.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original; but all of such counterparts shall together constitute one and the same instrument.

10.11 INTERPRETATIONS. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Purchaser, the Company, or the Stockholders whether under any rule of construction or otherwise. No party to this Agreement shall be considered the draftsman. On the contrary, this Agreement has been reviewed, negotiated and accepted by all parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of all parties hereto.

10.12 EXCLUSIVE REMEDY.. The parties acknowledge and agree that this Agreement shall provide the exclusive remedies of Purchaser, the Stockholders, the Company and the Subsidiaries with respect to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, on and after the Closing, Purchaser, the Stockholders, the Company and the Subsidiaries hereby waive any statutory, equitable or common law rights or remedies relating to any environmental health and safety matters, including without limitation, any such matters arising under any Environmental , Health and Safety Requirements, the Comprehensive Environmental Response, Compensation and Liability Act or any analogous state law.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Company, each of the Stockholders and Purchaser have duly executed this Agreement under seal as of the date first above written.

THE COMPANY

BUSSE BROADCASTING CORPORATION

By: /s/ James C. Ryan

Name: James C. Ryan

Title: Treasurer

THE STOCKHOLDERS

SOUTH STREET CORPORATE RECOVERY FUND I, L.P.

By: SSP Advisors, L.P., its general partner

By: SSP, Inc., its general partner

By: /s/ Alfred C. Eckert III

Name: Alfred C. Eckert III

Title: President

GREYCLIFF LEVERAGED FUND 1993, L.P.

By: SSP Partners, L.P., its general partner

By: SSP, Inc., its general partner

By: /s/ Alfred C. Eckert III

Name: Alfred C. Eckert III

Title: President

SOUTH STREET LEVERAGED CORPORATE RECOVERY
FUND, L.P.

By: SSP Partners, L.P., its general partner

By: SSP, Inc., its general partner

By: /s/ Alfred C. Eckert III

Name: Alfred C. Eckert III
Title: President

SOUTH STREET CORPORATE RECOVERY FUND I
(INTERNATIONAL) L.P.

By: /s/ Alfred C. Eckert III

Alfred C. Eckert III, as Director of SSP (International),
Inc., as General Partner of SSP (International) Partners,
L.P., as General Partner of South Street Corporate
Recovery Fund I (International), L.P.

PURCHASER

GRAY COMMUNICATIONS SYSTEMS, INC.

By: /s/ Robert A. Beizer

Name: Robert A. Beizer
Title: Secretary

ASSET PURCHASE AGREEMENT

BY AND AMONG

BUSSE BROADCASTING CORPORATION,

WEAU LICENSE, INC.

AND

COSMOS BROADCASTING CORPORATION

DATED AS OF JUNE 22, 1998

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") dated as of the 22nd day of June, 1998, is made and entered into by and among BUSSE BROADCASTING CORPORATION, a Delaware corporation (the "Company"), WEAU LICENSE, INC., a Delaware corporation and a wholly-owned subsidiary of the Company (the "Subsidiary" and together with the Company, the "Sellers"), and COSMOS BROADCASTING CORPORATION, a South Carolina corporation ("the Purchaser").

BACKGROUND:

The Company owns and operates the network-affiliated very high frequency television station, WEAU-TV, serving Eau Claire and LaCrosse, Wisconsin (the "Station"). The Subsidiary holds the FCC license to operate the Station.

This Agreement sets forth the terms and conditions upon which Sellers shall sell to Purchaser, and upon which Purchaser shall purchase, certain of Sellers' Assets associated with the business of the Station.

Certain terms used in this Agreement are defined in Article X hereof.

AGREEMENT:

In consideration of the foregoing, the mutual agreements, covenants, representations and warranties contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereinafter set forth, the parties hereto agree as follows:

ARTICLE I SALE OF ASSETS

1.01 PURCHASE OF ASSETS BY PURCHASER.

(a) At the Closing, and subject to the terms and conditions of this Agreement, Purchaser shall purchase and accept from Sellers and Sellers shall sell, convey, transfer, assign and deliver to Purchaser for the purchase price set forth in Section 1.02 below, all of the Assets, free and clear of any and all Liens other than the Permitted Liens.

(b) None of the Retained Assets are being purchased by Purchaser pursuant to this Agreement.

1.02 PURCHASE PRICE FOR THE ASSETS.

(a) The total purchase price for the Assets shall be equal to Sixty-Six Million Dollars (\$66,000,000).

(b) The Purchase Price has been allocated among the Assets in accordance with an exhibit mutually prepared by Sellers and Purchaser and attached hereto as Exhibit 1.02(b). If Purchaser or Sellers undertake to change such exhibit, such party must obtain the approval of Sellers or Purchaser, as the case may be, which will not be unreasonably withheld. The allocation and undertaking pursuant to this Section 1.02(b), and the following undertaking with respect to Tax reporting, have been specifically negotiated by Purchaser, on the one hand, and Sellers, on the other, at arms' length and are a part of the basis of this Agreement. Each of Purchaser and Sellers shall prepare its Tax Returns after the Closing employing the allocation made pursuant to this Section 1.02(b) and shall not take a position in any Tax proceeding, Tax audit or otherwise that is inconsistent with such allocation; provided, however, that nothing contained herein shall require Purchaser or Sellers to contest beyond or otherwise than by the exhaustion of administrative remedies before any Taxing authority or agency or to litigate before any court, including, without limitation, the United States Tax Court, any proposed deficiency or adjustment by any Taxing authority or agency which challenges such allocation. Each of Purchaser and Sellers shall give prompt notice to each other of the commencement of any Tax audit or the assertion of any proposed deficiency or adjustment by any Taxing authority or agency which challenges such allocation.

1.03 CLOSING; EFFECTIVENESS OF CLOSING; DELIVERIES. The Closing shall occur at 10:00 a.m. local time on the Closing Date at the offices of Cadwalader, Wickersham & Taft in New York, New York or at such other time and place as the parties may agree. The Closing shall be effective as of such time as agreed to

by the parties hereto. All deliveries, payments and other transactions and documents relating to the Closing (i) shall be interdependent and none shall be effective unless and until all are effective (except to the extent that the party entitled to the benefit thereof has waived satisfaction or performance thereof as a condition precedent to Closing), and (ii) shall be deemed to be consummated in the order set forth in this Agreement and, to the extent the order is not specified, shall be deemed to be consummated simultaneously.

ARTICLE II
ASSUMPTION OF LIABILITIES AND CONTRACTUAL OBLIGATIONS

2.01 GENERAL.

(a) Purchaser is not assuming and shall not be liable for or with respect to any Retained Liability.

(b) Notwithstanding anything in this Agreement to the contrary, in no event shall any Liability due to any Affiliate of the Sellers be assumed by Purchaser.

(c) Nothing contained in this Section 2.01 or in any instrument of assumption executed by Purchaser at the Closing shall be deemed to release or relieve the Sellers from their respective representations, warranties, covenants and agreements contained in this Agreement or any of the Other Agreements. Further, Sellers shall pay, satisfy and perform all of the Retained Liabilities and no disclosures made or exceptions noted with respect to the representations, warranties, covenants and

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agreements of the Sellers contained in this Agreement or any of the Other Agreements shall affect Sellers' obligation to pay, satisfy and perform all of the Retained Liabilities.

2.02 ASSUMPTION OF THE LIABILITIES OF THE BUSINESS.

(a) Purchaser shall assume the Assumed Liabilities on the terms provided in subsection 2.02(b).

(b) Purchaser expressly agrees, effective on the Closing Date, to assume the Assumed Liabilities and thereafter to pay, perform and discharge in full, in accordance with their terms where applicable, the Assumed Liabilities. Nothing contained in this Agreement shall require Purchaser to pay, perform or discharge any of the Assumed Liabilities so long as Purchaser shall in good faith contest or cause to be contested the amount or validity thereof or shall in good faith assert any defense or offset thereto, and the Sellers shall provide reasonable assistance to Purchaser in so contesting and defending such claims. Notwithstanding anything contained in this Agreement to the contrary, Purchaser shall not assume, pay, satisfy or discharge any of the Assumed Liabilities to the extent that such Liabilities are insured against (or but for the transfer of the Assets and assignment and assumption of the Assumed Liabilities pursuant to this Agreement, would have been insured against) by a Third Party under policies of insurance which the Sellers are unable to assign to Purchaser and which are maintained by the Sellers.

2.03 NO INTENTION TO BENEFIT THIRD PARTIES. This Agreement is not intended to, and shall not, benefit any person or entity other than the Sellers and Purchaser or create any Third Party beneficiary right in any person.

ARTICLE III
REPRESENTATIONS AND WARRANTIES BY THE SELLERS

Each of the Sellers, jointly and severally, hereby represent and warrant to Purchaser as follows:

3.01 CAPACITY AND VALIDITY. Each of the Sellers has the full corporate

power, capacity and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Other Agreements have been approved by all necessary action of the Board of Directors of the Sellers. This Agreement has been, and the Other Agreements to which each of the Sellers is a party will be when executed and delivered, duly executed and delivered by duly authorized officers of each of the Sellers, and this Agreement and each of the Other Agreements constitutes, or will constitute when executed and delivered, the legal, valid and binding obligation of each of the Sellers, enforceable against each of the Sellers, as the case may be, in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

3.02 ORGANIZATION. Each of the Sellers is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its assets and to carry on its Business as presently conducted. Each of

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the Sellers is duly qualified or licensed to transact business as a foreign corporation in good standing in the jurisdictions listed in Schedule 3.02, and the character of their respective assets or the nature of their respective businesses do not require such qualification or licensing in any other jurisdiction except where the failure to so qualify or be so licensed would not have a Material Adverse Effect on the Sellers. Complete and correct copies of the Certificate of Incorporation of each of the Sellers, and all amendments thereto (certified by the Secretary of State of the State of Delaware) and complete and correct copies of the By-Laws of each of the Sellers, and all amendments thereto, previously have been made available to Purchaser. Except as may be set forth in Schedule 3.02, copies of all records of the proceedings of incorporators, stockholders and directors of each of the Sellers, which are set forth in the Sellers' respective minute books (collectively, the "Minute Books"), are correct and complete in all Material respects and accurately reflect in all Material respects all proceedings of each of the Sellers' respective incorporators, stockholders and Board of Directors and all committees thereof. Except as may be set forth in Schedule 3.02, the stock record books of each of the Sellers (collectively, the "Stock Record Books") are correct and complete and accurately reflect the stock ownership of their respective stockholders. The Minute Books and the Stock Record Books have been made available to Purchaser for review.

3.03 NO CONFLICT. Except as disclosed on Schedule 3.03 and assuming compliance with the Hart-Scott Act and the receipt of all necessary FCC approvals, neither the execution, delivery and performance of this Agreement or the Other Agreements to which it is a party by each of the Sellers nor the consummation by each of the Sellers of the transactions contemplated hereby or thereby will (i) conflict with or result in a violation, contravention or breach of any of the terms, conditions or provisions of the Certificate of Incorporation, as amended, or the By-Laws, as amended, of each of the Sellers; (ii) result in a Default under, or require the consent or approval of any party to, any Contract or License of the Sellers required to be set forth on one or more of the Schedules contemplated by Section 3.19 hereof; (iii) result in the violation of any Law or Order applicable to either of the Sellers or (iv) result in the creation or imposition of any Lien applicable to either of the Sellers, except in each case as would not have a Material Adverse Effect.

3.04 FINANCIAL STATEMENTS. The Financial Statements (of the type provided for in clauses (i) and (ii) of the definition thereof), correct and complete copies of which are included in Schedule 3.04, (i) are in accordance with the books and records of each of the Sellers, which are correct and complete in all Material respects and which have been maintained in accordance with good business practices; (ii) present fairly in all Material respects the financial

position of each of the Sellers as of the dates indicated and the results of each of their operations and their respective cash flows for the periods then ended; and (iii) have been prepared in accordance with GAAP, subject, in the case of interim financial statements, to the condensing of the Financial Statements or the absence of footnotes. The Financial Statements contain all adjustments, which are solely of a normal recurring nature, necessary to present fairly in all Material respects the consolidated financial condition and the consolidated results of operations, changes in stockholders' equity and changes in financial position or cash flows of each of the Sellers as of the dates and for the periods indicated.

3.05 ABSENCE OF UNDISCLOSED LIABILITY. Except as set forth in Schedule 3.05, neither of the Sellers has any Undisclosed Liabilities nor does there exist any Known basis for or threat of an assertion against either of the Sellers, their respective businesses or their respective Assets of any Undisclosed Liability, except for Liabilities incurred since the Balance Sheet Date in the ordinary course of business consistent with past practice, none of which are Material.

3.06 ABSENCE OF CHANGES. Except as disclosed in Schedule 3.06 and with respect to the Business, since the Balance Sheet Date, (i) the Business has been carried on only in the ordinary

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course consistent with past practice, (ii) there has been no Material Adverse Change, and there has been no event or circumstance that reasonably is anticipated to result in a Material Adverse Change with respect to either of the Sellers, their respective Assets or businesses, or the Business, (iii) neither of the Sellers has made any change in any method of accounting or accounting practice, and (iv) except in the ordinary course of business consistent with past practice, neither of the Sellers has canceled, modified or waived, without receiving payment or performance in full, any (a) Liability owed to either of the Sellers, including without limitation, any receivable of the Sellers from any Affiliate (other than the Subsidiary) or any Related Person to an Affiliate, (b) Litigation either of the Sellers may have against other Persons, or (c) other rights of the Sellers.

3.07 TAX MATTERS. Except as set forth in Schedule 3.07 and with respect to the Business:

(a) Each of the Sellers has timely filed with the appropriate Governmental Authorities all required Tax Returns in all jurisdictions in which Tax Returns are required to be filed. Neither of the Sellers is presently the beneficiary of any extension of time within which to file any Tax Return. All Taxes (whether or not shown on any Tax Return) for all periods ending on or before the Balance Sheet Date, have been fully paid or appropriate deposits or adequate accruals have been made therefor on the Balance Sheet.

(b) Since the Balance Sheet Date, neither of the Sellers has incurred any Liability for Taxes other than in the ordinary course of business and no such Tax Liability so incurred (other than any Liability incurred by the Sellers in connection with their cooperation under Section 5.16 hereof) is Material. Neither of the Sellers is currently delinquent in the payment of any Tax, assessment, deposit or other charge by any Governmental Authority for which any Liability is pending or has been assessed, asserted or threatened (in writing, or otherwise to the Knowledge of either of the Sellers) against the Sellers or any of their respective Assets in connection with any Tax and there is no basis for any such Liability. Neither of the Sellers has received any notice of assessment or proposed assessment in connection with any Tax Returns and there are no pending Tax examinations of or Tax claims asserted (in writing, or otherwise to the Knowledge of either of the Sellers) against either of the Sellers or any of their respective Assets, including without limitation, any claim by any Governmental Authority in any jurisdiction where either of the Sellers did not file Tax Returns that either of the Sellers is or may be subject to or liable for Taxes imposed by that Governmental Authority or jurisdiction. There are no Liens for any Taxes (other than any Lien for current real property

or ad valorem Taxes not yet due and payable) on any of the Sellers' Assets.

(c) None of the Sellers' Tax Returns have ever been audited by the IRS or any other Governmental Authority and neither of the Sellers has waived any statute of limitations in respect of Taxes or agreed to a Tax assessment or deficiency. Neither of the Sellers has filed any consent under Section 341(f) of the Code relating to collapsible corporations. No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of any of the transfers contemplated by this Agreement and the Sellers or their stockholders will provide any certificate reasonably requested by Purchaser at Closing with respect thereto.

(d) Each of the Sellers has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other Third Party.

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(e) Neither of the Sellers is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code or any similar provision of foreign, state or local Law.

(f) Neither of the Sellers has agreed, nor is it required to make, any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(g) Neither of the Sellers is a party to or bound by (nor will the Sellers, prior to the Closing, become a party to or be bound by) any Tax indemnity, Tax sharing or Tax allocation agreement or arrangement.

(h) Except for the group of which the Sellers are presently members, neither of the Sellers has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or has any Liability for Taxes of any Person (other than the Sellers) under Treasury Regulation Section 1.1502-6 (or any similar provision of the state, local, or foreign Law), as a transferee or successor, by contract, or otherwise.

(i) Neither of the Sellers is a party to any joint venture, partnership, or other arrangement or Contract which is treated as a partnership for federal income Tax purposes.

(j) Neither of the Sellers has issued or assumed any corporate acquisition indebtedness, within the meaning of Section 279(b) of the Code, or any obligation described in Section 279(a)(2) of the Code.

(k) The Company does not have any excess loss account (as defined in Treasury Regulation Section 1.1502-19) with respect to the stock of the Subsidiary.

3.08 TITLE TO ASSETS; ENCUMBRANCES; CONDITION.

(a) Each of the Sellers has good, valid and marketable (and, in the case of the Owned Real Property, insurable) title to all of its respective Assets free and clear of any and all Liens, except Permitted Liens. Schedule 3.08 contains true and complete copies (in all Material respects) of (i) Commitments to issue owner's title insurance policies for all of the Owned Real Property in the amounts indicated in each such Commitment, and (ii) all existing owner's title insurance policies. A survey of each parcel of the Owned Real Property has been delivered to Purchaser prior to the date hereof. Copies of all documents evidencing the Liens upon each of the Sellers' respective Assets are either contained in Schedule 3.08 or previously have been delivered to Purchaser.

(b) Except as set forth in Schedule 3.08, each of the Material Improvements and each item of Material Personal Property is in good condition and repair, reasonable wear and tear excepted, and is usable in the ordinary course of business consistent with past practices. Each Material Improvement and each item

of Material Personal Property is adequate for its present and intended uses and operation and neither of the Sellers has any intention to use or operate any Material Improvement or any item of Material Personal Property other than as presently used or operated. Each of the Sellers' respective Assets (including each of the Sellers' respective interest in all leased Assets) include all Material Assets required to operate the Business as presently conducted.

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3.09 REAL PROPERTY.

(a) Schedule 3.09 contains a correct and complete list of all of the Real Property, including, without limitation, a legal description for all of the Owned Real Property. To the Knowledge of either of the Sellers, no facts or circumstances exist which do, or potentially may, adversely affect any of the access to and from the Real Property, from and to the existing public highways and roads, and, to the Knowledge of either of the Sellers, there is no pending or threatened denial, revocation, modification or restriction of such access. The primary tower, transmitter and Real Property on which such tower and transmitter are located are all owned by either of the Sellers in fee simple title, except for the 2000 foot television tower located on a permanent easement which is located in Eau Claire County (Fairchild Township), Wisconsin.

(b) The Real Property is served by utilities as required for its current operation.

(c) No zoning or similar land use restrictions are presently in effect or proposed by any Governmental Authority that would impair in any Material respect the operation of the Business as presently conducted by the Sellers or which would prevent the use of any of the Real Property as currently operated. All of the Real Property is in compliance in all Material aspects with all applicable zoning laws and recorded covenants. Neither of the Sellers has received any notice from any Governmental Authority or other Third Party with regard to encroachments on or off the Real Property, violations of building codes, zoning, subdivision or other similar Laws or other material defects in the Improvements or in the good, valid, marketable and insurable title of said Real Property.

(d) As of the Closing Date, there will be no Persons in possession of the Real Property or any part thereof other than the Sellers or their lessees pursuant to Contracts that are Permitted Liens.

(e) No condemnation proceedings are pending or to the Knowledge of either of the Sellers, threatened with regard to the Owned Real Property.

(f) With respect to each parcel of Leased Real Property, (i) the lessor was the owner of the premises leased to the lessee at the time of the execution and delivery of the lease, (ii) either of the Sellers is the owner and holder of the interest of the lessee in the lease, (iii) all buildings and towers constructed by the lessee of each lease are located within the boundaries of the leased premises, (iv) each lease contains an adequate description of the leased premises, (v) each lease is enforceable by the lessee, (vi) all payments of rent are current under each lease and no default exists under any lease and (vii) except as set forth on Schedule 3.17, there are no disputes with or adverse claims asserted by any lessor of a lease. Each of the Contracts of the Sellers relating to such Leased Real Property is fully and accurately identified, and the expiration date and current rent are described, in Schedule 3.19(a) (i) and each such Contract is in full force and effect. Except as disclosed on Schedule 3.08, neither the Leased Real Property nor any of the Sellers' right, title or interest therein is affected by any Lien, prior interests or superior interests of any nature whatsoever that will, or could reasonably be expected to, terminate or otherwise adversely affect such Leased Real Property or any of the Sellers' right, title and interest therein.

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3.10 PERSONAL PROPERTY.

(a) Schedule 3.10 contains a correct and complete list of each item of Personal Property, other than inventory (excluding office furniture, equipment,

supplies and miscellaneous items of personal property with an individual cost of less than \$2,500).

(b) Schedule 3.10 contains a correct and complete description of all Material Leased Personal Property. Each of the Contracts of the Sellers relating to such Leased Personal Property is identified on Schedule 3.10 and each such Contract is in full force and effect.

3.11 INTELLECTUAL PROPERTY.

(a) Schedule 3.11 contains a correct and complete list of all of the Sellers' respective Material Intellectual Property, including all Material license agreements relating thereto. Neither of the Sellers (or any goods or services sold by either of them) has violated, infringed upon or unlawfully or wrongfully used the Intellectual Property of others, and none of the Sellers' Intellectual Property or any related rights or any customer lists, supplier lists or mailing lists, as used in the Business or in the other businesses now or heretofore conducted by either of the Sellers, materially infringes upon or otherwise materially violates the rights of others, nor has any Person asserted a claim of such infringement or misuse, which infringement or violation is likely to result in a cost to the Sellers in excess of \$20,000. Each of the Sellers has taken all reasonable measures to enforce, maintain and protect its interests and, to the extent applicable, the rights of Third Parties, in and to the Sellers' Material Intellectual Property. Each of the Sellers have all right, title and interest in the Intellectual Property identified on Schedule 3.11. The consummation of the transactions contemplated by this Agreement will not alter or impair any Material Intellectual Property rights of either of the Sellers. Except as set forth in Schedule 3.11, neither of the Sellers is obligated nor has either of the Sellers incurred any Liability to make any Material payments for royalties, fees or otherwise to any Person in connection with any of the Sellers' Intellectual Property. All patents, trademarks, trade names, service marks, assumed names, and copyrights and all registrations thereof included in or related to the Sellers' Intellectual Property are valid, subsisting and in full force and effect. Each of the Sellers is unaware of any Material infringement of the Sellers' Material Intellectual Property, and there are no pending infringement actions against another for infringement of the Sellers' Intellectual Property or theft of the Sellers' trade secrets.

(b) No present or former officer, director, partner or employee of either of the Sellers owns or has any proprietary, financial or other interest, direct or indirect, in any of the Sellers' Material Intellectual Property, except as described on Schedule 3.11. Except as set forth on Schedule 3.11, no officer, director, partner or employee of either of the Sellers has entered into any Contract (i) that requires such officer, director, partner or employee to (A) assign any interest to inventions or other Material Intellectual Property, or (B) keep confidential any Material trade secrets, proprietary data, customer lists or other business information, or (ii) that restricts or prohibits such officer, director, partner or employee from engaging in competitive activities with or soliciting customers to or from any competitor of the Sellers.

3.12 COMPUTER SOFTWARE AND DATABASES. Schedule 3.12 identifies all Material Computer Software and Databases owned, licensed, leased, internally developed or otherwise used in connection with the Business. Each of the Sellers has use of or the ability to freely acquire, without substantial costs to the Sellers for such acquisition, all Computer Software and Databases that are necessary to conduct the Business as presently conducted by the Sellers and all documentation relating to all such Material Computer Software and Databases. Such Computer Software and Databases perform in

all Material respects in accordance with the documentation related thereto or used in connection therewith and are free of Material defects in programming and operation. Each of the Sellers has previously delivered to Purchaser complete and accurate copies of all documents relating to the sale, license, lease or other transfer or grant of Material Computer Software and Databases by the Sellers since January 1, 1996.

3.13 INSURANCE. All of the Assets and the operations of each of the Sellers and the Business of an insurable nature and of a character usually insured by companies of similar size and in similar businesses are insured by the Sellers in such amounts and against such losses, casualties or risks as is (i) usual in such companies and for such assets, operations and businesses, (ii) required by any Law applicable to the Sellers or the Business, or (iii) required by any Contract of the Sellers. Schedule 3.13 contains a complete and accurate list of all Material insurance policies now in force and held or owned by the Sellers and such Schedule indicates the name of the insurer, the type of policy, the risks covered thereby, the amount of the premiums, the term of each policy, the policy number and the amounts of coverage and deductible in each case and all outstanding claims thereunder. All such policies are in full force and effect and enforceable in accordance with their terms. Neither of the Sellers is now in Material Default regarding the provisions of any such policy, including, without limitation, failure to make timely payment of any premiums due thereon, and neither of the Sellers has failed to give any Material notice or present any Material claim thereunder in due and timely fashion. Neither of the Sellers has been refused or denied renewal of any Material insurance coverage in connection with the Sellers, the ownership or use of their respective Assets or the operation of the Business. In addition to the deductibles set forth on Schedule 3.13, such Schedule discloses all Material risks that are self-insured by the Sellers that in the ordinary course of business could be insured.

3.14 BONDS, LETTERS OF CREDIT AND GUARANTEES. Schedule 3.14 contains a complete and accurate list of all bonds (whether denominated bid, litigation, performance, fidelity, or otherwise), letters of credit, and guarantees (other than instruments that are guaranteed in the ordinary course) issued by the Sellers or others for the benefit of the Sellers and now in force or outstanding. Correct and complete copies of each such Material bond, letter of credit and guarantee have been made available to Purchaser by the Sellers on or before the date of this Agreement. The bonds, letters of credit and guarantees listed in Schedule 3.14 satisfy all Material requirements for bonds, letters of credit or guarantees set forth in (i) any Law applicable to the Sellers or the Business and (ii) any Contracts of the Sellers. All such bonds, letters of credit and guarantees are in full force and effect and enforceable in accordance with their terms. Neither of the Sellers is in Material Default regarding the provisions of any such bond, letter of credit or guarantee, including, without limitation, the failure to make timely payment of all premiums and fees due thereon, and neither of the Sellers has failed to give any notice or present any claim thereunder in due and timely fashion.

3.15 COMPLIANCE WITH LAW.

(a) Each of the Sellers has complied with and is in compliance with all Laws, Licenses and Orders applicable to, required of or binding on the Business, or on the Sellers or their respective Assets with respect to the Business, including without limitation, the FCC License, the Communications Act of 1934, and PUC Laws, and neither of the Sellers has Knowledge of any basis for any claim of current or past non-compliance with any such Law, License or Order, in each case where such non-compliance would be Material to the Business, operations, Assets, Liabilities, financial condition, or results of operations of the Sellers, taken as a whole, including, without limitation, the value of the Sellers, taken as a whole. No notices from any Governmental Authority with respect to any failure or alleged failure of either of the Sellers, their respective Assets or the Business to comply with any such Law, License or Order have been received by either of the Sellers, nor, to the Knowledge either of the Sellers, are

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any such notices proposed or threatened. Schedule 3.15 contains a complete and correct list of all Material Licenses and Orders applicable to, required of or binding on the Sellers, their respective Assets or the Business, true and complete copies of which (other than the FCC License) previously have been made available to the Purchaser.

(b) The Subsidiary holds the FCC License and all other Material Licenses necessary for or used in the operations of the Business, and the FCC License is,

and all such other Material Licenses are, in full force and effect. Schedule 3.15 contains a true and complete list of the FCC License currently in effect and all such other Material Licenses (showing, in each case, the expiration date). Except as set forth on Schedule 3.15, no application, action or proceeding is pending for the renewal or modification of the FCC License or any of such other Material Licenses, and no application, action or proceeding is pending or, to either of the Sellers' Knowledge, threatened that may result in the denial of the application for renewal, the revocation, modification, nonrenewal or suspension of the FCC License or any of such other Material Licenses, the issuance of a cease-and-desist order, or the imposition of any administrative or judicial sanction with respect to the Business that may materially and adversely affect the rights of Purchaser or the Sellers under any such FCC License or other Material Licenses. All Material returns, reports and statements required to be filed by the Sellers with the FCC relating to the Business have been filed and complied with and are complete and correct in all Material respects as filed.

(c) Except as described in Schedule 3.15, there are no Material capital expenditures that the Sellers anticipate will be required to be made in connection with the Sellers' respective Assets or the Business as now conducted in order to comply with any Law applicable to either of the Sellers, their respective Assets or the Business as now conducted.

3.16 ENVIRONMENTAL. Except as set forth in Schedule 3.16 or the Environmental Report and with respect to the Business:

(a) There is no Environmental Litigation (or any Litigation against any Person whose Liability, or any portion thereof, for Environmental Matters or under any Environmental Laws either of the Sellers has or, to the Knowledge of either of the Sellers, may have retained or assumed contractually or by operation of Law) pending or, to the Knowledge of either of the Sellers, threatened with respect to (i) the ownership, use, condition or operation of the Business, the Real Property or any other Asset of either of the Sellers or any Asset formerly held for use or sale by either of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries, or (ii) any violation or alleged violation of or Liability or alleged Liability under any Environmental Law or any Order related to Environmental Matters. To the Knowledge of either of the Sellers, there have not been any, and there are no, existing violations of (i) any Environmental Law, or (ii) any Order related to Environmental Matters, with respect to the ownership, use, condition or operation of the Business, the Real Property or any other Asset of the Sellers or any Asset formerly held for use or sale by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries. To the Knowledge of either of the Sellers, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, any Environmental Matter, that could reasonably be expected to form the basis of (i) any Environmental Litigation against the Sellers, or (ii) any Litigation against any Person whose Liability (or any portion thereof) for Environmental Matters or under any Environmental Laws the Sellers have or may have retained or assumed contractually or by operation of Law. To the Knowledge of either of the Sellers, neither of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries nor anyone known to either of the Sellers has used any Assets or premises of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries or any part thereof for the handling, treatment, storage, or disposal of any Hazardous Substances except in

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Material compliance with applicable Environmental Laws. The disclosure of facts set forth in Schedule 3.16 shall not relieve either of the Sellers of any of their respective obligations under this Agreement.

(b) To the Knowledge of either of the Sellers, no release, discharge, spillage or disposal of any Hazardous Substances has occurred or is occurring at any Assets owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former

subsidiaries or any part thereof while or before such Assets were owned, leased, operated or managed by the Sellers.

(c) To the Knowledge of either of the Sellers, no soil or water in, under or adjacent to any Assets owned, leased, operated or managed, directly or indirectly, by the Sellers or Assets formerly held for use or sale by the Sellers or, in either case, any of their respective predecessors or any of their respective current or former subsidiaries has been contaminated by any Hazardous Substance while or before such Assets were owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries.

(d) To the Knowledge of either of the Sellers, all waste containing any Hazardous Substances generated, used, handled, stored, treated or disposed of (directly or indirectly) by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries has been released or disposed of in compliance with all applicable reporting requirements under any Environmental Laws and there is no Environmental Litigation with respect to any such release or disposal.

(e) To the Knowledge of either of the Sellers, all underground tanks and other underground storage facilities presently or previously located at any Real Property owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries or any such tanks or facilities located at any Real Property while such Real Property was owned, leased, operated, or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries are listed together with the capacity and contents (former and current) of each such tank or facility in Schedule 3.16. To the Knowledge of either of the Sellers, none of such underground tanks or facilities is leaking or has ever leaked, and neither of the Sellers or any of their respective current or former subsidiaries holds any responsibility or Liability for any underground tanks or underground facilities at any other location.

(f) To the Knowledge of either of the Sellers, all hazardous waste has been removed from all Real Property of the Sellers and each of their respective predecessors and each of their respective current and former subsidiaries in Material compliance with applicable Environmental Laws.

(g) To the Knowledge of either of the Sellers, the Sellers and each of their respective predecessors or any of their respective current or former subsidiaries have complied with all applicable reporting requirements under all Environmental Laws concerning the disposal or release of Hazardous Substances and neither of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries has made any such reports concerning any Real Property of the Sellers or concerning the operations or activities of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries.

(h) To the Knowledge of either of the Sellers, no building or other Improvement or any Real Property owned, leased, operated or managed by the Sellers contains any asbestos-containing materials.

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(i) To the Knowledge of either of the Sellers, without limiting the generality of any of the foregoing, (i) all on-site and off-site locations where the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries has disposed or arranged for the disposal of Hazardous Substances are identified in Schedule 3.16, (ii) none of the on-site or off-site locations identified in Schedule 3.16 is listed on any federal, state or local government lists of abandoned disposal sites or sites where Hazardous Substances have or may have occurred, and (iii) no polychlorinated biphenyls ("PCB's") are used or stored on or in any real property owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries, except in Material compliance with applicable Environmental Laws.

(j) Schedule 3.16 contains a correct and complete list of all environmental site assessments and other studies relating to the investigation of the possibility of the presence or existence of any Environmental Matter with respect to the Sellers, the Business, any Assets owned, leased, operated or managed by either of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries, and the Sellers have previously delivered to Purchaser a correct and complete copy of each such assessment and study.

3.17 LITIGATION AND CLAIMS. Except as disclosed on Schedule 3.17:

(a) There is no Litigation pending or, to the Knowledge of either of the Sellers, threatened and neither of the Sellers has any Knowledge of any basis for any such Litigation or any facts or the occurrence of any event which might give rise to any Litigation;

(b) No Litigation has been pending during the three (3) years prior to the date hereof that, individually or in the aggregate resulted in an uninsured Loss in excess of \$150,000 or granted any injunctive relief against the Sellers; and

(c) Neither of the Sellers has been advised by any attorney representing it that there are any "loss contingencies" (as defined in Statement of Financial Accounting Standards No. 5 issued by the Financial Accounting Standards Board in March 1975 ("FASB 5")), which would be required by FASB 5 to be disclosed or accrued in financial statements of the Sellers, were such financial statements prepared as of the date hereof.

3.18 BENEFIT PLANS.

(a) Schedule 3.18 lists every Employee Benefit Plan of the Sellers. On or after September 26, 1980, neither of the Sellers or any entity aggregated with the Sellers under Code Section 414 (for purposes of this Section, an "ERISA Affiliate") has had an "obligation to contribute" (as defined in ERISA Section 4212) to a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) and (3)(37)(A)). No Employee Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA.

(b) The Employee Benefit Plans listed in Schedule 3.18 have been or will be made available to Purchaser for review, including correct and complete copies of: (i) all trust agreements or other funding arrangements for such Employee Benefit Plans (including insurance contracts), and all amendments thereto, (ii) with respect to any such Employee Benefit Plans or amendments, all determination letters, rulings, opinion letters, information letters, or advisory opinions issued by the United States Internal Revenue Service, the United States Department of Labor, or the Pension Benefit Guaranty Corporation after December 31, 1974, (iii) annual reports or returns, audited or unaudited Financial Statements,

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actuarial valuations and reports, and summary annual reports prepared for any Employee Benefit Plan with respect to the most recent three plan years, and (iv) the most recent summary plan descriptions and any material modifications thereto.

(c) Except as disclosed in Schedule 3.18, all the Employee Benefit Plans and the related trusts subject to ERISA comply in all Material respects with and have been administered in compliance in all Materials respects with, (i) the applicable provisions of ERISA, (ii) all applicable provisions of the Code relating to qualification and Tax exemption under Code Sections 401(a) and 501(a) or otherwise applicable to secure intended Tax consequences, (iii) all applicable state or federal securities Laws, and (iv) all other applicable Laws and collective bargaining agreements, and neither of the Sellers has received any notice from any Governmental Authority questioning or challenging such compliance. All available determination letters and required registrations under federal and state securities Laws ("Permits") for the Employee Benefit Plans have been obtained, including, but not limited to, timely determination letters on the qualification of the ERISA Plans and Tax exemption of related trusts, as

applicable under the Code, and all such Permits continue in full force and effect. No event has occurred which will or could reasonably be expected to give rise to disqualification of any such plan or loss of intended Tax consequences under the Code or to any Tax under Section 511 of the Code.

(d) Except as disclosed in Schedule 3.18, no oral or written representation or communication with respect to any aspect of the Employee Benefit Plans has been made to employees of the Sellers prior to the date hereof that is not in accordance with the written or otherwise preexisting terms and provisions of such plans. Neither of the Sellers or any administrator or fiduciary of any Employee Benefit Plan (or any agent of any of the foregoing) has engaged in any transaction, or acted or failed to act in any manner that could subject the Sellers or Purchaser to any direct or indirect Material Liability (by indemnity or otherwise) for breach of any fiduciary, co-fiduciary or other duty under ERISA. There are no unresolved claims or disputes under the terms of, or in connection with, the Employee Benefit Plans other than claims for benefits which are payable in the ordinary course and no Litigation has been commenced with respect to any Employee Benefit Plan.

(e) Except as disclosed in Schedule 3.18, all Employee Benefit Plan documents and annual reports or returns, audited or unaudited financial statements, actuarial valuations, summary annual reports, and summary plan descriptions issued with respect to the Employee Benefit Plans are correct and complete in all Material respects, have been timely filed with the IRS and the United States Department of Labor, have been timely distributed to participants in the Employee Benefit Plans, and there have been no changes in the information set forth therein.

(f) No "party in interest" (as defined in Section 3(14) of ERISA) or "disqualified person" (as defined in Code Section 4975) of any Employee Benefit Plan has engaged in any Material nonexempt "prohibited transaction" (described in Code Section 4975 or ERISA Section 406). Except as disclosed in Schedule 3.18, there has been no (i) "reportable event" (as defined in Section 4043 of ERISA), or event described in Sections 4041, 4042, 4062 (including ERISA Section 4062(e)), 4064, 4069 or 4063 of ERISA, or (ii) termination or partial termination, withdrawal or partial withdrawal with respect to any of the ERISA Plans which the Sellers maintain or contribute to or have maintained or contributed to. Except as disclosed in Schedule 3.18, neither of the Sellers has incurred any liability under Title IV of ERISA, including any Liability that could arise under Title IV of ERISA as a result of the Sellers' membership in a "controlled group" as defined in ERISA ss.ss. 4001(a)(14) and 4001(b)(1).

(g) Except as disclosed in Schedule 3.18, for any ERISA Plan that is an employee pension benefit plan as defined in ERISA ss. 3(2) ("ERISA Pension Plan"), the fair market value

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of such Plan's assets equals or exceeds the present value of all benefits (whether vested or not) accrued to date by all present or former participants in such ERISA Pension Plan. For this purpose the assumptions prescribed by the Pension Benefit Guaranty Corporation for valuing plan assets or liabilities upon plan termination shall be applied and the term "benefits" shall include the value of all benefits, rights and features protected under Code ss. 411(d)(6) or its successors and any ancillary benefits (including disability, shutdown, early retirement and welfare benefits) provided under any such employee pension benefit plan and all "benefit liabilities" as defined in ERISA Section 4001(a)(16). Since the date of the most recent actuarial valuation, there has been (i) no Material change in the financial position of an ERISA Pension Plan, (ii) no change in the actuarial assumptions with respect to any ERISA Pension Plan, and (iii) no increase in benefits under any ERISA Pension Plan as a result of ERISA Pension Plan amendments or changes in any applicable regulation which is reasonably likely to have, individually or in the aggregate, a Material effect on the funding status of such ERISA Pension Plan. All contributions with respect to an Employee Benefit Plan of the Sellers or of an ERISA Affiliate that is subject to Code Section 412 or ERISA Section 302 have been, or will be, timely made and there is no Lien or expected to be a Lien under Code Section 412(n) or ERISA Section 302(f) or Tax under Code Section 4971. No ERISA Pension Plan of either of the Sellers or of an ERISA Affiliate has a "liquidity

shortfall" as defined in Code Section 412(m)(5). No event described in Code Section 401(a)(29) has occurred or can reasonably be expected to occur with respect to either of the Sellers ERISA Affiliates. All premiums required to be paid under ERISA Section 4006 have been paid by the Sellers and by any Person aggregated with the Sellers under ERISA Sections 4001(a)(14) and 4001(b)(1).

(h) Neither of the Sellers has, or maintains, an Employee Benefit Plan providing welfare benefits (as defined in ERISA Section 3(1)) to employees after retirement or other separation of service except to the extent required under Part 6 of Title I of ERISA or Code Section 4980B or their successors. No Material Tax under Code Sections 4980B or 5000 has been incurred with respect to any Employee Benefit Plan and no circumstances exist which could reasonably be expected to give rise to such Taxes.

(i) Except as disclosed in Schedule 3.18, neither the execution or delivery of this Agreement or the Other Agreements nor the consummation of the transactions contemplated by this Agreement will (1) entitle any current or former employee of the Sellers to severance pay, unemployment compensation or any payment contingent upon a change in control or ownership of the Station, or (2) accelerate the time of payment or vesting, or increase the amount, of any compensation due to any such employee or former employee.

(j) Except as disclosed in Schedule 3.18, all individuals participating in (or eligible to participate in) any Employee Benefit Plan maintained (or contributed to) by the Sellers are common-law employees.

3.19 CONTRACTS.

(a) Description.

(i) Real Property. Schedule 3.19(a)(i) is a list or brief description of all Material Contracts affecting or relating to the Real Property, including, without limitation, Contracts evidencing Material Liens (including those referred to in Schedule 3.08).

(ii) Personal Property. Schedule 3.19(a)(ii) is a list of all Contracts affecting or relating to the Personal Property, including, without limitation, Contracts evidencing Liens

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(including those referred to in Schedule 3.08) (other than Contracts affecting rights in the Personal Property each of which does not involve the payment by the Sellers of more than \$25,000 per year).

(iii) Purchase Orders -- Non-Capital Assets. Schedule 3.19(a)(iii) is a list of all outstanding Contracts of the Sellers relating to the Business, for the acquisition or sale of goods, assets or services (other than purchase orders or other commitments for the acquisition of capital assets), all of which were executed in the ordinary course of business consistent with past practice of the Sellers (other than purchase orders and other commitments which do not exceed \$25,000 each).

(iv) Purchase Orders -- Capital Assets. Schedule 3.19(a)(iv) is a list of all outstanding Contracts of the Sellers relating to the Business, for the acquisition of capital assets and that were executed in the ordinary course of business consistent with past practice of the Sellers (other than purchase orders and other commitments which do not exceed \$25,000 each).

(v) Sales. Schedule 3.19(a)(v) is a list or brief description of all Contracts of the Sellers relating to the Business, for the sale of products or the performance of services by the Sellers and which exceed \$5,000 each.

(vi) Employment; Other Affiliate Contracts. Schedule 3.19(a)(vi) contains a list of all Material Contracts of the Sellers relating to the Business, with any employee, officer, agent, consultant, distributor, dealer or Affiliate of the Sellers (other than those entered into in the ordinary course of business consistent with past practice that are immediately terminable at will by the Sellers, as the case may be, without any Liability).

(vii) Sales Representatives. Schedule 3.19(a)(vii) is a list of all Material Contracts of the Sellers relating to the Business, with any agent, broker, sales representative of, or any Person in a similar representative capacity for, the Sellers (other than those entered into in the ordinary course of business consistent with past practice that are terminable within sixty (60) days by the Sellers, without Liability).

(viii) Powers of Attorney. Schedule 3.19(a)(viii) is a list of all powers of attorney given by the Sellers with respect to the Business, whether limited or general, to any Person continuing in effect.

(ix) Programming, Network Affiliation, Operating and Cable Retransmission Agreements. Schedule 3.19(a)(ix) is a list of all network affiliation agreements, operating agreements, cable retransmission agreements and all programming agreements of the Sellers relating to the Business (correct and complete copies of which previously have been delivered to Purchaser), including for each of those agreements the amounts and availability dates of programming and the dollar amount and schedule of payments thereunder.

(x) Barter and Trade Agreements. Schedule 3.19(a)(x) is a list of all "barter" and "trade" agreements of the Sellers relating to the Business (correct and complete copies of which previously have been delivered to Purchaser) and includes an estimate of the positive or negative trade balances associated with each such agreement.

(xi) Any Other Contracts. Schedule 3.19(a)(xi) is a list or brief description of any other Contracts of the Sellers relating to the Business and that: (A) payments provided for or actually made thereunder by or to the Sellers in any calendar year exceed \$25,000, (B) require performance

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by the Sellers of any obligation for a period of time extending beyond six (6) months from the Closing Date or which is not terminable by the Sellers without penalty upon sixty (60) days or less notice, (C) evidence, create, guarantee or service indebtedness of the Sellers, (D) establish or provide for any joint venture, partnership or similar arrangement involving either of the Sellers, or (E) guarantee or endorse the Liabilities of any other Person.

The lists in all Schedules referred to above are correct and complete as of the date hereof unless otherwise noted thereon.

(b) Copies. Correct and complete copies of all the written Contracts, and correct and complete descriptions of all oral Contracts, referred to in Section 3.19(a) have been made available to Purchaser or its designee on or before the date hereof.

(c) No Default. Neither of the Sellers or, to the Knowledge of either of the Sellers, any other party is in Default under any of the Contracts or any Liens referred to in Section 3.19(a) and, to the Knowledge of either of the Sellers, there is no basis for any claim of Material Default under any of the foregoing.

(d) Assurances. Each of the Contracts referred to in this Section 3.19 is in full force and effect and constitutes a valid, legal and binding agreement of the Seller party thereto and, to the Knowledge of either of the Sellers, the other parties thereto, enforceable in accordance with its terms except for bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting creditors' rights generally, or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing, and as otherwise set forth in Schedule 3.19. Neither of the Sellers is a party to or bound by any Contract or Contracts that, either separately or in the aggregate has or will have a Material Adverse Effect with respect to either of the Sellers, their respective Assets, or the Business. The continuation, validity and effectiveness of each of the Contracts referred to in this Section 3.19 will not be affected in any way by the consummation of the transactions contemplated by this

Agreement.

3.20 SUPPLIERS AND CUSTOMERS. Schedule 3.20 sets forth each supplier to whom payments were made that equaled or exceeded five percent (5%) of either of the Sellers' aggregate operating expenses with respect to the Business for the fiscal year ended December 28, 1997 (the "Large Suppliers"). Schedule 3.20 sets forth each customer or group of related customers from whom payments were received that equaled or exceeded five percent (5%) of either of the Sellers' aggregate gross sales with respect to the Business for the fiscal year ended December 28, 1997 (the "Large Customers"). Except as reflected in Schedule 3.20, no Large Supplier is a sole source of supply of any good or service to the Sellers with respect to the Business. To the Knowledge of either of the Sellers, the relationships of each of the Sellers with its Large Suppliers and Large Customers are good commercial working relationships and, except as set forth on Schedule 3.20, neither (i) any of the Large Suppliers or any of the Large Customers, nor (ii) any Large Supplier who at any time during 1997 was or now is the sole source of supply of any good or service, has terminated, or, to the Knowledge of either of the Sellers, made any threat reasonably likely to be acted upon to terminate, its relationship with the Sellers or has during the last twelve (12) months Materially decreased or Materially limited, or, to the Knowledge of either of the Sellers, made any threat reasonably likely to be acted upon to Materially decrease or Materially limit, its services, supplies or materials to either of the Sellers or its usage or purchase of the goods or

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services of the Sellers. Neither of the Sellers has any Knowledge or belief that any of the Large Suppliers or any of the Large Customers intends to terminate or otherwise modify adversely to the Sellers its relationship with the Sellers or to decrease or limit its services, supplies or materials to the Sellers or its usage or purchase of the goods or services of the Sellers, and the acquisition of the Assets by Purchaser will not, to the Knowledge of either of the Sellers, adversely affect the relationship of the Business or of the Sellers with any of the Large Suppliers or any of the Large Customers.

3.21 LABOR MATTERS. Schedule 3.21 contains a correct and complete list of all employees of the Sellers with respect to the Business whose direct annual compensation exceeds \$50,000. Except as disclosed on Schedule 3.21, the employment of all employees of the Sellers is terminable at will by the Sellers, without any penalty or severance obligation incurred by the Sellers. Except as set forth on Schedule 3.21 and other than in the ordinary course of business consistent with past practices, neither of the Sellers will owe any amounts to any of its employees as of the Closing Date, including, without limitation, any amounts incurred for wages, bonuses, vacation pay, sick leave or any severance obligations other than amounts owed with respect to the then current pay period. Except as and to the extent set forth in Schedule 3.21, (i) neither of the Sellers is a party to any union agreement or collective bargaining agreement or work rules or practices agreed to with any labor organization or employee association applicable to any employees of the Sellers and, to the Knowledge of either of the Sellers, no attempt to organize any of the employees of the Business has been made, proposed or threatened in the past three years, (ii) neither of the Sellers is, or within the past three years has been, subject to any Equal Employment Opportunity Commission charges or other claims of employment discrimination made against it, (iii) no Wage and Hour Department investigations have been made in the past 3 years of the Sellers, (iv) no labor strike, dispute, slowdown, stoppage or lockout is pending or, to the Knowledge of either of the Sellers, threatened against or affecting the Sellers, their respective Assets or the Business and during the past five (5) years there has not been any such action, (v) no unfair labor practice charge or complaint against either of the Sellers is pending or, to the Knowledge of either of the Sellers, threatened before the National Labor Relations Board or any similar Governmental Authority, and (vi) neither of the Sellers has received any formal notice that any of the employees listed on Schedule 2.21 will terminate or contemplates terminating his or her employment currently or at any time within sixty (60) days after the Closing Date or will otherwise not be available to the Sellers. Since the enactment of the Worker Adjustment and Retraining Notification Act (the "WARN Act"), neither of the Sellers has effectuated (a) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or

facility of the Sellers; or (b) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of the Sellers; nor has either of the Sellers been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state or local Law. Except as set forth in Schedule 3.21, none of the Sellers' employees has suffered an "employment loss" (as defined in the WARN Act) since six (6) months prior to the date hereof.

3.22 BROKERS AND FINDERS. Except as set forth on Schedule 3.22, no finder or any agent, broker or other Person acting pursuant to authority of either of the Sellers is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

3.23 INTERESTED TRANSACTIONS. Except as set forth in Schedule 3.23, neither of the Sellers is a party to any Contract or other transaction with any Affiliate of the Sellers, any Related Party of any Affiliate of the Sellers (other than as a stockholder or employee of either of the Sellers), or any Person in which any of the foregoing (individually or in the aggregate) beneficially or legally owns, directly or indirectly, five percent (5%) or more of the equity or voting interests (other than, in each case, Contracts or transactions between the Sellers). Each of such Contracts and other transactions described in the preceding sentence was negotiated on an arm's length basis, contains pricing terms that reflected fair market value at the time entered into and otherwise contains terms and conditions comparable to those customarily contained in similar transactions between unrelated parties. Except as described in Schedule 3.23, none of

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the Persons described in the first sentence of this Section 3.23 owns, or during the last three (3) years has owned, directly or indirectly, beneficially or legally, (individually or in the aggregate) five percent (5%) or more of the equity or voting interests of any Person that competes with either of the Sellers or the Business.

3.24 OFFICERS, DIRECTORS AND BANK ACCOUNTS. Schedule 3.24 lists (i) the names of all officers and directors of each of the Sellers and (ii) the name and location of each bank or other institution in which either of the Sellers has any deposit account or safe deposit box in which either of the Sellers has any interest or access, all account numbers and names of all Persons authorized to draw thereon or to have access thereto.

3.25 STATEMENTS TRUE AND CORRECT. No representation or warranty made by either of the Sellers, nor any statement, certificate or instrument furnished or to be furnished to Purchaser pursuant to this Agreement, the Other Agreements or any other document, agreement or instrument referred to herein or therein, including, without limitation, the Financial Statements, contains or will contain any untrue statement of fact or omits or will omit to state a Material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Sellers that:

4.01 ORGANIZATION. Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the State of South Carolina, with the corporate power and authority to enter into the transactions contemplated hereunder and under the Other Agreements.

4.02 CAPACITY AND VALIDITY. Purchaser has the full corporate power and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Other Agreements will have been approved by all necessary action of the Board of Directors of Purchaser on or before

Closing. This Agreement has been, and the Other Agreements will be when executed and delivered, duly executed and delivered by duly authorized officers of Purchaser, and the Agreement and each of the Other Agreements constitutes, or will constitute when executed and delivered, the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

4.03 NO CONFLICT. Except as disclosed on Schedule 4.03 and assuming compliance with the Hart-Scott Act and the receipt of all necessary FCC approvals, neither the execution, delivery and performance of this Agreement and the Other Agreements to which it is a party by Purchaser nor the consummation of the transactions contemplated hereby or thereby, will (i) conflict with or result in a violation, contravention or breach of any of the terms, conditions or provisions of the Articles of Incorporation, as amended, or By-laws, as amended, of Purchaser, (ii) result in a Default under, or require the consent or approval of any party to, Contract or License of Purchaser, (iii) result in the violation of any Law or Order applicable to Purchaser, or (iv) result in the creation or imposition of any Lien applicable to Purchaser, except in each case as would not have a Material Adverse Effect.

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4.04 BROKERS AND FINDERS. Except as set forth in Schedule 4.04, no finder or any agent, broker or other Person acting pursuant to authority of Purchaser is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

4.05 QUALIFICATION OF PURCHASER. Purchaser is fully qualified under the Communications Act of 1934, as amended, and the rules, regulations and written policies of the FCC to assume control and operation of the Station and, to Purchaser's commercially reasonable knowledge and belief, there exists no reason for the FCC to refuse to consent to the assignment of the broadcast License to Purchaser.

4.06 FINANCING. Purchaser has all necessary financial resources or has secured a binding commitment for all financing necessary for Purchaser to consummate the transactions contemplated by this Agreement.

4.07 STATEMENTS TRUE AND CORRECT. No representation or warranty made by Purchaser, nor any statement, certificate or instrument furnished or to be furnished to the Sellers pursuant to this Agreement, the Other Agreements or any other document, agreement or instrument referred to herein or therein, contains or will contain any untrue statement of fact or omits or will omit to state a Material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

ARTICLE V COVENANTS AND ADDITIONAL AGREEMENTS OF THE SELLERS AND PURCHASER

5.01 CONDUCT OF BUSINESS. Prior to the Closing Date, except with the prior written consent of Purchaser and except as necessary to effect the transactions contemplated in this Agreement, each of the Sellers shall, with respect to the Business:

(a) conduct the Business in substantially the same manner as presently being conducted, and refrain from entering into any transaction or Contract other than in the ordinary course of business consistent with past practice, except as otherwise contemplated by this Agreement;

(b) confer on a regular and frequent basis with Purchaser to report Material operational matters and to report the general status of ongoing operations;

(c) notify Purchaser of any unexpected emergency or other change in the normal course of the Business or the operation of the Assets, and of any Litigation (or communications indicating that the same may be contemplated), affecting the Business or any Material Assets, and keep Purchaser fully informed of such events and permit its representatives prompt access to all materials prepared in connection therewith in each case where such emergency, change, Litigation or other event could cause a Material Adverse Effect;

(d) except in the ordinary course of business consistent with past practice, not make any Material capital expenditure;

(e) not take any action, or omit to take any action, that would cause the representations and warranties contained in Article III hereof to be incorrect or incomplete in any Material respect;

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(f) promptly notify Purchaser in writing of any Material Adverse Change with respect to the Sellers or the Business, or any condition or event which threatens to result in a Material Adverse Change with respect to the Sellers or the Business;

(g) notwithstanding the \$1,000,000 threshold contained in the definition of Material Adverse Change in Article X, use all reasonable efforts to promptly remedy any adverse change, condition or event that causes or is reasonably likely to cause the Station to be or go off the air; and

(h) not make any agreement or commitment which will result in or cause to occur a Default of any of the items contained in paragraphs (a) through (g) above.

Notwithstanding any of the foregoing provisions of this Section 5.01, prior to the Closing, control of the operation of the Station shall remain exclusively with the Sellers, and the Subsidiary shall be permitted to merge with and into a limited liability company, the sole member of which shall be the Company.

5.02 RIGHT OF INSPECTION; ACCESS. In order to allow Purchaser to conduct its due diligence investigation, including, without limitation, environmental due diligence, the Sellers shall give to Purchaser and its designee, during normal working hours, full and free access to all of their respective Assets, Contracts, reports and other records and shall furnish to Purchaser and its designee all additional financial, legal and other information with respect to the Assets and the Business that Purchaser may reasonably request. Each of the Sellers shall also allow and arrange for Purchaser and its designee free and full access and opportunity, during normal business hours, to consult and meet with the officers, directors, employees, attorneys, accountants and other agents of the Sellers. Each of the Sellers shall instruct such individuals to cooperate fully with Purchaser and its designee. Purchaser and its designee shall have the right to make copies of any of the records referred to above. Purchaser agrees to indemnify against and hold the Sellers harmless from any claim for Liability, costs, expenses (including reasonable attorneys' fees actually incurred), damages or injuries arising out of or resulting from the inspection of the Sellers by Purchaser or its agents.

5.03 OTHER OFFERS AND EXCLUSIVE DEALING. Unless and until this Agreement is terminated prior to Closing pursuant to Section 9.01 and except for the transactions contemplated in that certain Amended and Restated Stock Purchase Agreement dated as of June 22, 1998 by and among Busse Broadcasting Corporation, South Street Corporate Recovery Fund I, L.P., Greycliff Leveraged Fund 1993, L.P., South Street Leveraged Corporate Recovery Fund, L.P., South Street Corporate Recovery Fund I (International), L.P. and Gray Communications Systems, Inc., (the "Amended and Restated Stock Purchase Agreement") and all agreements related thereto, the Sellers shall deal exclusively with Purchaser with respect to the sale of the Assets or properties of the Sellers relating to the Business. In addition, unless and until this Agreement is terminated prior to Closing pursuant to Section 9.01, neither of the Sellers, acting in any capacity, shall, and the Sellers shall direct their officers, directors, limited partners,

general partners (as applicable), financial advisors, accountants and counsel not to, either directly or indirectly, through the Sellers, any officer, director, employee, agent or otherwise, (a) solicit, initiate or encourage submission of proposals or offers from any Person relating to any purchase of the Assets relating to the Business, or (b) approve or undertake any such transaction. If, notwithstanding the foregoing, the Sellers or any of their respective stockholders, directors, partners, officers, employees or agents shall receive any written proposal or inquiry regarding any such transaction, the Sellers shall promptly communicate to Purchaser the terms of any such proposal or offer upon Knowledge or receipt of such written proposal or offer.

5.04 CONFIDENTIALITY. For a period of one (1) year from and after the date hereof and except for the transactions contemplated in the Amended and Restated Stock Purchase Agreement and all

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agreements relating thereto, each of Purchaser and Sellers agree that it will not, and will use reasonable efforts to ensure that none of its representatives or Affiliates will, use in the conduct of its business (except as contemplated by this Agreement), or disclose to or file with any other Person (other than financing sources, financial advisors, accountants and attorneys for the foregoing who will be informed of the confidential nature of such information and who have a need to know such information), (a) any confidential or non-public information relating to the other parties to this Agreement or (b) the existence of this Agreement or the fact of the transactions contemplated hereby, except (i) for a disclosure that is required by Law or by a Governmental Authority or is reasonably believed to be so required, including, without limitation, disclosures to the FCC and the Department of Justice for purposes of obtaining consents to the transactions contemplated hereby and disclosures to the Securities and Exchange Commission and related public disclosures (in connection with public offerings or otherwise); (ii) information that is ascertainable or obtained from public or published information; (iii) information received from a Third Party not known to the disclosing party to be under an obligation to keep such information confidential; (iv) information independently developed by the disclosing party; or (v) information disclosed to or filed with any Persons necessary to obtaining the consents or the equity and debt financing relating to the transactions contemplated by this Agreement. Notwithstanding the foregoing, (i) neither Purchaser nor its designee, in the course of any investigation it shall deem necessary and desirable in connection with the transactions contemplated by this Agreement, shall be prohibited from discussing the Sellers, their respective Assets and the Business with others having business dealings with the Sellers, and (ii) the foregoing provisions of this Section 5.04 shall not apply to Purchaser or any of its representatives or Affiliates after consummation of the transactions contemplated hereby at the Closing with respect to information relating to the Sellers. If the transaction contemplated by this Agreement is not consummated, each party will return or destroy as much of such written information as the party furnishing such information may reasonably request.

5.05 CONSENTS AND APPROVALS. Each of the Sellers shall obtain the waiver, consent and approval of all Persons whose waiver, consent or approval (i) is required in order to consummate the transactions contemplated by this Agreement, or (ii) is required by any Material Contract, Order, Law or License to which either of the Sellers is a party or subject on the Closing Date and that relates to the Business, and Purchaser shall cooperate with the Sellers in connection therewith. All written waivers, consents and approvals obtained by the Sellers shall be produced at Closing in form and content reasonably satisfactory to Purchaser.

5.06 SUPPLYING OF FINANCIAL STATEMENTS. The Sellers shall make available to Purchaser within twenty (20) days following the end of each month true and complete copies of all unaudited monthly financial statements of each of the Sellers for each calendar month ending subsequent to the date hereof and prior to the Closing Date in the format historically utilized internally by the Sellers.

5.07 QUALIFICATION AND CORPORATE EXISTENCE. Each of the Sellers shall deliver to Purchaser (i) certificates of the Secretary of State of the State of

Delaware, dated within ten (10) days prior to the Closing Date, stating that each of the Sellers is a corporation in good standing under the laws of the State of Delaware, and has paid all applicable franchise and other fees and Taxes due to such state and (ii) certificates of the appropriate officials of the states and foreign jurisdictions listed on Schedule 3.02, each dated not more than ten (10) days prior to the Closing Date, stating that each of the Sellers is duly qualified and in good standing to transact business as a foreign corporation as stated in Section 3.02 in each such state and foreign jurisdiction and has paid all applicable franchise and other fees and Taxes due to each such state and foreign jurisdiction.

5.08 PUBLIC ANNOUNCEMENTS. Upon execution of this Agreement, the Sellers shall issue a press release and public announcement regarding this Agreement and the transactions contemplated

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hereby, such press release to be reasonably satisfactory to Purchaser. Except as permitted by the foregoing sentence or Section 5.04, neither Purchaser or Sellers, nor any of their representatives or Affiliates, shall make any public announcement with respect to this Agreement or the transactions contemplated hereby without the prior consent of the other parties hereto unless required by Law or judicial process, in which case notification shall be given to the other parties hereto prior to such disclosure.

5.09 CLOSING CONDITIONS. Subject to the terms and conditions herein provided, each of the parties hereto agrees to take, or cause to be taken, all commercially reasonable actions to consummate the transactions contemplated by this Agreement and to satisfy the conditions precedent to Closing set forth in Article VII and Article VIII of this Agreement.

5.10 SUPPLEMENTS TO SCHEDULES. The Sellers shall from time to time after the date hereof, supplement or amend the Schedules referred to in Article III with respect to any matter arising after the date hereof which, if existing or occurring at the date hereof, would have been required to be set forth or described in such Schedules. Purchaser may unilaterally extend the Closing Date if necessary to allow Purchaser five (5) business days to review such supplements to the Schedules prior to the Closing Date. If, in Purchaser's reasonable determination, any such supplements to the Schedules reveal any Material Adverse Change with respect to the Sellers or the Business, or any condition or event which threatens to result in a Material Adverse Change with respect to the Sellers or the Business, Purchaser may, subject to the Sellers' right to cure any such Material Adverse Change, terminate this Agreement pursuant to Section 9.01.

5.11 CERTAIN TAX MATTERS.

(a) Purchaser, on the one hand, and the Sellers, on the other hand, shall provide the other parties to this Agreement, at the expense of the requesting party, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, any audit or other examination by any Governmental Authority, or any judicial or administrative proceedings relating to any Liability for Taxes, and each will retain and provide the requesting party with any records or information that may be relevant to any of the foregoing.

(b) The Sellers shall prepare and file on or before the due date therefor (including any extensions thereof) all Tax Returns and amendments thereto required to be filed by the Sellers on or before the Closing Date, and each of the Sellers shall pay, or cause to be paid, all Taxes (including estimated taxes) due on such Tax Return or which are otherwise required to be paid at any time prior to or during such period. Such Tax Returns shall be prepared in accordance with the most recent Tax practices as to elections and accounting method.

5.12 EXPENSES.

(a) Except as provided below, regardless of whether the transactions contemplated by this Agreement are consummated, the Sellers shall be responsible

for all expenses and fees incurred by them in connection with the transactions contemplated hereby and Purchaser shall be responsible for all expenses and costs incurred by it in connection with the transactions contemplated hereby. In no event shall any of the Assets be utilized for or reduced by the payment of any such fees or expenses.

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(b) At the Closing the Sellers shall pay out of the Purchase Price all Taxes, if any, relating to the transfer of the Assets to Purchaser. The Sellers shall file all necessary documentation and Tax Returns required to be filed by them with respect to such Taxes.

(c) The Sellers shall bear the costs and expenses associated with delivery of the title documents described in Section 7.11.

5.13 FURTHER ASSURANCES. At any time and from time to time after the Closing, the Sellers shall, at the request of Purchaser, take any and all actions necessary to fulfill their respective obligations hereunder, to put Purchaser in actual possession and control of the Assets and execute and deliver such further instruments of conveyance, sale, transfer and assignment, and take such other actions necessary or desirable to effectuate, record or perfect the transfer of the Assets to Purchaser free and clear of all Liens, to confirm the title of the Assets to Purchaser, to assist Purchaser in exercising rights relating thereto, or to otherwise effectuate or consummate any of the transactions contemplated hereby.

5.14 DELIVERY OF BOOKS AND RECORDS. The Sellers shall deliver to Purchaser at the Closing all original documents, books and records pertaining to the Assets. The Sellers may retain copies of any of the foregoing for their own use. Without limiting the generality of the foregoing, the Sellers shall deliver to Purchaser at the Closing all documents and records relating to the Intellectual Property, including without limitation, Certificates of Registration for all letters patent, trademarks and service marks listed on Schedule 3.11 and all such documents relating thereto.

5.15 FCC MATTERS. Prior to the execution hereof, the Sellers and Purchaser's designee have filed with the FCC applications requesting the FCC's written consent to the transactions contemplated by this Agreement. Purchaser shall reasonably cooperate with the Sellers and Purchaser or Purchaser's designee in prosecuting such FCC applications and shall not take any action that is reasonably likely to adversely affect, delay or interfere with obtaining FCC approval.

5.16 THIRD PARTY DESIGNATION. At the request of Purchaser, the Sellers agree to convey the Assets and any documents relating thereto to any third party designated in writing by Purchaser and approved by Sellers; it being recognized, acknowledged and agreed that Gray Communications Systems, Inc. or its subsidiary is an acceptable designee.

5.17 HSR FILINGS. Purchaser or Purchaser's designee and Sellers shall, as promptly as practicable following the execution of this Agreement, and in cooperation with each other, file with the Department of Justice and the Federal Trade Commission the premerger notification forms and any other documents required under the HSR Act, and each shall use its best efforts to obtain earliest termination of all waiting periods under the HSR Act.

5.18 FURTHER ACTIONS. Subject to the terms and conditions of this Agreement, the Sellers and Purchaser each agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated in this Agreement and to satisfy the conditions hereto, in each case in as prompt a manner as is reasonably possible.

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SURVIVAL OF REPRESENTATIONS AND WARRANTIES AND INDEMNIFICATION

6.01 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ACKNOWLEDGMENT OF PURCHASER RELIANCE. All of Sellers' and Purchaser's representations, warranties, covenants, and agreements as set forth in this Agreement shall survive the date hereof for a period of one (1) year. Sellers and Purchaser acknowledge and agree that Purchaser has had an opportunity to perform an investigation of the Business and the Assets; however, no investigation by Purchaser will diminish or obviate any of the representations, warranties, covenants, indemnities or agreements made or to be performed by either Seller pursuant to this Agreement or Purchaser's right to fully rely upon such representations, warranties, covenants, indemnities and agreements.

6.02 INDEMNIFICATION BY SELLERS. Each Seller, jointly and severally, agrees to indemnify, defend, and hold harmless Purchaser (and each of its directors, officers, shareholders, employees, affiliates and assigns) from and against any and all Losses asserted against, imposed upon or incurred by any of the foregoing by reason of, resulting from, arising out of, based upon or otherwise in respect of the following notwithstanding any actual or alleged negligence of any of the Persons indemnified hereunder:

(a) any inaccuracy in any representation or warranty made by either Seller pursuant to this Agreement;

(b) any breach of any covenant or agreement made or to be performed by either Seller pursuant to this Agreement;

(c) any Undisclosed Liability;

(d) any Liability for any Taxes of either Seller that either accrued on or before the date hereof or arose out of or relate to either Seller or the operations of the Business on or before the date hereof; and

(e) any Retained Liability.

Sellers, acting collectively, shall have the right at their own cost and expense to undertake to defend against any claim or cause of action under the hold harmless and indemnity provisions of this Section 6.02. Purchaser agrees to provide written notice of any Third Party claims which may arise under this Section 6.02 promptly after Purchaser's receipt of notice of any such claim from any Third Party. Failure to provide such written notice within the time specified shall not constitute a waiver of the provisions of this Section by Purchaser, except to the extent that such failure shall have prejudiced either Seller's rights and abilities to defend a lawsuit that is the basis of such a claim.

6.03. INDEMNIFICATION BY PURCHASER. Purchaser agrees to indemnify, defend and hold harmless each Seller (and its respective directors, officers, employees, affiliates and assigns) from and against all Losses asserted against, imposed upon or incurred by any of the foregoing by reason of, resulting from, arising out of, based upon or otherwise in respect of the following notwithstanding any actual or alleged negligence of any of the Persons indemnified hereunder:

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(a) any inaccuracy in any representation or warranty made by Purchaser pursuant to this Agreement;

(b) any breach of any covenant or agreement made or to be performed by Purchaser pursuant to this Agreement; and

(c) any Assumed Liability.

Purchaser shall have the right at its own cost and expense to undertake to defend against any claim or cause of action under the hold harmless and

indemnity provisions of this Section 6.03. Each Seller agrees to provide written notice of any Third Party claims that may arise under this Section 6.03 promptly after Sellers' receipt of notice of any such claim from any Third Party. Failure to provide such written notice within the time specified shall not constitute a waiver of the provisions of this Section by Sellers, except to the extent that such failure shall have prejudiced Purchaser's rights and abilities to defend a lawsuit that is the basis of such a claim.

6.04 INDEMNIFICATION PAYMENTS. Subject to the terms hereof, a party obligated to make indemnification payments pursuant to this Agreement shall pay to the indemnified party the full amount of any and all Losses (other than Losses resulting from a Third Party claim) within ten (10) days of receipt of the notice thereof and the full amount of any Loss resulting from a Third Party claim within ten (10) days of the date such Litigation is terminated or the date a final judgment or award is rendered and no appeal is taken, and thereafter the amount of such Loss shall bear interest at a rate equal to the lesser of two percent (2%) per month or the maximum amount permitted by Law.

ARTICLE VII CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived, in whole or in part, by Purchaser for purposes of consummating such transactions, but without prejudice to any other right or remedy which Purchaser may have hereunder as a result of any misrepresentation by, or breach of any agreement, covenant or warranty of the Sellers contained in this Agreement or any Other Agreement:

7.01 REPRESENTATIONS TRUE AND COVENANTS PERFORMED AT CLOSING. The representations and warranties made by the Sellers shall be correct and complete in all Material respects on the Closing Date with the same force and effect as if such representations and warranties had been made on and as of the Closing Date. Each of the Sellers shall have duly performed and complied in all Material respects with all of the agreements, covenants, acts and undertakings to be performed or complied with by it in all Material respects on or prior to the Closing Date. Each of the Sellers shall have delivered to Purchaser a certificate or certificates dated as of the Closing Date certifying as to the fulfillment of the conditions of this Section 7.01. Notwithstanding any other provision of this Agreement to the contrary, for purposes of this Section 7.01, all Materiality qualifications contained in the representations and warranties made by the Sellers shall be disregarded and given no effect.

7.02 INCUMBENCY CERTIFICATE. Purchaser shall have received an appropriate incumbency certificate or certificates, dated the Closing Date, certifying the incumbency of all officers of the Sellers.

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The certificate or certificates shall contain specimens of the signatures of the officers whose incumbency is certified and shall be executed by officers of the Sellers other than officers whose incumbency is certified.

7.03 CERTIFIED COPIES OF RESOLUTIONS. Purchaser shall have received copies, certified by the duly qualified and acting Secretary or Assistant Secretary of the Sellers, of resolutions adopted by the Board of Directors of the Sellers.

7.04 OPINIONS OF COUNSEL. Purchaser shall have received (i) a written opinion of Winston & Strawn, counsel to the Sellers, dated the Closing Date and substantially in form and substance reasonably satisfactory to Purchaser and its counsel, and (ii) a written opinion of Pepper & Corazzini L.L.P., FCC counsel to the Sellers, dated the Closing Date and substantially in the form of Exhibit 7.04(ii) attached hereto and made a part hereof by this reference.

7.05 NO MATERIAL ADVERSE CHANGE. There shall not have occurred any Material Adverse Change, or any condition or event that is reasonably likely to cause a

Material Adverse Change, with respect to the Assets or the Business, or either of the Sellers with respect to the Business, from the Balance Sheet Date. Each of the Sellers shall have delivered to Purchaser a certificate or certificates dated as of the Closing Date executed by the Sellers certifying the foregoing statement.

7.06 NO INJUNCTION, ETC. No Litigation, Law, Order or legislation shall have been instituted, threatened or proposed by a Third Party before any court or Governmental Authority to enjoin, restrain, prohibit or obtain damages in respect of this Agreement or the consummation of the transactions contemplated hereby, if such Litigation, Law, Order or legislation, in the reasonable judgment of Purchaser, would make it inadvisable to consummate the transactions contemplated hereby.

7.07 APPROVAL OF LEGAL MATTERS. All actions, proceedings, instruments and documents reasonably deemed necessary or appropriate by Purchaser or its attorneys to effectuate this Agreement and to consummate the transactions contemplated hereby shall have been approved by such attorneys in the exercise of their reasonable discretion.

7.08 FCC APPROVALS. The FCC shall have given all requisite approvals and consents, without any condition or qualification Materially adverse to Purchaser, Purchaser's designee, or the Sellers or Materially adverse to the operations of the Business, to the assignment of the FCC License to Purchaser or Purchaser's designee as provided in this Agreement (whether or not any appeal or request for reconsideration or review is pending or the time for filing any appeal or request for reconsideration or review, or for any sua sponte action by the FCC with similar effect has expired), including without limitation, any Materially Adverse Condition on the acquisition or operation of the Station by Purchaser or Purchaser's designee.

7.09 HART-SCOTT APPROVAL. All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

7.10 SALES AND USE TAXES. The Sellers shall have used their reasonable best efforts to obtain and deliver to Purchaser an updated certificate or certificates or letter of good standing from the Michigan and Wisconsin Departments of Revenue (or similar Taxing authorities) and from any other state and foreign Tax authority listed on Schedule 3.02 stating that no sales or use Taxes are due relating to the Business or the Assets or operations of the Station prior to Closing.

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7.11 TITLE DOCUMENTS. Purchaser shall have received an owner's title insurance policy (or an endorsement to an existing owner's title insurance policy) for each parcel of the Owned Real Property bringing forward the effective date of the policy to the Closing Date subject to no additional Liens other than Permitted Liens and reflecting no change in ownership of the Owned Real Property. With respect to each parcel of Leased Real Property in which either of the Sellers is the lessee, Purchaser shall have received a leasehold insurance policy insuring either of the Sellers, as the case may be, subject to no Liens other than Permitted Liens and a current updated and revised ALTA survey. Each of the title insurance policies described in this Section 7.11 shall contain zoning endorsements in form and substance reasonably satisfactory to Purchaser and shall be paid equally by the Sellers and Purchaser. The title insurance commitment for the owner's title insurance policy for the Owned Real Property in Eau Claire County, Wisconsin will be endorsed to remove exception No. 21 relating to a mortgage held by Chemical Bank so that the policy when issued will contain no special exception for the mortgage held by Chemical Bank, but will reference the estate, right, title and interest of Americus (successor to Sage Broadcasting) and all parties claiming by, through or under Americus.

7.12 CLOSING OF WALB AGREEMENT. At the time of Closing, all parties to that certain Asset Purchase Agreement by and among Cosmos Broadcasting Corporation, WALB-TV, Inc. and WALB Licensee Corp. dated as of June 22, 1998 (the "WALB Agreement") shall be ready, willing and able to consummate the transactions contemplated by the WALB Agreement.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS OF THE SELLERS

The obligations of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived, in whole or in part, by the Sellers for purposes of consummating such transactions, but without prejudice to any other right or remedy which the Sellers may have hereunder as a result of any misrepresentation by, or breach of any agreement, covenant or warranty of Purchaser contained in this Agreement or any Other Agreement:

8.01 REPRESENTATIONS TRUE AND COVENANTS PERFORMED AT CLOSING. The representations and warranties made by Purchaser shall be correct and complete in all Material respects on the Closing Date with the same force and effect as if such representations and warranties had been made on and as of the Closing Date. Purchaser shall have duly performed and complied with all of the agreements, covenants, acts and undertakings to be performed or complied with by it on or prior to the Closing Date. Purchaser shall have delivered to the Sellers a certificate dated as of the Closing Date certifying as to the fulfillment of the conditions of this Section 8.01. Notwithstanding any other provision of this Agreement to the contrary, for purposes of this Section 8.01, all Materiality qualifications contained in the representations and warranties made by Purchaser shall be disregarded and given no effect.

8.02 INCUMBENCY CERTIFICATE. The Sellers shall have received an incumbency certificate or certificates dated the Closing Date certifying the incumbency of all officers of Purchaser who have executed this Agreement or documents in connection with this Agreement. The certificate or certificates shall contain specimens of the signatures of each of the officers whose incumbency is certified and shall be executed by an officer of Purchaser other than an officer whose incumbency is certified.

8.03 CERTIFIED COPIES OF RESOLUTIONS. The Sellers shall have received copies, duly certified by the duly qualified and acting Secretary or Assistant Secretary of Purchaser, of resolutions

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adopted by the Board of Directors of Purchaser approving this Agreement and the consummation of the transactions contemplated herein.

8.04 NO INJUNCTION, ETC. No Litigation, Law, Order or legislation shall have been instituted, threatened or proposed by a Third Party before any court or Governmental Authority to enjoin, restrain, prohibit or obtain damages in respect of this Agreement or the consummation of the transactions contemplated hereby, if such Litigation, Law, Order or legislation, in the reasonable judgment of Purchaser, would make it inadvisable to consummate the transactions contemplated hereby.

8.05 HART-SCOTT ACT APPROVAL. All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

8.06 APPROVAL OF LEGAL MATTERS. All actions, proceedings, instruments and documents reasonably deemed necessary or appropriate by the Sellers or their attorneys to effectuate this Agreement and to consummate the transactions contemplated hereby shall have been approved by such attorneys in the exercise of their reasonable discretion.

8.07 FCC APPROVALS. The FCC shall have given all requisite approvals and consents, without any condition or qualification Materially adverse to Purchaser, Purchaser's designee, or the Sellers or Materially adverse to the operations of the Business or to the assignment of the FCC License to Purchaser or Purchaser's designee as provided in this Agreement (whether or not any appeal or request for reconsideration or review is pending or the time for filing any appeal or request for reconsideration or review, or for any sua sponte action by the FCC with similar effect has expired), including without limitation, any

Materially Adverse Condition on the acquisition or operation of the Station by Purchaser or Purchaser's designee.

ARTICLE IX
TERMINATION

9.01 CAUSES FOR TERMINATION. This Agreement and the transactions contemplated by this Agreement may be terminated at any time prior to the Closing Date: (i) by the mutual consent of the Sellers and Purchaser; (ii) by Purchaser in the event the conditions set forth in Article VII of this Agreement shall not have been satisfied or waived by September 1, 1998; (iii) by the Sellers in the event that the conditions set forth in Article VIII of this Agreement shall not have been satisfied or waived by September 1, 1998; (iv) by Purchaser pursuant to Sections 5.10; (v) by Purchaser or the Sellers at any time if Purchaser determines in good faith that any Material Adverse Change, or any condition or event that is reasonably likely to cause a Material Adverse Change, with respect to the Business or the Assets, or the Sellers with respect to the Business, shall have occurred or been discovered since the Balance Sheet Date; (vi) by Purchaser or the Sellers if the transactions contemplated under the WALB Agreement are not consummated or all parties to the WALB Agreement are not ready, willing and able to consummate the transactions contemplated by the WALB Agreement on the Closing Date; or (vii) by Purchaser or Sellers upon the termination of the Exchange Agreement.

9.02 NOTICE OF TERMINATION. Notice of termination of this Agreement as provided for in this Article IX shall be given by the party so terminating to the other parties hereto in accordance with the provisions of Section 11.01.

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9.03 EFFECT OF TERMINATION.

(a) In the event of a termination of this Agreement pursuant to Section 9.01 hereof, except for the confidentiality provisions of Section 5.04, which shall remain in full force and effect, this Agreement shall become void and of no further force and effect, and each party shall pay the costs and expenses incurred by it in connection with this Agreement, and no party (or any of its agents, counsel, representatives, Affiliates or assigns) shall be liable to any other party for any Loss hereunder; provided, however, if non-occurrence of Closing is the direct or indirect result of the Default of any party of its obligations hereunder, including, without limitation, any Material inaccuracy in any representation or warranty made by such party, such defaulting party shall be fully liable to the other parties hereto for any such Default.

(b) It is agreed that time is of the essence in the performance and satisfaction of this Agreement and each of the conditions specified in Articles VII and VIII of this Agreement are Material for purposes of this Agreement.

9.04 RISK OF LOSS. The Sellers assume all risk of condemnation, destruction or Loss due to fire or other casualty from the date of this Agreement until the Closing.

ARTICLE X
DEFINITIONS

The following terms (in their singular and plural forms as appropriate) as used in this Agreement shall have the meanings set forth below unless the context requires otherwise:

"AFFILIATE" of a Person means: (i) any Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person; (ii) any officer, director, partner, employee, agent, or representative or direct or indirect beneficial or legal owner of any 10% or greater equity or voting interest of such Person; or (iii) any entity for which a Person described in (ii) above acts in any such capacity.

"AGREEMENT" means this Asset Purchase Agreement, including the Exhibits and Schedules delivered pursuant hereto or referred to herein, each of which is

incorporated herein by reference.

"ASSETS" means all of the following assets, properties and rights of the Sellers of every kind, nature, character and description, whether real, personal or mixed, whether tangible or intangible, whether accrued, contingent or otherwise (other than the Retained Assets) relating to or utilized in the Business, directly or indirectly, in whole or in part, in existence on the date hereof whether or not carried on the books and records of the Sellers, and whether or not owned in the name of Sellers or any Affiliate of Sellers and wherever located, including but not limited to the following:

- (i) FCC License held by the Subsidiary;
- (ii) the Real Property;
- (iii) the Personal Property;
- (iv) all rights, choses in action and claims, known or unknown, matured or unmatured, accrued or contingent, against Third Parties; and
- (v) any other tangible assets used in the Business and owned by either of the Sellers (other than the Retained Assets, which includes accounts receivables).

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"ASSUMED LIABILITIES" means the following specific Liabilities of the Sellers:

- (i) Liabilities first to be paid or performed after the Closing Date under or pursuant to Contracts of Sellers assigned to Purchaser pursuant to this Agreement (including, without limitation, outstanding purchase orders and sales commitments of Sellers); provided, however, such Liabilities shall not include any Liabilities resulting from or arising out of any Default by Sellers prior to the Closing Date under or with respect to any of such Contracts; and
- (ii) the License Agreement between the Company and the Subsidiary dated as of October 20, 1995 pursuant to which the Company was granted a license to use the FCC license of the Subsidiary.

"BALANCE SHEET" means the unaudited balance sheets of the Sellers' Business as of December 28, 1997 and included in the Financial Statements.

"BALANCE SHEET DATE" means the date of the most recent Balance Sheet.

"BOARD OF DIRECTORS" means the Board of Directors of a Person that is a corporation.

"BUSINESS" means the Sellers' business conducted by the Company and through the Subsidiary, of owning and operating the television station WEAU-TV serving Eau Claire and LaCrosse, Wisconsin.

"BUSINESS DAY" means a day other than a Saturday, a Sunday, a day on which banking institutions in the State of Georgia are authorized or obligated by law or required by executive order to be closed, or a day on which the New York Stock Exchange is closed.

"CERTIFICATE OF INCORPORATION" means the certificate of incorporation of a Person that is a corporation.

"CLOSING" means the consummation of the transactions contemplated by this Agreement.

"CLOSING DATE" means the fifth business day after issuance of the FCC approval as set forth in Section 5.15 and the satisfaction (or waiver) of all of the conditions set forth in Articles VII and VIII, or such other date as the parties may agree in writing; provided that the Closing Date may be extended to September 1, 1998 by Purchaser as necessary to effectuate the tax-free like-kind exchange described in the Exchange Agreement; provided, further, that the provisions of the Exchange Agreement shall continue to be in effect on the date of issuance of such FCC approval.

"CODE" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"COMMITMENTS" means the owner's title insurance policy commitments contained in Schedule 3.09.

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"COMPUTER SOFTWARE" means, with respect to the Business, all computer programs, materials, tapes, source and object codes, and all prior and proposed versions, releases, modifications, updates, upgrades and enhancements thereto, as well as all documentation and listings related thereto.

"CONTRACT" means, with respect to the Business, any written or oral contract, agreement, understanding, lease, usufruct, license, plan, instrument, commitment, restriction, arrangement, obligation, undertaking, practice or authorization of any kind or character or other document to which any Person is a party or that is binding on any Person or its securities, assets or business.

"DATABASES" means databases in all forms, versions and media, together with prior and proposed updates, modifications and enhancements thereto, as well as all documentation and listings therefor used in the Business, other than Licenses.

"DEFAULT" means (1) a breach of, default under, or misrepresentation in or with respect to any Contract or License, (2) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of, default under, or misrepresentation in any Contract or License, or (3) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right to terminate, change the terms of or renegotiate any Contract or License or to accelerate, increase, or impose any Liability under any Contract or License.

"EMPLOYEE BENEFIT PLAN" means, collectively, each pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other incentive plan, any other written or unwritten employee program, arrangement, agreement or understanding, whether arrived at through collective bargaining or otherwise, any medical, vision, dental or other health plan, any life insurance plan, or any other employee benefit plan or fringe benefit plan, including, without limitation, any "employee benefit plan," as that term is defined in Section 3(3) of ERISA currently or previously adopted, maintained by, sponsored in whole or in part by, or contributed to by either of the Sellers or any other ERISA Affiliate thereof or under which either of the Sellers or any other ERISA Affiliate thereof has any Liability for the benefit of employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate. "Employee Benefit Plans" also means any plans, programs, agreements, arrangements or understandings previously maintained by, sponsored in whole or in part by, or contributed to by either of the Sellers, or any other ERISA Affiliate thereof that could result in a Material Liability to the Sellers, including but not limited to, any plan covered by or subject to Title IV of ERISA. Employee Benefit Plans include (but are not limited to) "employee benefit plans" as defined in Section 3(3) of ERISA and any other plan, fund, policy, program, practice, custom, understanding or arrangement providing compensation or other benefits to any current or former officer or employee or director or independent contractor of either of the Sellers or any dependent or beneficiary thereof, maintained by the Sellers or under which the Sellers have any obligation or Liability, whether or not they are or are intended to be (i) covered or qualified under the Code, ERISA or any other applicable Law, (ii) written or oral, (iii) funding or unfunded, (iv) actual or contingent, or (v) generally available to any or all employees (or former employees) of the Sellers (or their beneficiaries or dependents), including, without limitation, all incentive, bonus, deferred compensation, flexible spending accounts, cafeteria plans, vacation, holiday, medical, disability, share purchase or other similar plans, policies, programs, practices or arrangements.

"ENVIRONMENTAL LAWS" means all Laws relating to pollution or protection of the environment (including, without limitation, ambient air, surface water, ground water, land surface or

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subsurface strata), including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended, 42 U.S.C. 9601 et seq. ("CERCLA"), the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq. ("RCRA"), and other Laws relating to emissions, discharges, releases or threatened releases of any Hazardous Substance, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any Hazardous Substance.

"ENVIRONMENTAL LITIGATION" means any Litigation against the Sellers with respect to the Business or the Assets of either of the Sellers (including, without limitation, written notice or other written communication by any Person alleging potential Liability for investigatory costs, cleanup costs, private or governmental response or remedial costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based upon, or resulting from (i) any Environmental Matter or (ii) any circumstances or state of facts forming the basis of any Liability or alleged Liability under, or violation or alleged violation of, any Environmental Law.

"ENVIRONMENTAL MATTER" means any matter or circumstances related in any manner whatsoever to (i) the emission, discharge, disposal, release or threatened release of any Hazardous Substance into the environment, or (ii) the transportation, treatment, storage, recycling or other handling of any Hazardous Substance or (iii) the placement of structures or materials into waters of the United States, by, in each case, either of the Sellers or any of their respective predecessors or (iv) the presence of any Hazardous Substance, including, but not limited to, asbestos, in any building, structure or workplace or on any of the Real Property.

"ENVIRONMENTAL REPORT" means, with respect to the Business, the independent Phase I environmental site assessment report of the Sellers' properties and operations prepared for the Sellers and Purchaser by Montgomery Watson, dated February, 1998.

"ERISA" means Employee Retirement Income Security Act of 1974, as amended.

"ERISA PLAN" means any Employee Benefit Plan which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, or an "employee welfare benefit plan" as that term is defined in Section 3(1) of ERISA.

"EXCHANGE AGREEMENT" means that certain agreement dated of even date herewith by and among Gray Communications Systems, Inc., WALB-TV, Inc., WALB Licensee Corp., Purchaser and Sellers.

"FCC" means the Federal Communications Commission.

"FINANCIAL STATEMENTS" means (i) the unaudited balance sheets of the Sellers as of December 28, 1997 and the related statements of income for the periods then ended and (ii) the unaudited balance sheets of the Sellers as of the end of each fiscal quarter from December 30, 1996 through December 28, 1997 and the related statements of income for the months then ended, and (iii) the monthly financial statements related to the Business provided to Purchaser pursuant to Section 5.06.

"GAAP" means generally accepted accounting principles as in effect in the United States consistently applied.

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"GOVERNMENTAL AUTHORITY" means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority,

board or body.

"HART-SCOTT ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C.A. ss. 18(a), as amended, and all Laws promulgated thereunder.

"HAZARDOUS SUBSTANCE" means (i) any hazardous substance, hazardous material, hazardous waste pollutants, contaminants, or toxic substance (as those terms are defined by any applicable Environmental Laws) and (ii) any petroleum, petroleum products, or oil.

"IMPROVEMENTS" means all buildings, structures, fixtures and other improvements included in the Real Property.

"INTELLECTUAL PROPERTY" means, with respect to the Business, (i) patents and pending patent applications together with any and all continuations, divisions, reissues, extensions and renewals thereof, (ii) trade secrets, know-how, inventions, formulae and processes, whether trade secrets or not, (iii) trade names, trademarks, service marks, logos, assumed names, brand names and all registrations and applications therefor, (iv) copyrights and any registrations and applications therefor, (v) technology rights and licenses, and (vi) Computer Software and all other intellectual property owned by, registered in the name of, or used in the business of a Person or in which a Person or its business has any interest.

"IRS" means the Internal Revenue Service of the United States of America.

"KNOWLEDGE" or "KNOWN" with respect to the Sellers, means collectively those facts that either of the Sellers, any of its officers and employees listed on EXHIBIT X hereto or Alfred C. Eckert, III, after due inquiry, knew or reasonably should have known.

"LAW" means any code, law, order, ordinance, regulation, rule, or statute of any Governmental Authority.

"LEASED PERSONAL PROPERTY" means all Personal Property that is not owned by the Sellers that the Sellers either use or have the right to use.

"LEASED REAL PROPERTY" means all Real Property that is not owned in fee simple by the Sellers that the Sellers either occupy or use or have the right to occupy or use.

"LIABILITY" means any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, expense (including, without limitation, costs of investigation, collection and defense), claim, deficiency, guaranty or endorsement of or by any Person (other than endorsements of notes, bills and checks presented to banks for collection or deposit in the ordinary course of business) of any type, whether accrued, absolute, contingent, liquidated, unliquidated, matured, unmatured or otherwise.

"LICENSE" means any license, franchise, notice, permit, easement, right, certificate, authorization, approval or filing with any Governmental Authority or court to which any Person is a party or that is or may be binding on any Person or its securities, property or business.

"LIEN" means any mortgage, lien, security interest, pledge, hypothecation, encumbrance, restriction, reservation, encroachment, infringement, easement, conditional sale agreement, title retention,

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lease, right of occupancy or other security arrangement, defect of title, adverse right or interest, charge or claim of any nature whatsoever of, on, or with respect to any property or property interest.

"LITIGATION" means any action, administrative or other proceeding, arbitration, cause of action, claim, complaint, criminal prosecution, inquiry, hearing, investigation (governmental or otherwise), litigation, notice (written or oral) before any Governmental Authority or arbitration, mediation or similar

tribunal by any Person alleging potential Liability or requesting information relating to or affecting the Sellers with respect to the Business or the Assets, the Business or the transactions contemplated by this Agreement.

"LOSS" means any and all direct or indirect demands, claims, payments, obligations, recoveries, deficiencies, fines, penalties, interest, assessments, actions, causes of action, suits, losses, diminution in the value of assets, damages, punitive, exemplary or consequential damages (including, but not limited to, lost income and profits and interruptions of business), liabilities, costs, expenses (including without limitation, (i) interest, penalties and reasonable attorneys' fees and expenses, (ii) attorneys' fees and expenses necessary to enforce rights to indemnification hereunder, and (iii) consultants' fees and other costs of defense or investigation), and interest on any amount payable to a Third Party as a result of the foregoing, whether accrued, absolute, contingent, known, unknown, or otherwise as of the Closing Date or thereafter.

"MATERIAL" or "MATERIALLY" shall be determined in light of the facts and circumstances of the matter in question; provided, however, that any specific monetary amount cited in this Agreement shall be deemed to determine materiality in that instance.

"MATERIAL ADVERSE CHANGE" or "MATERIAL ADVERSE EFFECT" means any Material adverse change in or effect on (i) the Business, operations, Assets, Liabilities, financial condition or results of operations of such Person, including, without limitation, any Material adverse change in the value of the Sellers, taken as a whole, (ii) the ability of such party to consummate the transactions contemplated by this Agreement or any of the Other Agreements to which it is or will be a party, or (iii) the ability of such party to perform any of its obligations under this Agreement or any of the Other Agreements to which it is or will be a party, if such change or effect Materially impairs the ability of such party to perform its obligations hereunder or thereunder, taken as a whole. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of less than \$1,000,000, no Material Adverse Change or Material Adverse Effect will be deemed to have occurred. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of \$1,000,000 or more but less than \$7,500,000, no Material Adverse Effect will be deemed to have occurred and the Sellers shall have the option to either (i) cure such change, condition or event or (ii) reduce the Purchase Price by the amount of the adverse effect caused by such change, condition or event. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of \$7,500,000 or more, either Purchaser or the Sellers may terminate this Agreement at their discretion. Neither a Material Adverse Change nor a Material Adverse Effect shall be deemed to result from an adverse change in general economic conditions, industry conditions or general conditions in the markets in which the Sellers operate. Further, notwithstanding the \$1,000,000 threshold contained in the third sentence of this definition, the Sellers shall use all reasonable efforts to promptly remedy any adverse change, condition or event that causes or is reasonably likely to cause the Station to be or go off the air.

"ORDER" means any decree, injunction, judgment, order, ruling, writ, quasi-judicial decision or award or administrative decision or award of any federal, state, local, foreign or other court, arbitrator, mediator, tribunal, administrative agency or Governmental Authority to which any Person is a party or that

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is or may be binding on any Person or its securities, assets or business (including, in the case of the FCC, a public notice or other written authorization).

"OTHER AGREEMENTS" means the agreements, documents, assignments and instruments to be executed and delivered by the Sellers pursuant to this Agreement, including but not limited to that certain Exchange Agreement dated of even date herewith by and among Gray Communications Systems, Inc., WALB-TV, Inc., WALB Licensee Corp., the Purchaser and the Sellers.

"OWNED REAL PROPERTY" means all Real Property other than Leased Real Property.

"PERMITTED LIENS" means (i) Liens for current real property Taxes not yet due and payable, (ii) non-monetary Liens that do not affect the value or use of any parcel of Real Property and (iii) all Special Exceptions (but not General Exceptions) to title contained in the Commitments.

"PERSON" means a natural person or any legal, commercial or governmental entity, such as, but not limited to, a business association, corporation, general partnership, joint venture, limited partnership, limited liability company, trust, or any person acting in a representative capacity.

"PERSONAL PROPERTY" means collectively all of the personal property or interests therein owned, leased, used or controlled by the Sellers with respect to the Business including, without limitation, inventory; the Intellectual Property of each Seller; the Contracts of each Seller; the Licenses of each Seller; the Computer Software; the Databases; the customer lists, mailing lists, customer files, supplier files, sales agent and manufacturers' representative files, credit files, and credit data relating to the Assets and the Assumed Liabilities, all other files, records, drawings, catalogues, stationary, advertising materials and other documents (or copies thereof) related to the Assets or Business, and the use of any telephone numbers used in the operation of the Business; the deposits, prepaid sums, fees and expenses (including without limitation, Taxes, insurance premiums, rental fees, utility charges and service charges), trust funds, retainages, escrows, monies and assets held by Third Parties, and deferred charges, as the same shall exist as of the Closing Date; machinery, tools, equipment (including office equipment and supplies), furniture, furnishings, fixtures (including trade fixtures), vehicles, leasehold improvements and all other tangible personal property.

"PUC LAWS" means public utility commission laws, rules and regulations.

"PURCHASE PRICE" means the total consideration to be paid to the Sellers by Purchaser for the purchase of the Assets pursuant to this Agreement and which shall be paid in accordance with Section 1.02 of this Agreement.

"PURCHASER" means Cosmos Broadcasting Corporation or its designee.

"REAL PROPERTY" means collectively all the real property or interests therein owned, leased, occupied, or used by the Sellers in the Business as of the date of this Agreement, together with (i) all rights, easements, tenements, hereditaments, appurtenances, privileges, immunities, mineral rights and other benefits belonging or appertaining thereto which run with said real property and (ii) all right, title and interest, if any, of the Sellers in and to (A) any land lying in the bed of any street, road, avenue, open or proposed, adjoining said real property, (B) any award made or to be made in lieu of the land described in the preceding clause (A), (C) any unpaid award for damage to said real property, and (D) all strips and rights-of-way abutting or adjoining said real property, if any. The Real Property includes, without

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limitation, all buildings, structures, fixtures and other improvements located on the land described in the preceding sentence.

"RELATED PERSON" means, with regard to any natural Person, its spouse, parent, sibling, child, aunt, uncle, niece, nephew, in-law, grandparent and grandchild (including by adoption) and any trustees or other fiduciaries for the benefit of such relatives.

"RETAINED ASSETS" means the following assets, none of which are being purchased by Purchaser pursuant to this Agreement:

- (i) all Sellers' cash or cash equivalents, Tax refunds, and Sellers' goodwill;
- (ii) records and reports maintained by Seller pertaining exclusively to other Retained Assets or Retained Liabilities;

- (iii) any asset of Sellers relating to any Employee Benefit Plan;
- and
- (iv) all accounts receivable.

"RETAINED LIABILITIES" means any Liability of Sellers that is not an Assumed Liability, including, without limitation, the following:

- (i) any Liabilities for any Taxes of Sellers that arise prior to the Closing Date;

- (ii) all accounts payable;

- (iii) any Liabilities relating to current or former assets of Sellers not being acquired by Purchaser pursuant to this Agreement;

- (iv) any Contract of Sellers not validly assigned to Purchaser;

- (v) any Liability incurred by Sellers as a result of any Default by Sellers under any provision of this Agreement or the Other Agreements;

- (vi) any Liability of Sellers for severance payments or other severance obligations relating to any Person employed by Sellers on or before the Closing Date;

- (vii) any Liability of Sellers for continuation of coverage under any group health plan maintained by Sellers required under the provisions of Code ss.4980B or Sections 601-608 of ERISA with respect to any Person employed by Sellers who experiences a "qualifying event" (as defined in the Code and ERISA) on or before the Closing Date;

- (viii) any Liability of Sellers to pay bonuses or other compensation to Affiliates of Sellers on account of the transactions contemplated by this Agreement;

- (ix) any Undisclosed Liability;

- (x) any Liability of Sellers, of any nature whatsoever, to any current or former shareholder or Affiliate of Sellers;

- (xi) any Liability (including without limitation, any Liability relating to any Litigation) relating to, based upon, or arising out of (A) the conduct of the Business or the ownership of the Assets prior to the Closing Date or (B) any act, omission, transaction, circumstance, sale of goods or services, state of facts or other condition which occurred or existed prior to the Closing Date, whether or not then known, due or payable and whether or not disclosed in this Agreement or the Other Agreements;

- (xii) any Liability that Purchaser may incur in connection with any Litigation brought against Purchaser under the Worker Adjustment and Retraining Notification Act or any similar Law that relates to actions taken by Seller with regard to any employees or any site employment;

- (xiii) any of the events, circumstances, or conditions described in Schedule 3.16, or any Environmental Claim, or Liability arising from any Environmental Matter;

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- (xiv) any Liability of Seller under or relating to any Employee Benefit Plan;

- (xv) any Liability to or Lien of any Third Party pursuant to the bulk sales of any jurisdiction that may be asserted against any of the Assets (whether asserted against Sellers, the Assets or Purchaser); or

- (xvi) any claim by any broker, finder or other Person employed or allegedly employed by Sellers in connection with the transactions contemplated by this Agreement.

"SUBSIDIARY" means WEAU License, Inc. or its successor.

"TAX" or "TAXES" means any federal, state, county, local, foreign and other taxes, assessments, charges, fees, and impositions, including interest and penalties thereon or with respect thereto, whether disputed or not, and including Liabilities relating to unclaimed property.

"TAX RETURNS" means all returns, reports, filings, declarations and statements relating to Taxes that are required to be filed, recorded, or deposited with any Governmental Authority, including any attachment thereto or amendment thereof.

"THIRD PARTY" or "THIRD PARTIES" means any Person that is not Purchaser, the Sellers or an Affiliate of any of the foregoing.

"UNDISCLOSED LIABILITIES" means any Liability that is not fully reflected or reserved against in the Financial Statements or fully disclosed in a Schedule to this Agreement.

ARTICLE XI
MISCELLANEOUS

11.01 NOTICES.

(a) All notices, requests, demands and other communications hereunder shall be (i) delivered by hand, (ii) mailed by registered or certified mail, return receipt requested, first class postage prepaid and properly addressed, (iii) sent by national overnight courier service, or (iv) sent by facsimile, graphic scanning or other telegraphic communications equipment to the parties or their designee, addressed as follows:

To the Sellers: Busse Broadcasting Corporation
 141 East Michigan Avenue
 Suite 300
 Kalamazoo, Michigan 49007
 Attention: Mr. Lawrence A. Busse
 Telephone: (616) 388-8019
 Facsimile: (616) 388-6089

with copies to: Winston & Strawn
 35 West Wacker Drive
 Chicago, Illinois 60601-9703
 Attention: Steven J. Gavin, Esquire
 Telephone: (312) 558-5600
 Facsimile: (312) 558-5700

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Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attention: Jonathan M. Wainwright, Esquire
Telephone: (212) 504-6122
Facsimile: (212) 504-6666

To Purchaser: Cosmos Broadcasting Corporation
 The Liberty Corporation
 2000 Wade Hampton Boulevard
 Greenville, South Carolina 29615
 Attention: Martha G. Williams, Esquire
 Telephone: (864) 609-4264
 Facsimile: (864) 609-3176

with copies to: Dow, Lohnes & Albertson
 1200 New Hampshire Avenue, NW
 Suite 800
 Washington, D.C. 20036
 Attention: Michael Hines, Esquire
 Telephone: (202) 776-2519
 Facsimile: (202) 776-2222

(b) All notices, requests, instructions or documents given to any party in accordance with this Section 11.01 shall be deemed to have been given (i) on the date of receipt if delivered by hand, overnight courier service or if sent by facsimile, graphic scanning or other telegraphic communications equipment or (ii) on the date three (3) business days after depositing with the United States Postal Service if mailed by United States registered or certified mail, return

receipt requested, first class postage prepaid and properly addressed.

(c) Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 11.01.

11.02 ENTIRE AGREEMENT. This Agreement, the Schedules, the Exhibits and the Other Agreements constitute the entire agreement between the parties relating to the subject matter hereof and thereof and supersede all prior oral and written, and all contemporaneous oral negotiations, discussions, writings and agreements relating to the subject matter of this Agreement.

11.03 MODIFICATIONS, AMENDMENTS AND WAIVERS. The failure or delay of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect its right to enforce that provision. No single or partial waiver by any party of any condition of this Agreement, or the breach of any term, agreement or covenant or the inaccuracy of any representation or warranty of this Agreement, whether by conduct or otherwise, in any one or more instances shall be construed or deemed to be a further or continuing waiver of any such condition, breach or inaccuracy or a waiver of any other condition, breach or inaccuracy.

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11.04 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto, and their respective estates, successors, legal or personal representatives, heirs, distributees, designees and assigns, but no assignment shall relieve any party of the obligations hereunder. Except as permitted by Section 5.16 and under the Exchange Agreement, this Agreement or any portion thereof cannot be assigned by any party without the prior written consent of the other parties hereto. With respect to such assignments, all representations, warranties, covenants and indemnification rights shall be binding upon, and inure to the benefit of, the assignee or assignees as if such representations, warranties, covenants and indemnification rights were made directly between the original parties to this Agreement. If the Subsidiary should be merged with and into a limited liability company owned by the Company, all references to stockholders, directors, Certificate of Incorporation and By-laws of the Subsidiary shall refer to members, managers, articles of organization and the operating agreement, respectively.

11.05 TABLE OF CONTENTS; CAPTIONS; REFERENCES. The table of contents and the captions and other headings contained in this Agreement as to the contents of particular articles, sections, paragraphs or other subdivisions contained herein are inserted for convenience of reference only and are in no way to be construed as part of this Agreement or as limitations on the scope of the particular articles, sections, paragraphs or other subdivisions to which they refer and shall not affect the interpretation or meaning of this Agreement. All references in this Agreement to "Section" or "Article" shall be deemed to be references to a Section or Article of this Agreement.

11.06 GOVERNING LAW. This Agreement shall be controlled, construed and enforced in accordance with the substantive Laws of the State of New York, without respect to the Laws related to choice or conflicts of Laws.

11.07 PRONOUNS. All pronouns used herein shall be deemed to refer to the masculine, feminine or neuter gender as the context requires.

11.08 SEVERABILITY. Should any one or more of the provisions of this Agreement be determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as practicable to that of the invalid, illegal or unenforceable provisions.

11.09 REMEDIES NOT EXCLUSIVE. No remedy conferred by any of the specific provisions of this Agreement is intended to be, nor shall be, exclusive of any

other remedy available at law, in equity or otherwise.

11.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original; but all of such counterparts shall together constitute one and the same instrument.

11.11 INTERPRETATIONS. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Purchaser or Sellers, whether under any rule of construction or otherwise. No party to this Agreement shall be considered the draftsman. On the contrary, this Agreement has been reviewed, negotiated and accepted by all parties and their attorneys and shall be construed and

interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of all parties hereto.

11.12 EXCLUSIVE REMEDY.. The parties acknowledge and agree that this Agreement and the Exchange Agreement shall provide the exclusive remedies of Purchaser and Sellers with respect to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, on and after the Closing, Purchaser and Sellers hereby waive any statutory, equitable or common law rights or remedies relating to any environmental health and safety matters, including without limitation, any such matters arising under any Environmental, Health and Safety Requirements, the Comprehensive Environmental Response, Compensation and Liability Act or any analogous state law.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Company, the Subsidiary and Purchaser have duly executed this Agreement under seal as of the date first above written.

THE COMPANY

BUSSE BROADCASTING CORPORATION

By: /s/ James C. Ryan

Name: James C. Ryan
Title: Treasurer

THE SUBSIDIARY

WEAU LICENSE, INC.

By: /s/ James C. Ryan

Name: James C. Ryan
Title: Vice President

PURCHASER

COSMOS BROADCASTING CORPORATION

By: /s/ James M. Keelor

Name James M. Keelor
Title: President

EXCHANGE AGREEMENT

This EXCHANGE AGREEMENT (the "Agreement") is made as of this 22nd day of June, 1998, by and among Gray Communications Systems, Inc. ("Gray"), WALB-TV, Inc. ("WALB"), WALB Licensee Corp. ("WALB Licensee"), Cosmos Broadcasting Corporation ("Cosmos"), Busse Broadcasting Corporation ("Busse") and WEAU License, Inc., or its successor ("WEAU").

WITNESSETH:

WHEREAS, WALB and WALB Licensee each respectively desires to exchange for other property of like-kind and qualifying use within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") and the Regulations promulgated thereunder, ownership in and title to (a) the non-license assets as described in the WALB Asset Purchase Agreement (as defined below), referred to herein as the "WALB Assets" (with respect to WALB) and (b) the license assets as described in the WALB Asset Purchase Agreement referred to herein as the "WALB License" (with respect to WALB Licensee);

WHEREAS, WALB and WALB Licensee have entered into an asset purchase agreement, dated as of June 22, 1998, with Cosmos whereby WALB and WALB Licensee agree to sell and Cosmos agrees to purchase the WALB Assets and the WALB License (the "WALB Asset Purchase Agreement");

WHEREAS, Cosmos has agreed to acquire the WALB Assets and the WALB License in exchange for ownership in and title to (a) the non-license assets of like-kind and qualifying use within the meaning of Section 1031 of the Code and the Regulations promulgated thereunder, as identified by WALB and WALB Licensee and as described in the WEAU Asset Purchase Agreement (as defined below), referred to herein as the "WEAU Assets" (with respect to Busse) and (b) the license assets as described in the WEAU Asset Purchase Agreement, referred to herein as the "WEAU License" (with respect to WEAU), plus cash as herein provided;

WHEREAS, in connection with the acquisition of the WEAU Assets, Cosmos has entered into an asset purchase agreement, dated as of June 22, 1998, with Busse and WEAU whereby Busse and WEAU agree to sell and Cosmos agrees to purchase the WEAU Assets and the WEAU License (the "WEAU Asset Purchase Agreement");

WHEREAS, Gray, WALB and WALB Licensee have requested that Cosmos enter into the WEAU Asset Purchase Agreement in order to effect the exchange contemplated herein;

WHEREAS, Cosmos is not willing to enter into the WEAU Asset Purchase Agreement, this Agreement or the documents relating thereto or hereto unless, Gray, WALB

and WALB Licensee provide Cosmos with a full and complete indemnity against any and all claims arising from, or relating to, the execution, delivery and performance by Cosmos (other than Cosmos' obligation to pay the cash purchase price to Busse and WEAU) of the WEAU Asset Purchase Agreement; and

WHEREAS, it is the intention of the parties hereto that Cosmos shall direct Busse and WEAU to directly transfer and convey all right, title and interest in the WEAU Assets and the WEAU License to WALB and WALB Licensee, respectively, as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE I

1.1 WEAU Asset Purchase Agreement. Cosmos hereby agrees, pursuant to the WEAU Asset Purchase Agreement, to direct Busse and WEAU to transfer and convey all right, title and interest in the WEAU Assets and the WEAU License to WALB and WALB Licensee, respectively, in exchange for the aggregate cash payments of \$66 million made by Cosmos to Busse and WEAU, as provided for in the WEAU Asset Purchase Agreement. In addition to the cash payments to Busse and WEAU, which payments will be equal to the value of the transferred WEAU Assets and the WEAU License, respectively, and total \$66 million, (a) Cosmos agrees to pay to WALB a cash payment equal to the amount of the excess of the value of the WALB Assets over the value of the WEAU Assets, each as determined pursuant to Section 2.3 below, and (b) Cosmos agrees to pay to WALB Licensee a cash payment equal to the amount of the excess of the value of the WALB License over the value of the WEAU License, each as determined pursuant to Section 2.3 below; provided that the net aggregate cash payments made by Cosmos to WALB and WALB Licensee shall be equal to \$12 million and the net aggregate cash payments made by Cosmos to all parties hereto shall be equal to \$78 million, each as adjusted pursuant to Section 1.04 of the WALB Asset Purchase Agreement. Each of WALB and WALB Licensee hereby agrees to exchange the WALB Assets and the WALB License, respectively, for the WEAU Assets and the WEAU License, respectively, and to receive the cash payments pursuant to the terms and conditions of this Agreement.

ARTICLE II

2.1 Exchange Consideration. The consideration for the transfer of the WALB Assets and the WALB License to Cosmos shall be the exchange by Cosmos of the WEAU Assets to WALB and the WEAU License to WALB Licensee, plus the net aggregate cash payments of \$12 million referred to in Section 1.1.

2.2 Closing. (a) Cosmos' obligation to close under the WEAU Asset Purchase Agreement is subject to the simultaneous consummation of the closing under the WALB Asset Purchase Agreement, and the parties acknowledge and agree that Cosmos shall

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not be deemed to be in violation of the WEAU Asset Purchase Agreement to the extent that any of Gray, WALB or WALB Licensee fails to perform any of its obligations contemplated pursuant to the terms of this Agreement. At the closing under the WEAU Asset Purchase Agreement, Cosmos shall assign, and Gray, WALB and WALB Licensee shall accept, all of Cosmos' remaining rights, liabilities and obligations under the WEAU Asset Purchase Agreement. Upon the earlier of (i) the consummation of the closing under the WEAU Asset Purchase Agreement, (ii) the termination of the WEAU Asset Purchase Agreement pursuant to Article IX thereof, or (iii) the termination of the WALB Asset Purchase Agreement pursuant to Article IX thereof, all of the parties hereto acknowledge and agree that Cosmos shall be fully released from any and all liabilities and obligations under the WEAU Asset Purchase Agreement and the documents relating thereto.

(b) The closing shall occur and shall be effective at such time as agreed to by the parties (the "Closing Date") and shall take place at the offices of Cadwalader, Wickersham & Taft in New York or at such other time and place as the parties may agree. On the Closing Date, Cosmos will pay (a) a cash amount equal to the fair market value of the WEAU Assets, as determined pursuant to Section 2.3 below, to Busse, or to the Indenture Trustee for and at the written request of Busse and (b) a cash amount equal to the fair market value of the WEAU License, as determined pursuant to Section 2.3 below, to WEAU, or the Indenture Trustee for and at the written request of Busse, by wiring federal or other immediately available funds to the appropriate bank accounts as instructed by Busse or the Indenture Trustee. Upon consummation of the exchanges contemplated herein, Cosmos shall make the cash payments that are part of the exchange consideration, as set forth in Section 2.1 above, by wiring federal or other immediately available funds to the appropriate bank accounts as instructed by the party, or parties to receive the cash payments; provided, however, that the aggregate net cash payments made by Cosmos to all parties hereto shall be

equal to \$78 million, as adjusted pursuant to Section 1.04 of the WALB Asset Purchase Agreement; and provided further that such cash payments made by Cosmos shall be reduced by any cash payments deposited into an escrow account as set forth in the WALB Asset Purchase Agreement to the extent paid to WALB or WALB Licensee. Prior to the consummation of the exchanges contemplated hereby and receipt of the WEAU Assets and WEAU License by WALB and WALB Licensee, no cash consideration shall be received, pledged, borrowed by, or otherwise made available to or for the benefit of WALB, WALB Licensee or Gray unless this Exchange Agreement shall have been terminated in accordance with Article V hereof.

2.3 Asset Valuation and Exchange Groups. The values of the various WEAU Assets, the WEAU License, the WALB Assets and the WALB License have been allocated among the assets in accordance with a schedule mutually prepared by the parties and attached hereto as Schedule 2.3. If any party undertakes to change such schedule, such party must obtain the consent of the other parties, which will not be unreasonably withheld.

2.4 Direct Deeding. For purposes of this Agreement, Busse agrees to deliver and convey the WEAU Assets directly to WALB and WEAU agrees to deliver the WEAU License directly to WALB Licensee, at the direction of Cosmos.

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ARTICLE III

3.1 Indemnification. (a) Gray, WALB and WALB Licensee hereby jointly and severally indemnify, defend and hold harmless Cosmos and its respective officers, directors, shareholders, employees, agents and affiliates from, against and with respect to any and all losses, damages, claims, judgments, obligations, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and costs and expenses incurred in investigating, preparing, defending against or prosecuting any litigation, claim, proceeding or demand), of any kind or character, including environmental or tax liabilities or claims, arising out of or in connection with the entering into and performance of the WEAU Asset Purchase Agreement and this Agreement and any documents made pursuant thereto or hereto and the transactions contemplated thereunder and hereunder. This indemnity will survive the closing of the exchanges contemplated herein and any termination of this Agreement pursuant to Section 5.1; provided, however, that this indemnification shall not apply to Cosmos' obligation to deliver the cash payment purchase price to Busse and WEAU and to perform its obligations under this Agreement. Notwithstanding anything to the contrary in the foregoing, Gray, WALB, WALB Licensee and Cosmos hereby agree that this Article III has no application to the entering into or the performance of the WALB Asset Purchase Agreement or the documents made pursuant thereto and that the indemnification obligations (and limitations thereto) under the WALB Asset Purchase Agreement have no application to this Agreement.

(b) Gray hereby indemnifies, defends and holds harmless Busse, WEAU and their respective officers, directors, shareholders, employees, agents and affiliates from, against and with respect to any and all losses, damages, claims, judgments, obligations, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and costs and expenses incurred in investigating, preparing, defending against or prosecuting any litigation, claim, proceeding or demand), of any kind or character, including environmental or tax liabilities or claims, arising out of or in connection with the entering into and performance of the WEAU Asset Purchase Agreement and this Agreement and any documents made pursuant thereto or hereto and the transactions contemplated thereunder and hereunder. This indemnity will survive the closing of the exchanges contemplated herein and any termination of this Agreement pursuant to Section 5.1; provided, however, that this indemnification shall not apply to (i) Busse's failure to perform its obligation under the Amended and Restated Stock Purchase Agreement, dated as of June 22, 1998, among Busse, Gray and the Busse stockholders and (ii) Busse's and WEAU's failure to perform their respective obligations under the WEAU Asset Purchase Agreement and under this Agreement.

ARTICLE IV

4.1. Expenses. (a) Except as provided below, regardless of whether the transactions contemplated by this Agreement are consummated, Gray shall be responsible for all of the expenses and fees incurred by each of Gray and Busse, or their affiliates, in connection with the transactions contemplated hereby.

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(b) Gray and Busse shall each pay one-half of the costs and filing fees associated with the pre-merger notification and reports required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), pursuant to the Amended and Restated Stock Purchase Agreement.

(c) On the Closing Date under the WALB Asset Purchase Agreement, Gray shall pay \$20,000 to Cosmos as reimbursement for certain expenses and fees incurred by Cosmos. Upon such payment, the indemnification obligations under Article III hereof exclude any indemnification by Gray, WALB or WALB Licensee for any expenses incurred by Cosmos in connection with the review, preparation and negotiation of the WEAU Asset Purchase Agreement, this Agreement and the documents made pursuant thereto and hereto and in connection with participating in and facilitating the closing contemplated by the WEAU Asset Purchase Agreement and this Agreement.

ARTICLE V

5.1 Causes for Termination. This Agreement and the transactions contemplated by this Agreement may be terminated at any time prior to the Closing Date: (i) by the mutual written consent of the parties hereto, or (ii) by either Gray or Cosmos in the event that either the WEAU Asset Purchase Agreement or the WALB Asset Purchase Agreement shall have been terminated; provided, however, that it is understood and agreed that the WALB Asset Purchase Agreement may not be terminated except as specifically provided therein. Furthermore, notwithstanding anything herein to the contrary, upon the termination of this Agreement either Busse or Cosmos may terminate the WEAU Asset Purchase Agreement whereupon such WEAU Asset Purchase Agreement shall be void and of no further force and effect.

5.2 Notice of Termination. Notice of termination of this Agreement as provided for in this Article V shall be given by the party so terminating to the other parties hereto in accordance with the provisions of Section 6.1.

5.3 Effect of Termination. (a) In the event of a termination of this Agreement pursuant to Section 5.1 hereof, this Agreement shall become void and of no further force and effect, and Gray shall pay the costs and expenses incurred by the parties, as set forth in Article IV above, unless such termination was caused by a default by Cosmos of its obligations under the WALB Asset Purchase Agreement or the WEAU Asset Purchase Agreement, in which case Cosmos shall be responsible for its own expenses and costs relating to the transactions contemplated herein. In addition, Gray shall remain responsible to pay any costs arising under Article III above.

(b) It is agreed that time is of the essence and the performance and satisfaction of the WEAU Asset Purchase Agreement and the WALB Asset Purchase Agreement and each of the conditions set forth therein are material for purposes of this Agreement.

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ARTICLE VI

6.1 Notices. Any and all notices, consents, approvals or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be given in writing and shall be sent certified or registered mail (return receipt requested), overnight courier, or telecopier to the parties hereto as follows:

If to Gray, WALB or WALB Licensee:

Gray Communications Systems, Inc.
1201 New York Avenue, NW
Suite 1000
Washington, DC 20005-3917
Telecopier: (202) 962-8300
Attention: Robert A. Beizer, Esq.

With a copy to:

The Ward Quaal Company
401 N. Michigan Avenue
Suite 3140
Chicago, IL 60611
Telecopier: (312) 644-3733
Attention: Mr. Ward L. Quaal

and a copy to:

Alston & Bird
1201 West Peachtree Street
Atlanta, GA 30309-3424
Telecopier: (404) 881-4777
Attention: Stephen A. Opler, Esq.

If to Cosmos:

Cosmos Broadcasting Corporation
The Liberty Corporation
2000 Wade Hampton Boulevard
Greenville, SC 29615
Telecopier: (864) 609-3176
Attention: Martha G. Williams, Esq.

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With a copy to:

Dow, Lohnes & Alberston
1200 New Hampshire Avenue, NW
Suite 800
Washington, DC 20036
Telecopier: (202) 776-2222
Attention: Michael Hines, Esq.

If to Busse or WEAU:

Busse Broadcasting Corporation
141 East Michigan Avenue
Suite 300
Kalamazoo, MI 49007
Telecopier: (616) 388-6089
Attention: Mr. James. C. Ryan

With a copy to:

Winston & Strawn
35 West Wacker Drive
Chicago, IL 60601-9703
Telecopier: (312) 558-5700
Attention: Steven J. Gavin, Esq.

and a copy to:

Cadwalader, Wickersham & Taft
100 Maiden Lane

New York, NY 10038
Telecopier: (212) 504-6666
Attention: Jonathan M. Wainwright, Esq.

6.2 Governing Law. This Agreement shall be governed by and construed under the laws of New York, without regard to conflict of law principles thereof.

6.3 Further Assurances. Each of the parties hereto shall hereafter execute and deliver such further instruments and do such further acts as may be required or necessary to carry out the intent and purposes of this Agreement and which are not otherwise inconsistent with the terms of this Agreement.

6.4 Third Party Beneficiary. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the parties hereto or for the benefit of or enforceable by any third party.

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6.5 Superseding Effect. In the event of a conflict between the terms of this Agreement, the WEAU Asset Purchase Agreement and/or the WALB Asset Purchase Agreement, unless otherwise specifically addressed, the terms of this Agreement shall govern.

6.6 Gray Guaranty. Gray hereby unconditionally guarantees the performance of WALB and WALB Licensee of their obligations hereunder and under documents relating hereto.

6.7 Counterparts. This Agreement may be executed in two or more identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have set their hand as of the date first above written.

GRAY COMMUNICATIONS SYSTEMS, INC.

By: /s/ Robert A. Beizer
Robert A. Beizer
Vice President

WALB-TV, INC.

By:/s/ Ward Quaal
Ward Quaal
President

WALB LICENSEE CORP.

By:/s/ Ward Quaal
Ward Quaal
President

COSMOS BROADCASTING CORPORATION

By:/s/ James M. Keelor
Name: James M. Keelor
Title: President

BUSSE BROADCASTING CORPORATION

By:/s/ James C. Ryan
James C. Ryan
Treasurer

WEAU LICENSE, INC.

By:/s/ James C. Ryan
James C. Ryan
Vice President

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SCHEDULE 2.3

[ALLOCATION OF VALUATION OF WEAU AND WALB ASSETS]

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Agreement") is entered into as of this 22nd day of June, 1998, by and among WALB-TV, Inc., a Georgia corporation (the "Company"), WALB Licensee Corp., a Delaware corporation (the "Subsidiary") (the Company and the Subsidiary, collectively, "Sellers"), Cosmos Broadcasting Corporation, a South Carolina corporation ("Buyer"), and NationsBank, N.A., a national banking association (the "Escrow Agent").

WITNESSETH:

WHEREAS, Sellers and Buyer are parties to an Asset Purchase Agreement of even date herewith pursuant to which Buyer is to deposit Three Million Nine Hundred Thousand Dollars (\$3,900,000) with the Escrow Agent related to the purchase and sale of television station WALB-TV, Albany, Georgia.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Sellers, Buyer and Escrow Agent hereby agree as follows:

1. Escrow Account and Deposit. The Escrow Agent has established, or simultaneously with the execution hereof will establish, an account (the "Escrow Account") into which Buyer has deposited, or simultaneously with the execution hereof will deposit, Three Million Nine Hundred Thousand Dollars (\$3,900,000). Upon receipt thereof, the Escrow Agent shall provide Buyer and Sellers confirmation thereof, and shall hold and disburse such deposit as set forth in this Agreement. Such deposit shall be invested in the NationsBank Money Market Account or one of the Nations Money Market Funds listed on Schedule A attached hereto, as directed by Buyer. Such deposit, as increased or decreased based upon such investment results, is referred to herein as the "Deposit."

2. Release of Deposit by Escrow Agent. The Escrow Agent shall promptly release all or a portion of the Deposit to Buyer or Sellers, as the case may be, upon the first to occur of the following circumstances:

(i) The Escrow Agent receives joint written instructions from Sellers and Buyer directing the Escrow Agent to make such release; or

(ii) The Escrow Agent receives a final order of a court of competent jurisdiction authorizing the Escrow Agent to make such release.

3. Reliance by Escrow Agent. The Escrow Agent shall be entitled to rely upon and act in accordance with any of: (a) the joint written instructions of Sellers and Buyer, and (b) a final order of a court of competent jurisdiction authorizing the Escrow Agent to release the Deposit, or any portion thereof, to Buyer or Sellers.

4. Conflicting Demands. If conflicting demands are made upon the Escrow Agent, the Escrow Agent shall not be required to resolve such controversy or take any action, but may await resolution of the controversy by joint instructions from Sellers and Buyer or by appropriate legal proceedings.

5. Indemnification; Fees of Escrow Agent. Buyer and Sellers shall jointly and severally pay, and hold the Escrow Agent harmless against, all costs, charges, damages and attorneys' fees which the Escrow Agent in good faith may incur or suffer in connection with or arising out of this Agreement. The Escrow Agent shall be entitled to a fee for services it renders hereunder in the amount set forth on Schedule A attached hereto, which shall be paid one-half by the Sellers and one-half by the Buyer.

6. Rights and Duties of Escrow Agent.

(a) No assignment of the interest of any of the parties hereto shall be binding upon the Escrow Agent unless and until written evidence of such

assignment in a form satisfactory to the Escrow Agent shall be filed with and accepted by the Escrow Agent.

(b) The Escrow Agent may rely or act upon orders or directions signed by the proper parties, or bearing a signature or signatures reasonably believed by the Escrow Agent to be genuine.

(c) The Escrow Agent shall have no duties other than those expressly imposed on it herein and shall not be liable for any act or omission except for its own gross negligence or willful misconduct.

(d) In the event that the Deposit or any proceeds thereof shall be attached, garnished, or levied upon by an order of any court, or the delivery thereof shall be stayed or enjoined by an order of court, or any order, judgment or decree shall be made or entered by any court affecting the property deposited under this Agreement, or any part thereof, the Escrow Agent is hereby expressly authorized in its sole discretion to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in case the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding that such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

(e) The Escrow Agent may resign by giving sixty (60) days written notice of resignation, specifying the effective date thereof. Within thirty (30) days after receiving the aforesaid notice, the Sellers and Buyer agree to appoint a successor escrow agent to which the Escrow Agent shall transfer the Deposit or any proceeds thereof then held in escrow under this Agreement. If a successor escrow agent has not been appointed and/or has not accepted such appointment by the end of the 30-day period, the Escrow Agent may at its sole option: (i) apply to a court of competent jurisdiction for the appointment of a successor escrow agent, and the costs, expenses and reasonable attorneys' fees which are incurred in connection with such a

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proceeding shall be paid one-half by the Sellers and one-half by the Buyer, or (ii) continue to hold the Deposit until it receives an order from a court of competent jurisdiction or joint written instructions of Sellers and Buyer directing the Escrow Agent to release the Deposit.

7. Disputes. In the event of any disagreement between any of the parties resulting in conflicting or adverse claims or demands being made to the Deposit, the Escrow Agent shall be entitled, at its sole option, to refuse to comply with or recognize any such claims or demands as long as the disagreement shall continue, and in doing so, Escrow Agent shall not become liable in any way to any person for failure or refusal comply with such conflicting or adverse claims or demands, and its duties hereunder with regard to such disputed Deposit, shall be suspended until the rights of the claimants have been fully adjudicated or the differences adjusted between the parties and the Escrow Agent shall have been notified thereof in writing signed by all parties interested. In the event the differences between the parties with regard to the disputed Deposit have not been adjusted, and the Escrow Agent has been so notified, within ten (10) days following receipt of notice by Escrow Agent of conflicting or adverse claims or demands, Escrow Agent may, but shall not be obligated to, interplead the disputed Deposit in court, and thereupon Escrow Agent shall be fully and completely discharged of its duties as Escrow Agent with regard to the Deposit. The parties shall be jointly and severally liable to Escrow Agent for all fees and expenses, including legal fees, incurred by Escrow Agent in exercising its rights.

8. Notices. Any notice or other communication required or permitted hereunder shall be deemed to have been sufficiently given when delivered personally, by facsimile or by such other method (including recognized air courier or registered or certified mail, return receipt requested), addressed as follows:

(a) if to Sellers: c/o The Ward L. Quaal Company
401 N. Michigan Avenue, Suite 3140
Chicago, Illinois 60611
Attention: Ward L. Quaal
Facsimile No.: (312) 644-3733

with copies to: Gray Communications Systems, Inc.
1201 New York Avenue, N.W., Suite 1000
Washington, D.C. 20005
Attention: Robert A. Beizer
Facsimile No.: (202) 962-8300

(b) if to Buyer: Cosmos Broadcasting Corporation
2000 Wade Hampton
Greenville, South Carolina 29615
Attention: Martha G. Williams
Facsimile No.: (864) 609-3176

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with copies to: Dow, Lohnes & Albertson
1200 New Hampshire Avenue, N.W., Suite 800
Washington, D.C. 20036
Attention: Patricia A. Francis
Facsimile No.: (202) 776-2222

(c) if to Escrow Agent: NationsBank, N.A.
Private Client Group
DC1-701-03-08
1501 Pennsylvania Avenue, N.W.
Washington, D.C. 20005-1066
Attention: Susan B. Poliquin, Vice President
Facsimile No.: (202) 624-1086

or to such other address as may be specified by any party in a written notice to the other parties.

9. Governing Law. This Agreement shall be construed under the laws of the District of Columbia.

10. Waiver. This Agreement may be amended or modified, and any term may be waived, only if such amendment, modification or waiver is in writing and signed by all parties.

11. No Third Party Beneficiaries. This Agreement is a personal one, the duty of the Escrow Agent being only to the parties hereto, their successors or assigns, and to no other person whatsoever.

12. Counterparts. This Agreement may be executed in separate counterparts.

[SIGNATURE PAGE FOLLOWS]

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SIGNATURE PAGE TO WALB-TV ESCROW AGREEMENT

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective duly authorized officers all as of the day and year first above written.

BUYER:

COSMOS BROADCASTING CORPORATION

By:/s/ James M. Keelor

James M. Keelor, President

SELLERS:

WALB-TV, INC.

By:/s/ Ward L. Quaal

Ward L. Quaal, President

WALB LICENSEE CORP.

By:/s/ Ward L. Quaal

Ward L. Quaal, President

ESCROW AGENT:

NATIONSBANK, N.A.

By:/s/ Susan B. Poliquin

Susan B. Poliquin, Vice President

SCHEDULE A TO ESCROW AGREEMENT

NATIONS MONEY MARKET FUNDS

1. Nations Prime Fund
2. Nations Government Money Market Fund
3. Nations Treasury Fund
4. Nations Tax Exempt Fund

ESCROW AGENT FEE

\$1,500

AMENDED AND RESTATED LOAN AGREEMENT

by and among

GRAY COMMUNICATIONS SYSTEMS, INC.,
as Borrower,

NATIONSBANK, N.A.,
as Syndication Agent and Administrative Agent,

KEY CORPORATE CAPITAL INC.,
as Documentation Agent,

and

THE FINANCIAL INSTITUTIONS LISTED HEREIN

as of July 31, 1998

with

NATIONSBANC MONTGOMERY SECURITIES LLC,
as Lead Arranger.

Powell, Goldstein, Frazer & Murphy LLP,
Atlanta, Georgia

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EXHIBITS

Exhibit A - Form of Borrower Security Agreement
Exhibit B - Form of Borrower Pledge Agreement
Exhibit C - Form of Subsidiary Guaranty
Exhibit D - Form of Subsidiary Pledge Agreement
Exhibit E - Form of Subsidiary Security Agreement
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SCHEDULES

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Schedule 3 - Subsidiaries
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Schedule 5 - Litigation
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Schedule 8 - Material Contracts
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Schedule 12 - Environmental Problems

AMENDED AND RESTATED LOAN AGREEMENT

THIS AMENDED AND RESTATED LOAN AGREEMENT is made and entered into as of July 31, 1998, by and among GRAY COMMUNICATIONS SYSTEMS, INC., a Georgia corporation (the "Borrower"), the FINANCIAL INSTITUTIONS listed on the signature pages hereof (the "Banks"), NATIONSBANK, N.A., as syndication agent (the "Syndication Agent"), KEY CORPORATE CAPITAL INC., as documentation agent (the "Documentation Agent") and NATIONSBANK, N.A., as administrative agent (the "Administrative Agent") for the Banks, the Syndication Agent, and the Documentation Agent.

WITNESSETH:

WHEREAS, the Borrower, Key Corporate Capital Inc., as Agent (as defined in the Prior Loan Agreement defined below), and NationsBank, N.A., as Co-Agent (as

defined in the Prior Loan Agreement defined below), and the Banks are all parties to the Prior Loan Agreement (as hereinafter defined); and

WHEREAS, the Borrower has requested that the Administrative Agent, the Documentation Agent and the Banks consent to certain amendments to the Prior Loan Agreement, as more fully set forth in this Amended and Restated Loan Agreement; and

WHEREAS, the Administrative Agent and the Banks have agreed to amend and restate the Prior Loan Agreement in its entirety as set forth herein; and

WHEREAS, the Borrower acknowledges and agrees that the security interest granted to the Agent (as defined in the Prior Loan Agreement), for itself and on behalf of the Banks pursuant to the Prior Loan Agreement and the Collateral Documents (as defined in the Prior Loan Agreement) executed in connection therewith shall remain outstanding and in full force and effect in accordance with the Prior Loan Agreement and shall continue to secure the Obligations (as defined herein); and

WHEREAS, the Borrower acknowledges and agrees that (i) the Obligations (as hereinafter defined) represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Prior Loan Agreement) arising in connection with the Prior Loan Agreement and the other Collateral Documents executed in connection therewith; (ii) the parties hereto intend that the Prior Loan Agreement and the other Collateral Documents executed in connection therewith and the collateral pledged thereunder shall secure, without interruption or impairment of any kind, all existing Indebtedness under the Prior Loan Agreement and the other Collateral Documents executed in connection therewith as so amended, restated, restructured, renewed, extended, consolidated and modified hereunder, together with all other Obligations hereunder, (iii) all Liens evidenced by the Prior Loan Agreement and the other Collateral Documents executed in connection therewith are hereby ratified, confirmed and continued; and (iv) the Loan Documents (as hereinafter defined) are intended to restructure, restate, renew, extend, consolidate, amend

and modify the Prior Loan Agreement and the other Collateral Documents executed in connection therewith; and

WHEREAS, the parties hereto intend that (i) the provisions of the Prior Loan Agreement and the other Collateral Documents executed in connection therewith, to the extent restructured, restated, renewed, extended, consolidated, amended and modified hereby, are hereby superseded and replaced by the provisions hereof and of the Loan Documents; and (ii) the Notes (as hereinafter defined) amend, renew, extend, modify, replace, are substituted for and supersede in their entirety, but do not extinguish the indebtedness arising under, the promissory notes issued pursuant to the Prior Loan Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereby amend and restate the Prior Loan Agreement as follows:

SECTION 1 DEFINITIONS.

1.1 Definitions. All terms typed with leading capitals are terms defined in this Agreement. For the purposes of this Agreement, the terms defined in this Section 1 shall have the meanings set out below.

"Adjusted Leverage Ratio" shall mean, as of any date, the ratio of (a) the difference between (i) Total Debt as of such date, minus (ii) the aggregate amount of the Borrower's cash and marketable securities on hand, not to exceed \$5,000,000 to (b) Operating Cash Flow for the four (4) quarter period then ended or most recently ended.

"Administrative Agent" shall mean NationsBank, N.A., in its capacity as Administrative Agent for the Banks or any successor Administrative Agent appointed pursuant to Section 11.10.

"Administrative Agent's Office" shall mean the office of the Administrative Agent located at NationsBank, N.A., Agency Services, NC1-001-15-04, Independence Center, 101 North Tryon Street, Charlotte, North Carolina 28255, or such other office as may be designated pursuant to Section 12.4.

"Affiliate" means, with respect to any Person (a) any other Person which is directly or indirectly controlled by, under common control with or controlling the first specified Person; (b) a Person owning beneficially or controlling ten percent (10%) or more of the equity interest in such other Person; (c) any officer, director or partner of such other Person; or (d) any spouse or relative (by blood, adoption or marriage) of any such individual Person. The term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, partnership interests, by contract or otherwise.

"Applicable Margin" means, as of any date of determination, the percentage determined from the following table based upon the Leverage Ratio:

Leverage Ratio: -----	Applicable Margin for Base Rate Loans: -----	Applicable Margin for LIBOR Loans: -----
Greater than 6.5:1.0.	0.500%	2.250%
Greater than 6.00:1.0, but less than or equal to 6.50:1.0.	0.250%	2.00%
Greater than 5.50:1.0, but less than or equal to 6.00:1.0.	0.000%	1.750%
Greater than 5.00:1.0, but less than or equal to 5.50:1.0.	0.000%	1.500%
Greater than 4.50:1.0 but less than or equal to 5.00:1.0	0.00%	1.250%
Greater than 4.00:1.0, but less than or equal to 4.50:1.0.	0.000%	1.000%
Less than or equal to 4.0:1.0.	0.000%	0.750%

"Asset Sale" means the sale by the Borrower or any of its Subsidiaries to any Person of any of the stock, partnership interests or other equity interests of any Subsidiary or any other assets of the Borrower or any Subsidiary, other than (a) the sale of assets in one transaction or a series of transactions with an aggregate value which does not exceed \$300,000 in any fiscal year and (b) the sale in the ordinary course of business of assets held for resale in the

ordinary course of business or the trade in or replacement of assets in the ordinary course of business.

"Banking Day" means a day on which the office of the Administrative Agent in Charlotte, North Carolina is open to the public for the transaction of business, and on which, with respect to any LIBOR Loan, banks are open for business in London, England, and quoting deposit rates for dollar deposits.

"Banks" means the financial institutions listed on the signature pages of this Agreement and their respective successors and assigns; the term "Banks" shall include the Issuing Bank.

"Base Rate" means the rate of interest determined and publicly announced by the Administrative Agent from time to time as its "prime rate" at the Administrative Agent's Office. The prime rate functions as a reference rate index, and the Administrative Agent may charge

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borrowers more or less than the prime rate. The Base Rate will automatically change as and when such prime rate changes.

"Base Rate Loans" means those Loans described in Sections 2.1 and 2.2 on which the Borrower shall pay interest at a rate based on the Base Rate.

"Benefit Arrangement" means any pension, profit-sharing, thrift or other retirement plan, medical, hospitalization, vision, dental, life, disability or other insurance or benefit plan, deferred compensation, stock ownership, stock purchase, stock option, performance share, bonus, fringe benefit, savings or other incentive plan, severance plan or other similar plan, agreement, arrangement or understanding, to which the Borrower or any member of the Controlled Group is, or in the preceding six (6) years was, required to contribute on behalf of its employees or directors, whether or not such plan, agreement, arrangement or understanding is subject to ERISA.

"Borrower" means Gray Communications Systems, Inc., a Georgia corporation.

"Borrower Pledge Agreement" means, collectively, that certain Amended and Restated Borrowers Pledge Agreement dated as of July 31, 1998, between the Borrower and the Administrative Agent, or any supplement, in form and substance satisfactory to the Administrative Agent, thereto, or any other similar agreement substantially in the form of Exhibit A attached hereto, pursuant to which the Borrower has pledged to the Administrative Agent, for itself and on behalf of the Banks, all of the Borrower's Capital Stock in any Subsidiaries existing on the Agreement Date or formed or acquired by the Borrower after the Agreement Date.

"Borrower Security Agreement" means, collectively, that certain Amended and Restated Borrower Security Agreement dated as of July 31, 1998 between the Borrower and the Administrative Agent, or any supplement in form and substance satisfactory to the Administrative Agent, thereto, or any other similar agreement substantially in the form of Exhibit B attached hereto.

"Busse Bonds" means those certain 11 5/8% Senior Secured Notes due 2000 issued by Busse Broadcasting on October 26, 1995.

"Busse Broadcasting" means Busse Broadcasting Corporation, a Delaware corporation.

"Busse Purchase Agreement" means that certain Amended and Restated Stock Purchase Agreement by and among Busse Broadcasting, South Street (Corporate), Greycliff, South Street (Leveraged), South Street (International), and the Borrower, dated as of June 22, 1998.

"Busse Sellers" means, collectively, Busse Broadcasting, South Street (Corporate), Greycliff, South Street (Leveraged) and South Street (International).

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"Capital Distribution" means any dividend, payment or distribution made, liability incurred or other consideration given for the purchase, acquisition, redemption or retirement of any stock, partnership interest or other equity interest of the Borrower or any of its Subsidiaries or as a dividend, return of capital or other payment or distribution of any kind to a shareholder or partner of the Borrower or any of its Subsidiaries in respect of the Borrower's or such Subsidiary's stock or partnership interests; provided, however, that any dividend or other distribution with respect to any class of Capital Stock paid or made in such class of Capital Stock shall not constitute a "Capital Distribution" for purposes of this Agreement.

"Capital Expenditures" means any payments by the Borrower or any of its Subsidiaries for or in connection with the rental, lease, purchase, construction or use of any real or personal property the value or cost of which, under GAAP, should be capitalized and appear on the Borrower's or such Subsidiary's balance sheet in the category of property, plant or equipment, without regard to the manner in which such payments or the instrument pursuant to which they are made are characterized by the Borrower or such Subsidiary or any other Person; provided, however, that neither (a) the capitalized portion of the purchase price payable in connection with the Busse Purchase Agreement or a Permitted Acquisition, nor (b) expenditures of proceeds of casualty insurance policies reasonably and promptly applied to replace insured assets, shall constitute a Capital Expenditure for purposes of this Agreement.

"Capital Stock" means, as applied to any Person, any capital stock of such Person, regardless of class or designation, and all warrants, options, purchase rights, conversion or exchange rights, voting rights, calls or claims of any character with respect thereto.

"Capitalized Lease Obligations" means the obligations of the Borrower or any of its Subsidiaries to pay rent or other amounts under leases of, or other agreements conveying the right to use real or personal property, which obligations are required to be classified and accounted for as capital leases on a balance sheet of the Borrower or such Subsidiary, prepared in accordance with GAAP.

"Closing" and "Closing Date" have the meanings assigned to them in Section 4.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

"Commitments" means, collectively, the Term Commitment and the Revolving Commitment; and "Commitment" shall mean either one of the foregoing Commitments.

"Controlled Group" means a controlled group of entities which are treated as a single employer under Sections 414(b), 414(c) or 414(m) of the Code of which the Borrower or any of its Subsidiaries is a part.

"Cosmos Broadcasting" means Cosmos Broadcasting Corporation, a South Carolina corporation.

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"Default Interest Rate" means a simple rate of interest equal to the sum of (a) the Base Rate, plus (b) two percent (2.0%) per annum.

"Discount Rate" means, with respect to a prepayment or conversion of a LIBOR Loan on a date other than the last day of its Interest Period, a rate equal to the interest rate (as of the date of prepayment or conversion) on United States Treasury obligations in a like amount as such Loan and with a maturity approximately equal to the period between the prepayment or conversion date and the last day of the Interest Period of such Loan, as determined by the Administrative Agent.

"Environmental Claim" means, with respect to any Person, any written or oral notice, claim, demand, request for information, citation, summons, order or other communication (each, a "claim") by any other Person alleging or asserting the liability of the recipient of such claim for investigatory costs, cleanup costs, governmental response costs, damages to natural resources or other property or health, personal injuries, fines or penalties arising out of, based on or resulting from (a) the presence, or Release, of any Hazardous Material at or from any location, whether or not owned by such Person, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include, without limitation, any claim by any governmental authority for enforcement, cleanup, removal, response, remedial or other damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence or Release of Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Laws" means all provisions of law, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, order, awards and standards promulgated by the government of the United States of America or by any state or municipality thereof or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning health, safety and protection of, or regulation of the emission, release or discharge of substances into, the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"Event of Default" means any of the events specified in Section 9.

"Exchange Parties" means, collectively, the Borrower, WALB Inc., WALB (License), Cosmos Broadcasting, Busse Broadcasting, and WEAU (License).

"FCC" means the Federal Communications Commission or any governmental authority at any time substituted therefor.

"Fee Letter" means any letter agreement between the Administrative Agent, the Syndication Agent, the Lead Arranger, the Documentation Agent or any Lender on the one hand,

and the Borrower relating to certain fees payable by the Borrower in connection with this Agreement.

"Final Order" means an action or order issued by the FCC (a) which has not been reversed, stayed, enjoined, set aside, annulled or suspended, and (b) with respect to which (i) no requests or petitions have been filed for administrative or judicial review, reconsideration, rehearing, appeal or stay, and the time for filing any such requests or petitions and for the FCC to set aside the action on its own motion has expired, (ii) in the event of review, reconsideration or

appeal, the time for further review, reconsideration or appeal has expired, and (iii) no appeal to a court or request for stay by a court of such action is pending or in effect, and, if any deadline for filing any such appeal or request is designated by statute or rule, it has passed.

"Fixed Charge Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (a) Operating Cash Flow for the four (4) quarter period then ended to (b) the sum of (i) all Interest Expense for such four (4) quarter period, plus, (ii) all required principal payments of Revolving Loans made pursuant to scheduled Revolving Commitment reductions pursuant to Section 2.1 during such four (4) quarter period, plus (iii) all required principal payments due on the Term Loans during such four (4) quarter period, plus (iv) all principal payments required to be made by the Borrower and its Subsidiaries on Total Debt (other than the Loans) during such four (4) quarter period, plus (v) Capital Expenditures made by the Borrower and its Subsidiaries during such four (4) quarter period, plus (vi) any federal, state or local income taxes accrued by the Borrower or any of its Subsidiaries during such four (4) quarter period.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States, consistently applied.

"Greycliff" means Greycliff Leveraged Fund 1993, L.P., a Delaware limited partnership.

"Guarantor" means any Person who pledges its credit or property in any manner, or otherwise becomes responsible for the payment or other performance of the indebtedness, contract or other obligation of another Person and includes, without limitation, any guarantor (whether of payment or of collection), surety, co-maker, endorser or one who agrees conditionally or otherwise to make any purchase, loan or investment in order thereby to enable another to prevent or correct a default of any kind and one who has endorsed (otherwise than for collection or deposit in the ordinary course of business), or has discounted with recourse or agreed (continuously or otherwise) to purchase or otherwise acquire or become liable for, any Indebtedness.

"Hazardous Material" means, collectively, (a) any petroleum or petroleum products, flammable materials, explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, and transformers or other equipment that contain polychlorinated biphenyls ("PCBs"), (b) any chemicals or other materials or substances that are now or hereafter become defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import under any Environmental

Law and (c) any other chemical or other material or substance, exposure to which is not or hereafter prohibited, limited or regulated under any Environmental Law.

"Indebtedness" means, with respect to any Person, all liabilities, obligations and reserves, contingent or otherwise, which, in accordance with GAAP, would be reflected as a liability on a balance sheet (excluding trade accounts payable and accrued expenses arising in the ordinary course of business), and (without duplication) (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchase by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services, (f) all obligations of others secured by (or for which the holder of such obligations has an existing right, contingent or otherwise,

to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed by such Person, (g) all obligations or liabilities in respect of which such Person is a Guarantor, (h) all Capitalized Lease Obligations of such Person, (i) all Rate Hedging Obligations, and (j) all obligations of such Person as an account party to reimburse any Person in respect of letters of credit (including, without limitation, the Letters of Credit) or bankers' acceptances. The Indebtedness of any Person shall include any recourse Indebtedness of any partnership in which such Person is a general partner.

"Interest Expense" shall mean, for any period, the gross interest expense accrued by the Borrower and its Subsidiaries in respect of their Indebtedness for such period, determined on a consolidated basis, all fees payable under Section 2.6 or any Fee Letter and any other fees, charges, commissions and discounts in respect of Indebtedness, including any fees payable in connection with the Letters of Credit. For purposes of the foregoing, gross interest expense shall be determined after giving effect to any net payments made or received by the Borrower with respect to Rate Hedging Obligations.

"Interest Period" means, with respect to any LIBOR Loan, the period selected by the Borrower, commencing on the date such Loan is made, continued or converted and ending on the last day of such period as selected by the Borrower. The Interest Period for each LIBOR Loan shall be one (1), two (2), three (3) or six (6) months or, if available from all of the Banks, nine (9) or twelve (12) months; provided, however, that whenever the last day of such Interest Period would otherwise occur on a day other than a Banking Day, the last day of such Interest Period shall occur on the next succeeding Banking Day; and provided, further, however, that if such extension of time would cause the last day of such Interest Period to occur in the next calendar month, the last day of such Interest Period shall occur on the next preceding Banking Day; and provided, further, however, that if the first day of an Interest Period is the last Banking Day of a month or a day for which there is no numerically corresponding day in the appropriate subsequent calendar month, then such Interest Period shall end on the last Banking Day of the appropriate subsequent calendar month. The Borrower shall not select any Interest Period which extends beyond any date on which a scheduled payment is or may be required to be made pursuant to Section 2.1(b), 2.2 or 2.7(b) (i) unless the sum of the amount available to be drawn

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under the Commitments, plus the aggregate principal balance of all Base Rate Loans and all LIBOR Loans with Interest Periods ending prior to such date is at least equal to the maximum amount that is, or may be, required to be paid on such date.

"Issuing Bank" means NationsBank, N.A., in its capacity as the issuer of the Letters of Credit, or any successor issuer of the Letters of Credit.

"KGIN-TV" means the television station KGIN-TV serving Grand Island, Nebraska.

"KOLN-TV" means the television station KOLN-TV serving Lincoln, Nebraska.

"Lead Arranger" means NationsBanc Montgomery Securities LLC.

"Letters of Credit" has the meaning ascribed to it in Section 2.3(a).

"Leverage Ratio", as of any date, means the ratio of (a) Total Debt as of such date to (b) Operating Cash Flow for the four (4) quarter period then ended or most recently ended.

"LIBOR" means the average (rounded upwards, if necessary, to the nearest

one-sixteenth of one percent (1/16%)) of the per annum rates at which deposits in immediately available funds in United States dollars for the relevant Interest Period and in an amount approximately equal to the Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to the Administrative Agent by prime banks in the London Eurodollar market, determined as of 11:00 a.m. London, England time (or as soon thereafter as practicable), two (2) Banking Days prior to the beginning of the relevant Interest Period.

"LIBOR Loans" means those Loans described in Sections 2.1 and 2.2 on which the Borrower shall pay interest at a rate based on the applicable LIBOR Rate.

"LIBOR Rate" means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest one one-hundredth of one percent (1/100%)) by dividing (a) the applicable LIBOR by (b) the difference between (1) 1.0, minus (2) the LIBOR Reserve Percentage.

"LIBOR Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for a member bank of the Federal Reserve System in respect of Eurocurrency Liabilities (as that term is defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time). The LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in the LIBOR Reserve Percentage.

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"License" means any license, authorization, permit, consent, franchise, ordinance, registration, certificate, agreement or other right filed with, granted by, or entered into by a federal, state or local governmental authority which permits or authorizes the acquisition, construction or operation of a television broadcasting station, or any part of a television broadcasting station or which is required for the acquisition, ownership or operation of any Station, any Newspaper, the Porta Phone Business or the Satellite Broadcasting Business.

"License Subsidiary" means each Subsidiary which has no assets other than Licenses issued by the FCC.

"Licensing Authority" means a governmental authority which has granted or issued a License.

"Lien" as applied to the property of any Person means: (a) any mortgage, lien, pledge, charge, lease constituting a Capitalized Lease Obligation, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind in respect of any property of such Person, or upon the income or profits therefrom; (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness in priority to the payment of the general, unsecured creditors of such Person; (c) the filing of, or any agreement to give, any financing statement under the Uniform Commercial Code or its equivalent of any jurisdiction in respect of Indebtedness; and (d) in the case of securities or other equity interests, any purchase option, call or similar right of a third party with respect to such securities or other equity interests.

"Like-Kind Exchange Agreement" means, collectively, the following: (a) that certain Exchange Agreement by and among the Borrower, WALB Inc., WALB (License), Cosmos Broadcasting, Busse Broadcasting, and WEAU (License), dated as of June 22, 1998; (b) that certain Asset Purchase Agreement by and among Busse

Broadcasting, WEAU (License), and Cosmos Broadcasting, dated as of June 22, 1998; (c) that certain Asset Purchase Agreement by and among WALB Inc., WALB (License), and Cosmos Broadcasting, dated as of June 22, 1998; and (d) that certain Escrow Agreement by and among WALB Inc., WALB (License), and Cosmos Broadcasting, dated as of June 22, 1998.

"Loan Documents" shall mean this Agreement, the Notes, the Security Agreements, the Pledge Agreements, the Subsidiary Guarantees, all subordination agreements entered into by creditors of the Borrower or any of its Subsidiaries with respect to Indebtedness for Money Borrowed of the Borrower or any of its Subsidiaries, all legal opinions or reliance letters issued by counsel to the Borrower or any of its Subsidiaries, all Fee Letters, all agreements relating to any Rate Hedging Obligations of the Borrower or any of its Subsidiaries, on the one hand, and the Administrative Agent and the Banks, or any of them, on the other hand, all compliance certificates issued by the Borrower or any of its Subsidiaries and all other documents, agreements, supplements and certificates executed or delivered in connection with or contemplated by this Agreement or any of the foregoing documents, agreements and instruments.

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"Loans" means, collectively, the Revolving Loans and the Term Loans; and "Loan" shall mean any one of the foregoing Loans.

"Material Adverse Effect" means a material adverse effect upon or change in (a) the properties, assets, business, operations, financial condition or prospects of the Borrower or any of its Subsidiaries or on the ability of the Borrower or any such Subsidiary to conduct its business, (b) the ability of the Borrower, any of its Subsidiaries or any other party to a Loan Document (other than the Administrative Agent or any Bank) to perform its obligations hereunder or under any other Loan Document to which it is a party, (c) the validity or enforceability of this Agreement, the Notes or any other Loan Document, or (d) the rights or remedies of the Administrative Agent or the Banks under this Agreement, the Notes or any other Loan Document or at law or in equity.

"Maturity Date" shall mean June 30, 2005.

"Mortgages" has the meaning assigned to it in Section 6.4(a).

"Net Earnings" means, with respect to the Borrower, the consolidated net income (or deficit) of the Borrower and its Subsidiaries for the period involved, after taxes paid or accrued and after all proper charges and reserves (excluding, however, non-recurring special charges and credits), all as determined in accordance with GAAP.

"Newspapers" means, as of any date, the newspapers owned or operated by the Borrower or any of its Subsidiaries as of such date.

"Notes" means, collectively, the Revolving Notes and the Term Notes; and "Note" shall mean any one of the foregoing Notes.

"Obligations" means any obligation of the Borrower or any of its Subsidiaries (a) to pay to the Banks the principal of and interest on the Loans in accordance with the terms hereof and of the Notes and the contingent liability of the Borrower under all outstanding Letters of Credit, including, without limitation, any interest accruing after the date of any filing by the Borrower or any Subsidiary of any petition in bankruptcy or the commencing of bankruptcy, insolvency or similar proceedings with respect to the Borrower or any of its Subsidiaries, regardless of whether such interest is allowable as a claim in any such proceeding; (b) in respect of any Rate Hedging Obligations owing to any Bank or any Affiliate of any Bank; (c) to pay, satisfy or perform any other liability or obligation to the Administrative Agent or any Bank, arising under this Agreement or any Loan Document, whether now existing or hereafter incurred by reason of future advances or otherwise, matured or unmatured, direct or contingent, joint or several, including any extensions,

modifications or renewals thereof and substitutions therefor, and including, without limitation, all fees, indemnification amounts, costs and expenses, including interest thereon and reasonable attorneys' fees, incurred by the Administrative Agent or any Bank for the protection, preservation or enforcement of its rights and remedies arising hereunder or under the Loan Documents; (d) to repay to the Administrative Agent or the Banks all amounts advanced at any time by the Administrative Agent or the Banks hereunder or under any Loan

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Document, including, without limitation, advances for principal or interest payments to prior secured parties, mortgagees, lienors or other Persons, or for taxes, levies, insurance, rent or repairs to, or maintenance or storage of, any of the property of the Borrower or any of its Subsidiaries; (e) to perform any covenant or agreement made with the Banks pursuant to this Agreement or any Loan Document; or (f) to take any other action in respect of any other liability of any nature of the Borrower or any of its Subsidiaries to the Banks under this Agreement or any Loan Document.

"Operating Agreement" means any programming agreement, time brokerage, local marketing or similar agreement, network affiliation agreement, franchise agreement, lease or other agreement of the Borrower or any of its Subsidiaries relating to the operation of a Station, a Newspaper, the Porta Phone Business or the Satellite Broadcasting Business, the termination or adverse modification of which could reasonably be expected to have a Material Adverse Effect.

"Operating Cash Flow" means, during any period, the consolidated Net Earnings of the Borrower for such period (excluding, to the extent included in Net Earnings, (i) the effect of any exchange of advertising time for non-cash consideration, such as merchandise or services, (ii) any other non-cash income or expense (including the cumulative effect of a change in accounting principles and extraordinary items) and (iii) any gains or losses from sales, exchanges and other dispositions of property not in the ordinary course of business), minus any interest income, investment income and other non-operating income, minus any cash payments made in respect of Programming Obligations, plus the sum of (a) depreciation on or obsolescence of fixed or capital assets and amortization of intangibles and leasehold improvements (including, without limitation, amortization in respect of Programming Obligations) for such period, plus (b) Interest Expense accrued in such period, plus (c) federal, state and local income taxes accrued in such period to the extent deducted in calculating Net Earnings in such period (other than any such taxes resulting from any gains from sales and exchanges and other distributions not in the ordinary course of business), all on a consolidated basis and computed on the accrual method. For purposes of calculating Operating Cash Flow in any period, any acquisition of any Station or Newspaper, and any sale or other disposition of any assets, which occurs during such period shall be deemed to have occurred on the first day of such period.

"PBGC" means the Pension Benefit Guaranty Corporation or any governmental authority at any time substituted therefor.

"PCBs" has the meaning assigned to it in the definition of "Hazardous Materials" herein.

"Pension Plan" means an employee pension benefit plan as defined in Section 3(2) of ERISA which is subject to the provisions of Section 302 or Title IV of ERISA or Section 412 of the Code.

"Permitted Acquisition" has the meaning assigned to it in Section 8.9(b).

"Permitted Investment" has the meaning assigned to it in Section 8.10.

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"Permitted Lien" means any of the following Liens:

(a) Liens for taxes or assessments and similar charges, which are either not delinquent or being contested diligently and in good faith by appropriate proceedings, and (i) as to which the Borrower or its affected Subsidiary has set aside adequate reserves in accordance with GAAP on its books and (ii) which do not entail any significant risk of loss, forfeiture, foreclosure or sale of the property subject thereto;

(b) statutory Liens, such as mechanic's, materialman's, warehouseman's, landlord's, artisan's, workman's, contractor's, carrier's or other like Liens, (i) incurred in good faith in the ordinary course of business, (ii) which are either not delinquent or are being contested diligently and in good faith by appropriate proceedings, (iii) as to which the Borrower or its affected Subsidiary has set aside adequate reserves in accordance with GAAP on its books or bonded satisfactorily to the Administrative Agent and (iv) which do not entail any significant risk of loss, forfeiture, foreclosure or sale of the property subject thereto;

(c) encumbrances consisting of zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of real property or minor irregularities of title, provided that none of such encumbrances materially impairs the use or value of any property in the operation of the Borrower's or any of its Subsidiaries' business;

(d) Liens securing conditional sale, rental or purchase money obligations permitted under Section 8.4 and Capitalized Lease Obligations permitted under Section 8.6 (and protective UCC-1 financing statements filed by lessors in connection therewith under leases not intended as security), but only in the property which is the subject of such obligations;

(e) Liens arising under or pursuant to this Agreement or any Loan Document or otherwise securing any Obligation;

(f) Liens in respect of judgments or awards with respect to which the Borrower or any of its Subsidiaries is, in good faith, prosecuting an appeal or proceeding for review and with respect to which a stay of execution upon such appeal or proceeding for review has been secured, and as to which judgments or awards the Borrower or such Subsidiary has established adequate reserves in accordance with GAAP on its books or has bonded in a manner satisfactory to the Administrative Agent;

(g) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation, or to participate in any fund in connection with worker's compensation, unemployment insurance, old-age pensions or other social security programs;

(h) Liens granted to secure the performance of bids, tenders, contracts, leases, public or statutory obligations, surety, customs, appeal and performance bonds and other

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similar obligations and not incurred in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of any property; and

(i) any other Liens listed on Schedule 1 attached hereto or to which the Required Banks have consented in writing.

"Person" shall include natural persons, corporations, business trusts,

associations, companies, limited liability companies, joint ventures and partnerships.

"Plan" means any employee benefit plan, as defined under Section 3(3) of ERISA, established or maintained by the Borrower or any member of the Controlled Group or any such Plan to which the Borrower or any member of the Controlled Group is, or in the last six (6) years was, required to contribute on behalf of its employees.

"Pledge Agreements" means, collectively, the Borrower Pledge Agreement and the Subsidiary Pledge Agreements.

"Porta Phone Business" means, as of any date, the porta phone paging business owned or operated by the Borrower or any of its Subsidiaries as of such date.

"Possible Default" means an event, condition, situation or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice of both would constitute, an Event of Default.

"Preferred Stock" means, collectively, the Series A Preferred Stock of the Borrower and Series B Preferred Stock of the Borrower.

"Prepayment Premium" means, with respect to the prepayment or conversion of any LIBOR Loan or any other receipt or recovery of any LIBOR Loan prior to the end of the applicable Interest Period, whether by voluntary prepayment, acceleration, conversion to a Base Rate Loan or otherwise, an amount equal to the sum of (a) the present value (discounted at the Discount Rate) of the product of (i) the excess, if any, of the rate of interest applicable to such Loan pursuant to Section 3.1 at the time of such prepayment or conversion on the principal amount so prepaid, converted or accelerated, as the case may be, over the Discount Rate, as determined by the Administrative Agent, times (ii) the principal amount so prepaid, converted or accelerated, as the case may be, times (iii) a fraction, the numerator of which is the number of days remaining in the related Interest Period and the denominator of which is three hundred and sixty (360) (taking into installment payments of the Loans being prepaid), plus (b) reasonable out-of-pocket costs and expenses incurred by the Banks and the Administrative Agent with respect to such prepayment.

"Prior Loan Agreement" means that certain Loan Agreement by and among the Borrower, Key Corporate Capital Inc., as Agent (as defined therein), NationsBank, N.A. (South), as Co-Agent (as defined therein), and the financial institutions parties thereto dated as of September 23,

1996, as amended by that certain First Amendment to Loan Agreement dated as of September 8, 1997.

"Pro Forma Debt Service" means, as of the end of any fiscal quarter, the sum of, (a) all required principal payments of Revolving Loans made pursuant to scheduled Revolving Commitment reductions pursuant to Section 2.1 during the four (4) quarter period following such date, plus (b) all principal payments required to be made on the Term Loans pursuant to Section 2.2 during such subsequent four (4) quarter period, plus (c) all principal payments required to be made by the Borrower and its Subsidiaries on Total Debt (other than the Loans) during such subsequent four (4) quarter period, plus (d) all Interest Expense during such subsequent four (4) quarter period. In calculating Pro Forma Debt Service, (i) the interest rate in effect in such subsequent period on any Indebtedness which does not bear interest at a rate which is fixed for the entire subsequent period shall be deemed to be the interest rate in effect on such Indebtedness as of the date of determination, and (ii) for the purpose of determining the amount of principal payments required on the Term Loans pursuant to Section 2.2 in future periods, it shall be assumed that the principal amount of Term Loans outstanding as of the date of determination will be outstanding

for the subsequent four (4) quarter period, subject to any required principal payments.

"Programming Obligations" means all direct or indirect monetary liabilities, contingent or otherwise, with respect to contracts for television broadcast rights relating to television series or other programs produced or distributed for television release.

"Quarterly Date" means the last day of each of the Borrower's fiscal quarters, which dates shall be March 31st, June 30th, September 30th and December 31st of each year.

"Ratable Share" means, with respect to any Bank, its pro rata share of the Revolving Commitment, the Term Commitment, the Letters of Credit and the Loans. The Ratable Share of each Bank as of the date of this Agreement is as set forth on Schedule 2 attached hereto.

"Rate Hedging Obligations" means any and all obligations of the Borrower, whether absolute or contingent and howsoever and whensoever created, arising, evidence or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all agreements, devices or arrangements designed to protect the Borrower from the fluctuations of interest rates, including, without limitation, interest rate exchange or swap agreements, reverse swap agreements, interest rate cap or collar protection agreements, and interest rate options, puts and warrants, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"Regulatory Change" means the adoption of or any change in federal, state or local treaties, laws, rules or regulations or the adoption of or change in any interpretations, guidelines, directives or requests of or under any federal, state or local treaties, laws, rules or regulations (whether or not having the force of law) by any court, governmental authority, central bank or comparable agency charged with the interpretation or administration thereof.

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"Release" shall mean any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including, without limitation, the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

"Reportable Event" means a reportable event as that term is defined in Title IV of ERISA, excluding, however, such events as to which the PBGC by regulation has waived the requirement of Section 4043(a) of ERISA that it be notified within thirty days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with Section 412(d) of the Code).

"Required Banks" means, at any time, the Banks holding at least sixty-six and two-thirds percent (66 2/3%) of the then aggregate unpaid principal amount of the Loans, or, if no principal amount of the Loans is then outstanding, the Banks having at least sixty-six and two thirds percent (66 2/3%) of the Commitments.

"Revolving Commitment" has the meaning assigned to it in Section 2.1(a).

"Revolving Loans" has the meaning assigned to it in Section 2.1(a).

"Revolving Notes" has the meaning assigned to it in Section 2.5.

"Satellite Broadcasting Business" means, as of any date, the satellite broadcasting business owned or operated by the Borrower or any of its

Subsidiaries on such date.

"Security Agreements" means, collectively, the Borrower Security Agreement and the Subsidiary Security Agreements.

"Senior Debt" means (a) Total Debt, minus (b) Subordinated Debt.

"South Street (Corporate)" means South Street Corporate Recovery Fund I, L.P., a Delaware limited partnership.

"South Street (Leveraged)" means South Street Leveraged Corporate Recovery Fund, L.P., a Delaware limited partnership.

"South Street (International)" means South Street Corporate Recovery Fund I (International), L.P., a Delaware limited partnership.

"Stations" means, as of any date, the television broadcasting stations and all television translators, auxiliary stations and low power television stations owned in connection with the foregoing, or any other communications station owned or operated by the Borrower or any of its Subsidiaries on such date.

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"Subordinated Debt" means all Indebtedness of the Borrower and its Subsidiaries under the Subordinated Note Indenture or any agreements, notes, instruments or documents executed or delivered in connection therewith and all other Indebtedness of the Borrower the repayment of which is subordinated in right of payment to the Obligations pursuant to a subordination agreement in form and substance satisfactory to all of the Banks.

"Subordinated Note Indenture" means that certain Indenture dated as of September 25, 1996, among the Borrower, all of its Subsidiaries, and Bankers Trust Company in respect of the Borrower's 10-5/8% Senior Subordinated Notes due 2006, as the same may be amended to the extent permitted in Section 8.19.

"Subsidiary" means each partnership or corporation, the majority of the outstanding partnership interests, capital stock or voting power of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned, directly or indirectly, at the time in question by the Borrower.

"Subsidiary Guaranties" means, collectively, those certain Guaranties dated as of September 23, 1996, in favor of the Agent (as defined in the Prior Loan Agreement) and the Banks given by each Subsidiary of the Borrower, or any supplement, in form and substance satisfactory to the Administrative Agent, thereto, and shall include any similar agreements substantially in the form of Exhibit C attached hereto.

"Subsidiary Pledge Agreements" means, collectively, those certain Subsidiary Pledge Agreements between each Subsidiary of the Borrower having one or more of its own Subsidiaries, on the one hand, and the Agent (as defined in the Prior Loan Agreement), on the other hand, or any supplement, in form and substance satisfactory to the Administrative Agent, thereto, and any similar agreements substantially in the form of Exhibit D attached hereto.

"Subsidiary Security Agreements" means, collectively, those certain Subsidiary Security Agreements dated as of September 23, 1996, among each of the Subsidiaries and the Agent (as defined in the Prior Loan Agreement), or any supplement, in form and substance satisfactory to the Administrative Agent, thereto, and shall include any similar agreements substantially in the form of Exhibit E attached hereto.

"Term Commitment" has the meaning assigned to it in Section 2.2(a).

"Term Loan" has the meaning assigned to it in Section 2.2(a).

"Term Notes" has the meaning assigned to it in Section 2.5.

"Total Debt" means (a) all Indebtedness of the Borrower and its Subsidiaries for borrowed money, including, without limitation, the Loans, (b) all Capitalized Lease Obligations of the Borrower and its Subsidiaries, (c) all other Indebtedness of the Borrower or any of its Subsidiaries represented by notes or drafts representing extensions of credit or on which interest is typically charged, (d) all obligation of the Borrower or any of its Subsidiaries evidenced by

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bonds, debentures, notes or other similar instruments (including, without limitation, all such obligations to which any property or asset owned by the Borrower or any of its Subsidiaries is subject, whether or not the obligation secured thereby shall have been assumed), (e) all obligations of the Borrower or any of its Subsidiaries under conditional sale or other title retention agreements relating to purchased assets, (f) all obligations of the Borrower or any of its Subsidiaries which are incurred, issued or assumed as the deferred purchase price of property or services and which are payable over a period in excess of one (1) year, (g) all obligations or liabilities in respect of which the Borrower or any of its Subsidiaries is a Guarantor, (h) at any time after the occurrence and during the continuance of an event of default under any agreement of the Borrower or any of its Subsidiaries' governing Rate Hedging Obligations, the aggregate amount payable by the Borrower or such Subsidiary under such agreement, and (i) all obligations of the Borrower or any of its Subsidiaries as an account party to reimburse any Person in respect of letters of credit (including the stated amount of all Letters of Credit) or bankers' acceptances.

"WALB Inc." means WALB-TV, Inc., a Georgia corporation.

"WALB (License)" means WALB Licensee Corp., a Delaware corporation.

"WALB-TV" means television station WALB-TV serving Albany Georgia.

"WEAU (License)" means WEAU License, Inc., a Delaware corporation.

"WEAU-TV" means television station WEAU-TV serving Eau Claire, Wisconsin and LaCrosse, Wisconsin.

"Working Capital" means, as of any date, the excess of the consolidated current assets, other than cash, of the Borrower and its Subsidiaries over their consolidated current liabilities, other than the current portion of long term debt, as of such date.

"Year 2000 Compliant" has the meaning assigned to it in Section 5.29.

"Year 2000 Problem" has the meaning assigned to it in Section 5.29.

1.2 Other Terms. Except as otherwise specifically provided in this Agreement, each term not otherwise expressly defined herein which is defined in the Uniform Commercial Code, as amended (the "UCC"), as adopted in any applicable jurisdiction shall have the meaning assigned to it in the UCC in effect in such jurisdiction. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. All references herein to Sections, Schedules or Exhibits shall be deemed to be references to Sections of, and Schedules and Exhibits to, this Agreement unless the context shall otherwise require. Whenever any agreement, promissory note or other instrument or document is defined in this Agreement, such definition shall be deemed to mean and include, from and after the date of any amendment,

restatement or modification thereof, such agreement, promissory note or other instrument or document as so amended, restated or modified. All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural and vice

versa. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

1.3 Accounting Provisions. All accounting terms used in this Agreement which are not expressly defined herein shall have the respective meanings given to them in accordance with GAAP, all computations shall be made in accordance with GAAP, and all balance sheets and other financial statements shall be prepared in accordance with GAAP. All financial or accounting calculations or determinations required pursuant to this Agreement unless otherwise expressly provided shall be made on a consolidated basis for the Borrower and its Subsidiaries.

SECTION 2. THE LOANS AND THE LETTERS OF CREDIT.

2.1 The Revolving Commitment and the Revolving Loans.

(a) Subject to the terms and conditions hereof, during the period from the Closing Date up to but not including the Maturity Date, the Banks severally, but not jointly, shall make loans to the Borrower in such amounts as the Borrower may from time to time request but not exceeding in aggregate principal amount at any one time outstanding \$100,000,000 (as such amount may be reduced from time to time, the "Revolving Commitment"); provided, however, that in no event shall (1) the aggregate principal amount of such loans, plus the aggregate stated amount of the Letters of Credit exceed the Revolving Commitment, and (2) the aggregate stated amount of all outstanding Letters of Credit exceed \$15,000,000. All amounts borrowed by the Borrower pursuant to this Section 2.1(a) and all amounts drawn under any Letter of Credit and not repaid may be referred to hereinafter collectively as the "Revolving Loans." Each Revolving Loan requested by the Borrower shall be funded by the Banks in accordance with their Ratable Shares of the requested Revolving Loan. A Bank shall not be obligated hereunder to make any additional Revolving Loan if immediately after making such Revolving Loan, the aggregate principal balance of all Revolving Loans made by such Bank, plus such Bank's Ratable Share of any outstanding Letters of Credit would exceed such Bank's Ratable Share of the Revolving Commitment. The Revolving Loans may be comprised of Base Rate Loans or LIBOR Loans, as provided in Section 2.4.

(b) On each date set forth in the table below, the Revolving Commitment as of September 29, 2000 shall be automatically reduced by the percentage amount set forth for such date in such table:

Calendar Year	March 31	June 30	September 30	December 31
2000	Not applicable.	Not applicable.	5.00%	5.00%
2001	3.75%	3.75%	3.75%	3.75%
2002	3.75%	3.75%	3.75%	3.75%

2003	5.00%	5.00%	5.00%	5.00
2004	6.25%	6.25%	6.25%	6.25%
2005	7.50%	All remaining principal.	Not applicable.	Not applicable.

(c) Prior to the Maturity Date, the Borrower may, at its option, subject to the provisions of Section 2.7, from time to time prepay all or any portion of the Revolving Loans. The Borrower may from time to time reborrow amounts so prepaid up to the amount of the Revolving Commitment in effect at the time of reborrowing.

(d) Prior to the Maturity Date, by written notice to the Administrative Agent no later than 11:00 a.m., Charlotte, North Carolina time, five (5) Banking Days prior to such termination or reduction, the Borrower may permanently terminate or, from time to time, permanently reduce the Revolving Commitment. Such notice shall be in writing or by telephonic communication confirmed by teletype or other facsimile transmission on the same day as such telephone notice. Any such partial reduction hereunder shall be in an amount which is not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof. The Administrative Agent shall notify the Banks of any such reduction or termination of the Revolving Commitment.

(e) All Revolving Loans, together with all interest accrued thereon, shall be paid in full no later than the Maturity Date.

2.2 The Term Commitment and the Term Loan.

(a) Subject to the terms and conditions hereof, the Banks severally, but not jointly, shall make a loan to the Borrower on the Closing Date not exceeding an aggregate principal amount of \$100,000,000 (the "Term Commitment"). All amounts borrowed by the Borrower pursuant to this Section 2.2(a) and not repaid may be referred to hereinafter collectively as the "Term Loan". The Term Loan requested by the Borrower shall be funded on the Closing Date by the Banks in accordance with their Ratable Shares. The Term Loan may be a Base Rate Loan or LIBOR Loan, as provided in Section 2.4.

(b) Prior to the Maturity Date, the Borrower may, at its option, subject to the provisions of Section 2.7, from time to time prepay all or any portion of the Term Loan. No amount so repaid may be reborrowed.

(c) On each date set forth in the table below, the principal amount of the Term Loan outstanding as of December 30, 1999, shall be repaid by the percentage amount set forth for such date in such table:

Calendar Year	March 31	June 30	September 30	December 31
1999	Not Applicable	Not Applicable	Not Applicable	2.50%
2000	2.50%	2.50%	2.50%	2.50%
2001	2.50%	2.50%	2.50%	2.50%
2002	4.375%	4.375%	4.375%	4.375%

2003	4.375%	4.375%	4.375%	4.375%
2004	5.312%	5.312%	5.312%	5.312%
2005	10.625%	All remaining principal.	Not applicable.	Not applicable.

2.3 Letter of Credit.

(a) Issuance. Subject to the terms and conditions hereof, including the provisions of Section 6, the Borrower may request that the Issuing Bank issue, from time to time on and after the Closing Date, and the Issuing Bank agrees to issue, from time to time on and after the Closing Date, standby letters of credit (collectively, the "Letters of Credit") in an aggregate stated amount not exceeding \$15,000,000. Each Letter of Credit shall be issued under the Revolving Commitment. No Letter of Credit shall (i) have an expiration date which is later than the Maturity Date, (ii) be issued for a term of more than three hundred sixty-four (364) days and (iii) be issued if after giving effect to such issuance, the sum of the outstanding principal balance of the Revolving Loans (including amounts drawn on Letters of Credit and not repaid), plus the aggregate stated amount of outstanding Letters of Credit, would exceed the Revolving Commitment. Each Letter of Credit shall be (y) issued in the manner and on the conditions set

forth in this Section 2.3 and Section 6 and (z) in the Issuing Bank's standard form for letters of credit or in such other form as is acceptable to the Issuing Bank inform and substance.

(b) Application. Each request for a Letter of Credit shall be made to the Issuing Bank by an application on the Issuing Bank's standard form or in such other manner as the Issuing Bank may approve. Promptly following the issuance of any Letter of Credit, the Issuing Bank shall notify the Administrative Agent and the Banks of such issuance.

(c) Participation by the Banks.

(i) By the issuance of a Letter of Credit and without any further action on the part of the Issuing Bank or the other Banks in respect thereof, the Issuing Bank hereby grants to each other Bank, and each other Bank hereby agrees to acquire from the Issuing Bank, a participation in such Letter of Credit equal to such Bank's Ratable Share of the stated amount of such Letter of Credit, effective upon the issuance of such Letter of Credit; provided, however, that no Bank shall be required to acquire participations in any Letter of Credit that would result in its Ratable Share of the sum of outstanding Revolving Loans, plus the stated amount of all outstanding Letters of Credit to be greater than its Ratable Share of the Revolving Commitment. In consideration and in furtherance of the foregoing, each Bank hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, in accordance with Section 2.3(d), such Bank's Ratable Share of each amount disbursed pursuant to a Letter of Credit; provided, however, that payment by the Issuing Bank under such Letter of Credit against presentation of such draft or document shall not have constituted gross negligence or willful misconduct of the Issuing Bank.

(ii) Each Bank acknowledges and agrees that its obligation to acquire participations pursuant to paragraph (i) above in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstances whatsoever, including, without limitation, the occurrence and continuance of an Event of Default or Possible Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(d) Letter of Credit Disbursements.

(i) If the Administrative Agent has not received from the Borrower the payment permitted pursuant to paragraph (ii) of this Section 2.3(d) by 11:00 a.m., Charlotte, North Carolina time, on the date on which the Issuing Bank has notified the Borrower that payment of a draft presented under any Letter of Credit will be made, as provided in such paragraph (ii), the Administrative Agent shall promptly notify the Issuing Bank and each other Bank of the disbursement to be made under such Letter of Credit and, in the case of each Bank, its Ratable Share of such disbursement. Each Bank shall pay to the Administrative Agent, not later than 1:00 p.m., Charlotte, North Carolina time, on such date (or, if the Issuing Bank shall elect to defer reimbursement from the Banks hereunder, such later date as the Issuing Bank shall specify by notice to the Administrative Agent and the Banks), such Bank's Ratable Share of such disbursement, which the Administrative Agent shall promptly pay to the Issuing Bank. The

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Administrative Agent will promptly remit to each Bank its share of any amount subsequently received by the Administrative Agent from the Borrower in respect of such disbursement; provided, however, that amounts so received for the account of any Bank prior to payment by such Bank of amounts required to be paid by it hereunder in respect of any disbursement shall be remitted to the Issuing Bank.

(ii) If the Issuing Bank shall receive any draft presented under any Letter of Credit, the Issuing Bank shall give notice thereof as provided in paragraph (iii) below. If the Issuing Bank shall pay and draft presented under a Letter of Credit, the Borrower may (but shall not be required to) pay to the Administrative Agent, for the account of the Issuing Bank, an amount equal to the amount of such draft before 11:00 a.m., Charlotte, North Carolina time, on the Banking Day on which the Issuing Bank shall have notified the Borrower that payment of such draft will be made. The Administrative Agent will promptly pay any such amounts received by it to the Issuing Bank.

(iii) The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit to ascertain that the same appear on their face to be in substantial conformity with the terms and conditions of such Letter of Credit. The Issuing Bank shall as promptly as reasonably practicable give oral notification, confirmed in writing, to the Administrative Agent and the Borrower of such demand for payment and the determination by the Issuing Bank as to whether such demand for payment was in accordance with the terms and conditions of such Letter of Credit and whether the Issuing Bank has made or will make a disbursement thereunder, provided that the failure to give such notice shall not relieve the Borrower of its obligation to reimburse such disbursement, and the Administrative Agent shall promptly give each Bank notice thereof.

(e) Obligation to Repay Letter of Credit Disbursements, etc. The Borrower assumes all risks in connection with the Letters of Credit and the Borrower's obligation to repay each disbursement under a Letter of Credit shall be absolute, unconditional and irrevocable under any and all circumstances and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit;

(ii) the existence of any claim, setoff, defense or other right which the Borrower or any other person may at any time have against the beneficiary under any Letter of Credit, the Administrative Agent, the Issuing Bank or any other Bank (other than the defense of payment in accordance with the terms of this Agreement or a defense based on the gross negligence or willful misconduct of the Issuing Bank) or any other Person in connection with

this Agreement or any other agreement or transaction;

(iii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, provided that payment by the Issuing Bank

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under such Letter of Credit against presentation of such draft or document shall not have constituted gross negligence or willful misconduct of the Issuing Bank; and

(iv) any other circumstance or event whatsoever, whether or not similar to any of the foregoing; been the result of gross negligence or willful misconduct of the Issuing Bank.

It is understood that in making any payment under a Letter of Credit: (A) the Issuing Bank's exclusive reliance as to any and all matters set forth therein, including reliance on the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary equals the amount of such draft and whether or not any documents presented pursuant to such Letter of Credit prove to be insufficient in any respect, if such document on its face appears to be in order, and whether or not any such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever; and (B) any noncompliance in any immaterial respect of the documents presented under a Letter of Credit with the terms thereof, shall, in each case, not be deemed willful misconduct or gross negligence of the Issuing Bank.

(f) Indemnification. The Borrower shall: (i) indemnify and hold each Bank (including, without limitation, the Issuing Bank) harmless from any loss resulting from any claim, demand or liability which may be asserted against such Bank in connection with actions taken under any Letter of Credit; and (ii) reimburse such Bank for any fees or other reasonable expenses paid or incurred by such Bank in connection with any Letter of Credit, other than any loss or expense resulting from such Bank's willful misconduct or gross negligence. Any amounts paid by the Issuing Bank on any Letter of Credit shall be deemed to be a Revolving Loan for all purposes of this Agreement and shall bear interest from the date of payment by the Issuing Bank at the rates provided in Section 3.1 until paid in full.

(g) Security. Upon the occurrence of any Event of Default, the Borrower shall, upon demand, pay to the Issuing Bank the stated amount of all outstanding Letters of Credit, which amount the Issuing Bank shall hold as security for the obligations incurred under such Letter of Credit, this Agreement or the Notes. The payment by the Borrower of such security shall not terminate the obligations of the Borrower under this Section 2.3.

(h) Additional Costs. If any Regulatory Change shall either (i) impose upon, modify, require, make or deem applicable to any Bank (or its holding company) any reserve requirement, special deposit requirement, insurance assessment or similar requirement against or affecting any Letter of Credit issued or to be issued hereunder, or (ii) subject any Bank to any tax, charge, fee, deduction or withholding of any kind whatsoever, or (iii) impose any condition upon or cause in any manner the addition of any supplement to or increase of any kind to any Bank's (or its holding company's) capital or cost base for issuing such Letter of Credit which results in an increase in the capital requirement supporting such Letter of Credit, or (iv) impose upon, modify, require, make or deem applicable to any Bank (or its holding company) any capital requirement, increased capital requirement or similar requirement such as the deeming of such Letters of Credit to be assets held by such bank (or its holding company) for

capital calculation or other purposes and the result of any events referred to in clause (i), (ii), (iii) or (iv) of this Section 2.3(h) shall be to increase the costs or decrease the benefit in any way to a Bank (or its holding company) of issuing, maintaining or participating in such Letters of Credit, then and in such event the Borrower shall, within ten (10) days after the mailing of written notice of such increased costs and/or decreased benefits to the Administrative Agent and the Borrower by any Bank, pay to such Bank all such additional amounts which in such Bank's sole good faith calculation as allocated to such Letters of Credit, shall be sufficient to compensate it (or its holding company) for all such increased costs and/or decreased benefits. Such Bank's calculation shall be conclusive absent manifest error.

(i) Fees. The Letters of Credit shall be issued for a fee of one and one-eighth percent (1.125%) per annum of the stated amount thereof, payable upon issuance. The fee shall be payable to the Administrative Agent for the benefit of the Banks in accordance with their Ratable Shares. If any Letter of Credit is drawn upon prior to its expiration date, the Banks shall reimburse to the Borrower that portion of the fee allocable to the period from the date of the draw to the expiration date, calculated in accordance with the Issuing Bank's standard letter of credit procedures. In addition, the Borrower shall pay to the Issuing Bank for its own account its standard charges for the issuance of letters of credit and for draws upon letters of credit, which charges, as of the date hereof, are as follows: (i) \$200 per Letter of Credit, payable upon issuance; and (ii) \$100 per Letter of Credit, payable upon a draw under such Letter of Credit.

2.4 Making and Continuation/Conversion of the Loans.

(a) Making of the Loans.

(i) Each Revolving Loan or Term Loan, as the case may be, shall be made by the Banks in such amount as the Borrower shall request; provided, however, that each borrowing shall be in an amount which is a minimum of, (A) with respect to any LIBOR Loan, \$1,000,000, and integral multiples of \$500,000 in excess thereof, and (B) with respect to any Base Rate Loan, \$500,000, and integral multiples of \$200,000 in excess thereof, or in each case such lesser amount as may be equal to the then unused portion of the Revolving Commitment. The obligation of the Banks to make any Loan is conditioned upon the fact that: (x) no Possible Default or Event of Default shall then exist or immediately after the Loan would exist; (y) all of the Loan Documents shall still be in full force and effect; and (z) the representations and warranties contained herein and in the Loan Documents shall be true and correct in all material respects as if made on and as of the date of such borrowing, except to the extent that any thereof expressly relate to an earlier date.

(ii) Loans shall be effected at the Administrative Agent's Office, and shall be made at such times as the Borrower may request by notice to the Administrative Agent no later than 11:00 a.m., Charlotte, North Carolina time, (A) three (3) Banking Days prior to the date of a requested LIBOR Loan and (B) on the date of a requested Base Rate Loan. Such notices shall be in writing, or by telephonic communication confirmed by telecopy or other facsimile transmission on the same day as the telephone request, and shall

specify the proposed date and the amount of the requested Loan, whether it is to bear interest initially based upon the Base Rate or the LIBOR Rate, and the Interest Period thereof, if applicable.

(iii) Upon receipt of each borrowing notice for a Loan, the Administrative Agent shall promptly notify each Bank of the type,

Interest Period, if applicable, amount and date of the proposed borrowing. Not later than 1:00 p.m., Charlotte, North Carolina time, on the date of a proposed borrowing, each Bank shall provide the Administrative Agent at its address specified in Section 12.4 with immediately available funds covering such Bank's Ratable Share of the borrowing, and the Administrative Agent shall pay over such immediately available funds to the Borrower.

(b) Conversion/Continuation of the Loans. At the Borrower's election pursuant to notice given to the Administrative Agent not later than 11:00 a.m., Charlotte, North Carolina time, three (3) Banking Days prior to such conversion or continuation, any Base Rate Loan may be converted to, or any LIBOR Loan may be continued as, a LIBOR Loan as requested by the Borrower; provided, however, that each conversion shall be in an amount which is a minimum of \$1,000,000, and integral multiples of \$500,000 in excess thereof; and provided, further, however, that no Loan may be continued as or converted to a LIBOR Loan at any time that an Event of Default or Possible Default exists. If the Borrower has not delivered to the Administrative Agent such notice with respect to any terminating Interest Period at least three (3) Banking Days prior to the end of such Interest Period, the affected LIBOR Loan shall convert to a Base Rate Loan at the end of such Interest Period.

(c) Number of Interest Rate Options. In no event shall the Borrower have more than seven (7) LIBOR Loans outstanding at any time.

2.5. The Notes. All Revolving Loans shall be evidenced by separate promissory notes payable to the Banks substantially in the form attached hereto as Exhibit F to be duly executed and delivered by the Borrower at or prior to the Closing in the aggregate principal amount of the Revolving Commitment (the "Revolving Notes"). The Term Loan shall be evidenced by separate promissory notes payable to the Banks substantially in the form attached hereto as Exhibit G to be duly executed and delivered by the Borrower at or prior to the Closing in the aggregate principal amount of the Term Commitment (the "Term Notes"). The Banks may, and are hereby authorized by the Borrower to, set forth on the grids attached to the Notes, or in other comparable records maintained by them, the amount of each Loan, all payments and prepayments of principal and interest received, the current outstanding principal balance, and other appropriate information. The aggregate unpaid amount of any Loan set forth in any records maintained by a Bank with respect to a Note shall be presumptive evidence of the principal amount owing and unpaid on such Note. Failure of a Bank to record the principal amount of any Loan on the grid(s) attached to a Note shall not limit or otherwise affect the obligation of the Borrower hereunder or under such Note to repay the principal amount of such Loan and all interest accruing thereon.

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2.6 Fees.

(a) Commitment Fees. The Borrower shall pay to the Administrative Agent for the benefit of the Banks a non-refundable commitment fee of one-half of one percent (1/2%) per annum (based on a year having three hundred sixty (360) days and actual days elapsed) on the difference between (i) the Revolving Commitment, minus (ii) the sum of (A) the average daily amount of Revolving Loans outstanding plus (B) the aggregate stated amount of the Letters of Credit then outstanding issued under the Revolving Commitment; provided, however, that the commitment fee shall be one-quarter of one percent (1/4%) per annum for any day on which the Leverage Ratio is less than or equal to 5.75 to 1.0. Such commitment fee shall (1) commence to accrue as of the date hereof and continue for each day from the Closing Date to and including the Maturity Date, and, with respect to each fiscal quarter period, until the last Business Day of such fiscal quarter, (2) be in addition to any other fee required by the terms and conditions of this Agreement, (3) be payable in arrears on the fifteenth (15th) day following each Quarterly Date and on the date the Revolving Commitment is terminated, and (4) be shared by the Banks in accordance with their Ratable Shares.

(b) Other Fees. The Borrower shall pay to the Administrative Agent, the Documentation Agent, the Syndication Agent, the Lead Arranger, and/or the Lenders such other fees as are set forth in any Fee Letter.

2.7 Prepayment.

(a) Voluntary Prepayments. By notice to the Administrative Agent (which shall be in writing or by telephonic communication confirmed by telecopy or other facsimile transmission on the same day as such telephone notice) no later than 11:00 a.m., Charlotte, North Carolina time, on the Banking Day of such prepayment (with respect to any Base Rate Loan) or on the third (3rd) Banking Day prior to such prepayment (with respect to any LIBOR Loan), the Borrower may, at its option, prepay the Loans in whole at any time or in part from time to time without penalty or premium; provided, however, that any such prepayment of any LIBOR Loan shall be made together with the applicable Prepayment Premium; and provided, further, however, that each partial prepayment shall be in the aggregate principal amount of not less than \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof. Each voluntary prepayment of the Term Loan shall be applied to the principal installments due pursuant to Section 2.2 in the inverse order of maturity, and no amount so prepaid may be reborrowed.

(b) Mandatory Prepayments.

(i) Reduction of Revolving Commitment. If at any time the outstanding principal amount of the Revolving Loans, plus the aggregate stated amount of all Letters of Credit exceeds the Revolving Commitment, as the Revolving Commitment may be reduced pursuant to the terms hereof, the Borrower shall immediately prepay the Revolving Notes without penalty or premium (except that any such prepayment of any LIBOR Loan shall be made together with the applicable Prepayment Premium), in an amount necessary to cause the

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outstanding principal amount of the Revolving Loans, plus the aggregated stated amount of all Letters of Credit not to exceed the Revolving Commitment, as so reduced.

(ii) Proceeds of Asset Sales. The Borrower shall make a mandatory prepayment of the Loans in an amount equal to the cash proceeds of any Asset Sale (including, without limitation, any sale permitted pursuant to Section 8.10(c)), net of any reasonable costs directly incurred in connection with any such Asset Sale and any taxes payable by the Borrower or the selling Subsidiary in connection with such Asset Sale; provided, however, that the Borrower shall not be required to make such a mandatory prepayment of the Loans in respect of any such Asset Sale, so long as (A) no Event of Default or Possible Default exists as of the date of such Asset Sale or at the date of the reinvestment of such proceeds and (B) the Borrower reinvests such proceeds by making a Permitted Acquisition within twelve (12) months of the date of the consummation of such Asset Sale. If any such Event of Default or Possible Default exists or if such proceeds are not so reinvested within such twelve (12) month period, or used to pay such purchase price, then the Borrower shall make a mandatory prepayment of the Loans in an amount equal to the cash proceeds of such Asset Sale, net of any reasonable costs directly incurred in connection with such Asset Sale and any taxes payable by the Borrower or the selling Subsidiary in connection with such Asset Sale. Together with any prepayment required by this Section 2.7(b)(ii), the Borrower shall deliver to the Administrative Agent a certificate executed by the Borrower's chief financial officer setting forth the calculation of the net cash proceeds of such Asset Sale, including a calculation of the taxes payable by the Borrower or the selling Subsidiary in respect of such sale. Such prepayment shall be made simultaneously with the consummation of such Asset Sale.

(iii) Insurance Proceeds. Within ninety (90) days after the date of receipt of any cash payments under any insurance policy maintained

by the Borrower or any of its Subsidiaries which have not been reinvested in assets of a kind then used or usable in the business of the Borrower or such Subsidiary or used to maintain the business of the Borrower and its Subsidiaries as going concerns as a consequence of any business interruption, the Borrower shall make a mandatory prepayment of the Loans in the amount of such unreinvested or unused proceeds; provided, however, that notwithstanding any of the foregoing to the contrary, upon and during the continuance of any Event of Default or Possible Default, all such insurance proceeds, regardless of reinvestment or other use, received by the Borrower or any Subsidiary shall be applied as a prepayment of the Loans.

(c) Application of Prepayments; Reduction of Commitments.

(i) Application to Prepayment Premium, Accrued Interest and Principal. All prepayments made pursuant to this Section 2.7 shall be applied first to any Prepayment Premium and second due, then to accrued interest in accordance with the Administrative Agent's standard operating procedures and then to the principal outstanding under the Loans. For purposes of the calculation of interest and the determination of whether any Prepayment Premium is due in connection with any such prepayment, such principal prepayments shall be applied first to the Base Rate Loans and second to the LIBOR Loans with the shortest remaining Interest Periods

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(ii) Application to Loans. All mandatory prepayments of principal required to be made pursuant to Section 2.7(b) shall be applied to the Loans on a weighted pro rata basis.

(iii) Application to Revolving Loans and Revolving Commitments. Any mandatory prepayment which, pursuant to Section 2.7(c)(ii), is to be applied to the Revolving Loans shall cause the Revolving Commitment to be immediately, automatically and permanently reduced by the amount of such prepayment. Each such mandatory prepayment of the Revolving Loans shall be applied to the subsequent Revolving Commitment reductions set forth in Section 2.1(b) in inverse order of maturity. No amount so prepaid may be reborrowed.

(iv) Application to Term Loan and Term Commitment. Any mandatory prepayment which, pursuant to Section 2.7(c)(ii), is to be applied to the Term Loan shall be applied to the principal installments due pursuant to Section 2.2(c) in the inverse order of maturity. No amount so prepaid may be reborrowed.

(d) Prepayment Premium. The Borrower shall pay to the Administrative Agent, for the benefit of the Banks, the applicable Prepayment Premium upon any prepayment or conversion (whether voluntary or involuntary) of any LIBOR Loan not made on the last day of the applicable Interest Period.

2.8 Reserves or Deposit Requirements, etc. If at any time any Regulatory Change (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) shall impose any reserve and/or special deposit requirement (other than reserves included in the LIBOR Reserve Percentage, the effect of which is reflected in the interest rate of any LIBOR Loan) against assets held by, or deposits in or for the amount of any loans by, any Bank, and the result of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Bank of taking or maintaining hereunder any LIBOR Loan or to reduce the amount of principal, interest or fees received by such Bank with respect to any such Loan, then such Bank shall notify the Administrative Agent and the Borrower of such occurrence. Thereafter, upon demand by such Bank the Borrower shall pay to such Bank additional amounts sufficient to compensate and indemnify such Bank for such increased cost or reduced amount. A statement as to the increased cost or reduced amount as a result of any event mentioned in this Section 2.8 shall be submitted by such Bank to the Administrative Agent and the Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

2.9 Tax Law, Increased Costs, etc. In the event that by reason of any Regulatory Change, any Bank shall, with respect to this Agreement or any transaction under this Agreement, be subjected to any tax, levy, impost, charge, fee, duty, deduction or withholding of any kind whatsoever (other than any tax imposed upon the net income of such Bank and other than changes in franchise taxes), and if any such measure or any other similar measure shall result in an increase in the costs to such Bank of making or maintaining any LIBOR Loan or in a reduction in the amount of principal or interest ultimately receivable by such Bank in respect of such Loan, then such Bank shall notify the Administrative Agent and the Borrower stating the

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reasons therefor. The Borrower shall thereafter pay to such Bank within ten (10) days after written demand such additional amounts as will compensate such Bank for such increased cost or reduced amount. A statement as to any such increased cost or reduced amount shall be submitted by such Bank to the Administrative Agent and the Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

2.10 Eurodollar Deposits Unavailable or Interest Rate Unascertainable. If any Bank determines that dollar deposits of the relevant amount for the relevant Interest Period are not available to it in the applicable Eurodollar market or that, by reason of circumstances affecting such market, adequate and reasonable means do not exist for ascertaining the LIBOR Rate applicable to such Interest Period, or that the LIBOR Rate does not adequately reflect the cost to such Bank of making such Loan, as the case may be, such Bank shall promptly give notice of such determination to the Administrative Agent and the Borrower, and any request for a new LIBOR Loan or notice of conversion of an existing Loan to a LIBOR Loan given thereafter or previously given by the Borrower and not yet made or converted shall be deemed a notice to make a Base Rate Loan.

2.11 Changes in Law Rendering LIBOR Loans Unlawful. If at any time any Regulatory Change shall make it unlawful for any Bank to fund any LIBOR Loan which it has committed to make hereunder with moneys obtained in the applicable Eurodollar market, such Bank shall notify the Administrative Agent and the Borrower, and the obligation of the Banks to fund such Loan shall, upon the happening of such event, forthwith be suspended for the duration of such illegality. If any such change makes it unlawful for any Bank to continue in effect the funding in the applicable Eurodollar market of any LIBOR Loan previously made by it hereunder, such Bank shall, upon the happening of such event, notify the Administrative Agent and the Borrower thereof in writing stating the reasons therefor, and the Borrower shall, on the earlier of (a) the last day of the then current Interest Period or (b) if required by such Regulatory Change on such date as shall be specified in such notice, either convert all such Loans to Base Rate Loans or prepay all such Loans in full.

2.12 Funding. Any Bank may, but shall not be required to, make LIBOR Loans hereunder with funds obtained outside the United States.

2.13 Indemnity. Without prejudice to any other provisions of Sections 2.8 through Section 2.12 or to the obligation of the Borrower to pay the Prepayment Premium pursuant to Section 2.7(d), but without duplication, the Borrower hereby agrees to indemnify each Bank against any loss or expense which it may sustain or incur as a consequence of the Borrower's failure to borrow any LIBOR Loan requested pursuant to this Agreement, or the Borrower's failure to continue any LIBOR Loan or convert any Base Rate Loan to a LIBOR Loan, in either case after notice of such continuation or conversion shall have been given to the Administrative Agent pursuant to Section 2.4(b), or any default by the Borrower in payment when due of any amount due hereunder in respect of any LIBOR Loan, including, without limitation, any premium or penalty actually incurred by such Bank in respect of funds borrowed by it for the purpose of making or maintaining such Loan, as determined by such Bank. A statement as to any such

loss or expense shall be submitted by such Bank to the Borrower for

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payment under the aforesaid indemnification, with a copy to the Administrative Agent, which statement shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

2.14 Capital Adequacy. If any Bank shall determine that any Regulatory Change regarding capital adequacy or compliance by such Bank (or its lending office) with any request or directive regarding capital adequacy (whether or not having the force of law) or any governmental authority, central bank or comparable agency has the effect of reducing the rate of return on such Bank's capital (or on the capital of such bank's holding company) as a consequence of its obligations hereunder to a level below that which such Bank (or its holding company) could have achieved but for such Regulatory Change or compliance (taking into consideration such Bank's policies or the policies of its holding company with respect to capital adequacy) by an amount which such Bank deems to be material, then from time to time, within ten (10) days after demand by such Bank, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its holding company) for such reduction. Such Bank will designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of such Bank claiming compensation under this Section 2.14 and setting forth the additional amount to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods. Failure on the part of any Bank to demand compensation for any reduction in return on capital with respect to any period shall not constitute a waiver of such Bank's rights to demand compensation for any reduction in return on capital in such period or in any other period. The protection of this Section 2.14 shall be available to each Bank regardless of any possible contention of the invalidity or inapplicability of the law, regulation or other condition which shall have been imposed.

2.15 Taxes. Without duplication of any other Section of this Agreement, including, without limitation, Section 2.9, all sums payable by the Borrower hereunder or under the Notes or in respect of the Letters of Credit, whether of principal, interest, fees, expenses or otherwise, shall be paid in full, free of any deductions or withholdings for any and all present and future taxes, levies, imposts, stamps, duties, fees, assessments, deductions, withholdings, and other governmental charges and all liabilities with respect thereto (collectively referred to as "Taxes"). If Borrower shall pay directly to all appropriate taxing authorities any and all present and future Taxes, and all liabilities with respect thereto imposed by law or by any taxing authority on or with regard to any aspect of the transactions contemplated by this Agreement or the execution and delivery of this Agreement or the Notes or the issuance of the Letters of Credit, except for any taxes or other liabilities that the Borrower is contesting in good faith by appropriate proceedings, provided that the Borrower hereby indemnifies the Administrative Agent and the Banks and holds them harmless from and against any and all liabilities, fees or additional expense with respect to or resulting from any delay in paying, or omission to pay, Taxes. Within thirty (30) days after the payment by the Borrower of any Taxes, upon request of the Administrative Agent the Borrower shall furnish the Administrative Agent with the original or a certified copy of the receipt evidencing payment thereof, together with any other information the Administrative Agent may require to establish to its satisfaction that full and timely payment

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of such Taxes has been made. Each Bank shall notify the Borrower and the

Administrative Agent of any payment of Taxes required or requested of it and shall give due consideration to any advice or recommendation given in response thereto by the Borrower, and upon notice from such Bank that Taxes or any liability relating thereto (including, without limitation, penalties and interest) have been paid, the Borrower shall pay or reimburse such Bank therefor within ten (10) days of such notice. The foregoing to the contrary notwithstanding, in no event shall any Bank receive any amount pursuant to this Section 2.15 in excess of the amount required to be paid by it in respect of any Taxes. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.15 shall survive the payment in full of principal and interest hereunder and under the Notes.

2.16 Incremental Commitment. At any time prior to September 30, 2000, the Borrower may solicit from the Banks an incremental commitment of up to \$100,000,000 (in \$25,000,000 increments) in the form of (a) a senior secured reducing revolving credit or, (b) with the consent of the Required Banks, a term credit facility pursuant to which no more than \$75,000,000 of the incremental commitment (in \$25,000,000 increments) may be term loans which will be secured pari passu with the Obligations, in each case, in form and substance similar to the existing credit facilities hereunder; provided, however, that any such incremental commitment shall be discretionary on the part of the Banks, and no Bank shall be obligated to increase its Commitments beyond the amount it has agreed to as of the Closing Date. Any such increase shall be on terms and conditions, such as the applicable interest rate and amortization, as may be negotiated between the Borrower and the consenting Banks; provided, however, that (i) the terms and conditions of such increase shall be no more favorable than those set forth herein, (ii) any loan made under the increased commitment shall have a longer average term to maturity than the Loans, and (iii) any term loan made under the increased commitment shall mature no earlier than six (6) months after the Maturity Date. Upon any such increase, the Borrower shall enter into any amendments and modifications to this Agreement and the Loan Documents as the Administrative Agent may request to reflect such increase and such additional terms and conditions.

SECTION 3. INTEREST; PAYMENTS.

3.1 Interest.

(a) Subject to Section 3.1(c), prior to maturity, LIBOR Loans shall bear interest at the LIBOR Rate, plus the Applicable Margin, and Base Rate Loans shall bear interest at the Base Rate, plus the Applicable Margin.

(b) The Applicable Margin shall be determined by the Administrative Agent quarterly, and upon the making of each Loan and the issuance of each Letter of Credit, as applicable, based on the financial statements and the Compliance Certificate delivered to the Banks pursuant to Sections 7.5(b) and (d) (in the case of a quarterly determination) and the Compliance Certificate delivered pursuant to Section 6.13(c) (in the case of the determination of the Applicable Margin upon the making of a Loan or the issuance of a Letter of Credit). Any change in the interest rate on the Loans due to a change in the Applicable Margin shall be

effective on the fifth (5th) Banking Day after delivery of such financial statements or compliance certificate; provided, however, that if any such quarterly financial statements and Compliance Certificate indicate an increase in the Applicable Margin and such financial statements and certificate are not provided within the time period required in Section 7.5(b), the increase in the interest rate due to such increase in the Applicable Margin shall be effective as of the fifth (5th) Banking Day after the date on which such financial statements and certificate were due. Until delivery of financial statements for the first (1st) fiscal quarter of the Borrower ending after the Closing, for purposes of calculating the Applicable Margin, the Leverage Ratio shall be

determined, after giving effect to the Loans made on and after the Closing Date, from the certificate delivered to the Administrative Agent pursuant to Section 6.13(b). The Borrower shall deliver to the Banks with each set of quarterly financial statements which indicate a change in the Applicable Margin a notice with respect to such change, which notice shall set forth the calculation of, and the supporting evidence for, such change.

(c) Upon the occurrence of any Event of Default, the entire outstanding principal amount of each Loan and (to the extent permitted by law) unpaid interest thereon and all other amounts due hereunder shall bear interest, from the date of occurrence of such Event of Default until the earlier of the date such Loan is paid in full and the date on which such Event of Default is cured or waived in writing, at the Default Interest Rate which shall be payable upon demand.

(d) Interest shall be computed on a three hundred sixty (360) day year basis calculated for the actual number of days elapsed. Interest accrued on each Base Rate Loan shall be paid quarterly in arrears on each Quarterly Date after the date hereof until such Loan is paid in full, and interest accrued on each LIBOR Loan shall be paid on the last day of the Interest Period thereof and on the date such Loan is paid in full and, in addition, if such Interest Period has a duration of more than three (3) months, on each day that occurs during such Interest Period that is three (3), six (6) or nine (9) months from the first day of such Interest Period.

(e) The rate of interest payable on any Note from time to time shall in no event exceed the maximum rate, if any, permissible under applicable law. If the rate of interest payable on any Note is ever reduced as a result of the preceding sentence and any time thereafter the maximum rate permitted by applicable law shall exceed the rate of interest provided for on such Note, then the rate provided for on such Note shall be increased to the maximum rate permitted by applicable law for such period as is required so that the total amount of interest received by the holder of such Note is that which would have been received by such holder but for the operation of the preceding sentence.

3.2 Manner of Payments.

(a)...Prior to each Quarterly Date and the end of each Interest Period, the Administrative Agent shall render a statement to the Borrower of all amounts due to the Banks for principal, interest and fees hereunder. All amounts listed on each such statement shall be due and payable on the Quarterly Date or, for LIBOR Loans, the last day of such Interest Period, in respect of which such statement was sent. As to all other Obligations which become

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due and payable other than on a fixed date by their terms, the Administrative Agent shall advise the Borrower by a written statement that they are due and payable, and the Borrower shall pay the same within five (5) days of receipt of such statement. Any failure by the Administrative Agent to render any such statement or give any such advice shall in no way relieve the Borrower of any liability for or obligation to pay any amount due and payable hereunder.

(b) Whenever any payment to be made hereunder, including, without limitation, any payment to be made on a Note, shall be stated to be due on a day which is not a Banking Day, such payment may be made on the next succeeding Banking Day, and such extension of time shall in each case be included in the computation of the interest payable on such Note; provided, however, that if such extension of time would cause payment of interest on or principal of a LIBOR Loan to be made in the next calendar month, such payment shall be made on the next preceding Banking Day.

(c) Unless otherwise provided in this Agreement, all payments or prepayments made or due hereunder or under the Notes shall be made

in immediately available funds by federal funds wire transfer, and without setoff, deduction or counterclaim, to the Administrative Agent prior to 11:00 a.m., Charlotte, North Carolina time, on the date when due, at the Administrative Agent's Office. Funds received after 1:00 p.m., Charlotte, North Carolina time, shall be deemed to have been received on the next Banking Day. To the extent any such payment is made for the ratable benefit of the Banks, the Administrative Agent shall promptly distribute such payment to the Banks in accordance with their respective Ratable Shares.

SECTION 4. CLOSING.

The closing of the first Loan to be made hereunder and the other transactions contemplated hereby shall take place at the offices of Heyman & Sizemore, 2300 International Tower, 229 Peachtree Street, N.E., Atlanta, Georgia 30303 on July 31, 1998, or at such other place or on such other date as to which the parties hereto may agree (the "Closing" and the "Closing Date"). Subject to the terms and conditions hereof, upon the fulfillment or waiver in writing of all the conditions precedent set out in Section 6, and the delivery to the Administrative Agent of the Notes, the Banks shall make such Revolving Loans and the Term Loan and issue such Letters of Credit as the Borrower may request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE BORROWER.

To induce the Banks to enter into this Agreement and to make the Loans and issue the Letters of Credit, the Borrower represents and warrants as follows:

5.1 Organization and Powers.

(a) The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the State of Georgia. The Borrower is duly qualified or registered to conduct business and in good standing under the laws of each other jurisdiction in which the character of its business or the ownership of its assets makes such qualification

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or registration necessary, except where failure to so qualify or register could not reasonably be expected to have a Material Adverse Effect. The Borrower has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into and perform the Busse Purchase Agreement, the Like-Kind Exchange Agreement, this Agreement, the Loan Documents to which it is a party and all other documents to be executed by it in connection with the transactions contemplated hereby and thereby, to acquire the additional Stations pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement and to carry out the terms hereof and thereof.

(b) As of the date hereof, the Borrower has no Subsidiaries other than the Subsidiaries listed on Schedule 3 attached hereto. Each Subsidiary is a corporation, duly organized, validly existing and in good standing under the laws of its State of incorporation and is duly qualified and in good standing under the laws of each other jurisdiction in which the character of its business or the ownership of its assets makes such qualification or registration necessary, except where failure to so qualify or register could not reasonably be expected to have a Material Adverse Effect. Each Subsidiary is a direct or indirect, wholly-owned Subsidiary of the Borrower. Each Subsidiary has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into and perform the Loan Documents to which it is a party and all other documents to be executed by it in connection with the transactions contemplated hereby and thereby and to carry out the terms hereof and thereof.

5.2 Authorization. All necessary corporate, shareholder or other actions on the part of the Borrower and its Subsidiaries to authorize the

execution and delivery of the Busse Purchase Agreement, the Like-Kind Exchange Agreement, this Agreement and the Loan Documents and the performance of the respective obligations of the Borrower and its Subsidiaries herein and therein have been taken. The Busse Purchase Agreement, the Like-Kind Exchange Agreement, this Agreement and each Loan Document have been duly authorized, executed and delivered by each of the Borrower and its Subsidiaries and are valid and legally binding upon each of the Borrower and its Subsidiaries, to the extent it is a party thereto, and enforceable in accordance with their respective terms, except to the extent that the enforceability hereof and thereof may be limited by bankruptcy, insolvency or like laws affecting creditors rights generally and by the application of general equitable principles.

5.3 Financial Statements. The Borrower has delivered to the Administrative Agent and the Banks the following (collectively, the "Financial Statements"): (a) the audited consolidated financial statements of the Borrower and its Subsidiaries for the fiscal year ended December 31, 1997, (b) the audited financial statements of Busse Broadcasting for the fiscal year ended December 31, 1997, (c) the unaudited consolidated financial statements of the Borrower and its Subsidiaries as of March 31, 1998, and for the three (3) month period then ended, and (d) the unaudited financial statements of Busse Broadcasting as of March 31, 1998, and for the three (3) month period then ended. The Financial Statements are true and complete in all material respects (including, without limitation, a disclosure of all material contingent liabilities) and present fairly the financial condition and results of operations of the Borrower and its Subsidiaries, or Busse Broadcasting, as the case may be, as of the dates and for the periods

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indicated and have been prepared in accordance with GAAP, subject in the case of statements for interim periods to normal year-end adjustments and the absence of footnotes.

5.4 Projections. The Borrower has delivered to the Administrative Agent and the Banks the Borrower's projections for the fiscal years 1997 through 2005. Such projections assume the consummation of the transactions contemplated in the Registration Statements referenced in Section 5.27(c), the Busse Purchase Agreement, and the Like-Kind Exchange Agreement were prepared by the Borrower in good faith on the basis of assumptions the Borrower believes were reasonable in light of the conditions existing at the time of preparation thereof and remain reasonable as of the date hereof, and as of the date hereof there are no facts which are known to the Borrower which the Borrower believes would cause a material adverse change in such projections.

5.5 Capitalization of the Borrower and its Subsidiaries. The Borrower has delivered to the Administrative Agent and the Lenders statements setting forth the capitalization of the Borrower and the Subsidiaries as of the Closing Date and all of the issued and outstanding shares of Capital Stock of the Subsidiaries are owned as set forth on Schedule 4 attached hereto. Schedule 4 attached hereto identifies each License Subsidiary and, with respect to each other Subsidiary, the Stations, Newspapers or other businesses owned and operated by such Subsidiary. All of the issued and outstanding Capital Stock of the Borrower and of each Subsidiary has been duly and validly issued and is fully paid and nonassessable. All of the issued and outstanding Capital Stock of each Subsidiary is free and clear of any Lien, charge, encumbrance or right or option to purchase except for the Liens granted pursuant to the Subsidiary Pledge Agreement and except for Liens that will be released on the Closing Date. None of the Capital Stock of the Borrower or of any Subsidiary has been issued in violation of the Securities Act of 1933, as amended, or the securities or "Blue Sky" or any other applicable laws, rules or regulations of any applicable jurisdiction. Except as set forth on Schedule 4 attached hereto, as of the Closing Date, neither the Borrower nor any of its Subsidiaries has any commitment or obligation, either firm or conditional, to issue, deliver, purchase or sell, under any offer, option agreement, bonus agreement, purchase plan, incentive plan, compensation plan, warrant, conversion rights, contingent

share agreement, shareholders agreement, partnership agreement or otherwise, any shares of its Capital Stock, partnership interests or other equity securities or securities convertible into shares of Capital Stock, partnership interests or other equity securities.

5.6 Title to Properties; Patents, Trademarks, etc. The Borrower and each of its Subsidiaries have, and will have after giving effect to the closings under the Busse Purchase Agreement and the Like-Kind Exchange Agreement, good and marketable title to all of their assets, whether real or personal, tangible or intangible, free and clear of any Liens or adverse claims, except Permitted Liens. The Borrower and each of its Subsidiaries own or possess, and will own or possess after giving effect to the closing under the Busse Purchase Agreement and the Like-Kind Exchange Agreement, the valid right to use all the patents, patent applications, patent and know-how licenses, inventions, technology, permits, trademark registrations and applications, trademarks, service marks, trade names, copyrights, product designs, applications, formulae, processes, circulation, and other subscriber lists, industrial property rights and licenses

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and rights in respect of the foregoing used or necessary for the conduct of its business (collectively, "proprietary rights"). The Borrower is not aware of any existing or threatened infringement or misappropriation of (a) any such proprietary rights of others by the Borrower or any of its Subsidiaries or (b) any proprietary rights of the Borrower or any of its Subsidiaries by others.

5.7 Litigation; Proceedings. Except as disclosed on Schedule 5 attached hereto, there is no action, suit, complaint, proceeding, inquiry or investigation at law or in equity, or by or before any court or governmental instrumentality or agency, nor any order (including, without limitation, any order to show cause or order of forfeiture), decree or judgment in effect, pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower, any of its Subsidiaries, any Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), any Newspaper, the Porta Phone Business or the Satellite Broadcasting Business, or any of the properties or rights relating to any Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), any Newspaper, the Porta Phone Business or the Satellite Broadcasting Business. None of such actions, suits, complaints, proceedings, inquiries or investigations, orders, decrees or judgments could reasonably be expected to have a Material Adverse Effect. No Person has filed, or to the best of the Borrower's knowledge, threatened to file, any material competing application, petition to deny or other opposition against any application, including any renewal application, filed or to be filed by the Borrower or any of its Subsidiaries.

5.8 Taxes. All Federal, state and local tax returns, reports and statements (including, without limitation, those relating to income taxes, withholding, social security and unemployment taxes, sales and use taxes, and franchise taxes) required to be filed by the Borrower or any of its Subsidiaries have been properly filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed, which returns, reports and statements are complete and accurate, and all taxes and other impositions due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof, except where contested in good faith and by appropriate proceedings. As of the Closing Date, neither the Borrower nor any of its Subsidiaries has filed with the Internal Revenue Service or any other governmental authority any agreement or other document extending or having the effect of extending the period for assessment or collection of any Federal, state, local or foreign taxes or other impositions. All tax deficiencies asserted or assessments made as a result of any examinations conducted by the Internal Revenue Service or any other governmental authority relating to the Borrower or any of its Subsidiaries have been fully paid or are being contested in accordance with the provisions of Section 7.4. Proper and accurate amounts

have been withheld by the Borrower and its Subsidiaries from its employees for all periods to fully comply with the tax, social security and unemployment withholding provisions of the applicable Federal, state, local and foreign law. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.9 Absence of Conflicts. The execution, delivery and performance of the Busse Purchase Agreement, the Like-Kind Exchange Agreement, this Agreement and the Loan Documents and all actions and transactions contemplated hereby and thereby will not (a) violate, be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under (i) any provision of the Articles or Certificate of Incorporation or Bylaws or any shareholders agreement or other organizational document of the Borrower or any of its Subsidiaries, (ii) any arbitration award or any order of any court or of any other governmental agency or authority binding on the Borrower or any of its Subsidiaries, (iii) any License of the Borrower or any of its Subsidiaries or under which the Borrower or any of its Subsidiaries operates or will operate after giving effect to the closing under the Busse Purchase Agreement or the Like-Kind Exchange Agreement, (iv) any applicable law, rule, order or regulation (including without limitation, (A) the Communications Act of 1934, as amended, (B) any law, rule, regulation or policy of the FCC or any other Licensing Authority or (C) Regulations T, U or X of the Board of Governors of the Federal Reserve System or (v) any Operating Agreement, the Subordinated Note Indenture or other material agreement, instrument or document relating to a Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), a Newspaper, the Porta Phone Business or the Satellite Broadcasting Business or to which the Borrower or any of its Subsidiaries is a party, or by which the Borrower or any of its Subsidiaries or any of their properties is bound, or (b) result in the creation or imposition of any Lien of any nature whatsoever, other than those Liens arising hereunder or under the Loan Documents, upon any of the properties of the Borrower or any of its Subsidiaries.

5.10 Indebtedness. As of the Closing Date, the Borrower has no Indebtedness of any nature, whether due or to become due, absolute, contingent or otherwise, including, without limitation, Indebtedness for taxes and any interest or penalties relating thereto, which exceeds in the aggregate, \$150,000, except (a) the liability to pay legal and accounting fees and reasonable closing expenses in connection with this Agreement, the Busse Purchase Agreement and the Like-Kind Exchange Agreement, (b) the Obligations, (c) Indebtedness under the Subordinated Note Indenture and the notes issued pursuant thereto, (d) Indebtedness incurred in the ordinary course of business since June 30, 1997, (e) as disclosed in the Financial Statements, and (f) as disclosed on Schedule 6 attached hereto.

5.11 Compliance. Except as disclosed in Schedule 7 attached hereto, neither the Borrower nor any of its Subsidiaries, nor the ownership, construction or operation of any Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), Newspaper, the Porta Phone Business or the Satellite Broadcasting Business is in material violation of its Articles or Certificate of Incorporation, its Bylaws, any License or any statute, ordinance, law, rule, regulation or order of the United States of America or the FCC (including, without limitation, applicable federal laws and the rules, regulation, policies and orders of the FCC relating to foreign ownership restrictions or to limitations on the nature and number of media outlets that may be held under common ownership or control), the Federal Aviation Administration or any other federal, state, county, municipal or other governmental agency or authority applicable to the Borrower or any of its Subsidiaries, their properties, the ownership, construction or operation of any Station (including,

without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), Newspaper, the Porta Phone Business or the Satellite Broadcasting Business or the conduct of their business. Neither the Borrower nor any of its Subsidiaries nor the ownership, construction or operation of any Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), any Newspaper, the Porta Phone Business or the Satellite Broadcasting Business is in violation or has breached in any material respect the provisions of the Subordinated Note Indenture or any indenture, License, Operating Agreement, note, lease or other agreement, instrument or document to which it is a party or by which it is bound, nor does there exist any material default, or any event or condition which, upon notice or lapse of time, or both, would become a material default, under the Subordinated Note Indenture or any indenture, License, Operating Agreement, note, lease, or other agreement, instrument or document. The Borrower and each of its Subsidiaries have the legal right and authority to conduct their respective businesses as now conducted or proposed to be conducted.

5.12 Statements Not Misleading. No statement, representation or warranty made by the Borrower or any of its Subsidiaries in or pursuant to this Agreement or the Schedules or Exhibits attached hereto or any of the Loan Documents contains any untrue statement of a material fact, nor omits to state a material fact necessary to make such statement not misleading in light of the circumstances under which such statement was made, or otherwise violates any federal or state securities laws, rules or regulations. There is no fact known to the Borrower (other than matters of a general economic nature or relating to the broadcasting and newspaper industries generally) that has had or could reasonably be expected to have a Material Adverse Effect.

5.13 Consents or Approvals. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority or any other Person (including, without limitation, the FCC and any other Licensing Authority) is required to be obtained by the Borrower or any of its Subsidiaries in connection with the execution, delivery or performance of the Subordinated Note Indenture, the Busse Purchase Agreement, the Like-Kind Exchange Agreement, this Agreement or any of the Loan Documents, including, without limitation, in connection with the granting of Liens in the assets of the Borrower or in the Capital Stock and the assets of its Subsidiaries, which has not already been obtained or completed, except for (a) the filing with the FCC of this Agreement and certain of the Loan Documents pursuant to FCC rules, which shall be accomplished within the required time period after the Closing, (b) the filing of financing statements, the Mortgages and other actions expressly required to be taken pursuant to the Loan Documents, and (c) the consent of the FCC to the extent required in connection with the exercise by the Administrative Agent or the Banks of their rights and remedies hereunder or under the Loan Documents.

5.14 Material Contracts and Commitments. Schedule 8 attached hereto contains a true and complete description of all material contracts and commitments of the Borrower or any of its Subsidiaries or which relate to a Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), a Newspaper, the Porta Phone Business or the Satellite Broadcasting Business as of

the Closing Date, after giving effect to the closing under the Busse Purchase Agreement and the Like-Kind Exchange Agreement, whether oral or written, including, without limitation, (a) any security agreement, pledge agreement, mortgage or guaranty; (b) any material management, construction supervision, service or employment agreements, conditional sale contract or lease of personal property; (c) any collective bargaining agreement; (d) any material contract or

commitment for the future purchase or sale of goods in excess of \$200,000 in any single case; (e) any contract or commitment which involves a material Capital Expenditures in excess of \$200,000 in any single case; (f) all Licenses; and (g) all Operating Agreements. To the best of the Borrower's knowledge, except as disclosed on Schedule 8 attached hereto, as of the Closing Date, all of the items listed on Schedule 8 attached hereto are in full force and effect without material default. Schedule 8 attached hereto further identifies each such contract which requires consent to the granting of a Lien in favor of the Administrative Agent for the benefit of the Banks on the rights of the Borrower or its Subsidiaries under such contract. The Borrower has made available to the Administrative Agent true and complete copies of each of the above.

5.15 Employee Benefit Plans. Schedule 9 attached hereto contains a true and complete list of all Plans maintained by the Borrower or any member of the Controlled Group. Neither the Borrower nor any member of the Controlled Group has or will have, after giving effect to the closing under the Busse Purchase Agreement and the Like-Kind Exchange Agreement, any liability, or reasonably anticipates any liability, of any kind (including any withdrawal liability under Section 4201 of ERISA) which is in excess, in the aggregate, of \$250,000 and which is more than one hundred twenty (120) days past due, to or in respect of any Plan or Benefit Arrangement. With respect to the Plans and Benefit Arrangements maintained by the Borrower or any member of the Controlled Group: (a) each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified since its adoption, and each trust forming a part thereof is exempt from tax under Section 501(a) of the Code; (b) each Plan complies in all material respects with all applicable requirements of law, has been administered in accordance with its terms and all required contributions have been made; (c) neither the Borrower nor any member of the Controlled Group knows or has reason to know that the Borrower or any member of the Controlled Group has engaged in a transaction which would subject it to any material tax, penalty or liability under ERISA or the Code for any prohibited transaction; (d) no Plan is subject to the minimum funding requirements under Section 302 of ERISA or Section 412 of the Code, is a multiemployer plan (as defined in Section 4001(a)(3) of ERISA), is a defined benefit plan (as defined under Section 3(35) of ERISA or Code 414(j) of the Code), or is a multiple employer plan (as defined in Section 4063 of ERISA). No Plan or Benefit Arrangement maintained by the Borrower or any member of the Controlled Group is a multiple employer welfare arrangement (as defined in Section 3(40) of ERISA).

5.16 Licenses and Operating Agreements. The Licenses and Operating Agreements shown on Schedule 10 attached hereto constitute all of the Licenses and Operating Agreements which, as of the Closing Date, are necessary for the lawful ownership, construction or operation of the Stations (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), the Newspapers, the Porta Phone Business and the Satellite Broadcasting Business and of the other businesses of the

Borrower and its Subsidiaries in the manner and to the full extent they are currently owned, constructed or operated. Schedule 10 attached hereto sets forth a correct and complete list, as of the Closing Date, of the expiration date of each License and of each pending application for a License. Except as specified on Schedule 10 attached hereto all of the Licenses relating to the Stations (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), Newspapers, the Porta Phone Business or the Satellite Broadcasting Business and all other Licenses of the Borrower and its Subsidiaries have been duly and validly issued or assigned to and are legally held by the Borrower or one of its Subsidiaries and are in full force and effect without condition except those of general application. All such Licenses have been issued in compliance with all applicable laws and regulations, are legally binding and enforceable in accordance with their terms and are in good standing. The Borrower knows of no

facts or conditions which would constitute grounds for any Licensing Authority to deny any pending application for a License, to suspend, revoke, materially adversely modify, designate for a hearing, annul, fail to renew on or before its renewal date, or renew for less than a full license period any License or to impose a material financial penalty on the Borrower or any of its Subsidiaries.

5.17 Material Restrictions. Neither the Borrower nor any of its Subsidiaries is a party to any agreement or other instrument or subject to any other restriction which has had or could reasonably be expected to have a Material Adverse Effect.

5.18 Investment Company Act. Neither the Borrower nor any of its Subsidiaries (a) is an investment company as that term is defined in the Investment Company Act of 1940, as amended, (b) directly or indirectly controls, or is directly or indirectly controlled by, a company which is an investment company as that term is defined in such act or (c) is otherwise subject to regulation under such act.

5.19 Absence of Material Adverse Effect. No Material Adverse Effect has occurred since December 31, 1997.

5.20 Defaults. No Possible Default or Event of Default now exists or will exist upon the making of any Loan.

5.21 Real Estate. Schedule 11 attached hereto lists all real estate owned as of the Closing Date by the Borrower or any of its Subsidiaries and all real estate which the Borrower or any Subsidiary will acquire pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement and all leases pursuant to which the Borrower or any of its Subsidiaries has acquired, as of the Closing Date, or will acquire pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement, a leasehold interest in real estate. Schedule 11 lists the use of such owned and leased property in the Borrower's or its Subsidiary's operations and the Borrower's good faith estimate of the fair market value of each such parcel of owned real estate.

5.22 Securities Laws. No proceeds of any Loan will be used by the Borrower or any of its Subsidiaries to acquire any security in any transaction which is subject to Section 13

or 14 of the Securities Exchange Act of 1934, as amended. Neither the registration of any security under the Securities Act of 1933, as amended, or the securities laws of any state, nor the qualification of any indenture in respect thereof under the Trust Indenture Act of 1939, as amended, is required in connection with the consummation of this Agreement or the Busse Purchase Agreement and the Like-Kind Exchange Agreement or the execution and delivery of the Notes.

5.23 Insurance. All policies of insurance of any kind or nature owned by or issued to the Borrower or any of its Subsidiaries are in compliance with the requirements of Section 7.3 and are in full force and effect. In the past three (3) years neither the Borrower nor any of its Subsidiaries has been refused insurance for which it applied or had any policy of insurance terminated (except at its own request).

5.24 Labor Matters. There are no material strikes, unfair labor practice charges or other material labor disputes or grievances pending or, to the best of the Borrower's knowledge, threatened against the Borrower, any of its Subsidiaries or any Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), any Newspaper, the Porta Phone Business or the Satellite Broadcasting Business. The Borrower has not received any written complaints or knowledge or any threatened complaints, nor to the best of the Borrower's knowledge, any such complaints on file with any Federal, state or local

governmental agency, alleging employment discrimination by the Borrower or any of its Subsidiaries or in connection with any Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and Like-Kind Exchange Agreement), any Newspaper, the Porta Phone Business or the Satellite Broadcasting Business. All payments due under any collective bargaining agreement to which the Borrower or any of its Subsidiaries is a party have been paid or accrued as a liability on the books of the Borrower or such Subsidiary.

5.25 Environmental Compliance.

Except as set forth in Schedule 12 attached hereto and after giving effect to the consummation of the Busse Purchase Agreement and the Like-Kind Exchange Agreement:

(a) the Borrower and each of its Subsidiaries have obtained all material permits, licenses and other authorizations which are required under all Environmental Laws. The Borrower and each of its Subsidiaries are in material compliance with all terms and conditions of all such permits, licenses and authorizations and are also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, including, without limitation, all Environmental Laws in all jurisdictions in which the Borrower or such Subsidiary owns or operates a Station, a Newspaper, a facility or site, arranges or has arranged for disposal or treatment of Hazardous Materials, solid waste or other wastes, accepts or has accepted for transport any Hazardous

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Materials, solid waste or other wastes or holds or has held any interest in real property or otherwise;

(b) no Environmental Claim has been issued, no complaint has been filed, no penalty has been assessed and no litigation, proceeding, investigation or review is pending or, to the best of the Borrower's knowledge, threatened by any Person with respect to any alleged failure by the Borrower, any of its Subsidiaries or any property owned by the Borrower or any Subsidiary to comply with any Environmental Law or to have any permit, license or authorization required in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, use disposal or Release of any Hazardous Materials generated by the Borrower or any of its Subsidiaries or with respect to any real property in which the Borrower or any of its Subsidiaries hold or has held an interest or any past or present operation of the Borrower or any of its Subsidiaries;

(c) there are no Environmental Laws requiring any material work, repairs, construction, Capital Expenditures or other remedial work of any nature whatsoever, with respect to any real property in which the Borrower or any of its Subsidiaries holds or has held an interest or any past or present operation of the Borrower or any Subsidiary;

(d) neither the Borrower nor any of its Subsidiaries has handled any Hazardous Material, on any property now or previously owned or leased by the Borrower or any of its Subsidiaries to an extent that it has, or could reasonably be expected to have, a Material Adverse Effect;

(e) to the best of the Borrower's knowledge:

(i) no PCBs or asbestos is present at any property now or previously owned or any premises now or previously leased by the Borrower or any of its Subsidiaries;

(ii) no underground storage tanks for Hazardous Materials, active or abandoned, are now or were previously operated at any property now or previously owned by the Borrower or any of its Subsidiaries, and, with respect to premises now or previously leased by the Borrower or any of its Subsidiaries, no underground storage tanks for Hazardous Materials, active or abandoned, are now or were previously operated by the Borrower or any of its Subsidiaries;

(iii) no Hazardous Materials have been Released, in a reportable quantity, where such a quantity has been established by statute, ordinance, rule, regulation or order, at, on or under any property now or previously owned by the Borrower or any of its Subsidiaries; and

(iv) no Hazardous Materials have been otherwise Released at, on or under any property now or previously owned or any premises now or previously leased by

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the Borrower or any of its Subsidiaries to an extent that it has, or could reasonably be expected to have, a Material Adverse Effect;

(f) neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location that is listed on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion of the NPL by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System, as provided for by 40 C.F.R. ss.300.5 ("CERCLIS"), or on any similar state or local list or that is the subject of Federal, state or local enforcement actions or other investigations that may lead to Environmental Claims against the Borrower or any of its Subsidiaries;

(g) no Hazardous Material generated by the Borrower or any of its Subsidiaries has been recycled, treated, stored, disposed of or Released by the Borrower or any of its Subsidiaries at any location;

(h) no oral or written notification of a Release of a Hazardous Material has been given or filed by or on behalf of the Borrower or any of its Subsidiaries and no property now or previously owned or premises leased by the Borrower or any of its Subsidiaries is listed or proposed for listing on the National Priorities list promulgated pursuant to CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or cleanup;

(i) there are no Liens arising under or pursuant to any Environmental Laws or any of the property owned or premises leased by the Borrower or any of its Subsidiaries, and no government actions have been taken or are in process which could subject any of such property to such Liens, and neither the Borrower nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property;

(j) neither the Borrower nor any of its Subsidiaries has retained or assumed any liabilities (contingent or otherwise) in respect to any Environmental Claims under the terms of any contract or agreement or by operation of law as a result of the sale of assets or stock; and

(k) there have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or which are in the possession of the Borrower or any of its Subsidiaries in relation to any property or facility now or previously owned or leased by the Borrower or such Subsidiary which has not been made available to the Banks.

5.26 Solvency. The Borrower has received, or has the right hereunder

to receive, consideration which is the reasonably equivalent value of the obligations and liabilities that the Borrower has incurred to the Banks. The Borrower is not insolvent as defined in Section 101 of Title 11 of the United States Code or any applicable state insolvency statute, nor, after giving effect to the consummation of the transactions contemplated herein, in the Busse

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Purchase Agreement, the Like-Kind Exchange Agreement, and in the Subordinated Note Indenture, will the Borrower be rendered insolvent by the execution and delivery of this Agreement, the Notes or the Loan Documents to the Banks. The Borrower is not engaged or about to engage in any business or transaction for which the assets retained by it shall be an unreasonably small capital, taking into consideration the obligations to the Banks incurred hereunder. The Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay them as they mature.

5.27 Busse Purchase Agreement, Like-Kind Exchange Agreement, Subordinated Note Indenture and Registration Statements.

(a) The Borrower has provided to the Administrative Agent a complete and correct copy of each of the Busse Purchase Agreement and the Like-Kind Exchange Agreement. All of the representations and warranties of the Borrower and, to the best of the Borrower's knowledge, each other party thereto in the Busse Purchase Agreement and the Like-Kind Exchange Agreement are true and correct in all material respects as of the date hereof as if given as of the date hereof and will be true and correct in all material respects as of the Closing Date as if given as of such date. No party to the Busse Purchase Agreement or the Like-Kind Exchange Agreement has given notice of any breach of its representations, warranties or covenants therein. All of the representations and warranties of the Borrower in this Section 5 shall be deemed to be given after giving effect to the consummation of the closing under the Busse Purchase Agreement, and the television stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement shall be deemed to be Stations for all purposes of these representations and warranties.

(b) The Borrower has provided to the Administrative Agent a complete and correct copy of the Subordinated Note Indenture and the notes and other agreements and documents executed and delivered pursuant thereto. All of the representations and warranties of the Borrower in the Subordinated Note Indenture are true and correct in all material respects as of the date hereof as if given as of the date hereof, and will be true and correct in all material respects as of the Closing Date as if given as of such date, and no default or event of default exists thereunder or will exist after giving effect to the making of any Loan or the issuance of any Letter of Credit hereunder. The Subordinated Note Indenture has not been amended or modified, and no provisions thereof have been waived.

(c) The Borrower has provided to the Administrative Agent complete and correct copies of (i) the Registration Statement on Form S-1 (Registration No. 333-4338) relating to the notes issued pursuant to the Subordinated Note Indenture and (ii) the Registration Statement on Form S-1 (Registration No. 333-4340) relating to the Borrower's issuance of 3,500,000 shares of its Class B Common Stock. No statement, representation or warranty made in either such Registration Statement (including the prospectus contained therein) contains any untrue statement of a material fact, nor omits to state a material fact necessary to make such statement not misleading in light of the circumstances under which such statement was made, or otherwise violates any federal or state securities laws, rules or regulations.

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5.28 License Subsidiaries. Neither the Borrower nor any of its Subsidiaries (other than License Subsidiaries) holds any License issued by the FCC. No License Subsidiary (a) has any Indebtedness (other than pursuant to the Subsidiary Guaranty and the Subsidiary Security Agreement executed by such License Subsidiary and the subordinated guaranty executed by such License Subsidiary pursuant to the Subordinated Note Indenture), (b) has any assets other than FCC Licenses, (c) is a party to or bound by any contract or agreement, (d) conducts any business or (e) has any employees, and there are no Liens of any nature whatsoever on any of the property or assets of any License Subsidiary except in favor of the Administrative Agent, for the benefit of the Banks. All of the Licenses issued by the FCC in connection with the ownership and operation of the Stations (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), the Porta Phone Business and the Satellite Broadcasting Business, have been, or at the closing under the Busse Purchase Agreement and the Like-Kind Exchange Agreement will be, duly assigned to a Licensed Subsidiary.

5.29 Year 2000 Compliance. The Borrower has (i) initiated a review and assessment of substantially all areas within its and each of its Subsidiaries' business and operations, or will initiate a review and assessment in all remaining areas by December 31, 1998 (including those affected by suppliers, vendors and customers) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by the Borrower or any of its Subsidiaries (or suppliers, vendors and customers) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. Based on the foregoing, the Borrower believes that all computer applications (including those of its suppliers, vendors and customers) that are material to its or any of its Subsidiaries' businesses and operations are reasonably expected by June 30, 1999 to be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 Complaint", except to the extent that a failure to do so could not reasonably be expected to have a Materially Adverse Effect.

SECTION 6. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE BANKS.

The obligations of the Banks to make any Loan or to issue or renew any Letter of Credit and the performance by the Banks of the other actions to be taken by them on or after the Closing Date are subject to the fulfillment or waiver in writing of each of the following conditions precedent. The Borrower shall deliver to the Administrative Agent copies for each Bank of each document, instrument or other item to be delivered pursuant to this Section 6.

6.1 Compliance. All of the representations and warranties of the Borrower and its Subsidiaries herein and in the Loan Documents shall be true and correct on and as of the Closing Date and the date of any subsequent Loan (other than a Loan resulting from the funding of a Letter of Credit) or the issuance or renewal of a Letter of Credit, as if made on and as of such date and time before and after giving effect to the making of the proposed loan or the issuance of the proposed Letter of Credit, except to the extent that such representations and warranties

expressly relate to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date. The Borrower and its Subsidiaries shall have performed and shall be in compliance with all the applicable terms and provisions of this Agreement and the Loan Documents and no Possible Default or Event of Default shall have occurred and be continuing, on and as of the Closing Date and the date of any subsequent Loan (other than a Loan resulting from the funding of a Letter of Credit) or the issuance or renewal of a Letter of Credit, before and after giving effect to the making of

the proposed Loan or the issuance of the proposed Letter of Credit. On the Closing Date, the Borrower shall deliver to the Banks a certificate, dated as of the Closing Date and signed by an executive officer of the Borrower certifying compliance with the conditions of this Section 6.1. Each request by the Borrower for a Loan or the issuance of a Letter of Credit shall, in and of itself, constitute a representation and warranty that the Borrower, as of the date of such Loan, is in compliance with this Section 6.1.

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6.2 Security Agreements.

(a) The Borrower shall have executed and delivered to the Administrative Agent a Borrower Security Agreement granting to the Administrative Agent, for the benefit of the Banks, a first priority security interest in substantially all of the Borrower's personal property, including, without limitation, the property acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement; and the Borrower Security Agreement, or supplement thereto and the security interests granted pursuant thereto, shall be in full force and effect.

(b) Each Subsidiary shall have executed and delivered to the Administrative Agent a Subsidiary Security Agreement granting to the Administrative Agent, for the benefit of the Banks, a first priority security interest in substantially all of each Subsidiary's personal property, including, without limitation, the property acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement; and each Subsidiary Security Agreement, or supplement thereto and the security interests granted pursuant thereto, shall be in full force and effect.

6.3 Pledge Agreements.

(a) The Borrower shall have executed and delivered to the Administrative Agent a Borrower Pledge Agreement granting to the Administrative Agent, for the benefit of the Banks, a first priority security interest in all of the issued and outstanding Capital Stock of each of the Borrower's direct Subsidiaries; the Borrower shall have delivered to the Administrative Agent stock certificates evidencing all of such Capital Stock and stock powers, duly endorsed in blank, with respect thereto; the Borrower shall have taken all actions as may be required to effect the grant and perfection of the Administrative Agent's security interest in such Capital Stock; and the Borrower Pledge Agreement, or supplement thereto, and the security interests granted pursuant thereto, shall be in full force and effect.

(b) Each Subsidiary of the Borrower which has a Subsidiary shall have executed and delivered to the Administrative Agent a Subsidiary Pledge Agreement granting to the Administrative Agent, for the benefit of the Banks, a first priority security interest in all of the issued and outstanding Capital Stock of each Subsidiary owned by such Subsidiary; each such Subsidiary shall have delivered to the Administrative Agent stock certificates evidencing all of such Capital Stock and stock powers, duly endorsed in blank, with respect thereto; each such Subsidiary shall have taken all actions as may be required to effect the grant and perfection of the Administrative Agent's security interest in such Capital Stock; and each Subsidiary Pledge Agreement or supplement thereto, and the security interests granted pursuant thereto, shall be in full force and effect.

6.4 Real Estate Matters.

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(a) With respect to each parcel of real property owned by the Borrower or any of its Subsidiaries, to the extent requested by the Administrative Agent, the Borrower or such Subsidiary shall, with respect to real property owned or to be acquired as of the Closing Date on or prior to the Closing Date, and, with respect to real property thereafter acquired, promptly after acquisition thereof, have executed and delivered a first priority mortgage or deed of trust, in form and substance satisfactory to the Administrative Agent, covering such parcel of real property. With respect to each parcel of real property leased by the Borrower or any of its Subsidiaries, to the extent requested by the Administrative Agent, the Borrower or such Subsidiary shall (on or prior to the Closing Date with respect to leases held or to be acquired as of the Closing Date and, with respect to leases thereafter acquired, promptly after acquisition thereof) have executed and delivered a first priority leasehold mortgage or collateral assignment of lease, in form and substance satisfactory to the Administrative Agent, covering such leasehold interest. Such mortgages, deeds of trust, leasehold mortgages and collateral assignments of leases may be referred to hereinafter collectively as the "Mortgages". Each Mortgage shall have been duly recorded, and the Borrower shall have paid all taxes, fees or charges incurred in connection with the execution or recording thereof.

(b) The Borrower shall have procured and delivered to the Administrative Agent a commitment from a title insurance company satisfactory to the Administrative Agent for an ALTA mortgagee's policy of title insurance (Form 1970 if available, or 1984 or 1990 with 1970 Endorsement) covering each parcel of real estate owned by the Borrower or any of its Subsidiaries which is subject to a Mortgage, which policy shall be for the benefit of the Administrative Agent on behalf of the Banks and satisfactory to the Administrative Agent and shall insure that such Mortgage is a valid first mortgage lien on the property covered thereby. Such policy shall, to the extent available and appropriate: (i) insure title to the real property and all recorded easements benefiting such real property, (ii) contain an "Extended Coverage Endorsement" insuring over the general exceptions contained customarily in such policy, (iii) contain an endorsement insuring that the real property described in the title insurance policy is the same real estate as shown on the survey delivered with respect to such property, (iv) contain an endorsement insuring that each street adjacent to the real property is a public street and that there is direct and unencumbered pedestrian and vehicular access to such street from the real property, (v) if the real property consists of more than one record parcel, contain a "contiguity" endorsement, if applicable, insuring that all of the record parcels are contiguous to one another, (vi) contain appropriate endorsements insuring against encroachments, and (vii) contain a commercial revolving line of credit endorsement insuring that advances made subsequent to the date of the title insurance policy are included in the title coverage, not to exceed the face amount of the title policy. No title indemnities shall be established in connection with the issuance of the aforesaid lender's title insurance policy.

(c) With respect to each parcel of real property owned by the Borrower or any of its Subsidiaries which is subject to a Mortgage, the Borrower shall have procured and delivered to the Administrative Agent evidence as to whether such parcel of property is located within a flood hazard area for purpose of the National Flood Insurance Act of 1968, as amended.

(d) The Borrower shall obtain from each lessor under a lease, in respect of which the Borrower or any of its Subsidiaries has granted to the Administrative Agent a Mortgage or collateral assignment, written consent to such grant in form and substance satisfactory to the Administrative Agent.

(e) The Borrower shall have provided to the Administrative Agent copies of (i) phase I environmental surveys, acceptable to the Administrative Agent, conducted by a company acceptable to the Administrative

Agent, with respect to each parcel of real estate acquired pursuant to the Busse Purchase Agreement which is subject to a Mortgage, (ii) to the extent available, all environmental surveys or audits performed during the past five (5) years in connection with each of the parcels of real estate which is subject to a Mortgage, and the results of any existing search of the public records of the authorities in the relevant jurisdictions responsible for environmental matters with respect to any proceeding or action affecting any parcel of real estate which is subject to a Mortgage and (iii) such other evidence concerning compliance (both past and present) with Environmental Laws by the Borrower and its Subsidiaries as the Administrative Agent may request. The results of each phase I environmental survey shall be satisfactory to the Administrative Agent.

(f) The Administrative Agent shall have received a survey (collectively, the "Surveys") of each parcel of real estate acquired pursuant to the Busse Purchase Agreement or the Like-Kind Exchange Agreement which is the subject of a Mortgage, which survey shall be made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" established and adopted by the American Land Title Association and American Congress on Surveying and Mapping in 1992, and meeting the accuracy requirement of an "Urban" survey as defined therein, showing all buildings and other improvements, if any, all encroachments, if any, all set-back lines, if any, and all areas affected by any easements or other instruments of record, if any (the recording data in respect of which shall be marked on the survey), containing metes and bounds description of such parcel, setting forth the flood zone designations, if any, in which such parcel is located.

6.5 Financing Statements. Any financing statements or fixture filings required by the Security Agreements, the Pledge Agreements and the Mortgages shall have been filed for record with the appropriate governmental authorities.

6.6 Subsidiary Guaranty. Each Subsidiary shall have executed and delivered to the Administrative Agent, for the benefit of the Banks, a Subsidiary Guaranty pursuant to which such Subsidiary shall guarantee the Obligations of the Borrower to the Banks.

6.7 Opinion of Borrower's Counsel. On the Closing Date, the Administrative Agent shall have received the favorable written opinions of special counsel to the Borrower and the Subsidiaries, of FCC counsel to the Borrower and the Subsidiaries, and of local counsel in the States of Florida, Georgia, Kentucky, Nebraska and Wisconsin, in each case dated the Closing Date, addressed to the Banks and in form and substance satisfactory to the Administrative Agent.

6.8 Consummation of Busse Purchase Agreement and the Like-Kind Exchange Agreement.

(a) The transactions contemplated by the Busse Purchase Agreement and the Like-Kind Exchange Agreement shall have been consummated, or shall be consummated simultaneously with the making of the initial Loans hereunder, without the waiver of any material term or condition by and party thereto, and the FCC shall have issued its consent to the assignment of the FCC Licenses relating to WALB-TV, WEAU-TV, KOLN-TV, and KGIN-TV, respectively. Without limiting the foregoing sentence, the Borrower and such License Subsidiaries shall have purchased or otherwise acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement substantially all of the operating assets of WEAU-TV, KOLN-TV and KGIN-TV free and clear of all Liens, except Permitted Liens. The consummation of the transactions contemplated by the Busse Purchase Agreement and the Like-Kind Exchange Agreement shall be completed in a manner satisfactory to the Administrative

Agent, and the Administrative Agent shall have received conformed copies of photocopies of all conveyance and other material documents relating thereto. The Borrower shall use its best efforts to cause all opinions and certificates delivered to the Borrower in connection with such closing to be addressed to the Banks.

(b) The Borrower shall have delivered to the Administrative Agent certified copies of the Busse Purchase Agreement and the Like-Kind Exchange Agreement and of all agreements, documents and instruments entered into in connection therewith.

6.9 Subordinated Notes. The Borrower shall have delivered to the Administrative Agent certified copies of the Subordinated Note Indenture and the notes issued pursuant thereto. The Borrower shall have delivered evidence satisfactory to the Administrative Agent that the requested Loan, or the stated amount of the requested Letter of Credit, constitutes "Senior Debt" for all purposes of the Subordinated Note Indenture.

6.10 Payment of Existing Indebtedness. The existing senior secured indebtedness of the Borrower shall have been paid in full, the agreements and instruments governing and evidencing such indebtedness shall have been terminated and cancelled, all Liens in connection therewith shall have been released and the instruments and documents related thereto shall be satisfactory to the Administrative Agent and the Banks in their sole discretion.

6.11 Financial Information.

(a) Audits. The Borrower shall have delivered to the Administrative Agent on or prior to the Closing Date (i) unaudited consolidated financial statements for the three (3) month period ended March 31, 1998, including consolidated balance sheets and income and expense statements, of the Borrower and its Subsidiaries as of, and for the three (3) month period ended, March 31, 1998, and the results of their operations during such period.

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(b) Pro Forma Financial Statements. On the Closing Date, the Borrower shall have delivered to the Administrative Agent (i) a consolidated pro forma balance sheet and income statement, for the four (4) quarter period ended June 30, 1998, after giving effect to closing under this Agreement, the Busse Purchase Agreement, and the Like-Kind Exchange Agreement and (ii) a certificate in form and substance satisfactory to the Administrative Agent showing in detail the calculation of the Applicable Margin (using pro forma four (4) quarter trailing cash flow as of June 30, 1998) after giving effect to the closings under this Agreement, the Busse Purchase Agreement and the Like-Kind Exchange Agreement.

(c) Compliance Certificate. The Borrower shall have delivered to the Administrative Agent a pro forma compliance certificate in form and substance satisfactory to the Administrative Agent showing the Leverage Ratio as the date of such borrowing or issuance of a Letter of Credit and the Borrower's compliance with the financial covenants set forth in Section 8.

(d) Solvency Certificate. On the Closing Date, the Borrower shall have delivered to the Administrative Agent a solvency certificate in form and substance satisfactory to the Administrative Agent executed by the chief financial officer of the Borrower.

6.12 Engineer's Report. On the Closing Date, the Borrower shall have delivered to the Administrative Agent a detailed engineering report from the Borrower's engineer, acceptable in form and substance to the Administrative Agent, as to the construction, engineering, installation and operation of each of the Stations, including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement,

and its facilities and equipment. Such certificate shall also list any material equipment problems at such Station and any material upgrades of equipment which are currently, or which will within six (6) months be, required at such Station.

6.13 Due Diligence. The Administrative Agent and its counsel shall have conducted a due diligence investigation of the Borrower, its Subsidiaries and the businesses being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement, and the results of such investigation shall have been satisfactory to the Administrative Agent in all respects.

6.14 Borrowing Request. On the date of each Loan, the Borrower shall have delivered to the Administrative Agent a borrowing request for such Loan in form and substance satisfactory to the Administrative Agent, setting forth the application of the proceeds of such Loan, evidence that such application is permitted pursuant to Section 7.1, and showing the recipient, the amount of the payment and the wire transfer instructions.

6.15 Insurance Certificates. On the Closing Date, the Borrower shall have furnished to the Administrative Agent certificates of insurance together with copies, if requested by the Administrative Agent, of all policies or other satisfactory evidence that the insurance required by Section 7.3 is in full force and effect.

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6.16 Corporate Documents. On the Closing Date, the Borrower shall delivered to the Administrative Agent the following:

(a) certificates of good standing for each of the Borrower and its Subsidiaries from the Secretary of State of the state of its incorporation and from the Secretary of State of each other state in which the Borrower or such Subsidiary is qualified or registered to do business, in each case dated as of a date as near to the Closing Date as practicable;

(b) a certificate signed by the Secretary or Assistant Secretary of the Borrower, dated as of the Closing Date, certifying that attached thereto are true and complete copies of (i) the Articles of Certificate of Incorporation and Bylaws of the Borrower and each Subsidiary, (ii) resolutions adopted by the respective Boards of Directors of the borrower and each of its Subsidiaries authorizing the execution, delivery and performance of the Busse Purchase Agreement, the Like-Kind Exchange Agreement, the Subordinated Note Indenture, this Agreement, the Loan Documents and the Obligations;

(c) incumbency certificates for the Borrower and each Subsidiary; and

(d) such other documents as any Bank may reasonably request in connection with the proceedings taken by the Borrower or any of its Subsidiaries authorizing this Agreement and the Loan Documents.

6.17 Lien Searches, Consents and Releases of Liens. The Administrative Agent shall have received: (a) certified copies of UCC, judgment and tax lien search reports for each jurisdiction in which the Borrower or any Subsidiary owns any property or conducts any business listing all effective financing statements and other Liens on any of the property of the Borrower or such Subsidiary, (b) consents to the granting of Liens in all Operating Agreements and other material contracts and leases of the Borrower and each of its Subsidiaries (including, without limitation, any acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), which by their terms require such consent, and (c) releases of any existing Liens encumbering any assets of the Borrower or any of its Subsidiaries (including assets being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), except for Permitted Liens.

6.18 No Order, Judgment or Decree. No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain the Banks from making the Loans.

6.19 No Material Adverse Effect. There shall have occurred no Material Adverse Effect since December 31, 1997. No material disruption of or material adverse change in financial, banking or capital markets shall have occurred since March 31, 1998, and be continuing as of the Closing Date that, in the Administrative Agent's reasonable judgment, would have a material adverse effect on any Bank's ability to fund the initial Loans hereunder. No material disruption of or material adverse change in the primary or secondary loan syndication markets, shall have occurred since March 31, 1998, and be continuing as of the

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Closing Date that, in the Administrative Agent's reasonable judgment, would have a material adverse effect on the syndication of the Loans.

6.20 Fee Letter; Fees and Expenses. The Borrower shall have paid all fees, expenses and other amounts due pursuant hereto and pursuant to any Fee Letter.

6.21 Legal Approval. All legal matters incident to this Agreement and the consummation of the transactions contemplated hereby shall be satisfactory to Powell, Goldstein, Frazer & Murphy LLP, Atlanta, Georgia, special counsel to the Administrative Agent.

6.22 Other Documents. The Administrative Agent shall have received all Loan Documents duly executed, and each Bank shall have received such other certificates, opinions, agreements and documents, in form and substance satisfactory to it, as it may reasonably request.

SECTION 7. AFFIRMATIVE COVENANTS OF THE BORROWER.

The Borrower agrees with the Banks that so long as this Agreement shall remain in effect or any of the Obligations shall remain unpaid or to be performed or any Letter of Credit shall remain outstanding, it shall perform and comply with the affirmative covenants contained in this Section.

7.1 Use of Proceeds. The Borrower shall use the proceeds of the Loans only for the following purposes: (i) to finance the Busse Purchase Agreement, (ii) to fund Permitted Acquisitions and Permitted Investments, (iii) to refinance Indebtedness outstanding under the Prior Loan Agreement, (iv) to fund Capital Expenditures to the extent permitted by Section 8.7, (v) for working capital and general corporate purposes (including the payment of closing costs and expenses in connection with the Busse Purchase Agreement, the Like-Kind Exchange Agreement, and this Agreement), (vi) to redeem Preferred Stock as permitted hereunder and (vii) to defease the Busse Bonds and to finance any fees associated with such defeasance.

7.2 Continued Existence; Maintenance of Rights and Licenses; Compliance with Law. The Borrower shall, and shall cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate existence and its material rights and Licenses. Without limiting the generality of the foregoing, the Borrower shall, and shall cause each of its Subsidiaries to, maintain in full force and effect, until termination in accordance with their respective terms, any and all Licenses, Operating Agreements and other material contracts and other rights necessary to operate the Stations (including, without limitation, the Stations being acquired under the Busse Purchase Agreement and the Like-Kind Exchange Agreement), the Newspapers, the Porta Phone Business and the Satellite Broadcasting Business, not breach or violate the same in any material respect, and take all actions which may be required to comply in all material respects with all applicable laws, statutes, rules, regulations, orders and decrees now in effect or hereafter promulgated by any governmental authority, including

without limitation, the FCC. The Borrower shall, and shall cause each of its Subsidiaries to, obtain, renew and extend all of the foregoing rights, Licenses and the like which may be necessary for the continuance of the operation of the Stations

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(including, without limitation, the Stations being acquired under the Busse Purchase Agreement and the Like-Kind Exchange Agreement), the Newspapers, the Porta Phone Business and the Satellite Broadcasting Business.

7.3 Insurance. The Borrower shall, and shall cause each of its Subsidiaries to, keep its insurable properties insured to the full replacement cost thereof at all times by financially sound and reputable insurers reasonably acceptable to the Administrative Agent, and maintain such other insurance, to such extent and against such risks, including, without limitation, fire, lightning, vandalism, malicious mischief, flood (to the extent required by the Administrative Agent, if any of the Borrower's or any of its Subsidiaries' property is located in an identified flood hazard area, in which insurance has been made available pursuant to the National Flood Insurance Act of 1968) and other risks insured against by extended coverage, as is customary with companies in the broadcasting and media businesses. All such insurance shall be in amounts sufficient to prevent the Borrower or any of its Subsidiaries from becoming a coinsurer, shall name the Administrative Agent, for the benefit of the Banks, as loss payee and may contain loss deductible provisions which shall not exceed \$250,000. The Borrower shall maintain, for itself and its Subsidiaries, in full force and effect liability insurance, business interruption insurance, errors and omissions insurance, general accident and public liability insurance and all other insurance as is usually carried by companies engaged in the same or similar businesses similarly situated against claims for personal or bodily injury, death or property damage occurring upon, in, about or in connection with the use or operation of any property or motor vehicles owned, occupied, controlled or used by the Borrower, its Subsidiaries and their employees or Administrative Agents, or arising in any other manner out of the business conducted by the Borrower and its Subsidiaries. All of such insurance shall be in amounts reasonably satisfactory to the Administrative Agent and shall be obtained and maintained by means of policies with generally recognized, responsible insurance companies authorized to do business in such states as may be necessary depending upon the locations of the Borrower's and its Subsidiaries' assets and shall name the Administrative Agent, for the benefit of the Banks, as an additional insured or loss payee, as the case may be. The insurance to be provided may be blanket policies. Each policy of insurance shall be written so as not to be subject to cancellation or substantial modification without not less than thirty (30) days advance written notice to the Administrative Agent. The Borrower shall furnish the Administrative Agent annually with certificates or other evidence satisfactory to the Administrative Agent that the insurance required hereby has been obtained and is in full force and effect and, prior to the expiration of any such insurance, the Borrower shall furnish the Administrative Agent with evidence satisfactory to the Administrative Agent that such insurance has been renewed or replaced. The Borrower shall, upon request of the Administrative Agent, furnish the Administrative Agent such information about such insurance as the Administrative Agent may from time to time reasonably request.

7.4 Obligations and Taxes. The Borrower shall, and shall cause each of its Subsidiaries to, pay and perform all of its material Indebtedness and other material liabilities and obligations in a timely manner in accordance with normal business practices and with the terms governing the same. The Borrower shall, and shall cause each of its Subsidiaries to, comply with the terms and covenants of all material agreements and all material leases of real or personal property and shall keep them all in full force and effect until termination thereof in accordance

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with their respective terms. The Borrower shall, and shall cause each of its Subsidiaries to, pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or in respect of its property before the imposition of any penalty, as well as all lawful claims for labor, materials, supplies or other matters which, if unpaid, might become a Lien or charge upon such properties or any part thereof; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay and discharge any such tax, assessment, charge, levy or claim so long as (a) the validity thereof is being contested diligently and in good faith by appropriate proceedings and the enforcement thereof is stayed, pending the outcome of such proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves in accordance with GAAP with respect thereto, and (c) such contest will not endanger the Lien of the Administrative Agent in any of the Borrower's or such Subsidiary's assets.

7.5 Financial Statements and Reports. The Borrower shall, and shall cause each of its Subsidiaries to, maintain true and complete books and records of account in accordance with GAAP. The Borrower shall furnish to the Administrative Agent, for delivery to the Banks, the following financial statements and projections at the following times:

(a) as soon as available, but in no event later than ninety (90) days after the end of each fiscal year of the Borrower, the Borrower shall furnish (i) audited consolidated financial statements, including audited consolidated balance sheets and income and expense statements, of the Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations during such fiscal year, and a consolidated statement of cash flows for such fiscal year, together with such additional statements, schedules and footnotes as are customary in a complete accountant's report; such financial statements shall be certified by independent certified public accountants selected by the Borrower and acceptable to the Administrative Agent, and the opinion of such accountants shall be unqualified; and (ii) a statement signed by such accountants to the effect that in connection with their examination of such financial statements they have reviewed the provisions of this Agreement and have no knowledge of any event or condition which constitutes an Event of Default or Possible Default or, if they have such knowledge, specifying the nature and period of existence thereof; provided, however, that in issuing such statement, such independent accountants shall not be required to go beyond normal auditing procedures conducted in connection with their opinion referred to above;

(b) as soon as available, but in no event later than forty-five (45) days after the end of each fiscal quarter of the Borrower, the Borrower shall furnish unaudited consolidated and consolidating financial statements, including consolidated and consolidating balance sheets and income and expense statements, of the Borrower and its Subsidiaries as of the end of such period and the results of their operations during such period and for the then elapsed portion of the fiscal year, and a consolidated statement of cash flows for the portion of the fiscal year ended with the last day of such quarter; all such financial statements shall set forth, in comparative form, corresponding figures for the equivalent period of the prior year and a comparison to budget for the applicable quarter shall be in form and detail satisfactory to the Administrative Agent, and shall be certified as to accuracy and completeness by the chief financial officer of the Borrower;

(c) as soon as available, but in no event later than forty-five days after the end of each month for the first eleven (11) month of fiscal year, and within sixty (60) days after the end of the last month of each fiscal year, the Borrower shall furnish unaudited statements of income and expense for each Station, each Newspaper, the Porta Phone Business and the Satellite Broadcasting Business, which shall contain a comparison with budget or

projections for such period and a comparison to the comparable period for the prior year, and which shall be certified by the chief financial officer of the Borrower;

(d) the financial statements required under (a) and (b) above shall be accompanied by a compliance certificate in the form attached hereto as Exhibit H of the chief financial officer of the Borrower (i) setting forth the computations showing compliance with the financial covenants set forth in Section 8 below, and (ii) certifying that no Possible Default or Event of Default has occurred, or if any Possible Default or Event of Default has occurred, stating the nature thereof and the actions the Borrower intends to take in connection therewith;

(e) the Borrower shall furnish (i) no later than sixty (60) days after the commencement of each fiscal year, an annual operating budget or fiscal projections for such fiscal year, and (ii) promptly upon preparation thereof, any material revisions of such annual budget or fiscal projections;

(f) promptly upon their becoming available, the Borrower shall furnish (i) copies of any periodic or special reports filed by the Borrower or any of its Subsidiaries with the FCC or any other federal, state or local governmental agency or authority if such reports indicate any material change in the ownership of the Borrower or such Subsidiary, or any materially adverse change in business, operations, affairs or condition of the Borrower or such Subsidiary, (ii) copies of any material notices and other material communications from the FCC or any other federal, state or local governmental agency or authority which specifically relate to the Borrower, any of its Subsidiaries, any Station, the Porta Phone Business or the Satellite Broadcasting Business or any material License, and the substance of which relates to a matter that could reasonably be expected to have a Material Adverse Effect, and (iii) copies of the results of each survey conducted by the Borrower or any of its Subsidiaries for the purpose of certifying to the FCC compliance with federal laws and the rules, regulations, policies and orders of the FCC relating to foreign ownership restrictions and to limitations on the nature and number of media outlets that may be held under common ownership or control;

(g) promptly upon their becoming available, the Borrower shall furnish (i) copies of any registration statements and regular periodic reports, if any, which any Borrower or any Subsidiary shall have filed with the Securities and Exchange Commission (or any governmental agency substituted therefor) or any national securities exchange, and (ii) copies of all financial statements, reports and proxy statements mailed to its stockholders;

(h) the Borrower shall furnish (i) upon request, promptly after the filing thereof with the Internal Revenue Service, copies of each annual report with respect to each Plan established or maintained by the Borrower or any member of the Controlled Group for each plan year, including (A) where required by law, a statement of assets and liabilities of such

Plan as of the end of such plan year and statements of changes in fund balance and in financial position, or a statement in changes in net assets available for plan benefits, for such plan year, certified by an independent public accountant satisfactory to the Administrative Agent, and (B) if prepared by or available to the Borrower, an actuarial statement of such Plan applicable to such plan year, certified by an enrolled actuary of recognized standing acceptable to the Administrative Agent; and (ii) promptly after receipt thereof, a copy of any notice the Borrower or a member of the Controlled Group may receive from the Department of Labor or the Internal Revenue Service with respect to any Plan (other than notices of general application) which could result in a material liability to the Borrower; the Borrower will promptly notify the Administrative Agent of any material taxes assessed, proposed to be assessed or which the Borrower has reason to believe may be assessed against the Borrower or any member of the Controlled Group by the Internal Revenue Service with respect to any Plan or Benefit Arrangement within thirty days (30) after the Borrower knows

or has reason to know that any Reportable Event with respect to any Plan has occurred, a statement of the chief financial officer of the Borrower setting forth details as to such Reportable Event and the action which the Borrower proposes to take with respect thereto, together with a copy of the notice of such reportable event given to the PBGC if a copy of such notice is available to the Borrower; notice within thirty (30) days after the Borrower or any other member of the Controlled Group knows or has reason to know that any multiemployer plan (as defined in Section 414(f) of the Code) under which the Borrower or member of the Controlled Group is an employer, is in reorganization (as defined in Section 418 of the Code or Title IV of ERISA) or is insolvent; the Borrower will promptly notify the Administrative Agent of any withdrawal liability asserted against the Borrower or any member of the Controlled Group under Section 4201(a) of ERISA with respect to any Plan;

(i) without duplication of any delivery requirements otherwise set forth herein, copies of any reports, notices or other communications that the Borrower is required to deliver to the trustee under the Subordinated Note Indenture; and

(j) upon the Administrative Agent's written request, such other information about the financial condition, properties and operations of the Borrower or any of its Subsidiaries as any Bank may from time to time reasonably request.

7.6 Notices. The Borrower shall give the Administrative Agent, for distribution to the Banks, notice within five (5) days after its receipt of notice or knowledge thereof, (a) of any action, suit, investigation or proceeding by or against the Borrower or any of its Subsidiaries, which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, including, without limitation, any material admonition, censure or adverse citation or order by the FCC or any other governmental authority or regulatory agency, (b) (i) of any action or event constituting an event of default or violation of the Subordinated Note Indenture, or any License, Operating Agreement, or other material contract to which the Borrower or any of its Subsidiaries is a party or by which the Borrower or any Subsidiary is bound, and (ii) of any competing application, petition to deny or other opposition to any license renewal application filed by the Borrower or any of its Subsidiaries with the FCC, if such event of default, violation or other matter could reasonably be expected to have a Material Adverse

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Effect, (c) of the occurrence of any Possible Default or Event of Default and the actions the Borrower intends to take in connection therewith, (d) of any cancellation of or any material amendment to any of the insurance policies maintained in accordance with the requirements of this Agreement, except for cancellations and amendments that occur in the ordinary course of business, (e) of any material, adverse change in the business or financial condition of the Borrower or any of its Subsidiaries, and (f) of any material strike, labor dispute, slow down or work stoppage due to a labor disagreement (or any material development regarding any thereof) affecting the Borrower or any of its Subsidiaries.

7.7 Maintenance of Property. The Borrower shall, and shall cause each of its Subsidiaries to, at all times maintain and preserve its towers, printing presses, machinery, equipment, motor vehicles, fixtures and other property in good working order, condition and repair, normal wear and tear excepted, and in compliance with all material applicable standards, rules or regulations imposed by any governmental authority or agency (including, without limitation, the FCC, the Federal Aviation Administration or any other License Authority) or policy of insurance, except for such property which, in the judgment of the Borrower, is no longer necessary to the business of the Borrower or any of its Subsidiaries.

7.8 Information and Inspection. The Borrower shall furnish to the Administrative Agent and the Banks from time to time, promptly upon request,

information reasonably requested by the Administrative Agent or any Bank pertaining to any covenant, provision or condition hereof or of any Loan Document, or to any matter connected with the books, records, operations, financial condition, properties, activities or business of the Borrower or of any of its Subsidiaries. At all reasonable times, the Borrower shall permit any authorized representative designated by any Bank to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, and their books and records, and to take extracts therefrom and make copies thereof, and to discuss the Borrower's and its Subsidiaries' affairs, finances and accounts with the management of the Borrower and its Subsidiaries and with the Borrower's independent accountants.

7.9 Maintenance of Liens. The Borrower shall do all things necessary or requested by the Administrative Agent to preserve and perfect the Liens of the Administrative Agent, for the benefit of the Banks, arising pursuant hereto and pursuant to the Loan Documents as first Liens, except for Permitted Liens, and to insure that the Administrative Agent, for the benefit of the Banks, has a Lien on substantially all of the assets of the Borrower and in all of the Capital Stock and substantially all of the assets of each of its Subsidiaries. If the Borrower or any of its Subsidiaries purchases any real property, the Borrower or such Subsidiary shall notify the Administrative Agent and execute, deliver and cause to be recorded any Mortgage requested by the Administrative Agent in connection therewith, which shall be first lien, except for Permitted Liens and take such other actions as would have been required pursuant to Section 6.4 has such property been owned on the Closing Date. If the Borrower or any of its Subsidiaries enters into a new Operating Agreement or other material contract or lease which prohibits the assignment thereof or the granting of a security interest therein without the consent of the other party, the Borrower shall use its best efforts to obtain the written consent of such other party to

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the grant to the Administrative Agent, for the benefit of the Banks, of a security interest therein pursuant to the Security Agreements.

7.10 Title to Property. The Borrower shall, and shall cause each of its Subsidiaries to, own and hold title to all of its assets in its own name and not in the name of any nominee.

7.11 Environmental Compliance and Indemnity.

(a). The Borrower shall, and shall cause each of its Subsidiaries to, comply in all material respects with all Environmental Laws, including, without limitation, all Environmental Laws in jurisdictions in which the Borrower or any of its Subsidiaries owns or operates a facility or site, arranges for disposal or treatment of Hazardous Materials, solid waste or other wastes, accepts for transport any Hazardous Materials, solid wastes or other wastes or hold any interest in real property or otherwise. Neither the Borrower nor any of its Subsidiaries shall cause or allow the Release of Hazardous Materials, solid waste or other wastes on, under or to any real property in which the Borrower or such Subsidiary holds any interest or performs any of its operations, in material violation of any Environmental Law. The Borrower shall notify the Banks promptly after its receipt of notice thereof, of any Environmental Claim which the Borrower receives involving any potential or actual material liability of the Borrower or any of its Subsidiaries arising in connection with any noncompliance with or violation of the requirements of any Environmental Law or a material Release or threatened Release of any Hazardous Materials, solid waste or other waste into the environment. The Borrower shall promptly notify the Banks (i) of any material Release of Hazardous Material on, under or from the real property in which the Borrower or any of its Subsidiaries holds or has held an interest, upon the Borrower's learning thereof by receipt of notice that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of such Release or that the Borrower or such Subsidiary has been identified as potentially responsible for, or is subject to investigation by any governmental authority relating to, such Release, and (ii)

of the commencement or threat of any judicial or administrative proceeding alleging a violation of any Environmental Laws.

(b) If the Administrative Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Law by, or any liability arising thereunder of, the Borrower or any of its Subsidiaries or related to any real property owned, leased or operated by the Borrower or any of its Subsidiaries or real property adjacent to such real property, which violation or liability could reasonably be expected to have a Material Adverse Effect, then the Borrower shall, upon request from the Administrative Agent, provide the Administrative Agent with such reports, certificates, engineering studies or other written material or data as the Administrative Agent may require so as to satisfy the Administrative Agent that the Borrower or such Subsidiary is in material compliance with all applicable Environmental Laws.

(c) The Borrower shall defend, indemnify and hold the Administrative Agent and the Banks, and their respective officers, directors, shareholders, employees, agents, affiliates, successors and assigns harmless from and against all costs, expenses, claims, demands,

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damages, penalties and liabilities of every kind or nature whatsoever incurred by them (including, without limitation, reasonable attorney fees) arising out of, resulting from or relating to (i) the noncompliance of the Borrower, any of its Subsidiaries of any property owned or leased by the Borrower or any of its Subsidiaries with any Environmental Law, or (ii) any investigatory or remedial action involving the Borrower, any of its Subsidiaries or any property owned or leased by the Borrower or any of its Subsidiaries and required by Environmental Laws or by order of any governmental authority having jurisdiction under any Environmental Laws, or (iii) any injury to any person whatsoever or damage to any property arising out of, in connection with or in any way relating to the breach of any of the environmental warranties or covenants contained in this Agreement or any facts or circumstances that cause any of the environmental representations or warranties contained in this Agreement to cease to be true, or (iv) the existence, treatment, storage, Release, generation, transportation, removal, manufacture or other handling of any Hazardous Material on or affecting any property owned or leased by the Borrower or any of its Subsidiaries, or (v) the presence of any asbestos-containing material or underground storage tanks, whether in use or closed, under or on any property owned or leased by the Borrower or any of its Subsidiaries; provided, however, that the foregoing indemnity shall not apply to any such costs, expenses, claims, demands, damages, penalties or liabilities that are determined in a final non-appealable order of a court of competent jurisdiction to have arisen solely out of the gross negligence or willful misconduct of the indemnified person.

7.12 Rate Hedging Obligations. The Borrower shall within sixty (60) days after the Closing enter into, and shall at all times thereafter maintain in full force and effect, agreements in form and substance reasonably satisfactory to the Administrative Agent regarding Rate Hedging Obligations so that the sum of the notional amount subject to such agreements, plus the aggregate principal amount of all Total Debt which bears interest at a fixed interest rate equals, at all times, at least fifty percent (50%) of the principal amount of Total Debt then outstanding.

7.13 FCC Consents. The Borrower acknowledges that certain transactions contemplated by this Agreement or the Loan Documents, and certain actions which may be taken by the Administrative Agent or the Banks in the exercise of their rights under this Agreement or the Loan Documents, may require the consent of the FCC. If the counsel to the Administrative Agent determines that the consent of the FCC is required in connection with the execution, delivery and performance of any of the aforesaid documents or any documents delivered to the Administrative Agent or the Banks in connection therewith or as a result of any action which may be taken pursuant thereto, then the Borrower, at its sole cost and expense, shall use its best efforts, and shall cause its Subsidiaries to use their best efforts, to secure such consent and to cooperate

with the Administrative Agent and the Banks in any action commenced by the Administrative Agent or the Banks to secure such consent. The Borrower shall not, and shall not permit any Subsidiary to, take any action which interferes with the exercise or completion of any such action taken by the Administrative Agent or the Banks. The Borrower further consents to the transfer of control or assignment of Licenses to a receiver or trustee or similar official or to any purchaser of the collateral securing the Loans pursuant to any public or private sale, judicial sale, foreclosure or exercise of other remedies available to the Administrative Agent or the Banks as permitted by applicable law upon the occurrence of an Event of Default

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7.14 Appraisals. If at any time any Bank determines that it must have current appraisals of any of the real property subject to a Mortgage to comply with any law, rule or regulation applicable to it, then, upon request by such Bank, the Borrower shall, at its expense, order appraisals of all of such real property. Such appraisals shall be in form and substance acceptable to the Banks, shall be prepared by appraisers acceptable to the Banks and shall be delivered to the Administrative Agent within forty-five (45) days of the request therefor.

7.15 Real Estate. Within forty-five (45) days after any reasonable request by the Administrative Agent, the Borrower shall deliver to the Administrative Agent copies of documentation evidencing the security interest of the Administrative Agent in the assets acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement, all of which shall be in form and substance reasonably satisfactory to the Administrative Agent, in respect of any parcel of real estate owned by the Borrower or any of its Subsidiaries and in respect of which such items were not delivered to the Administrative Agent on the Closing Date.

7.16 Year 2000 Compliance. The Borrower will promptly notify the Administrative Agent in the event the Borrower discovers or determines that any computer application (including, without limitation, those of its suppliers and vendors) that is material to its or any of its Subsidiaries' business and operations will not be Year 2000 Compliant on a timely basis, except to the extent that such failure could not reasonably be expected to have a Materially Adverse Effect.

7.17 Covenants Regarding Formation of Subsidiaries and Acquisitions. At the time of (i) any Permitted Acquisition or (ii) the formation of any new Subsidiary of the Borrower or any of its Subsidiaries which is permitted under this Agreement, including, without limitation, the formation of any License Subsidiary, the Borrower will, and will cause its Subsidiaries, as appropriate, to (a) provide to the Administrative Agent (1) an executed Subsidiary Security Agreement for such new Subsidiary, in substantially the form of Exhibit E attached hereto, together with appropriate UCC-1 financing statements, and (2) an executed Subsidiary Guaranty for such new Subsidiary, in substantially the form of Exhibit C attached hereto; (b) pledge to the Administrative Agent all of the Capital Stock of such Subsidiary or Person which is acquired or formed, beneficially owned by the Borrower or any of its Subsidiaries, as the case may be, as additional collateral for the Obligations to be held by the Administrative Agent in accordance with the terms of the Borrower Pledge Agreement, an existing Subsidiary Pledge Agreement, or a new Subsidiary Pledge Agreement in substantially the form of Exhibit D attached hereto, and execute and deliver to the Administrative Agent all such other documentation for such pledge as, in the opinion of the Administrative Agent, is appropriate; and (c) provide revised financial projections for the remainder of the fiscal year and for each subsequent year until the Maturity Date which reflect such Permitted Acquisition or formation, certified by the chief financial officer of the Borrower, together with a statement by such Person that no Event of Default exists or would be caused by such Permitted Acquisition or formation, and all other documentation, including one or more opinions of counsel, which are

satisfactory to the Administrative Agent and which in its opinion is appropriate with respect to such Acquisition or the formation of such

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Subsidiary. Any document, agreement or instrument executed or issued pursuant to this Section 7.17 shall be a "Loan Document" for purposes of this Agreement.

SECTION 8. NEGATIVE COVENANTS OF THE BORROWER.

The Borrower agrees with the Banks that so long as this Agreement shall remain in effect or any of the Obligations shall remain unpaid or to be performed or any Letter of Credit shall remain outstanding, the Borrower shall not, directly or indirectly, take any of the actions set out in this Section 8 nor permit any of the conditions set out herein to occur.

8.1 Indebtedness. The Borrower shall not, and shall not permit any of its Subsidiaries to, incur, create, assume or permit to exist any Indebtedness, except:

(a) the Obligations;

(b) Indebtedness permitted under Sections 8.3, 8.4, 8.5 or 8.6 hereof and any other Indebtedness secured by a Permitted Lien which, in the aggregate, shall not exceed \$5,000,000;

(c) unsecured trade accounts payable and other unsecured current Indebtedness incurred in the ordinary course of business (but excluding any Indebtedness for borrowed money);

(d) Indebtedness for taxes, assessments, governmental charges, liens or similar claims to the extent that payment thereof shall not be required to be made by the provisions of Section 7.4;

(e) Indebtedness incurred in respect of Rate Hedging Obligations required pursuant to Section 7.12;

(f) Subordinated Debt incurred pursuant to the terms of the Subordinated Note Indenture, or Indebtedness incurred in refinancing such Subordinated Debt, provided such Indebtedness is on terms and conditions satisfactory to the Required Banks, as in effect on the date hereof in a principal amount not to exceed \$150,000,000; and

(g) existing Indebtedness listed on Schedule 6 attached

hereto.

8.2 Liens. The Borrower shall not, and shall not permit any of its Subsidiaries to, incur, create, assume or permit to exist any Lien of any nature whatsoever on any property or assets now owned or hereafter acquired by the Borrower or any of its Subsidiaries, other than Permitted Liens. The Borrower shall not, and shall not permit any of its Subsidiaries to enter into or permit to exist any arrangement or agreement, other than pursuant to this Agreement or any Loan Document, which directly or indirectly prohibits the Borrower or any of its Subsidiaries from creating or incurring any Lien on any of its assets, other than (a) leases and agreements regarding purchase money Indebtedness permitted pursuant to Section 8.4 (so long as

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such prohibition only relates to the asset which is subject to such lease or which secure such Indebtedness, (b) provisions in agreements which prohibit the assignment of such agreements and (c) restrictions on the creation of Liens contained in the Subordinated Note Indenture as in effect as of the date hereof.

8.3 Guaranties. The Borrower shall not, and shall not permit any of its Subsidiaries to, become a Guarantor for any Person, except with respect to (a) endorsements of negotiable instruments for collection in the ordinary course of business, (b) the Subsidiary Guaranties, (c) guaranties by the Borrower's Subsidiaries of the Borrower's obligations under the Subordinated Debt, so long as such guaranties are subordinate to the obligations of the Borrower's Subsidiaries under the Subsidiary Guaranties to the same extent as the Subordinated Debt under the Subordinated Note Indenture is subordinate to the Obligations, (d) contingent obligations under indemnity agreements to title insurers to cause such title insurers to issue to the Administrative Agent mortgagee title insurance policies, as provided in Section 6.4, and (e) contingent obligations incurred in the ordinary course of business with respect to surety and appeal bonds, performance and return-of-money bonds and other similar obligations not exceeding, together with Indebtedness permitted under Sections 8.1(b), 8.4, 8.5 or 8.6, at any time outstanding \$5,000,000 in the aggregate.

8.4 Rental and Conditional Sale Obligations. The Borrower shall not, and shall not permit any of its Subsidiaries to, incur, create, assume or permit to exist, with respect to any personal property, any conditional sale obligation, any purchase money obligation, any rental obligation, any purchase money security interest or any other arrangement for the use of personal property of any other Person, which in any such case has an unexpired term of not less than one (1) year, other than an arrangement constituting a Capitalized Lease Obligation, if the aggregate amount payable by the Borrower and its Subsidiaries pursuant to all such arrangements in any fiscal year would exceed, together with Indebtedness permitted under Section 8.1(b), 8.3, 8.5, or 8.6, at any time outstanding \$5,000,000 in the aggregate, plus the amount of any such obligations incurred pursuant to a Permitted Acquisition.

8.5 Real Property Interests. The Borrower shall not, and shall not permit any of its Subsidiaries to, be obligated under, enter into, assume or permit to exist any lease or rental obligation for real property which has an unexpired term of not less than one (1) year, if the aggregate amount payable in respect of all such arrangements by the Borrower and its Subsidiaries in any fiscal year would exceed, together with Indebtedness permitted under Section 8.1(b), 8.3, 8.4, or 8.6, at any time outstanding \$5,000,000 in the aggregate, plus the amount of any such obligations incurred pursuant to a Permitted Acquisition.

8.6 Capitalized Lease Obligations. The Borrower shall not, and shall not permit any of its Subsidiaries to, incur, create, assume or permit to exist Capitalized Lease Obligations if the aggregate amount payable by the Borrower and its Subsidiaries in respect of all such Capitalized Lease Obligations in any fiscal year would exceed, together with Indebtedness permitted under Section 8.1(b), 8.3, 8.4, or 8.5, at any time outstanding \$5,000,000 in the aggregate, plus the amount of any such obligations incurred pursuant to a Permitted Acquisition.

8.7 Notes, Accounts Receivable and Claims. The Borrower shall not, and shall not permit any of its Subsidiaries to, sell, discount or otherwise dispose of any note, account receivable or other right to receive payment, with or without recourse, except for collection in the ordinary course of business, or fail to timely assert any claim, cause of action or contract right which it possesses against any third party or agree to settle or compromise any such claim, cause of action or contract right except in any case in the exercise of good business judgment and except for settlements or compromise made in the reasonable exercise of business judgment in the ordinary course of business.

8.8 Capital Distributions; Restrictions on Payments to Stockholders.

(a) The Borrower shall not, and shall not permit any of its Subsidiaries to, make, or declare or incur any liability to make, any Capital Distribution; provided, however, that:

(i) any Subsidiary of the Borrower may make Capital Distributions to the Borrower or to a wholly-owned Subsidiary of the Borrower; and

(ii) the Borrower may make Capital Distributions so long as: (A) prior to making any such distribution, the Borrower shall have demonstrated to the satisfaction of the Administrative Agent that the Borrower will be in compliance with all of the covenants contained herein after giving effect to such distribution; (B) no Possible Default or Event of Default exists at the time of making such distribution or would exist after giving effect thereto; and (C) prior to making any such distribution, the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer in form and substance satisfactory to the Administrative Agent which shall contain calculations demonstrating on a pro forma basis the Borrower's compliance with the financial covenants set forth in this Section 8 after giving effect to such distribution.

(b) The Borrower shall not permit any of its Subsidiaries to enter into or agree, or otherwise become subject to any agreement, contract or other arrangement with any Person pursuant to the terms of which (a) such Subsidiary is or would be prohibited from or limited in declaring or paying any cash dividends or distributions on any class of its Capital Stock or any other ownership interests owned directly or indirectly by the Borrower or from making any other distribution on account of any class of any such Capital Stock or ownership interests (herein referred to as "Upstream Dividends") or (b) the declaration or payment of Upstream Dividends by a Subsidiary of the Borrower to the Borrower or to another Subsidiary of the Borrower, on an annual or cumulative or other basis, is or would be otherwise limited or restricted.

8.9 Disposal of Property; Mergers; Acquisitions; Reorganizations.

(a) Except as provided in paragraphs (b) and (c) below, the Borrower shall not, and shall not permit any of its Subsidiaries to, (i) dissolve or liquidate; (ii) make any Asset Sale, except for (A) Asset Sales in the ordinary course of business in an aggregate amount

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not to exceed \$1,000,000 in any transaction or related series of transactions, and (B) the disposition of substantially all of the assets of the Porta Phone Business, so long as in each such case the Borrower has complied with the provisions of Section 2.7(b)(ii); (iii) be a party to any consolidation, merger, recapitalization or other form of reorganization; (iv) make any acquisition of all or substantially all the assets of any Person, or of a business division or line of business of any Person, or of any other assets constituting a going business; (v) create, acquire or hold any Subsidiary (other than Subsidiaries existing on the date hereof and Subsidiaries created pursuant to Permitted Acquisitions); or (vi) be or become a party to any joint venture or other partnership.

(b) The Borrower may make the acquisitions contemplated in the Busse Purchase Agreement and the Like-Kind Exchange Agreement. In addition, the Borrower or any of its wholly owned Subsidiaries may make acquisitions of substantially all of the assets of any television station or newspaper operation or of all of the Capital Stock or other equity interests of a Person which owns a television station or newspaper operation, subject to the satisfaction of the following conditions (any acquisition which satisfies all of the following conditions, together with any acquisition under Section 8.10(c), being referred to hereinafter as a "Permitted Acquisition").

(i) any television station to be acquired (A) shall be located in any of the top one hundred twenty-five (125) United States markets, as ranked by Designated Market Area as determined by Nielsen Media Research, (B) shall be a CBS, NBC or ABC network affiliate and located in a market ranked one hundred twenty-six (126) through and including one hundred seventy-five (175), as ranked by Designated Market Area as determined by Nielsen Media Research, or (C) if permitted by law and the rules and regulations of the FCC, shall be an affiliate of the Fox network and located in a market in which the Borrower or any of its Subsidiaries owns a television station;

(ii) any newspaper to be acquired shall be a daily newspaper with a minimum paid circulation of 25,000;

(iii) the Borrower shall have given to the Administrative Agent written notice of such acquisition at least fifteen (15) days prior to executing any binding commitment with respect thereto, which notice shall state the additional amounts, if any, by which the Borrower proposes to increase the dollar limitations set forth in Sections 8.4 and 8.5; and the structure of the transaction shall be acceptable to the Administrative Agent in form and substance;

(iv) the Borrower shall have demonstrated to the satisfaction of the Administrative Agent that the Borrower will be in compliance with all of the covenants contained herein after giving effect to such acquisition and that no Event of Default or Possible Default then exists or would exist after giving effect to such acquisition, and the Borrower shall have delivered to the Administrative Agent within ten (10) days prior to the consummation of such acquisition an acquisition report signed by an executive officer of the Borrower in form and substance satisfactory to the Administrative Agent which shall contain (A) calculations demonstrating on a pro forma basis the Borrower's compliance with the financial covenants set

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forth in this Section 8 after giving effect to such acquisition, (B) projections for the Borrower for a five (5) year period after the closing of such acquisition giving effect to the acquisition and including a statement of sources and uses of funds for such acquisitions showing, among other things, the source of financing for the acquisition and (C) if such acquisition is of a television station, a detailed engineering report from the Borrower's engineer, acceptable in form and substance to the Administrative Agent, as to the construction, engineering, installation and operation of the station being acquired and its facilities and equipment, which certificate shall also list any material equipment problems at such station and any material upgrades of equipment which will, within six (6) months of such acquisition, be required at such Station;

(v) if such acquisition is of a television stations that does not have an affiliation agreement with ABC, CBS or NBC, the Borrower shall negotiate in good faith with the Banks regarding a limitation, to be added as a negative covenant to this Agreement, on the annual amount of its Programming Obligations;

(vi) the agreement governing such acquisition and all related documents and instruments shall be in form and substance satisfactory to the Administrative Agent;

(vii) any FCC Licenses acquired in connection with such acquisition shall be transferred immediately upon consummation of such acquisition to a License Subsidiary or to a direct wholly-owned Subsidiary of the Borrower which shall have no other assets or liabilities;

(viii) the Borrower shall have delivered to the Administrative Agent UCC, judgment and tax lien searches for each relevant jurisdiction with respect to the assets being acquired and shall have taken any actions as may be necessary or requested by the Administrative Agent to grant to

the Administrative Agent, for the benefit of the Banks, perfected Liens in all assets, real and personal, tangible and intangible, acquired by the Borrower or any of its Subsidiaries in such acquisition pursuant to the Loan Documents, subject to no prior Liens except Permitted Liens;

(ix) if the Borrower acquires a Subsidiary or creates a Subsidiary (including, without limitation, a License Subsidiary) pursuant to or in connection with such acquisition,

(A) the Borrower shall, or shall cause its Subsidiary which is the stockholder of such newly acquired or created Subsidiary to, pledge to the Administrative Agent, for the benefit of the Banks, all of the stock or other securities or equity interests of such acquired or created Subsidiary pursuant to documentation in form and substance satisfactory to the Administrative Agent; and

(B) such acquired or created Subsidiary shall execute and deliver to the Administrative Agent, for the benefit of the Banks, a guaranty of all of the Obligations of the Borrower, in form and substance satisfactory to the Administrative Agent, and

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shall grant to the Administrative Agent, for the benefit of the Banks, a first priority, perfected lien or security interest in substantially all of its assets, real and personal, tangible and intangible, subject to no prior Liens, except for Permitted Liens, pursuant to documentation in form and substance satisfactory to the Administrative Agent; and

(x) the Borrower shall have delivered to the Administrative Agent evidence reasonably satisfactory to the Administrative Agent to the effect that all approvals, consents or authorizations required in connection with such acquisition (including, without limitation, the formation of any License Subsidiary and the transfer of any FCC Licenses to such Subsidiary) from any Licensing Authority or other governmental authority shall have been obtained and that any consent of the FCC shall have become a Final Order, and such opinions as the Administrative Agent may reasonably request as to the Liens granted to the Administrative Agent, for the benefit of the Banks, as required pursuant to this Section 8.9, as to any required regulatory approvals for such acquisition and as to such other matters as the Administrative Agent may reasonably request.

(c) The Borrower may make such other acquisitions as may be approved from time to time by the Required Banks in their sole discretion.

8.10 Investments. The Borrower shall not, and shall not permit any of its Subsidiaries to, purchase or otherwise acquire, hold or invest in any Capital Stock or other securities or evidences of indebtedness of, or any interest or investment in, or make or permit to exist any loans or advances to, any other Person, except the following (each a "Permitted Investment"):

(a) direct obligations of the United States Government maturing within one (1) year;

(b) certificates of deposit of a member bank of the Federal Reserve System having capital, surplus and undivided profits in excess of \$2,000,000,000;

(c) any investment in commercial paper which at the time of such investment is assigned the highest quality rating in accordance with the rating systems employed by either Moody's Investors Service, Inc. or Standard & Poor's Corporation;

(d) money market funds;

(e) securities received pursuant to a plan of reorganization

adopted in an insolvency proceeding or otherwise in immaterial amounts in exchange for accounts receivable of the entity which is the subject of such insolvency proceeding generated in the ordinary course of the Borrower's or any of its Subsidiaries' business; and

(f) investments in its existing Subsidiaries and in Subsidiaries created pursuant to Section 8.10(b) or (c).

8.11 Amendment of Governing Documents. The Borrower shall not, and shall not permit any of its Subsidiaries to, amend, modify or supplement its Certificate or Articles of Incorporation, Bylaws or other organizational or governing documents or any shareholders or security holders agreement, unless required by law, in any manner that is adverse to the interests of the Banks (as may be determined by the Administrative Agent).

8.12 Financial Covenants.

(a)...Leverage Ratio. As of any calculation date, the Borrower shall not permit the Leverage Ratio at any time during any period listed in Column A below to be greater than the ratio set forth in Column B below opposite such period:

Column A - - - - -	Column B - - - - -
Period: - - - - -	Permitted Ratio: - - - - -
Closing Date through September 30, 1998	6.90:1.0
October 1, 1998, and thereafter	6.40:1.0

(b) Adjusted Leverage Ratio. As of any calculation date, the Borrower shall not permit the Adjusted Leverage Ratio at any time during any period listed in Column A below to be greater than the ratio set forth in Column B below opposite such period:

Column A - - - - -	Column B - - - - -
Period: - - - - -	Permitted Ratio: - - - - -
Closing Date through September 30, 1998	6.75:1.0
October 1, 1998, through December 31, 1999	6.25:1.0
January 1, 2000, through December 31, 2000	5.75:1.0
January 1, 2001, through December 31, 2001	5.25:1.0
January 1, 2002, and thereafter	4.75:1.0

(c) Senior Debt to Operating Cash Flow Ratio. As of any calculation date, the Borrower shall not permit the ratio of (i) Senior Debt on such date to (ii) Operating Cash Flow for the four (4) fiscal quarter period then ended, or most recently ended, (1) for any date from the Closing Date through and including December 31, 1999, to be greater than 4.25 to 1.00, and (2) at all other times, to be greater than 3.50 to 1.00.

(d) Operating Cash Flow to Interest Expense. As of any calculation date, the Borrower shall not permit the ratio of (i) Operating Cash Flow for the four (4) fiscal quarter period then ended or most recently ended, to (ii) the sum of (A) Interest Expense, plus (B) Capital Distributions for the same such four (4) quarter period to be less than 1.50 to 1.00.

(e) Pro Forma Debt Service Coverage Ratio. As of any calculation date, the Borrower shall not permit the ratio of (i) Operating Cash Flow for the four (4) fiscal quarter period then ended or most recently ended, to (ii) Pro Forma Debt Service as of the end of the same such four (4) quarter period to be less than 1.10 to 1.00.

(f) Fixed Charge Coverage Ratio. The Borrower shall not permit the Fixed Charge Coverage Ratio as of the end of any fiscal quarter to be less than 1.00 to 1.00.

8.13 Management Agreements and Fees.

(a)...Except for agreements permitted pursuant to Section 8.14(b), the Borrower shall not, and shall not permit any of its Subsidiaries to, make or enter into, or pay any management fees pursuant to, any management or service agreement or joint operating agreement whereby management, supervision or control of its business, or any significant aspect thereof, shall be delegated to or placed in any Person other than the Borrower, an employee of the Borrower or such Subsidiary. The Borrower shall not, and shall not permit any of its Subsidiaries to, make or enter into, or receive any management fees pursuant to, any management or service agreement or joint operating agreement whereby management, supervision or control of the business of any other Person (other than a Subsidiary of the Borrower), or any significant aspect thereof, shall be delegated to or placed in the Borrower or any of its Subsidiaries.

(b) Without the prior written consent of the Administrative Agent, the Borrower shall not, and shall not permit any of its Subsidiaries to, enter into, or otherwise be obligated under any local marketing agreement, time brokerage agreement, program service agreement, joint sales agreement, facilities leasing agreement or similar arrangement.

8.14 Fiscal Year. The Borrower shall not, and shall not permit any Subsidiary to, change its fiscal year.

8.15 ERISA. Neither the Borrower nor any member of the Controlled Group shall fail to make any contributions which are required pursuant to the terms of any Plan or any Benefit Arrangement. Neither the Borrower nor any member of the Controlled Group shall contribute to or agree to contribute to any Plan which is (a) subject to the minimum funding requirements under Section 302 of ERISA or Section 412 of the Code; (b) a multiemployer plan (as defined in Section 4001(a)(3) of ERISA); (c) a defined benefit plan (as defined under Section 3(35) of ERISA or Section 414(j) of the Code); (d) a multiple employer plan (as defined in Section 4063 or ERISA); or (e) a multiple employer welfare arrangement (as defined in Section 3(40) of ERISA).

8.16 Affiliates. The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any transaction or agreement with any Affiliate of the Borrower or pay any compensation or salary to any such Person unless such transaction or agreement is in the ordinary course of and pursuant to the reasonable requirements of the business of the Borrower or any of its

Subsidiaries and the terms of such transaction or agreement are not less favorable to the Borrower or such Subsidiary than could be obtained in an arms-length transaction with an unaffiliated third party or unless the amount paid to such person is not in excess of the fair value of the services rendered by such person.

8.17 Change of Name, Identity or Corporate Structure. The Borrower shall not, and shall not permit any of its Subsidiaries to, change its name, identity or corporate structure without thirty days prior written notice to the Administrative Agent.

8.18 Amendments or Waivers. The Borrower shall not, and shall not permit any of its Subsidiaries to, amend, alter or modify, or consent to or suffer any amendment, alteration or modification of, (a) the Subordinated Note Indenture or any notes or other documents or agreements issued or entered into pursuant to the Subordinated Note Indenture without the prior written consent of all of the Banks if such amendment, alteration or modification affects the subordination provisions thereof or imposes any more onerous term or condition on the Borrower or any of its Subsidiaries than is contained in such agreement, note or document as of the date hereof or is otherwise materially adverse to the Borrower, any of its Subsidiaries or the Banks, or without the prior written consent of the Required Banks if such amendment, alteration or modification does not affect the subordination provisions thereof or impose any more onerous term or condition on the Borrower or any of its Subsidiaries than is contained in such agreement, note or document as of the date hereof and is not otherwise materially adverse to the Borrower, any of its Subsidiaries or the Banks, in either case as reasonably determined by the Administrative Agent, or (b) the Like-Kind Exchange Agreement without the prior written consent of the Administrative Agent, the Busse Purchase Agreement, the Like-Kind Exchange Agreement, any License, or any Operating Agreement or other material contract to which the Borrower or such Subsidiary is a party, except for any amendments, alterations or modifications to any License or Operating Agreement which could not reasonably be expected to have a Material Adverse Effect. The Administrative Agent shall deliver to the Banks promptly after its receipt thereof a copy of each amendment or modification to the Busse Purchase Agreement and the Like-Kind Exchange Agreement.

8.19 Issuance or Transfer of Capital Stock and other Equity Interests. The Borrower shall not issue any stock that by its terms (or the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part or that by its terms is entitled to a mandatory distribution or dividend. The Borrower shall not permit any of its Subsidiaries to sell or issue any Capital Stock, partnership interests or other equity interests or any warrants, options or other securities convertible into or exercisable for any Capital Stock, partnership interests or other equity interests, and the Borrower shall not permit any of its Subsidiaries to permit the transfer of any Capital Stock, partnership interests or other such equity interests.

8.20 Change in Business. The Borrower shall not, and shall not permit any of its Subsidiaries to, change the nature of its business in any material respect. Neither the Borrower nor any of its Subsidiaries shall engage in any business other than the ownership and operation of the Stations (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), the Newspapers, the Porta Phone Business and the Satellite Broadcasting Business and other activities incidental or related thereto.

8.21 Regulations T, U or X. The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, (a) apply any part of the proceeds of the Loans to the purchasing or carrying of any "margin stock"

within the meaning of Regulations T, U or X of the Federal Reserve Board, or any regulations, interpretations or rulings thereunder, (b) extend credit to others for the purpose of purchasing or carrying any such margin stock, or (c) retire Indebtedness which was incurred to purchase or carry any such margin stock.

8.22 License Subsidiaries. The Borrower shall not, and shall not permit any Subsidiary (other than a License Subsidiary) to, hold any FCC Licenses, but rather shall cause all FCC Licenses to be issued to and held by License Subsidiaries. The Borrower shall not permit any License Subsidiary to (a) incur, create, assume or permit to exist any Indebtedness (other than pursuant to a Subsidiary Guaranty and Subsidiary Security Agreement executed by such License Subsidiary, and the subordinated guaranty executed by such License Subsidiary pursuant to the Subordinated Note Indenture), (b) incur, create, assume or permit to exist any Lien of any nature whatsoever on any property or assets now owned or hereafter acquired by it except in favor of the Administrative Agent, for the benefit of the Banks, (c) make any Capital Expenditures, (d) acquire any assets other than the Licenses, (e) conduct any business, or (f) hire or engage any employees.

8.23 Subordinated Debt. The Borrower shall not redeem, purchase, discharge, pay, prepay or defease all or any portion of the principal or interest of any Subordinated Debt, prior to the indefeasible payment in full in cash of all Obligations, except that (a) the Borrower may pay interest on the Subordinated Debt in accordance with the provisions of the Subordinated Note Indenture as in effect on the date hereof or as amended in accordance with the provisions of Section 8.18 so long as no Event of Default or Possible Default then exists, and (b) the Borrower may make open market purchases of notes issued pursuant to the Subordinated Note Indenture (to the extent permitted in, and in accordance with the provisions of, the Subordinated Note Indenture as in effect on the date hereof) so long as: (i) prior to making any such purchase, the Borrower shall have demonstrated to the satisfaction of the Administrative Agent that the Borrower will be in compliance with all of the covenants contained herein after giving effect to such purchase; (ii) no Possible Default or Event of Default exists at the time of making such distribution or would exist after giving effect thereto; and (iii) prior to making any such purchase, the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer in form and substance satisfactory to the Administrative Agent which shall contain calculations demonstrating on a pro forma basis the Borrower's compliance with the financial covenants set forth in this Section 8 after giving effect to such purchase. The Borrower shall not

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take any action in violation of any of the provisions of Article X of the Subordinated Note Indenture and shall not permit any Subsidiary to take any action in violation of any of the provisions of Article XI of the Subordinated Note Indenture.

SECTION 9. EVENTS OF DEFAULT.

The occurrence of any one or more of the following events, whether voluntarily or involuntarily or by operation of law, shall constitute an Event of Default hereunder:

9.1 Non-Payment. The Borrower shall fail to pay when due, whether by acceleration of maturity or otherwise, any installment of principal due hereunder or under any Note or shall fail to pay within three (3) days of the date when due, whether by acceleration of maturity or otherwise, any installment of interest due hereunder or under any Note or any fee or other payment obligation in respect of the Obligations or payable pursuant to any Fee Letter.

9.2 Failure of Performance in Respect of Other Obligations.

(a) The Borrower shall fail to observe, perform or be in compliance with any of the provisions of Section 7.1, 7.3, 7.8, or 8, or the first sentence of Section 7.2; or

(b) the Borrower, any of its Subsidiaries or any other party to a Loan Document (other than the Administrative Agent or a Bank) shall fail to observe, perform or be in compliance with the terms of any Obligation, covenant or agreement (other than those referred to in Section 7.1, 7.3, 7.8, 8 or 9.1, or the first sentence of Section 7.2) to be observed, performed or complied with by the Borrower, any of its Subsidiaries or such other party hereunder or under any Loan Document and, provided that such failure is of a type which can be cured, such failure shall continue and not be cured for thirty (30) days after: (i) written notice thereof from the Administrative Agent or a Bank; or (ii) the Administrative Agent or the Banks are notified thereof or should have been notified thereof pursuant to the provisions of Section 7.6 hereof, whichever is earlier.

9.3 Breach of Warranty. Any financial statement, representation, warranty, statement or certificate made or furnished by the Borrower, any of its Subsidiaries or any other party to a Loan Document (other than the Administrative Agent or a Bank) in or in connection with this Agreement or any Loan Document, or as an inducement to the Administrative Agent or the Banks to enter into this Agreement and the Loan Documents, including, without limitation, those in Section 5 above, shall have been false, incorrect or incomplete when made or deemed made in any material respect.

9.4 Cross-Defaults. Any Change in Control or Event of Default, as those terms are defined in the Subordinated Note Indenture as in effect as of the date hereof, shall occur; or the Borrower or any of its Subsidiaries shall default in any payment due on any Total Debt in excess of \$250,000 and such default shall continue for more than the period of grace, if any, applicable thereto; or the Borrower or any of its Subsidiaries shall default in the performance of or compliance with any term of any evidence of such Total Debt or of any

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mortgage, indenture or other agreement relating thereto, and any such default shall continue for more than the period of grace, if any, specified therein if such default causes, or permits the holder thereof to cause, the acceleration of such Total Debt.

9.5 Assignment for Benefit of Creditors. The Borrower or any of its Subsidiaries shall make any assignment for the benefit of its creditors, or shall admit its insolvency or shall fail to pay its debts generally as such debts become due.

9.6 Bankruptcy. Any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, shall be filed by or against the Borrower or any of its Subsidiaries or any proceeding shall be commenced by or against the Borrower or any of its Subsidiaries with respect to relief under the provisions of any other applicable bankruptcy, insolvency or other similar law of the United States or any State providing for the reorganization, winding-up or liquidation of Persons or an arrangement, composition, extension or adjustment with creditors; provided, however, that no Event of Default shall be deemed to have occurred if any such involuntary petition or proceeding shall be discharged within sixty days of its filing or commencement.

9.7 Appointment of Receiver; Liquidation. Other than in connection with a proceeding described in Section 9.6, a receiver or trustee shall be appointed for the Borrower or any of its Subsidiaries or for any substantial part of its assets, and such receiver or trustee shall not be discharged within sixty (60) days of his appointment; any proceedings shall be instituted for the dissolution or the full or partial liquidation of the Borrower or any of its Subsidiaries and such proceedings shall not be dismissed or discharged within sixty (60) days of their commencement; or the Borrower or any of its Subsidiaries shall discontinue its business.

9.8 Judgments. The Borrower or any of its Subsidiaries shall incur final judgments for the payment of money aggregating at any one time in excess of \$250,000 (to the extent not covered by insurance) and shall not discharge (or make adequate provision for the discharge of) the same within a period of thirty (30) days unless, pending further proceedings, execution thereon has been effectively stayed; or a non-monetary judgment or order shall be rendered against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and there shall be any period in excess of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

9.9 Impairment of Collateral; Invalidation of any Loan Document. (i) A creditor of the Borrower or of any of its Subsidiaries shall obtain possession of any significant portion of the collateral for the Obligations by any means, including, without limitation, levy, distraint, replevin or self-help, or any creditor shall establish or obtain any right in such collateral which is equal or senior to a Lien of the Administrative Agent, for the benefit of the Banks, in such collateral; or (ii) any material damage to, or loss, theft or destruction of, any material collateral for the Loans shall occur, except to the extent such loss, damage or injury is covered by insurance; or (iii) the Administrative Agent, for the benefit of the Banks, shall cease to have a first priority perfected lien (except for Permitted Liens) in all of the issued and outstanding

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Capital Stock of each Subsidiary of the Borrower and in substantially all of the properties and assets of the Borrower and each Subsidiary; or (iv) any Lien granted or created or purported to be granted or created by this Agreement or any Loan Document shall cease or fail to be perfected with respect to any significant portion of the collateral purported to be covered thereby; or (v) this Agreement, any Note or any Loan Document ceases to be a legal, valid and binding agreement or obligation enforceable against any party thereto (including, without limitation, the Banks or the Administrative Agent) in accordance with its terms, or shall be terminated, invalidated, set aside or declared ineffective or inoperative and such cessation, termination, invalidity, set aside or declaration could reasonably be expected to have a Material Adverse Effect; or (vi) any party to any Loan Document shall contest or deny the validity or enforceability of such Loan Document or any lien, security interest or obligation purported to be created thereby.

9.10 Termination of License or Operating Agreement. The FCC or any other Licensing Authority shall (a) revoke, terminate, substantially and adversely modify or fail to renew any material License, or (b) designate any material License for hearing or commence proceedings to suspend, revoke, terminate or substantially and adversely modify any such License and such proceedings shall not be dismissed or discharged within sixty (60) days; or any Operating Agreement or any other agreement which is necessary to the operation of a Station (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), a Newspaper, the Porta Phone Business or the Satellite Broadcasting Business shall be revoked or terminated or materially, adversely modified and not replaced by a substitute acceptable to the Required Banks within thirty (30) days of such revocation, termination or modification.

9.11 Change of Control. (i) any Person (or group of Persons) is or becomes the "beneficial owner" (within the meaning of Rules 13d-3 and 13d-5 under the federal Securities Exchange Act of 1934, as amended), directly or indirectly, of a percentage of the voting Capital Stock of the Borrower greater than thirty-five percent (35%), other than J. Mack Robinson or Robert S. Prather, Jr., the spouse and lineal descendants or either such individual, the estate, executor, administrator, or other personal representative of either such individual, or any trust created for either such individual or for the spouse or lineal descendants of either such individual; or (ii) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such

period constituted the Board of Directors of the Borrower (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Borrower was approved by a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or (iii) except as permitted pursuant to this Agreement, the Borrower shall cease or fail to own, directly or indirectly, beneficial and legal title to all of the issued and outstanding Capital Stock of each of its Subsidiaries or any Subsidiary of the Borrower shall cease to be a wholly owned Subsidiary of the Borrower.

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9.12 Condemnation. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of any substantial portion of the assets of the Borrower or any of its Subsidiaries pursuant to a final, non-appealable order.

9.13 Cessation of Operations. The Borrower's on-the-air broadcast operations at any Station shall be interrupted at any time for more than forty-eight (48) hours, whether or not consecutive, during any period of five (5) consecutive days, unless (a) the broadcasting operations of all or substantially all of the television stations in the relevant market also are interrupted for a like period of time, or (b) the Borrower shall be receiving during such period of interruption insurance sufficient to assure that its per diem Operating Cash Flow during such period is at least equal to that which could reasonably have been expected during such period but for the interruption.

9.14 Subordination. The Borrower or any holder of Subordinated Debt shall fail to comply with the agreement or instrument governing or evidencing such Subordinated Debt or any separate subordination agreement, and the Administrative Agent shall have determined that such failure to comply could reasonably be expected to have a material adverse effect on the Borrower or any of its Subsidiaries or on its ability to perform its obligations hereunder or under any of the Loan Documents or on the rights and remedies of the Administrative Agent and the Banks hereunder or under the Loan Documents.

9.15 Material Adverse Effect. Any Material Adverse Effect shall occur.

SECTION 10. REMEDIES.

Notwithstanding any contrary provision or inference herein or elsewhere,

10.1 Optional Defaults. If any Event of Default referred to in Section 9.1 through and including Section 9.4 or Section 9.8 through and including Section 9.15 shall occur, the Issuing Bank shall not be required to issue any additional Letters of Credit, and the Administrative Agent, with the consent of the Required Banks, upon written notice to the Borrower, may:

(a) terminate the Commitments and the credit hereby established and forthwith upon such election the obligations of the Banks to make any further Loans hereunder (other than Loans resulting from the funding of Letters of Credit) immediately shall be terminated;

(b) accelerate the maturity of the Loans and all other Obligations, whereupon all Obligations shall become and thereafter be immediately due and payable in full without any presentment of demand and without any further or other notice of any kind, all of which are hereby waived by the Borrower; and/or

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(c) demand the payment to the Issuing Bank of the aggregate stated amount of the outstanding Letters of Credit, which amount the Issuing Bank shall hold as security for the obligations incurred under the Letters of Credit.

10.2 Automatic Defaults. If any Event of Default referred to in Sections 9.5 through and including 9.7 shall occur:

(a) the Commitments and the credit hereby established shall automatically and forthwith terminate, and the Banks thereafter shall be under no obligation to grant any further Loans hereunder (other than Loans resulting from the funding of Letters of Credit);

(b) the principal of and interest on the Notes, then outstanding, and all of the other Obligations shall thereupon become and thereafter be immediately due and payable in full, all without any presentment, demand or notice of any kind, which are hereby waived by the Borrower; and

(c) the Issuing Bank shall not be required to issue any additional Letters of Credit, and the aggregate stated amount of the outstanding Letters of Credit shall be immediately payable by the Borrower to the Issuing Bank, which amount the Issuing Bank shall hold as security for the obligations incurred under the Letters of Credit.

10.3 Performance by the Banks. If at any time after the occurrence and during the continuance of an Event of Default the Borrower or any of its Subsidiaries fails or refuses to pay or perform any material obligation or duty to any third Person, except for payments which are the subject of bona fide disputes in the ordinary course of business, the Administrative Agent or the Banks may, in their sole discretion, but shall not be obligated to, pay or perform the same on behalf of the Borrower or such Subsidiary, and the Borrower shall promptly repay all amounts so paid, and all costs and expenses so incurred. This repayment obligation shall become one of the Obligations of the Borrower hereunder and shall bear interest at the Default Interest Rate.

10.4 Other Remedies. Upon the occurrence of an Event of Default, the Administrative Agent and the Banks may exercise any other right, power or remedy as may be provided herein, in the Notes or in any other Loan Document, or as may be provided at law or in equity, including, without limitation, the right to recover judgment against the Borrower for any amount due either before, during or after any proceedings for the enforcement of any security or any realization upon any security.

10.5 Enforcement and Waiver by the Banks. The Administrative Agent and the Banks shall have the right at all times to enforce the provisions of this Agreement and all Loan Documents in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of the Administrative Agent or the Banks in refraining from so doing at any time, unless the Administrative Agent or the Banks shall have waived such enforcement in writing in respect of a particular instance. The failure of the Administrative Agent or the Banks at any time to enforce their rights under such provisions shall not be construed as having created

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a custom or course of dealing in any way contrary to the specific provisions of this Agreement or the Loan Documents, or as having in any way modified or waived the same. All rights, powers and remedies of the Administrative Agent and the Banks are cumulative and concurrent and the exercise of one right, power or remedy shall not be deemed a waiver or release of any other right, power or remedy.

SECTION 11. THE ADMINISTRATIVE AGENT.

11.1 Appointment. NationsBank, N.A. is hereby appointed

Administrative Agent hereunder, and each of the Banks irrevocably authorizes the Administrative Agent to act as the Administrative Agent of such Bank. The Administrative Agent agrees to act as such upon the express conditions contained in this Section 11. NationsBank, N.A. is hereby appointed Syndication Agent, Key Corporate Capital Inc. is hereby appointed Documentation Agent, and NationsBanc Montgomery Securities LLC is hereby appointed Lead Arranger. NationsBank, N.A., as Syndication Agent, Key Corporate Capital Inc., as Documentation Agent, and NationsBanc Montgomery Securities LLC, as Lead Arranger, shall have no rights or obligations hereunder or under any of the Loan Documents in its capacity as Syndication Agent, Documentation Agent and Lead Arranger, respectively. None of the Administrative Agent, the Syndication Agent, the Documentation Agent or the Lead Arranger shall have a fiduciary relationship in respect of any Bank by reason of this Agreement.

11.2 Powers. The Administrative Agent shall have any may exercise such powers hereunder as are specifically delegated to it by the terms hereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall not have any implied duties or any obligation to the Banks to take any action hereunder except any action specifically provided by this Agreement to be taken by the Administrative Agent.

11.3 General Immunity. Neither the Administrative Agent nor any of its directors, officers, affiliates, agents or employees shall be liable to the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, none of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Lead Arranger, or any of their respective directors, officers, affiliates, agents or employees shall be responsible for, or have any duty to examine (a) the genuineness, execution, validity, effectiveness, enforceability, value or sufficiency of this Agreement, any Loan Document, or any other document or instrument furnished pursuant to or in connection with this Agreement or any Loan Document, (b) the collectibility of any amounts owed by the Borrower, (c) any recitals, statements, reports, representations or warranties made in connection with this Agreement or any Loan Document, (d) the performance or satisfaction by the Borrower or any Subsidiary of any covenant or agreement contained herein or in any Loan Document, (e) any failure of any party to this Agreement to receive any communication sent, including any telegram, teletype, bank wire, cable, radiogram or telephone message sent or any writing, application, notice, report, statement, certificate, resolution, request, order, consent letter or other instrument or paper or communication entrusted to the mails or to a delivery service, or (f) the assets or liabilities or financial condition or results of operations or business or credit-worthiness of the Borrower or

any of its Subsidiaries. The Administrative Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms of this Agreement or any Loan Document.

11.4 Action on Instructions of the Banks. The Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks (subject to Section 11.12 hereof), and such instructions shall be binding upon all the Banks and all holders of the Notes; provided, however, that the Administrative Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement or applicable law. The foregoing provisions of this Section 11.4 shall not limit in any way the exercise by any Bank of any right or remedy granted to such Bank pursuant to the terms of this Agreement or any Loan Document. Except as otherwise expressly provided herein, any reference in this Agreement to action by the Banks shall be deemed to be a reference to the Required Banks. The Banks hereby direct the Administrative Agent and the Documentation Agent to execute and deliver to the Borrower documentation necessary to effect the release of collateral required to

consummate the Like-Kind Exchange Agreement.

11.5 Employment of Administrative Agents and Counsel. The Administrative Agent may execute any of its duties as Administrative Agent hereunder by or through employees, Administrative Agents and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized Administrative Agents, for the default or misconduct of any such Administrative Agents or attorneys-in-fact selected by it with reasonable care.

11.6 Reliance on Documents; Counsel. The Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper, document or other communication believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, with respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent, concerning all matters pertaining to the agency hereby created and its duties hereunder.

11.7 Administrative Agent's Reimbursement and Indemnification. The Banks agree to reimburse and indemnify the Administrative Agent (which indemnification shall be shared by the Banks ratably in proportion to their respective Ratable Shares of the Loans) (a) for any amounts not reimbursed by the Borrower for which the Administrative Agent is entitled to reimbursement by the Borrower hereunder or under any Loan Document, (b) for any other expenses reasonably incurred by the Administrative Agent on behalf of the Banks, in connection with the preparation, execution, delivery, administration, amendment or enforcement hereof or of any of the Loan Documents and (c) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, any Loan Document or any other document related hereto or thereto or the transactions contemplated hereby or the enforcement of any of the terms

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hereof or thereof or of any such other document; provided, however, that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Administrative Agent.

11.8 Rights as a Bank. With respect to its Ratable Share of the Commitments, the Loans made by it, the Notes issued to it, and the Letters of Credit issued by it, the Administrative Agent shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Administrative Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Administrative Agent, in its individual capacity. Each of the Administrative Agent, may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Borrower or any of its Subsidiaries as if it were not the Administrative Agent, hereunder.

11.9 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents. The Administrative Agent shall not be required to keep the Banks informed as to the performance or observance by the Borrower and its Subsidiaries of this Agreement or any other document referred to or provided for herein or to inspect the properties or books of the Borrower or any of its Subsidiaries. Except for notices, reports and other documents and

information expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Borrower or any of its Subsidiaries which may come into its possession.

11.10 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks. Upon any such resignation, the Required Banks shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within thirty (30) days after the notice of resignation, then the retiring Administrative Agent may appoint a successor Administrative Agent. Such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$500,000,000. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as the Administrative Agent, the provisions of this Section 11 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder.

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11.11 Ratable Sharing. All principal and interest payments on Loans and commitment fees received by the Administrative Agent shall be remitted to the Banks in accordance with their Ratable Shares. Any amounts received by the Administrative Agent or any other Bank upon the sale of any collateral for the Loans or upon the exercise of any remedies hereunder or under any of the Loan Documents or upon the exercise of any rights of setoff shall be remitted to the Banks in accordance with their Ratable Shares of the Loans; provided, however, that, solely for purposes of the sharing of any amounts received by the Administrative Agent or any other Bank, if at the time of any such receipt the Borrower has defaulted under any agreements regarding Rate Hedging Obligations entered into pursuant to Section 7.12 with any Bank or any Affiliate of any Bank, then the Ratable Share of the affected Bank shall be proportionately increased and the Ratable Shares of the other Banks shall be proportionately decreased based upon the amount due to the affected Bank (or such Bank's Affiliate) pursuant to such agreements. If any Bank shall obtain any payment hereunder (whether voluntary, involuntary, through exercise of any right of set-off or otherwise) in excess of its Ratable Share, then such Bank shall immediately remit such excess to the other Banks pro rata.

11.12 Actions by the Administrative Agent and the Banks. The Administrative Agent shall take formal action following the occurrence of a Possible Default or an Event of Default only upon the agreement of the Required Banks; provided, however, that if the Administrative Agent gives notice to the Banks of a Possible Default or an Event of Default, and the Required Banks cannot agree (which agreement shall not be unreasonably withheld) on a mutual course of action within thirty (30) days following such notice, the Administrative Agent may (but shall not be required to) pursue such legal rights and remedies against the Borrower as it deems necessary and appropriate to protect the Banks and any collateral under the circumstances.

SECTION 12. MISCELLANEOUS.

12.1 Construction. The provisions of this Agreement shall be in addition to those of the Loan Documents and to those of any other guaranty, security agreement, note or other evidence of the liability relating to the Borrower held by the Banks, all of which shall be construed as complementary to each other. Nothing contained herein shall prevent the Administrative Agent or the Banks from enforcing any or all of such instruments in accordance with their

respective terms. Each right, power or privilege specified or referred to in this Agreement or in any Loan Document is in addition to any other rights, powers or privileges that the Administrative Agent or the Banks may otherwise have or acquire by operation of law, by other contract or otherwise. No course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by the Administrative Agent or the Banks shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof or of any other, as each right, power or privilege may be exercised independently or concurrently with others and as often and in such order as the Administrative Agent or the Banks may deem expedient. Notwithstanding any other provision of this Agreement, the Borrower shall not be required to pay any amount of interest pursuant hereto which is in excess of the maximum amount permitted by law.

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12.2 Further Assurance. From time to time, the Borrower shall execute and deliver to the Banks, and shall cause its Subsidiaries to execute and deliver to the Banks, such additional documents and take such actions as the Administrative Agent may reasonably require to carry out the purposes of this Agreement or any of the Loan Documents, or to preserve and protect the rights of the Administrative Agent and the Banks hereunder or thereunder.

12.3 Expenses of the Administrative Agent and the Banks;
Indemnification.

(a) Whether or not the transactions contemplated by this Agreement are consummated, the Borrower shall pay the costs and expenses, including, without limitation, the reasonable fees and disbursements of the Administrative Agent's special counsel, incurred by the Administrative Agent and the Banks in connection with: (i) the negotiation, preparation, amendment or enforcement of this Agreement and the Loan Documents and any amendment or modification thereof and the closing of the transactions contemplated hereby and thereby; (ii) the perfection of the Liens granted pursuant hereto and pursuant to the Loan Documents; (iii) the making of the Loans and the issuance of the Letters of Credit hereunder; (iv) the negotiation, preparation or enforcement of any other document in connection with this Agreement, the Loan Documents or the Loans made hereunder; (v) any proceeding brought or formal action taken by the Administrative Agent or the Banks to enforce any provision of this Agreement or any Loan Document, or to enforce or exercise any right, power or remedy hereunder or thereunder; or (vi) any action which may be taken or instituted by any Person against the Administrative Agent or any Bank as a result of any of the foregoing; provided, however, that the Borrower shall not be responsible for the legal fees of any Bank other than the Administrative Agent in respect of any period prior to the occurrence of a Possible Default. The estimated fees and expenses of the Administrative Agent's special counsel, Powell, Goldstein, Frazer & Murphy LLP, Atlanta, Georgia, through the Closing shall be paid on the Closing Date.

(b) The Borrower hereby indemnifies and holds harmless the Administrative Agent and each Bank and their respective directors, officers, employees, Administrative Agents, counsel, subsidiaries and affiliates (the "Indemnified Persons") from and against any and all claims, losses, liabilities, obligations, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, reasonable attorneys fees) which may be imposed on, incurred by, or asserted against any Indemnified Person in any way relating to or arising out of this Agreement, the Loan Documents, or any of them, or the Loans made pursuant hereto or the Letters of Credit issued pursuant hereto, or the use of the proceeds thereof or any of the transactions contemplated hereby or thereby or the ownership or operation of the Stations (including, without limitation, the Stations being acquired pursuant to the Busse Purchase Agreement and the Like-Kind Exchange Agreement), the Newspapers, the Porta Phone Business or the Satellite Broadcasting Business or any of the other assets or businesses of the Borrower or its Subsidiaries or the breach by the Borrower or any of its

Subsidiaries of any of the representations, warranties, covenants and agreements contained herein or in any Loan Document; provided, however, that the Borrower shall not be liable to any Indemnified Person, if there is a final non-appealable judicial determination that such claims, losses, liabilities, obligations, damages, penalties, actions,

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judgments, suits, costs, expenses or disbursements resulted solely from the gross negligence or willful misconduct of such Indemnified Person.

12.4 Notices. Except as otherwise expressly provided herein, 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 to have been duly delivered and received (a) on the date of personal delivery, (b) on the date of receipt (as shown on the return receipt) if mailed by registered or certified mail, postage prepaid and return receipt requested, (c) on the next business day after delivery to a courier service that guarantees delivery on the next business day if the conditions to the courier's guarantee are complied with, or (d) on the date of receipt by telecopy, in each case addressed as follows:

TO THE ADMINISTRATIVE AGENT:

NationsBank, N.A.
Agency Services
NC1-001-15-04
Independence Center
101 North Tryon Street
Charlotte, North Carolina
Attention: Angela Berry
Telecopy: (704) 388-9436

With a copy to:

NationsBank, N.A.
Financial Strategies Group
600 Peachtree Street, N.E.
19th Floor
Atlanta, Georgia 30308
Attention: Melinda Bergbom
Telecopy: (404) 607-6343

With a copy to:

Powell, Goldstein, Frazer & Murphy LLP
191 Peachtree Street, N.E.
16th Floor
Atlanta, Georgia 30303
Attention: Cindy A. Brazell, Esq.
Telecopy: (404) 572-6999

TO THE BANKS, THE SYNDICATION AGENT OR THE DOCUMENTATION AGENT, AT THE ADDRESSES LISTED ON THE SCHEDULE 2 ATTACHED HERETO OR IN THE ASSIGNMENT INSTRUMENT DELIVERED PURSUANT TO SECTION 12.7(b)

TO THE BORROWER OR ANY OF ITS SUBSIDIARIES:

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Gray Communications Systems, Inc.
126 North Washington Street
Albany, Georgia 31701
Attention: Chief Financial Officer

With a copy to:

Neal H. Ray, Esq.
Heyman & Sizemore
2300 Cain Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Telecopy: (404) 521-2838

or to such other address or addresses as the party to which such notice is directed may have designated in writing to the other parties hereto.

12.5 Waiver and Release by the Borrower. Neither the Administrative Agent, nor any Bank, nor any Affiliate, officer, director, employee, attorney or Administrative Agent of the Administrative Agent or any Bank shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue any of them upon, any claim for any special, indirect, incidental or consequential damages suffered or incurred by the Borrower or any of its Subsidiaries in connection with, arising out of, or in any way related to, this Agreement or any of the Loan Documents, or any of the transactions contemplated by this Agreement or any of the Loan Documents, unless arising from the gross negligence or willful misconduct of such Person as determined by a final non-appealable judgment of a court of competent jurisdiction.

12.6 Right of Set Off. Upon the occurrence and during the continuance of any Event of Default, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank or an Affiliate of such Bank to or for the credit or the account of the Borrower or any of its Subsidiaries against any and all of the obligations of the Borrower or any of its Subsidiaries now or hereafter existing hereunder or under any Loan Document, irrespective of whether or not such Bank shall have made any demand hereunder or under any Loan Document and although such obligations may be unmatured. Such Bank agrees promptly to notify the Administrative Agent and the Borrower after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Banks under this Section 12.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Banks may have. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in the Notes may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower or any of its Subsidiaries in the amount of such participation.

12.7 Successors and Assigns; Participations.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; provided, however, that the Borrower may not assign or transfer any of its rights or obligations hereunder

or under the Notes without the prior written consent of all of the Banks and the

Administrative Agent.

(b) Each Bank may assign all or any part of any of its Loans, its Notes, and its share of the Commitments and the Letters of Credit with the consent of the Borrower and the Administrative Agent, which consent shall not be unreasonably withheld; provided, however, that (i) no such consent by the Borrower shall be required (A) for any such assignment by any Bank to an Affiliate of such Bank, (B) if, at the time of such assignment, an Event of Default or Possible Default has occurred and is continuing, (C) in the case of any assignment to another branch or a principal office of a Bank, or (D) for any such assignment to another Bank or an Affiliate of another Bank; (ii) any such partial assignment shall be in an amount at least equal to \$5,000,000; and (iii) each such assignment shall be made by a Bank in such manner that the same portion of its Loans, its Notes, its share of the Commitments and its participation in the Letters of Credit is assigned to the assignee. Upon execution and delivery by the assignor and the assignee to the Borrower and the Administrative Agent of an instrument in writing pursuant to which such assignee agrees to become a "Bank" hereunder (if not already a Bank) having the share of the Commitments, Loans and Letters of Credit specified in such instrument, and upon consent thereto by the Administrative Agent and the Borrower (to the extent required), the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Administrative Agent), the obligations, rights and benefits of a Bank hereunder holding the share of the Commitments, Loans and Letters of Credit (or portions thereof) assigned to it (in addition to the share of the Commitments, Loans and Letters of Credit, if any, theretofore held by such assignee) and the assigning Bank shall, to the extent of such assignment, be released from the share of the Commitments, the Letters of Credit and the obligations hereunder so assigned.

(c) Upon its receipt of an assignment pursuant to Section 12.7(b) above duly executed by an assigning Bank and the assignee, together with any Notes subject to such assignment and the Administrative Agent's standard processing and recordation fee of \$3,500, the Administrative Agent shall, if such assignment has been completed, accept such assignment. Within five (5) business days after receipt of such notice, the Borrower, at the Borrower's own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Notes new Notes to the order of the assignee in an amount equal to the share of the Commitments, of the Loans and of the Letters of Credit assumed by the assignee and, if the assigning Bank has retained a portion of the Commitments, the Loans and the Letters of Credit hereunder, new Notes to the order of the assigning Bank in an amount equal to the share of the Commitments and the Loans retained by it hereunder. Such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such assignment and shall otherwise be in substantially the form of Exhibit G attached hereto in the case of Revolving Notes, or Exhibit F attached hereto in the case of Term Notes. Cancelled Notes shall be returned to the Borrower.

(d) A Bank may sell or agree to sell to one or more other Persons (each, a "Participant") a participation in all or any part of any Loans held by it, or in its share of the Commitments and the Letters of Credit. Except as otherwise provided in the last sentence of

this Section 12.7(d), no Participant shall have any rights or benefits under this Agreement or any Note or any other Loan Documents (the Participant's rights against such Bank in respect of such participation to be those set forth in the agreements executed by such Bank in favor of the Participant). All amounts payable by the Borrower to any Bank under Section 2 hereof in respect of Loans held by it, and its share of the Commitments, shall be determined as if such Bank had not sold or agreed to sell any participations in such Loans and share of the Commitments, and as if such Bank were funding each of such Loans and its share of the Commitments in the same way that it is funding the portion of such Loans and its share of the Commitments in which no participations have been sold. In no event shall a Bank that sells a participation agree with the

Participant to take or refrain from taking any action hereunder or under any other Loan Document, except that such Bank may agree with the Participant that it will not, without the consent of the Participant, agree to any modification, supplement or waiver hereof or of any of the other Loan Documents to the extent that the same, under Section 12.12, requires the consent of each Bank. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.8 through and including 2.15 and Section 12.6 with respect to its participating interest.

(e) In addition to the assignments and participations permitted under the foregoing provisions of this Section 12.7, any Bank may assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Bank from its obligations hereunder.

(f) A Bank may furnish any information concerning the Borrower and its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees and participants).

(g) Anything in this Section 12.7 to the contrary notwithstanding, no Bank may assign or participate any interest in any Loan held by it hereunder to the Borrower or any of its Affiliates without the prior written consent of all of the Banks.

12.8 APPLICABLE LAW. THIS AGREEMENT AND THE LOAN DOCUMENTS, AND THE DUTIES, RIGHTS, POWERS AND REMEDIES OF THE PARTIES HERETO AND THERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF GEORGIA, WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS THEREOF, EXCEPT TO THE EXTENT THAT ANY LOAN DOCUMENT PROVIDES THAT THE LOCAL LAW OF ANOTHER JURISDICTION GOVERNS THE GRANT, PERFECTION OR ENFORCEMENT OF THE LIENS GRANTED PURSUANT TO SUCH LOAN DOCUMENT. THE PROVISIONS OF THIS SECTION HAVE BEEN FULLY DISCUSSED BY THE BORROWER AND THE ADMINISTRATIVE AGENT ON BEHALF OF THE BANKS AND SHALL BE SUBJECT TO NO EXCEPTIONS. THE BORROWER HAS MADE THIS CHOICE OF GOVERNING LAW KNOWINGLY AND WILLINGLY AND AFTER CONSULTING WITH ITS COUNSEL. NONE OF THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, THE DOCUMENTATION AGENT, THE LEAD ARRANGER, ANY BANK, NOR THE

BORROWER HAVE AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS SECTION WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

12.9 ENFORCEMENT. THE BORROWER (A) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURTS OF THE STATE OF GEORGIA AND TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, FOR THE PURPOSE OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR ANY LOAN DOCUMENT OR THE SUBJECT MATTER HEREOF OR THEREOF BROUGHT BY THE ADMINISTRATIVE AGENT OR THE BANKS OR THEIR SUCCESSORS OR ASSIGNS AND (B) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS AGREEMENT OR ANY LOAN DOCUMENT OR THE SUBJECT MATTER HEREOF OR THEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT, AND (C) HEREBY WAIVES AND AGREES NOT TO SEEK ANY REVIEW BY ANY COURT OF ANY OTHER JURISDICTION WHICH MAY BE CALLED UPON TO GRANT AN ENFORCEMENT OF THE JUDGMENT OF ANY SUCH GEORGIA STATE OR FEDERAL COURT. THE BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY REGISTERED MAIL AT THE ADDRESS TO WHICH NOTICES ARE TO BE GIVEN. THE BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND ITS CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF THE ADMINISTRATIVE AGENT AND THE BANKS. FINAL JUDGMENT AGAINST THE BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE ENFORCED IN OTHER JURISDICTIONS BY

SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, OR IN ANY OTHER MANNER PROVIDED BY OR PURSUANT TO THE LAWS OF SUCH OTHER JURISDICTION; PROVIDED, HOWEVER, THAT THE ADMINISTRATIVE AGENT OR THE BANKS MAY AT THEIR OPTION BRING SUIT, OR INSTITUTE OTHER JUDICIAL PROCEEDINGS, AGAINST THE BORROWER OR ANY OF ITS ASSETS IN ANY STATE OR FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE THE BORROWER, OR SUCH ASSETS, MAY BE FOUND.

12.10 JURY TRIAL WAIVER. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE BANKS EACH WAIVE IRREVOCABLY, TO THE EXTENT PERMITTED BY LAW, ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN THE BANKS AND THE BORROWER ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR THE NOTES OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN

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CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO AND THERETO. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE BANKS ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE BANKS FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (UNLESS EXPRESSLY MODIFIED IN WRITING BY ALL PARTIES HERETO), AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, THE LOAN DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

12.11 Binding Effect and Entire Agreement. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and permitted assigns of the parties hereto. This Agreement, the Schedules and Exhibits hereto, which are hereby incorporated in this Agreement, and the Loan Documents constitute the entire agreement among the parties on the subject matter hereof.

12.12 Counterparts. This Agreement may be executed in any number of counterparts or duplicate originals, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

12.13 Survival of Agreements. All covenants, agreements, representations and warranties made herein or in any Loan Document shall survive any investigation and the Closing and shall continue in full force and effect so long as any of the Obligations remain to be performed or paid or the Banks have any obligation to advance sums hereunder or any Letters of Credit remain outstanding.

12.14 Modification. Any term of this Agreement or of the Notes may be amended and the observance of any term of this Agreement or of the Notes may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Borrower and the Required Banks or, if there are only two (2) Banks each of which holds a Ratable Share of eighty percent (80%) or less of the Loans, with the written consent of the Borrower and both Banks; provided, however, that no such amendment or

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waiver or other action shall, without the prior written consent of all of the Banks or the holders of all of the Notes at the time outstanding, (a) extend the maturity or reduce the principal amount of, or reduce the rate or extend the time of payment of interest on, or reduce the amount or extend the time of payment of any principal installment of, any Note, (b) reduce the amount or extend the time of payment of the commitment fees, (c) change the Commitments or the Ratable Share of any Bank (other than any change in Commitments or Ratable Share resulting from the sale of a participation in or assignment of any Bank's interest in the Commitments and Loans in accordance with subsection 12.7 or resulting from an increase in Commitments under Section 2.16), (d) change the percentage referred to in the definition of "Required Banks" contained in Section 1.1 or reduce the number of Banks required to approve any waiver, amendment or modification, (e) amend this Section 12.14, (f) amend or waive compliance with Section 2.7(b), (g) release any collateral or any guaranty for the Loans except in connection with a sale permitted pursuant to Section 8.10, (h) amend or waive any of the conditions precedent set forth in Section 6 for the making of the initial Loans on the Closing Date, or (i) extend the expiration date of any outstanding Letter of Credit or postpone the reimbursement obligations of the Borrower in respect of any Letter of Credit or reduce the fees payable by the Borrower in respect of any Letter of Credit; and provided, further, however, that notwithstanding the foregoing provisions of this Section 12.14, this Agreement and the Notes may be amended or modified in the manner contemplated by Section 12.7 for the purpose of permitting any Bank to assign its interest, rights and obligations hereunder to another Person if the appropriate assignment agreement or counterparts thereof are executed by the Borrower (to the extent required), the Administrative Agent and the appropriate Bank assignor and assignee. Any amendment or waiver effected in accordance with this Section 12.14 shall be binding upon each holder of any Note at the time outstanding, each future holder of any Note and the Borrower.

12.15 Separability. If any one or more of the provisions contained in this Agreement or any Loan Document should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of all remaining provisions shall not in any way be affected or impaired. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

12.16 Section Headings. The Section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

12.17 Termination. This Agreement shall terminate when all amounts due hereunder, under the Notes and under each Loan Document shall have been indefeasibly paid in full in cash and all other Obligations hereunder or thereunder shall have been fully performed, so long as no Letters of Credit are then outstanding and the Banks have no further obligation to advance sums hereunder. Upon such termination, at the request of the Borrower, the Administrative Agent and the Banks shall release all Liens granted herein or in any Loan Document at the Borrower's expense and return all collateral held pursuant hereto or to any Loan Document without recourse or representation. Notwithstanding anything to the contrary

contained herein, each expense reimbursement and indemnification provision in this Agreement or in any Loan Document shall survive the repayment in full of the Loans and the termination of this Agreement.

12.18 FCC Compliance.

(a) Notwithstanding anything herein or in any of the Loan Documents to the contrary, but without limiting or waiving the Borrower's or any

of its Subsidiaries' obligations hereunder or under any of the Loan Documents, the Administrative Agent's and the Banks' remedies hereunder and under the Loan Documents are subject to compliance with the Communications Act of 1934, as amended, and to all applicable rules, regulations and policies of the FCC, and neither the Administrative Agent nor the Banks will take any action pursuant to this Agreement or any of the Loan Documents that will constitute or result in any assignment of a License issued by the FCC or any change of control of the Borrower or any of its Subsidiaries which owns any FCC License if such assignment of License or change of control would require under then existing law (including, without limitation, the written rules and regulations promulgated by the FCC), the prior approval of the FCC, without first obtaining such approval of the FCC. This Agreement, the Loan Documents and the transactions contemplated hereby and thereby do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of the Borrower or any of its Subsidiaries by the Administrative Agent or the Banks or control, affirmative or negative, direct or indirect, of the Borrower or any of its Subsidiaries by the Administrative Agent or the Banks, over the management or any other aspect of the operation of the Borrower or any of its Subsidiaries, which ownership and control remain exclusively and at all times in the stockholders and directors of the Borrower and its Subsidiaries until such time as the Administrative Agent and the Banks have complied with such law, rules, regulations and policies.

(b) Furthermore, the parties acknowledge their intent that, upon the occurrence of an Event of Default, the Administrative Agent and the Banks shall receive, to the fullest extent permitted by applicable law and governmental policy (including, without limitation, the rules, regulations and policies of the FCC), all rights necessary or desirable to obtain, use or sell the Licenses and the collateral securing the Loans, and to exercise all remedies available to them under this Agreement, the Loan Documents, the Uniform Commercial Code or other applicable law. Therefore, the parties agree that, in the event of changes in law or governmental policy occurring after the date hereof that affect in any manner the Administrative Agent's or the Banks' rights of access to, or ability to obtain a Lien in, or use or sale of, the Licenses or such collateral, or the procedures necessary to enable the Administrative Agent or the Banks to obtain such rights of access, Liens, use or sale, the Administrative Agent, the Banks and the Borrower shall amend this Agreement and the Loan Documents in such manner as the Administrative Agent shall reasonably request, in order to provide the Administrative Agent and the Banks such rights to the greatest extent possible consistent with then applicable law and governmental policy.

12.19 Marshaling; Payments Set Aside. The Administrative Agent and the Banks shall not be under any obligation to marshal any assets in favor of the Borrower or any

other Person or against or in payment of any or all of the Obligations. To the extent that the Borrower or any of its Subsidiaries makes a payment or payments to the Administrative Agent or the Banks or the Administrative Agent or any Bank enforces its security interest or exercises its rights of setoff, and such payment or payments or the process of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy or insolvency law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement had not occurred.

TO WITNESS THE ABOVE, the Borrower, the Banks and the Administrative Agent have caused this Loan Agreement to be executed by their respective representatives thereunto duly authorized as of the date first above written.

BORROWER: . GRAY COMMUNICATIONS SYSTEMS, INC.

By: /s/ Frederick J. Erickson

Frederick J. Erickson
Chief Financial Officer

NATIONSBANK, N.A., as Administrative Agent, Syndication Agent, and a Bank

By: /s/ Melinda M. Bergbom

Name: Melinda M. Bergbom

Title: Senior V. President

KEY CORPORATE CAPITAL INC. (f/k/a KeyBank National Association), as Documentation Agent, and a Bank

By: /s/ Kenneth J. Keeler

Name: Kenneth J. Keeler

Title: Senior Portfolio Manager

CIBC INC., as a Bank

By:/s/ Michele E. Roller

Name: Michele E. Roller

Title: Executive Director

THE BANK OF NEW YORK, as a Bank

By:/s/ John R. Ciulla

Name: John R. Ciulla

Title: Vice President

FIRST UNION NATIONAL BANK
(f/k/a CoreStates Bank, N.A.), as a Bank

By:/s/ Jim Redman

Name: Jim Redman

Title: Senior Vice President

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") dated as of the 22nd day of June, 1998, is made and entered into by and among WALB-TV, INC., a Georgia corporation (the "Company"), WALB LICENSEE CORP., a Delaware corporation and a wholly-owned subsidiary of the Company (the "Subsidiary" and together with the Company, the "Sellers"), and COSMOS BROADCASTING CORPORATION, a South Carolina corporation (the "Purchaser").

BACKGROUND:

The Company owns and operates the television station WALB-TV, serving Albany, Georgia (the "Station"). The Sellers, respectively, hold the FCC Licenses.

This Agreement sets forth the terms and conditions upon which Sellers shall sell to Purchaser, and upon which Purchaser shall purchase, certain of Sellers' Assets associated with the business of the Station.

Certain terms used in this Agreement are defined in Article X hereof.

AGREEMENT:

In consideration of the foregoing, the mutual agreements, covenants, representations and warranties contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereinafter set forth, the parties hereto agree as follows:

ARTICLE I
SALE OF ASSETS

1.01 PURCHASE OF ASSETS BY PURCHASER. At the Closing, and subject to the terms and conditions of this Agreement, Purchaser shall purchase and accept from Sellers and Sellers shall sell, convey, transfer, assign and deliver to Purchaser for the purchase price set forth in Section 1.02 below, all of the Assets, free and clear of any and all Liens other than the Permitted Liens. None of the Retained Assets are being purchased by Purchaser pursuant to this Agreement.

1.02 PURCHASE PRICE FOR THE ASSETS.

(a) The total purchase price for the Assets shall be equal to Seventy-Eight Million Dollars (\$78,000,000), as adjusted as provided by Section 1.04.

(b) The Purchase Price has been allocated among the Assets in accordance with a schedule mutually prepared by Sellers and Purchaser and attached hereto as Exhibit 1.02(b). If Purchaser or Sellers undertake to change such schedule, such party must obtain the approval of Sellers or Purchaser, as the case may be, which will not be unreasonably withheld.

The allocation and undertaking pursuant to this Section 1.02(b), and the following undertaking with respect to Tax reporting, have been specifically negotiated by Purchaser, on the one hand, and Sellers on the other, at arms' length and are a part of the basis of this Agreement. Each of Purchaser and Sellers shall prepare its Tax Returns after the Closing employing the allocation made pursuant to this Section 1.02(b) and shall not take a position in any Tax proceeding, Tax audit or otherwise that is inconsistent with such allocation; provided, however, that nothing contained herein shall require Purchaser or Sellers to contest beyond or otherwise than by the exhaustion of administrative remedies before any Taxing authority or agency or to litigate before any court, including, without limitation, the United States Tax Court, any proposed deficiency or adjustment by any Taxing authority or agency which challenges such allocation. Each of Purchaser and Sellers shall give prompt notice to each other

of the commencement of any Tax audit or the assertion of any proposed deficiency or adjustment by any Taxing authority or agency which challenges such allocation.

(c) Capitalized terms used in this Section 1.02(c) and not defined in this Agreement have the respective meanings set forth in the Exchange Agreement (the "Exchange Agreement") of even date herewith among Sellers, Purchaser and certain other parties. Pursuant to the Exchange Agreement and the WEAU Asset Purchase Agreement, at Closing thereunder and hereunder, Purchaser will pay to Busse and WEAU \$66,000,000 as set forth in the Exchange Agreement and the WEAU Asset Purchase Agreement (the "WEAU Purchase Price") for the WEAU Assets and WEAU License, which Purchaser will direct Busse and WEAU to transfer and assign to the Company and the Subsidiary, respectively. At Closing hereunder, Purchaser shall receive a credit against the Purchase Price in an amount equal to the WEAU Purchase Price paid by Purchaser pursuant to the WEAU Asset Purchase Agreement. The pre-merger notification and report required by the Hart-Scott Act in connection with Sellers' acquisition of the WEAU Assets and the WEAU License is to be filed by Sellers and Busse, and Purchaser will not be a party to, and has no obligation to pay the filing fee associated with, such notification and report. The FCC assignment application for the WEAU License has been filed by the Subsidiary and WEAU, and Purchaser is not a party to, and has no obligation to pay the filing fee associated with, such application. Whether or not the closing under the WEAU Asset Purchase Agreement is consummated, Sellers shall have the obligation to sell, and purchaser shall have the obligation to purchase, the Assets, pursuant to the terms, and subject to the conditions, set forth in this Agreement. The foregoing shall not be deemed to limit Sellers' right to extend the Closing Date as set forth in the definition of such term or the other rights and obligations set forth in this Section and Section 5.16.

1.03 CLOSING; EFFECTIVENESS OF CLOSING; DELIVERIES. The Closing shall occur at 10:00 a.m. local time on the Closing Date at the offices of Cadwalader, Wickersham & Taft in New York, New York or at such other time and place as the parties may agree. The Closing shall be effective as of such time as agreed to by the parties hereto. All deliveries, payments and other transactions and documents relating to the Closing (i) shall be interdependent and none shall be effective unless and until all are effective (except to the extent that the party entitled to the benefit thereof has waived satisfaction or performance thereof as a condition precedent to Closing), and (ii) shall be deemed to be consummated in the order set

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forth in this Agreement and, to the extent the order is not specified, shall be deemed to be consummated simultaneously.

1.04 PRORATIONS AND ADJUSTMENTS.

(a) Prorations and Adjustments. The Purchase Price shall be increased or decreased as required to effectuate the proration of revenues and expenses as provided for herein. All revenues and all expenses arising from the operation of the Station, including tower rental, business and license fees (including FCC regulatory fees), utility charges, real and personal property taxes and assessments levied against the Assets, property and equipment rentals, applicable copyright or other fees, including program license payments, sales and service charges, taxes (except for taxes arising from the transfer of the Assets under this Agreement), employee compensation, including wages, salaries, commissions, accrued vacation pay and personal days, music license fees and similar prepaid and deferred items, shall be prorated between Purchaser and Sellers in accordance with generally accepted accounting principles and to effect the principle that Sellers shall receive all revenues and shall be responsible for all expenses, costs and liabilities allocable to the operations of the Station for the period prior to 12:01 a.m. on the Closing Date, and Purchaser shall receive all revenues and shall be responsible for all expenses, costs and obligations allocable to the operations of the Station for the period after 12:01 a.m. on the Closing Date, subject to the following:

(1) There shall be no adjustment for, and Sellers shall remain solely liable with respect to, any Contract that is included in the Retained Assets and any other obligation or liability not being assumed by Purchaser in accordance with Section 2.02.

(2) No adjustment or proration to the Purchase Price shall be made in favor of Sellers or Purchaser for the amount, if any, by which the value of the goods or services to be received by the Station under its trade or barter agreements as of Closing for the Station exceeds, or is less than, the value of any advertising time remaining to be run by the Station as of Closing.

(3) There shall be no adjustment or proration to the Purchase Price for program barter. Sellers shall be responsible for payment of all film or programming license fees for periods prior to Closing, and Purchaser shall be responsible for payment of all such fees for periods after Closing.

(4) There shall be no adjustment or proration for sick days accrued on or prior to Closing by any employee of Sellers, all of which shall be assumed by Purchaser.

(b) Manner of Determining Prorations and Adjustments. The Purchase Price, taking into account the adjustments and prorations pursuant to Section 1.04(a), will be determined in accordance with the following procedures:

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(1) Sellers shall prepare and deliver to Purchaser not later than five (5) days before Closing a preliminary settlement statement signed by Sellers which shall set forth Sellers' good faith estimate of the adjustments or prorations to the Purchase Price under Section 1.04(a). Such preliminary settlement statement shall contain all information reasonably necessary to determine the adjustments or prorations to the Purchase Price under Section 1.04(a), including appropriate supporting documentation. The adjustments and prorations to the Purchase Price to be made at Closing shall be based upon such preliminary settlement statement.

(2) Not later than ninety days after the Closing Date, Purchaser will deliver to Sellers a statement signed by Purchaser setting forth Purchaser's good faith determination of any changes to the adjustments and prorations made at Closing. Such statement shall contain all information reasonably necessary to determine the adjustments and prorations to the Purchase Price under Section 1.04(a), including appropriate supporting documentation. If Sellers dispute the adjustments and prorations determined by Purchaser, they shall deliver to Purchaser within sixty days after its receipt of Purchaser's statement a statement setting forth its determination of the adjustments and prorations. If Sellers notify Purchaser of their acceptance of Purchaser's statement, or if Sellers fail to deliver their statement within the sixty-day period specified in the preceding sentence, Purchaser's determination of the adjustments and prorations shall be conclusive and binding on the parties as of the last day of the sixty-day period.

(3) Purchaser and Sellers shall use good faith efforts to resolve any dispute involving the determination of the adjustments and prorations. If the parties are unable to resolve the dispute within fifteen days following the delivery of Sellers' statement pursuant to Section 1.04(b)(2), Purchaser and Sellers shall jointly designate an independent certified public accountant, who shall be knowledgeable and experienced in the operation of television broadcasting stations, to resolve the dispute. If the parties are unable to agree on the designation of an independent certified public accountant, the selection of the accountant to resolve the dispute shall be submitted to arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. The accountant's resolution of the dispute shall be final and binding on the parties, and a judgment may be entered thereon in any court of competent jurisdiction. Any fees of this accountant, and, if necessary, for arbitration to pick such accountant, shall be split equally between the parties.

(4) Amounts payable to the Station from the United States Copyright Office or such arbitration panels as may be appointed by the United States Copyright Office that relate to the period prior to Closing may not be determinable or paid within the period provided in this Section 1.04 for final determination of adjustments. In that event, notwithstanding the provisions of this Section 1.04, Purchaser and Sellers agree to cooperate fully in future copyright filings and to allocate any future copyright proceeds in accordance with Section 1.04 until such time as all such proceeds with respect to the period prior to Closing are paid.

(c) If required by Section 1.07, the Purchase Price shall be adjusted as

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provided in Section 1.07.

1.05 PAYMENT OF PURCHASE PRICE AND PRORATIONS AND ADJUSTMENTS. The Purchase Price shall be paid by Purchaser to Sellers as follows:

(a) Payment of Estimated Purchase Price At Closing. At Closing, Purchaser shall pay or cause to be paid to Sellers the Purchase Price as adjusted as provided by Section 1.04 by federal wire transfer of same-day funds pursuant to wire instructions which shall be delivered to Purchaser by Sellers prior to Closing. Any payment of the Deposit to Sellers as provided by Section 1.06 and any payment of the WEAU Purchase Price provided by Section 1.02(c) shall be credited as a partial payment of the Purchase Price.

(b) Payments to Reflect Prorations and Adjustments.

(1) If the Purchase Price as finally determined pursuant to Section 1.04(b) exceeds the estimated Purchase Price paid at Closing, Purchaser shall pay to Sellers, in immediately available funds within five business days after the date on which the Purchase Price is finally determined pursuant to Section 1.04(b), the difference between the final Purchase Price and the estimated Purchase Price paid at Closing.

(2) If the Purchase Price as finally determined pursuant to Section 1.04(b) is less than the estimated Purchase Price paid at Closing, Sellers shall pay to Purchaser, in immediately available funds within five business days after the date on which the Purchase Price is finally determined pursuant to Section 1.04(b), the difference between the final Purchase Price and the estimated Purchase Price paid at Closing.

(3) If any dispute arises over the amount to be refunded or paid, such refund or payment shall nevertheless be made to the extent any amount is not in dispute.

1.06 DEPOSIT. On the date of this Agreement, Purchaser shall deposit into escrow with NationsBank (the "Escrow Agent") the sum of \$3,900,000 pursuant to the Escrow Agreement (the "Escrow Agreement") of even date herewith among Sellers, Purchaser and the Escrow Agent. At Closing, such deposit, as increased or decreased based upon investment as provided in the Escrow Agreement (the "Deposit") shall be paid to (or at the direction of) Sellers as a partial payment of the Purchase Price. If this Agreement is terminated without a Closing, the Deposit shall be disbursed as set forth in Section 9.03. Purchaser and Sellers shall instruct the Escrow Agent to disburse the Deposit to the party entitled thereto and shall not, by any act or omission, delay or prevent any such disbursement.

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1.07 CAPITAL IMPROVEMENTS. Purchaser acknowledges that Sellers are in the process of making certain 1998 capital improvements to the Station's facilities

and equipment for a total cost of \$930,000, as set forth on Attachment A hereto (the "Capital Fund"). Sellers shall endeavor to complete such capital improvements prior to Closing, to the extent feasible. If the Capital Fund has not been exhausted in accordance with Attachment A prior to Closing, the Purchase Price shall be adjusted in favor of Purchaser in an amount equal to the Capital Fund minus the amount expended by Sellers in accordance with Attachment A, and to the extent of such adjustment Purchaser shall assume Sellers' obligations to complete such capital improvements in accordance with Attachment A. If Purchaser makes any change to such specifications, Purchaser shall bear any additional costs associated with such change.

ARTICLE II
ASSUMPTION OF LIABILITIES AND CONTRACTUAL OBLIGATIONS

2.01 GENERAL.

(a) Purchaser is not assuming and shall not be liable for or with respect to any Retained Liability.

(b) Notwithstanding anything in this Agreement to the contrary, in no event shall any Liability due to any Affiliate of the Sellers be assumed by Purchaser.

(c) Nothing contained in this Section 2.01 or in any instrument of assumption executed by Purchaser at the Closing shall be deemed to release or relieve the Sellers from their respective representations, warranties, covenants and agreements contained in this Agreement or any of the Other Agreements. Further, Sellers shall retain all of the Retained Liabilities and no disclosures made or exceptions noted with respect to the representations, warranties, covenants and agreements of the Sellers contained in this Agreement or any of the Other Agreements shall require Purchaser to assume any of the Retained Liabilities.

2.02 ASSUMPTION OF THE LIABILITIES OF THE BUSINESS.

(a) Purchaser shall assume the Assumed Liabilities on the terms provided in subsection 2.02(b).

(b) Purchaser expressly agrees, effective on the Closing Date, to assume the Assumed Liabilities and thereafter to pay, perform and discharge in full, in accordance with their terms where applicable, the Assumed Liabilities. Nothing contained in this Agreement shall require Purchaser to pay, perform or discharge any of the Assumed Liabilities so long as Purchaser shall in good faith contest or cause to be contested the amount or validity thereof or shall in good faith assert any defense or offset thereto, and the Sellers shall provide reasonable assistance to Purchaser in so contesting and defending such claims.

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2.03 NO INTENTION TO BENEFIT THIRD PARTIES. This Agreement is not intended to, and shall not, benefit any person or entity other than the Sellers and Purchaser or create any Third Party beneficiary right in any person.

ARTICLE III
REPRESENTATIONS AND WARRANTIES BY THE SELLERS

Each of the Sellers, jointly and severally, hereby represent and warrant to Purchaser as follows:

3.01 CAPACITY AND VALIDITY. Each of the Sellers has the full corporate power, capacity and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Other Agreements have been approved by all necessary action of the Board of Directors and stockholders of the Sellers. This Agreement has been, and the Other Agreements to which each of the Sellers is a party will be when executed and delivered, duly executed and delivered by duly authorized officers of each of the Sellers, and this Agreement and each of the

Other Agreements constitutes, or will constitute when executed and delivered, the legal, valid and binding obligation of each of the Sellers, enforceable against each of the Sellers, as the case may be, in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or general equitable principles (regardless of whether considered in a proceeding in equity or at law).

3.02 ORGANIZATION. Each of the Sellers is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate power and authority to own, lease and operate its Assets and to carry on its Business as presently conducted.

3.03 NO CONFLICT. Except as disclosed on Schedule 3.03 and assuming compliance with the Hart-Scott Act and the receipt of all necessary FCC approvals, neither the execution, delivery and performance of this Agreement or the Other Agreements to which it is a party by each of the Sellers nor the consummation by each of the Sellers of the transactions contemplated hereby or thereby (i) conflicts with or results in a violation, contravention or breach of any of the terms, conditions or provisions of the Certificate of Incorporation, as amended, or the By-Laws, as amended, of each of the Sellers, (ii) results in a Default under, or requires the consent or approval of any party to, any Assumed Contract or License of the Sellers or requires the consent of any Third Party or Governmental Authority, (iii) results in the violation of any Law or Order applicable to either of the Sellers, or (iv) results in the creation or imposition of any Lien on the Assets, except in each case (other than clause (ii)) as would not have a Material Adverse Effect.

3.04 RESERVED.

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3.05 FINANCIAL STATEMENTS. The Financial Statements, correct and complete copies of which are included in Schedule 3.05, (i) are in accordance with the books and records of the Company, which are correct and complete in all Material respects and which have been maintained in accordance with good business practices; (ii) present fairly in all Material respects the financial position of the Company as of the dates indicated and the results of each of its operations for the periods then ended; and (iii) have been included in the consolidated financial statements of Gray Communications Systems, Inc., which are prepared in accordance with GAAP, as of the dates indicated and for the periods then ended. The Financial Statements contain all adjustments, which are solely of a normal recurring nature, necessary to present fairly in all Material respects the financial condition and the results of operations, and changes in financial position of the Company as of the dates and for the periods indicated.

3.06 RESERVED.

3.07 ABSENCE OF CHANGES. Except as disclosed on Schedule 3.07, since the Balance Sheet Date, (i) the Business has been carried on only in the ordinary course consistent with past practice, (ii) there has been no Material Adverse Change, and there has been no event or circumstance that reasonably is anticipated to result in a Material Adverse Change, with respect to the Assets or the Business, (iii) Sellers have not made any material increase in compensation payable or benefits provided to any of Sellers' Station employees other than in the ordinary course of business and not exceeding 5% per year, and (iv) Sellers have not given any promise, assurance or guaranty of the payment, discharge or fulfillment of any obligation of any other person or entity with respect to the Business.

3.08 TAX MATTERS. Except as set forth on Schedule 3.08, with respect to the Business:

(a) Each of the Sellers has timely filed with the appropriate Governmental Authorities all required Tax Returns in all jurisdictions in which Tax Returns are required to be filed. Neither of the Sellers is presently the beneficiary of any extension of time within which to file any Tax Return. All Taxes (whether or not shown on any Tax Return) for all periods ending on or before the Balance Sheet Date, have been fully paid or appropriate deposits or adequate accruals

have been made therefor on the Financial Statements.

(b) Since the Balance Sheet Date, neither of the Sellers has incurred any Liability for Taxes other than in the ordinary course of business and no such Tax Liability so incurred is Material. Neither of the Sellers is currently delinquent in the payment of any Tax, assessment, deposit or other charge by any Governmental Authority for which any Liability is pending or has been assessed, asserted or threatened (in writing, or otherwise to the Knowledge of either of the Sellers) against the Sellers or any of their respective Assets in connection with any Tax and there is no basis for any such Liability. Neither of the Sellers has received any notice of assessment or proposed assessment in connection with any Tax Returns and there are no pending Tax examinations of or Tax claims asserted (in writing, or otherwise to the Knowledge of either of the Sellers) against either of the Sellers or any of their respective

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Assets, including without limitation, any claim by any Governmental Authority in any jurisdiction where either of the Sellers did not file Tax Returns that either of the Sellers, are or may be subject to or liable for Taxes imposed by that Governmental Authority or jurisdiction. There are no Liens for any Taxes (other than any Lien for current real property or ad valorem Taxes not yet due and payable) on any of the Sellers' Assets.

(c) Each of the Sellers has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other Third Party.

3.09 TITLE TO ASSETS; ENCUMBRANCES; CONDITION.

(a) Except as set forth on Schedule 3.09, each of the Sellers has good, valid and marketable (and, in the case of the Owned Real Property, insurable) title to all of its respective Assets free and clear of any and all Liens, except Permitted Liens.

(b) Except as set forth in Schedule 3.09, each of the Material Improvements and each item of Material Personal Property is in good condition and repair, reasonable wear and tear excepted, and is usable in the ordinary course of business consistent with past practices. Each Material Improvement and each item of Material Personal Property is adequate for its present and intended uses and operation and neither of the Sellers has any intention to use or operate any Material Improvement or any item of Material Personal Property other than as presently used or operated. Each of the Sellers' respective Assets (including the each of the Sellers' respective interest in all leased assets) include all Material Assets required to operate the Business as presently conducted.

3.10 REAL PROPERTY.

(a) Schedule 3.10 contains a correct and complete list of all of the Real Property, including, without limitation, a legal description for all of the Owned Real Property. To the Knowledge of either of the Sellers, no facts or circumstances exist which do, or potentially may, adversely affect any of the access to and from the Real Property, from and to the existing public highways and roads, and, to the Knowledge of either of the Sellers, there is no pending or threatened denial, revocation, modification or restriction of such access.

(b) The Real Property is served by utilities as required for its current operation.

(c) No zoning or similar land use restrictions are presently in effect or proposed by any Governmental Authority that would impair in any Material respect the operation of the Business as presently conducted by the Sellers or which would prevent the use of any of the Real Property as currently operated. All of the Real Property is in compliance in all Material aspects with all applicable zoning laws and recorded covenants. Neither of the Sellers has received any notice from any Governmental Authority or other Third Party with regard to, and Sellers have no Knowledge of, encroachments on or off the Real Property,

violations of building codes, zoning, subdivision or other similar Laws or other material defects in the Improvements or in the good, valid, marketable and insurable title of said Real Property.

(d) As of the Closing Date, there will be no Persons in possession of the Real Property or any part thereof other than the Sellers or their lessees pursuant to Contracts that are Permitted Liens.

(e) No condemnation proceedings are pending or to the Knowledge of either of the Sellers, threatened with regard to the Owned Real Property.

(f) With respect to each parcel of Leased Real Property, (i) the lessor was the owner of the premises leased to the lessee at the time of the execution and delivery of the lease, (ii) the Company or the Subsidiary is the owner and holder of the interest of the lessee in the lease, (iii) all buildings and towers constructed by the lessee of each lease are located within the boundaries of the leased premises, (iv) each lease contains an adequate description of the leased premises, (v) each lease is enforceable by the lessee, (vi) all payments of rent are current under each lease and no default exists under any lease and (vii) except as set forth on Schedule 3.19, there are no disputes with or adverse claims asserted by any lessor of a lease. Each of the Assumed Contracts relating to such Leased Real Property is fully and accurately identified, and the expiration date and current rent are described, in Schedule 3.10 and each such Assumed Contract is in full force and effect. Except as disclosed on Schedule 3.09, and except for Permitted Liens, neither the Leased Real Property nor any of the Sellers' right, title or interest therein is affected by any Lien, prior interests or superior interests of any nature whatsoever that will, or could reasonably be expected to, terminate such leasehold or otherwise Materially adversely affect such Leased Real Property or any of the Sellers' right, title and interest therein.

3.11 PERSONAL PROPERTY.

(a) Schedule 3.11 contains a correct and complete list of each item of Personal Property, other than Inventory (excluding office furniture, equipment, supplies and miscellaneous items of personal property with an individual fair market value of less than \$2,500).

(b) Schedule 3.11 contains a correct and complete description of all Material Leased Personal Property. Each of the Assumed Contracts relating to such Leased Personal Property is identified on Schedule 3.11 and each such Assumed Contract is in full force and effect.

3.12 INTELLECTUAL PROPERTY.

(a) Schedule 3.12 contains a correct and complete list of all of the Sellers' respective Material Intellectual Property, including all Material license agreements relating thereto. Neither of the Sellers (or any goods or services sold by either of them) has violated, infringed upon or unlawfully or wrongfully used the Intellectual Property of others and none of the Sellers' Intellectual Property or any related rights or any customer lists, supplier lists or mailing lists, as used in the Business or in the other businesses now or heretofore conducted by either of the Sellers, Materially infringes upon or otherwise Materially violates the rights of others, nor has any Person asserted a claim of such infringement or misuse, which infringement or violation is likely to result in a cost to the Sellers in excess of \$20,000. Each of the Sellers has taken all reasonable measures to enforce, maintain and protect its interests and, to the extent applicable, the rights of Third Parties, in and to the Sellers' Material Intellectual Property. Each of the Sellers have all right, title and interest in the Intellectual Property identified on Schedule 3.12. The consummation of the transactions contemplated by this Agreement will not alter or impair any

Material Intellectual Property rights of either of the Sellers. Except as set forth in Schedule 3.12, neither of the Sellers is obligated nor has either of the Sellers incurred any Liability to make any Material payments for royalties, fees or otherwise to any Person in connection with any of the Sellers' Intellectual Property. All patents, trademarks, trade names, service marks, assumed names, and copyrights and all registrations thereof included in or related to the Sellers' Intellectual Property are valid, subsisting and in full force and effect. Each of the Sellers is unaware of any Material infringement of the Sellers' Material Intellectual Property, and there are no pending infringement actions against another for infringement of the Sellers' Intellectual Property or theft of the Sellers' trade secrets.

(b) No present or former officer, director, partner or employee of either of the Sellers owns or has any proprietary, financial or other interest, direct or indirect, in any of the Sellers' Material Intellectual Property, except as described on Schedule 3.12. Except as set forth on Schedule 3.12, no officer, director, partner or employee of either of the Sellers has entered into any Contract (i) that requires such officer, director, partner or employee to (A) assign any interest to inventions or other Material Intellectual Property, or (B) keep confidential any Material trade secrets, proprietary data, customer lists or other business information or (ii) that restricts or prohibits such officer, director, partner or employee from engaging in competitive activities with or soliciting customers to or from any competitor of the Sellers.

3.13 COMPUTER SOFTWARE AND DATABASES. Schedule 3.13 identifies all Material Computer Software and Databases owned, licensed, leased, internally developed or otherwise used in connection with the Business. Each of the Sellers has use of or the ability to freely acquire, without substantial costs to the Sellers for such acquisition, all Computer Software and Databases that are necessary to conduct the Business as presently conducted by the Sellers and all documentation relating to all such Material Computer Software and Databases. Such Computer Software and Databases perform in all Material respects in accordance with the documentation related thereto or used in connection therewith and are free

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of Material defects in programming and operation. Each of the Sellers has previously made available to Purchaser complete and accurate copies of all documents relating to the sale, license, lease or other transfer or grant of Material Computer Software and Databases by the Sellers since January 1, 1996.

3.14 RESERVED.

3.15 INSURANCE. All of the Assets and the operations of each of the Sellers and the Business of an insurable nature and of a character usually insured by them are insured by the Sellers in such amounts and against such losses, casualties or risks as is (i) consistent with Sellers' past practices, and (ii) required by any Law applicable to the Sellers or the Business. Schedule 3.15 contains a complete and accurate list of all Material insurance policies now in force and held or owned by the Sellers and such Schedule indicates the name of the insurer, the type of policy, the policy number and the amounts of coverage and deductible in each case.

3.16 RESERVED.

3.17 COMPLIANCE WITH LAW.

(a) Each of the Sellers has complied with and is in compliance with all Laws, Licenses and Orders applicable to, required of or binding on the Business, or on the Sellers or their respective Assets with respect to the Business, including without limitation, the FCC Licenses, the Communications Act, and PUC Laws, and neither of the Sellers has Knowledge of any basis for any claim of current or past non-compliance with any such Law, License or Order, in each case where such non-compliance would be Material to the Business or the Assets, taken as a whole, including, without limitation, the value of the Station, taken as a whole. No notices from any Governmental Authority with respect to any failure or alleged failure of either of the Sellers, their respective Assets or the

Business to comply with any such Law, License or Order have been received by either of the Sellers, nor, to the Knowledge of either of the Sellers, are any such notices proposed or threatened. Schedule 3.17 contains a complete and correct list of all Material Licenses and Orders applicable to, required of or binding on the Sellers, their respective Assets or the Business, true and complete copies of which (other than the FCC Licenses) previously have been made available to the Purchaser.

(b) Sellers, respectively, hold the FCC Licenses and all other Material Licenses necessary for or used in the operations of the Business, and the FCC Licenses and all such other Material Licenses are in full force and effect. Schedule 3.17 contains a true and complete list of the FCC Licenses currently in effect and all such other Material Licenses (showing, in each case, the expiration date). Except as set forth on Schedule 3.17, no application, action or proceeding is pending for the renewal or modification of any of the FCC Licenses or any of such other Material Licenses, and no application, action or proceeding is pending or, to the either of the Sellers' Knowledge, threatened that may result in the denial of the application for renewal, the revocation, modification, nonrenewal or suspension of the FCC Licenses or any of such other Material Licenses, the issuance of a cease-and-desist order,

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or the imposition of any administrative or judicial sanction with respect to the Business that may Materially and adversely affect the rights of Purchaser or the Sellers under any such FCC Licenses or other Material Licenses. All Material returns, reports and statements required to be filed by the Sellers with the FCC relating to the Business have been filed and complied with and are complete and correct in all Material respects as filed. The FCC Licenses are not subject to any FCC conditions that would limit the full operation of Station as now operated, other than those set forth on the forms evidencing or orders granting the FCC Licenses or any renewal thereof and those set forth in the Communications Act imposed on licensees generally or television broadcasting licenses specifically.

(c) Except as described in Section 1.07 or in Schedule 3.17, there are no Material capital expenditures that the Sellers anticipate will be required to be made in connection with the Sellers' respective Assets or the Business as now conducted in order to comply with any Law applicable to either of the Sellers, their respective Assets or the Business as now conducted.

3.18 ENVIRONMENTAL. Except as set forth in Schedule 3.18, with respect to the Business:

(a) There is no Environmental Litigation (or any Litigation against any Person whose Liability, or any portion thereof, for Environmental Matters or under any Environmental Laws that either of the Sellers has or, to the Knowledge of either of the Sellers, may have retained or assumed contractually or by operation of Law) pending or, to the Knowledge of either of the Sellers, threatened with respect to (i) the ownership, use, condition or operation of the Business, the Real Property or any other Asset of either of the Sellers or any Asset formerly held for use or sale by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries, or (ii) any violation or alleged violation of or Liability or alleged Liability under any Environmental Law or any Order related to Environmental Matters. To the Knowledge of either of the Sellers, there have not been any, and there are no, existing violations of (i) any Environmental Law, or (ii) any Order related to Environmental Matters, with respect to the ownership, use, condition or operation of the Business, the Real Property or any other Asset of the Sellers or any Asset formerly held for use or sale by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries. To the Knowledge of either of the Sellers, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, any Environmental Matter, that could reasonably be expected to form the basis of (i) any Environmental Litigation against the Sellers, or (ii) any Litigation against any Person whose Liability (or any

portion thereof) for Environmental Matters or under any Environmental Laws the Sellers have or may have retained or assumed contractually or by operation of Law. To the Knowledge of either of the Sellers, neither of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries nor anyone Known to either of the Sellers has used any Assets of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries or any part thereof for the handling, treatment, storage, or disposal of any Hazardous Substances except in Material compliance with applicable Environmental Laws. The disclosure of facts set forth in

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Schedule 3.18 shall not relieve either of the Sellers of any of their respective obligations under this Agreement.

(b) To the Knowledge of either of the Sellers, no release, discharge, spillage or disposal of any Hazardous Substances has occurred or is occurring at any assets owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries or any part thereof while or before such Assets were owned, leased, operated or managed by the Sellers.

(c) To the Knowledge of either of the Sellers, no soil or water in, under or adjacent to any Assets owned, leased, operated or managed, directly or indirectly, by the Sellers or Assets formerly held for use or sale by the Sellers or, in either case, any of their respective predecessors or any of their respective current or former subsidiaries has been contaminated by any Hazardous Substance while or before such Assets were owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries.

(d) To the Knowledge of either of the Sellers, all waste containing any Hazardous Substances generated, used, handled, stored, treated or disposed of (directly or indirectly) by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries has been released or disposed of in compliance with all applicable reporting requirements under any Environmental Laws and there is no Environmental Litigation with respect to any such release or disposal.

(e) To the Knowledge of either of the Sellers, all underground tanks and other underground storage facilities presently or previously located at any Real Property owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries or any such tanks or facilities located at any Real Property while such Real Property was owned, leased, operated, or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries are listed together with the capacity and contents (former and current) of each such tank or facility in Schedule 3.18. To the Knowledge of either of the Sellers, none of such underground tanks or facilities is leaking or has ever leaked, and neither of the Sellers or any of their respective current or former subsidiaries holds any responsibility or Liability for any underground tanks or underground facilities at any other location.

(f) To the Knowledge of either of the Sellers, all hazardous waste has been removed from all Real Property of the Sellers and each of their respective predecessors and each of their respective current and former subsidiaries in Material compliance with applicable Environmental Laws.

(g) To the Knowledge of either of the Sellers, the Sellers and each of their respective predecessors or any of their respective current or former subsidiaries have complied with all applicable reporting requirements under all Environmental Laws concerning the disposal or release of Hazardous Substances and neither of the Sellers or any of their respective

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predecessors or any of their respective current or former subsidiaries has made

any such reports concerning any Real Property of the Sellers or concerning the operations or activities of the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries.

(h) To the Knowledge of either of the Sellers, no building or other Improvement or any Real Property owned, leased, operated or managed by the Sellers contains any asbestos-containing materials.

(i) To the Knowledge of either of the Sellers, without limiting the generality of any of the foregoing, (i) all on-site and off-site locations where the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries has disposed or arranged for the disposal of Hazardous Substances are identified in Schedule 3.18, (ii) none of the on-site or off-site locations identified in Schedule 3.18 is listed on any federal, state or local government lists of abandoned disposal sites or sites where Hazardous Substances have or may have occurred, and (iii) no polychlorinated biphenyls ("PCB's") are used or stored on or in any real property owned, leased, operated or managed by the Sellers or any of their respective predecessors or any of their respective current or former subsidiaries, except in Material compliance with applicable Environmental Laws.

(j) Sellers have made available to Purchaser copies of all environmental site assessments and other studies relating to the investigation of the possibility of the presence or existence of any Environmental Matter with respect to the Assets that are in Sellers' possession.

3.19 LITIGATION AND CLAIMS. Except as disclosed on Schedule 3.19, there is no Litigation against Sellers or the Station that prevents Sellers from performing their obligations hereunder or Materially adversely effects the Assets and that is pending or, to the Knowledge of either of the Sellers, threatened, and neither of the Sellers has any Knowledge of any basis for any such Litigation or any facts or the occurrence of any event which might give rise to any Litigation.

3.20 BENEFIT PLANS.

(a) Schedule 3.20 lists every Employee Benefit Plan of the Sellers. On or after September 26, 1980, neither of the Sellers or any entity aggregated with the Sellers under Code Section 414 (for purposes of this Section and Article X, an "ERISA Affiliate") has had an "obligation to contribute" (as defined in ERISA Section 4212) to a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) and (3)(37)(A)). No Employee Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA.

(b) The Employee Benefit Plans listed on Schedule 3.20 have been or will be made available to Purchaser for review, including correct and complete copies of: (i) all trust agreements or other funding arrangements for such Employee Benefit Plans (including insurance contracts), and all amendments thereto, (ii) with respect to any such Employee

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Benefit Plans or amendments, all determination letters, rulings, opinion letters, information letters, or advisory opinions issued by the United States Internal Revenue Service, the United States Department of Labor, or the Pension Benefit Guaranty Corporation after December 31, 1974, (iii) annual reports or returns, audited or unaudited Financial Statements, actuarial valuations and reports, and summary annual reports prepared for any Employee Benefit Plan with respect to the most recent three plan years, and (iv) the most recent summary plan descriptions and any material modifications thereto.

(c) Except as disclosed in Schedule 3.20, all the Employee Benefit Plans and the related trusts subject to ERISA comply in all Material respects with and have been administered in compliance in all Materials respects with, (i) the applicable provisions of ERISA, (ii) all applicable provisions of the Code relating to qualification and Tax exemption under Code Sections 401(a) and 501(a) or otherwise applicable to secure intended Tax consequences, (iii) all applicable state or federal securities Laws, and (iv) all other applicable Laws

and collective bargaining agreements, and neither of the Sellers has received any notice from any Governmental Authority questioning or challenging such compliance. All available determination letters and required registrations under federal and state securities Laws ("Permits") for the Employee Benefit Plans have been obtained, including, but not limited to, timely determination letters on the qualification of the ERISA Plans and Tax exemption of related trusts, as applicable under the Code, and all such Permits continue in full force and effect. No event has occurred which will or could reasonably be expected to give rise to disqualification of any such plan or loss of intended Tax consequences under the Code or to any Tax under Section 511 of the Code.

(d) Except as disclosed in Schedule 3.20, no oral or written representation or communication with respect to any aspect of the Employee Benefit Plans has been made to employees of the Sellers prior to the date hereof that is not in accordance with the written or otherwise preexisting terms and provisions of such plans. Neither of the Sellers or any administrator or fiduciary of any Employee Benefit Plan (or any agent of any of the foregoing) has engaged in any transaction, or acted or failed to act in any manner that could subject the Sellers or Purchaser to any direct or indirect Material Liability (by indemnity or otherwise) for breach of any fiduciary, co-fiduciary or other duty under ERISA. There are no unresolved claims or disputes under the terms of, or in connection with, the Employee Benefit Plans other than claims for benefits which are payable in the ordinary course and no Litigation has been commenced with respect to any Employee Benefit Plan.

(e) Except as disclosed in Schedule 3.20, all Employee Benefit Plan documents and annual reports or returns, audited or unaudited financial statements, actuarial valuations, summary annual reports, and summary plan descriptions issued with respect to the Employee Benefit Plans are correct and complete in all Material respects, have been timely filed with the IRS and the United States Department of Labor, have been timely distributed to participants in the Employee Benefit Plans, and there have been no changes in the information set forth therein.

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(f) No "party in interest" (as defined in Section 3(14) of ERISA) or "disqualified person" (as defined in Code Section 4975) of any Employee Benefit Plan has engaged in any Material nonexempt "prohibited transaction" (described in Code Section 4975 or ERISA Section 406). Except as disclosed in Schedule 3.20, there has been no (i) "reportable event" (as defined in Section 4043 of ERISA), or event described in Sections 4041, 4042, 4062 (including ERISA Section 4062(e)), 4064, 4069 or 4063 of ERISA, or (ii) termination or partial termination, withdrawal or partial withdrawal with respect to any of the ERISA Plans which the Sellers maintain or contribute to or have maintained or contributed to. Except as disclosed in Schedule 3.20, neither of the Sellers has incurred any liability under Title IV of ERISA, including any Liability that could arise under Title IV of ERISA as a result of the Sellers' membership in a "controlled group" as defined in ERISA ss.ss. 4001(a)(14) and 4001(b)(1).

(g) Except as disclosed in Schedule 3.20, for any ERISA Plan that is an employee pension benefit plan as defined in ERISA ss. 3(2) ("ERISA Pension Plan"), the fair market value of such Plan's assets equals or exceeds the present value of all benefits (whether vested or not) accrued to date by all present or former participants in such ERISA Pension Plan. For this purpose the assumptions prescribed by the Pension Benefit Guaranty Corporation for valuing plan assets or liabilities upon plan termination shall be applied and the term "benefits" shall include the value of all benefits, rights and features protected under Code ss. 411(d)(6) or its successors and any ancillary benefits (including disability, shutdown, early retirement and welfare benefits) provided under any such employee pension benefit plan and all "benefit liabilities" as defined in ERISA Section 4001(a)(16). Since the date of the most recent actuarial valuation, there has been (i) no Material change in the financial position of an ERISA Pension Plan, (ii) no change in the actuarial assumptions with respect to any ERISA Pension Plan, and (iii) no increase in benefits under any ERISA Pension Plan as a result of ERISA Pension Plan amendments or changes

in any applicable regulation which is reasonably likely to have, individually or in the aggregate, a Material effect on the funding status of such ERISA Pension Plan. All contributions with respect to an Employee Benefit Plan of the Sellers or of an ERISA Affiliate that is subject to Code Section 412 or ERISA Section 302 have been, or will be, timely made and there is no Lien or expected to be a Lien under Code Section 412(n) or ERISA Section 302(f) or Tax under Code Section 4971. No ERISA Pension Plan of either of the Sellers or of an ERISA Affiliate has a "liquidity shortfall" as defined in Code Section 412(m)(5). No event described in Code Section 401(a)(29) has occurred or can reasonably be expected to occur with respect to either of the Sellers ERISA Affiliates. All premiums required to be paid under ERISA Section 4006 have been paid by the Sellers and by any Person aggregated with the Sellers under ERISA Sections 4001(a)(14) and 4001(b)(1).

(h) Neither of the Sellers has, or maintains, an Employee Benefit Plan providing welfare benefits (as defined in ERISA Section 3(1)) to employees after retirement or other separation of service except to the extent required under Part 6 of Title I of ERISA or Code Section 4980B or their successors. No Material Tax under Code Sections 4980B or 5000 has been incurred with respect to any Employee Benefit Plan and no circumstances exist which could reasonably be expected to give rise to such Taxes.

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3.21 ASSUMED CONTRACTS. Schedules 3.10 and 3.21 include a complete list as of the date of this Agreement of all Assumed Contracts except (i) contracts with advertisers for production or the sale of advertising time on the Station for cash with a term of not more than ninety days or that may be canceled by Sellers on not more than ninety days' notice, (ii) oral employment contracts terminable at will, (iii) miscellaneous service contracts terminable on not more than thirty (30) days' notice, and (iv) other Contracts entered into in the ordinary course of business, not involving liabilities exceeding \$15,000 per Contract per year and \$80,000 in the aggregate for all such other Contracts per year and \$300,000 in the aggregate for all such other Contracts. Sellers have delivered or made available to Purchaser true and complete copies of all written Assumed Contracts and accurate descriptions of all oral Assumed Contracts listed on Schedules 3.10 and 3.21. Sellers are not in Default under any Assumed Contract in any Material respect and to the Knowledge of Sellers, no other party to any such Assumed Contract is in Default thereunder in any Material respect. To the Knowledge of Sellers, the Assumed Contracts are in full force and effect and are enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting creditors' rights generally, or general equitable principles (regardless of whether considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing. Subject to obtaining any consents required by the terms of the Assumed Contracts, the continuation, validity and effectiveness of the Assumed Contracts will not be affected in any Material adverse respect by the consummation of the transactions contemplated by this Agreement.

3.22 RESERVED.

3.23 LABOR MATTERS. Sellers have delivered to Purchaser a correct and complete list of Sellers' Station employees and position and compensation as of the date of this Agreement. Except for employees under Assumed Contracts and except as disclosed on Schedule 3.23, the employment of all employees of the Sellers is terminable at will by the Sellers, without any penalty or severance obligation incurred by the Sellers. Except as set forth on Schedule 3.23 and other than in the ordinary course of business consistent with past practices, neither of the Sellers will owe any amounts to any of its employees as of the Closing Date, including, without limitation, any amounts incurred for wages, bonuses, vacation pay, sick leave or any severance obligations other than amounts owed with respect to the then current pay period. Except as and to the extent set forth in Schedule 3.23, (i) neither of the Sellers is a party to any union agreement or collective bargaining agreement or work rules or practices agreed to with any labor organization or employee association applicable to any

employees of the Sellers and, to the Knowledge of either of the Sellers, no attempt to organize any of the employees of the Business has been made, proposed or threatened in the past three years, (ii) neither of the Sellers is, or within the past three years has been, subject to any Equal Employment Opportunity Commission charges or other claims of employment discrimination made against it, (iii) no Wage and Hour Department investigations have been made in the past 3 years of the Sellers, (iv) no labor strike, dispute, slowdown, stoppage or lockout is pending or, to the Knowledge of either of the Sellers, threatened against or affecting the Sellers, their respective Assets or the Business and during the past five (5) years there has not been any such action, (v) no unfair labor practice charge or complaint against either of the Sellers is pending

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or, to the Knowledge of either of the Sellers, threatened before the National Labor Relations Board or any similar Governmental Authority, and (vi) neither of the Sellers has received any formal notice (other than as set forth in Schedule 3.23) that any of the employees listed on Schedule 3.23 will terminate or contemplates terminating his or her employment currently or at any time within sixty (60) days after the Closing Date or will otherwise not be available to the Sellers. Since the enactment of the Worker Adjustment and Retraining Notification Act (the "WARN Act"), neither of the Sellers has effectuated (a) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the Sellers; or (b) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of the Sellers; nor has either of the Sellers been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state or local Law. Except as set forth in Schedule 3.23, neither of the Sellers' employees has suffered an "employment loss" (as defined in the WARN Act) since six (6) months prior to the date hereof.

3.24 BROKERS AND FINDERS. Except as set forth on Schedule 3.24, no finder or any agent, broker or other Person acting pursuant to authority of either of the Sellers is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

3.25 INTERESTED TRANSACTIONS. Except as set forth in Schedule 3.25, neither of the Sellers is a party to any Assumed Contract with any Affiliate of the Sellers, any Related Party of any Affiliate of the Sellers (other than as a stockholder or employee of either of the Sellers), or any Person in which any of the foregoing (individually or in the aggregate) beneficially or legally owns, directly or indirectly, five percent (5%) or more of the equity or voting interests. Each of such Assumed Contracts and other transactions described in the preceding sentence was negotiated on an arm's length basis, contains pricing terms that reflected fair market value at the time entered into and otherwise contains terms and conditions comparable to those customarily contained in similar transactions between unrelated parties. Except as described in Schedule 3.25, none of the Persons described in the first sentence of this Section 3.25 owns, or during the last three (3) years has owned, directly or indirectly, beneficially or legally, (individually or in the aggregate) five percent (5%) or more of the equity or voting interests of any Person that competes with either of the Sellers or the Business.

3.26 STATEMENTS TRUE AND CORRECT. No representation or warranty made by either of the Sellers, nor any statement, certificate or instrument furnished or to be furnished to Purchaser pursuant to this Agreement, the Other Agreements or any other document, agreement or instrument referred to herein or therein, including, without limitation, the Financial Statements, contains or will contain any untrue statement of Material fact or omits or will omit to state a Material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

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ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Sellers that:

4.01 ORGANIZATION. Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, with the corporate power and authority to perform its obligations under this Agreement and carry on the Business and to own, lease and operate the Assets.

4.02 CAPACITY AND VALIDITY. Purchaser has the full corporate power and authority necessary to enter into and perform its obligations under this Agreement and the Other Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Other Agreements will have been approved by all necessary action of the Board of Directors of Purchaser on or before Closing. This Agreement has been, and the Other Agreements will be when executed and delivered, duly executed and delivered by duly authorized officers of Purchaser, and the Agreement and each of the Other Agreements constitutes, or will constitute when executed and delivered, the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or general equitable principles (regardless of whether considered in a proceeding in equity or at law).

4.03 NO CONFLICT. Assuming compliance with the Hart-Scott Act and receipt of all necessary FCC approvals, neither the execution, delivery and performance of this Agreement and the Other Agreements to which it is a party by Purchaser nor the consummation of the transactions contemplated hereby or thereby (i) conflicts with or results in a violation, contravention or breach of any of the terms, conditions or provisions of the Articles of Incorporation, as amended, or By-laws, as amended, of Purchaser, (ii) results in a Default under, or requires the consent or approval of any party to, and contract or license of Purchaser, or requires the consent of any Third Party or Governmental Authority, (iii) results in the violation of any Law or Order applicable to Purchaser, or (iv) results in the creation or imposition of any Lien, except in each case (other than clause (ii)) as would not have a Material Adverse Effect.

4.04 BROKERS AND FINDERS. No finder or any agent, broker or other Person acting pursuant to authority of Purchaser is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

4.05 QUALIFICATION OF PURCHASER. Purchaser is fully qualified under the Communications Act to assume control and operation of the Station and, to the best of Purchaser's knowledge and belief, there exists no reason for the FCC to refuse to consent to the assignment of the FCC Licenses to Purchaser.

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4.06 FINANCING. Purchaser has all necessary financial resources or has secured a binding commitment for all financing necessary for Purchaser to consummate the transactions contemplated by this Agreement.

4.07 STATEMENTS TRUE AND CORRECT. No representation or warranty made by Purchaser, nor any statement, certificate or instrument furnished or to be furnished to the Sellers pursuant to this Agreement, the Other Agreements or any other document, agreement or instrument referred to herein or therein, contains or will contain any untrue statement of Material fact or omits or will omit to state a Material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

ARTICLE V
COVENANTS AND ADDITIONAL AGREEMENTS OF THE SELLERS AND PURCHASER

5.01 CONDUCT OF BUSINESS. Prior to the Closing Date, except with the prior written consent of Purchaser and except as necessary to effect the transactions contemplated in this Agreement, each of the Sellers shall, with respect to the Business:

(a) conduct the Business in substantially the same manner as presently being conducted, except as otherwise contemplated by this Agreement; and, without Purchaser's prior written consent, which shall not be unreasonably withheld, (i) not enter into any transaction with respect to the Station or Contract other than in the ordinary course of business consistent with past practice, and (ii) not enter into any Contracts (other than Contracts designated by Sellers as Retained Assets) involving liabilities exceeding \$10,000 per Assumed Contract per year and \$50,000 in the aggregate for all such Assumed Contracts per year;

(b) confer on a regular and frequent basis with Purchaser to report Material operational matters and to report the general status of ongoing operations;

(c) notify Purchaser of any unexpected emergency or other change in the normal course of the Business or the operation of the Assets, and of any Litigation (or communications indicating that the same may be contemplated), affecting the Business or any Material Assets, and keep Purchaser fully informed of such events and permit its representatives prompt access to all materials prepared in connection therewith in each case where such emergency, change, Litigation or other event could cause a Material Adverse Effect;

(d) except as set forth in Section 1.07, and except in the ordinary course of business consistent with past practice, not make any Material capital expenditure;

(e) not take any action, or omit to take any action, that would cause the representations and warranties contained in Article III hereof to be incorrect or incomplete in any Material respect;

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(f) promptly notify Purchaser in writing of any Material Adverse Change with respect to the Sellers or the Business, or any condition or event which threatens to result in a Material Adverse Change with respect to the Sellers or the Business;

(g) notwithstanding the dollar amount threshold contained in the definition of Material Adverse Change in Article IX, use all reasonable efforts to promptly remedy any adverse change, condition or event that causes or is reasonably likely to cause the Station to be or go off the air; and

(h) not make any agreement or commitment which will result in or cause to occur a Default of any of the items contained in paragraphs (a) through (g) above.

Notwithstanding any of the foregoing provisions of this Section 5.01, prior to the Closing, control of the operation of the Station shall remain exclusively with the Sellers.

5.02 RIGHT OF INSPECTION; ACCESS. In order to allow Purchaser to conduct its due diligence investigation, including, without limitation, environmental due diligence, the Sellers shall give to Purchaser and its designees, during normal working hours, full and free access to all of their respective Assets, Assumed Contracts, reports and other records and shall furnish to Purchaser and its designees all additional financial, legal and other information with respect to the Assets and the Business that Purchaser may reasonably request. Each of the Sellers shall also allow and arrange for Purchaser and its designees free and full access and opportunity, during normal business hours, to consult and meet with the officers, directors, employees, attorneys, accountants and other agents of the Sellers. Each of the Sellers shall instruct such individuals to cooperate fully with Purchaser and its designees. Purchaser and its designees shall have

the right to make copies of any of the records referred to above. Purchaser agrees to indemnify against and hold the Sellers harmless from any claim for Liability, damages or injuries arising out of or resulting from the inspection of the Sellers by Purchaser or its agents, including without limitation any costs and expenses (including reasonable attorneys' fees actually incurred) in connection with such Liability, damages or injuries.

5.03 OTHER OFFERS AND EXCLUSIVE DEALING. Unless and until this Agreement is terminated prior to Closing pursuant to Section 9.01, the Sellers shall deal exclusively with Purchaser with respect to the sale of the Assets or properties of the Sellers relating to the Station. In addition, unless and until this Agreement is terminated prior to Closing pursuant to Section 9.01, neither of the Sellers, acting in any capacity, shall, and the Sellers shall direct their officers, directors, limited partners, general partners (as applicable), financial advisors, accountants and counsel not to, either directly or indirectly, through the Sellers, any officer, director, employee, agent or otherwise, (a) solicit, initiate or encourage submission of proposals or offers from any Person relating to any purchase of the Assets, or (b) approve or undertake any such transaction. If, notwithstanding the foregoing, the Sellers or any of their respective shareholders, directors, partners, officers, employees or agents shall receive any written proposal or inquiry regarding any such transaction, the Sellers shall promptly

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communicate to Purchaser the terms of any such proposal or offer upon Knowledge or receipt of such written proposal or offer.

5.04 CONFIDENTIALITY. For a period of one (1) year from and after the date hereof, each of Purchaser and Sellers agree that it will not, and will use reasonable efforts to ensure that none of its representatives or Affiliates will, use in the conduct of its business (except as contemplated by this Agreement), or disclose to or file with any other Person (other than financing sources, financial advisors, accountants and attorneys for the foregoing who will be informed of the confidential nature of such information and who have a need to know such information), (a) any confidential or non-public information relating to the other parties to this Agreement or (b) the existence of this Agreement or the fact of the transactions contemplated hereby, except (i) for a disclosure that is required by Law or by a Governmental Authority or is reasonably believed to be so required, including, without limitation, disclosures to the FCC and the Department of Justice for purposes of obtaining consents to the transactions contemplated hereby and disclosures to the Securities and Exchange Commission and related public disclosures (in connection with public offerings or otherwise); (ii) information that is ascertainable or obtained from public or published information; (iii) information received from a Third Party not known to the disclosing party to be under an obligation to keep such information confidential; (iv) information independently developed by the disclosing party; or (v) information disclosed to or filed with any Persons necessary to obtaining the consents or the equity and debt financing relating to the transactions contemplated by this Agreement. Notwithstanding the foregoing, (i) neither Purchaser nor its assignees, in the course of any investigation it shall deem necessary and desirable in connection with the transactions contemplated by this Agreement, shall be prohibited from discussing the Sellers, their respective Assets and the Business with others having business dealings with the Sellers, and (ii) the foregoing provisions of this Section 5.04 shall not apply to Purchaser or any of its representatives or Affiliates after consummation of the transactions contemplated hereby at the Closing with respect to information relating to the Sellers. If the transaction contemplated by this Agreement is not consummated, each party will return or destroy as much of such written information as the party furnishing such information may reasonably request.

5.05 CONSENTS AND APPROVALS. Each of the Sellers and Purchaser shall use commercially reasonable efforts to obtain the waiver, consent and approval of all Persons whose waiver, consent or approval is required in order to consummate the transactions contemplated by this Agreement under any Material Assumed Contract and the parties shall cooperate in connection therewith. All written

waivers, consents and approvals obtained by any party shall be produced at Closing in customary form and content.

5.06 SUPPLYING OF FINANCIAL STATEMENTS. The Sellers shall make available to Purchaser within twenty (20) days following the end of each month true and complete copies of all unaudited monthly financial statements of each of the Sellers for each calendar month ending subsequent to the date hereof and prior to the Closing Date in the format historically utilized internally by the Sellers.

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5.07 QUALIFICATION AND CORPORATE EXISTENCE. Each of the Sellers shall deliver to Purchaser certificates of the Secretary of State of the jurisdiction of its organization, dated within ten (10) days prior to the Closing Date, stating that each of the Sellers is a corporation in good standing.

5.08 EMPLOYEE MATTERS.

(a) On the Closing Date, Sellers shall terminate the employment of each of their Station employees, other than Station employees covered by a Contract (as disclosed in the Schedules to this Agreement).

(b) Sellers' maintain a "defined contribution plan" (as defined in Code Section 414(i)) that is intended to satisfy the requirements of Code Section 401(k) ("Sellers' 401(k) Plan") and a "defined benefit plan" (as defined in Code Section 414(j)) that is intended to satisfy the requirements of Code Section 401(a) ("Sellers' Defined Benefit Plan"). For purposes of this Section 5.08, the term "Hired Employee" means any employee who is employed by either of the Sellers on the Closing Date and is hired by Purchaser immediately following the Closing Date.

(c) Hired Employees who are participants in Sellers' 401(k) Plan will be able to make their normal salary deferral contributions pursuant to the terms of the 401(k) Plan and applicable salary reduction agreements out of compensation paid to the Hired Employee prior to the Closing Date. Sellers shall contribute the normal matching contribution (based on the terms of the 401(k) Plan) applicable to these salary reduction contributions. Sellers agree to fully vest each Hired Employee who is a participant in Sellers' 401(k) Plan and Sellers' Defined Benefit Plan in their accrued benefit under such plans.

(d) Certain Hired Employees will have account balances in the Sellers' 401(k) Plan. At the time of the 401(k) asset transfer contemplated herein, Sellers will provide Purchaser with a current favorable determination letter from the Internal Revenue Service issued with respect to Sellers' 401(k) Plan. Sellers will enclose with the IRS determination letter a written acknowledgment stating that no event has occurred and no condition exists that could reasonably be expected to result in the revocation of any such determination letter. The vested account balances under Sellers' 401(k) Plan for the Hired Employees will be transferred to a "defined contribution plan" sponsored by Purchaser that is intended to satisfy the requirements of Code Section 401(k) ("Purchaser's 401(k) Plan") as soon as administratively practicable based on normal administrative practices after the Closing Date. The amount transferred will be in cash, participant loans, or other assets acceptable to Sellers and Purchaser equal to the aggregate account balances of the Hired Employees determined as of the valuation date preceding the actual transfer. At the time of the 401(k) asset transfer contemplated herein, Purchaser will provide Sellers with a current favorable determination letter from the Internal Revenue Service issued with respect to Purchaser's 401(k) Plan. Purchaser will enclose with the IRS determination letter a written acknowledgment stating that no event has occurred and no condition exists that could reasonably be expected to result in the revocation of any such determination letter. Purchaser represents Purchaser's 401(k) Plan will

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be amended to address the transfer of accounts from the Sellers' 401(k) Plan including the preservation of all Section 411(d)(6) optional forms of benefits available to the Hired Employees under Sellers' 401(k) Plan, distribution rules under Code Section 401(k), and past service credit and participation in Sellers' 401(k) Plan required by Code Section 414(a). Following the transfer, Purchaser shall assume all liabilities for the payment of account balances that are transferred to Purchaser's 401(k) Plan.

(e) Purchaser shall employ the Hired Employees at their current location with base remuneration not less than current levels (subject to normal salary increases). Except as provided in the following sentence, as of the Closing Date, the Hired Employees and their dependents, if any, previously covered under Sellers' health and dental insurance plan shall be offered coverage under Purchaser's group health and dental insurance plan without being subject to any pre-existing condition limitations or exclusions and without any waiting period. However the preceding sentence shall not apply to any pre-existing condition limitation, exclusion or waiting period applicable to a Hired Employee or his or her dependent at the Closing Date under Sellers' group health and dental insurance plan (i) to the extent such pre-existing condition limitation, exclusion or waiting period also applies under Purchaser's group health and dental insurance plan and (ii) only until the earlier of the date such pre-existing limitation, exclusion or waiting period would otherwise have expired under Sellers' group health and dental insurance plan or under Purchaser's group health and dental insurance plan or under applicable law. Hired Employees shall receive full credit for their prior service with Sellers for purposes of determining their eligibility and vesting rights under, Purchaser's tax qualified "pension plans" (as defined in ERISA Section 3(2)) and for the accrual of vacation benefits beginning on January 1, 1999. Benefit accrual under Purchaser's tax qualified pension plans shall accrue from the Employees' first day of service with Purchaser and shall be based solely on service with Purchaser.

(f) Sellers make no representations or warranties about whether any of the Hired Employees will remain employed at their current location after the Closing Date.

5.09 CLOSING CONDITIONS. Subject to the terms and conditions herein provided, each of the parties hereto agrees to take, or cause to be taken, all commercially reasonable actions to consummate the transactions contemplated by this Agreement and to satisfy those conditions precedent to Closing set forth in Article VII and Article VIII of this Agreement that are to be satisfied by it.

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5.10 WALB TOWER.

(a) Sellers', at their expense and at Purchaser's behest, have engaged Anderson-Foreman Engineers, Inc. ("Anderson-Foreman") to perform an analysis of the structure and electric circuitry of the Station's broadcast tower. Sellers will provide Purchaser with a copy of the results of such analysis upon receipt. Upon such receipt, Sellers, at their option and expense, may engage their engineering consultant ("Sellers' Engineer") to perform an analysis of the structure and electric circuitry of the Station's tower. If Sellers elect to request such an analysis, Sellers will provide Purchaser with a copy of the results thereof upon receipt. If the reports of Anderson-Foreman and Sellers' Engineer disagree, then the matter shall be resolved by an independent, qualified engineering consultant (the "Independent Engineer") selected jointly by Sellers and Purchaser. The analysis of the structure and electric circuitry of the Station's tower as established pursuant to this Section 5.10(a), is referred to herein as the "Tower Report."

(b) If the Tower Report concludes that the tower is not in compliance in any material respect with applicable law or engineering standards customary for the television industry, Sellers will cause to be made any repairs necessary to achieve such compliance. Receipt of the Tower Report and completion of any such

necessary repairs are not conditions to Closing. If any such necessary repairs are not completed prior to Closing, then after Closing Sellers shall have no further obligation to make any such repairs, but Sellers shall reimburse Purchaser for the reasonable cost of completing such repairs, which cost shall be determined in advance either by mutual agreement of Sellers and Purchaser or, if they are unable to agree, by the Independent Engineer (who shall not be eligible to perform any such repair work).

(c) Sellers shall use commercially reasonable efforts to assign to Purchaser at Closing any manufacturer's warranty or agreements governing the manufacturer's duties to repair and improve the Station's broadcast tower.

5.11 CERTAIN TAX MATTERS.

(a) Purchaser, on the one hand, and the Sellers, on the other hand, shall provide the other parties to this Agreement, at the expense of the requesting party, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, any audit or other examination by any Governmental Authority, or any judicial or administrative proceedings relating to any Liability for Taxes, and for a period of five years after Closing each will retain and provide the requesting party with any records or information that may be relevant to any of the foregoing.

(b) The Sellers shall prepare and file on or before the due date therefor (including any extensions thereof) all Tax Returns and amendments thereto required to be filed by the Sellers on or before the Closing Date, and each of the Sellers shall pay, or cause to be paid, all Taxes (including estimated taxes) due on such Tax Return or which are otherwise required to be paid at any time prior to or during such period. Such Tax Returns shall be

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prepared in accordance with the most recent Tax practices as to elections and accounting method.

5.12 EXPENSES.

(a) Except as provided below, regardless of whether the transactions contemplated by this Agreement are consummated, the Sellers shall be responsible for all expenses and fees incurred by them in connection with the transactions contemplated hereby and Purchaser shall be responsible for all expenses and costs incurred by it in connection with the transactions contemplated hereby. In no event shall any of the Assets be utilized for or reduced by the payment of any such fees or expenses.

(b) At the Closing Purchaser and Sellers shall each pay one-half of all Taxes, if any, relating to the transfer of the Assets to Purchaser. Purchaser and Sellers shall file all necessary documentation and Tax Returns required to be filed by them with respect to such Taxes.

(c) Purchaser and Sellers shall each pay one-half of the initial \$45,000 filing fee associated with the pre-merger notifications and reports required by the Hart-Scott Act in connection with Purchaser's acquisition of the Assets hereunder.

(d) Purchaser shall bear the costs and expenses associated with delivery of the title documents described in Section 7.11.

(e) The Sellers and Purchaser shall each pay one-half of the processing fees incident to the filing of the assignment application with the FCC.

5.13 FURTHER ASSURANCES. At any time and from time to time after the Closing, the Sellers shall, at the request of Purchaser, take any and all actions necessary to fulfill their respective obligations hereunder, to put Purchaser in actual possession and control of the Assets and execute and deliver such further instruments of conveyance, sale, transfer and assignment, and take such other actions necessary or desirable to effectuate, record or perfect the transfer of the Assets to Purchaser free and clear of all Liens, to confirm the title of the

Assets to Purchaser, to assist Purchaser in exercising rights relating thereto, or to otherwise effectuate or consummate any of the transactions contemplated hereby.

5.14 DELIVERY OF BOOKS AND RECORDS. At Closing, Sellers shall deliver to Purchaser at the Closing all original documents, books and records pertaining to the Assets. The Sellers may retain copies of any of the foregoing for their own use. Without limiting the generality of the foregoing, the Sellers shall deliver to Purchaser at the Closing all documents and records relating to the Intellectual Property, including without limitation, Certificates of Registration for all letters patent, trademarks and service marks listed on Schedule 3.12 and all such documents relating thereto.

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5.15 FCC MATTERS.

(a) The Sellers and Purchaser have filed with the FCC all necessary applications for assignment of the FCC Licenses to Purchaser. In connection therewith, each party shall provide the information requested by the FCC, take actions reasonably necessary to enable the FCC to grant the applications, and oppose requests for reconsideration or judicial review of the FCC's consent to assignment of the FCC Licenses to Purchaser.

(b) The Sellers and Purchaser further covenant that from the date hereof until the Closing Date, without the prior written consent of the Sellers or Purchaser, as the case may be, neither the Sellers nor Purchaser shall take any action that is reasonably likely to adversely affect, or delay or interfere with, obtaining the FCC's consent to assignment of the FCC Licenses to Purchaser, or complying with or satisfying the terms thereof, including without limitation, acquiring any new or increased attributable interest, as defined in the FCC rules, in any media property, which property could not be held (without the need for a waiver) in common control by Purchaser following the Closing Date.

5.16 COOPERATION TO EFFECT STATION EXCHANGE. Sellers intend that their sale of the Station qualify as a like-kind exchange under Section 1031 of the Code. In connection therewith, Sellers and Purchaser are concurrently entering into the Exchange Agreement. Sellers and Purchaser shall comply with the terms of the Exchange Agreement. If either the Exchange Agreement or the purchase agreement for the replacement property described therein terminates, or if the transactions contemplated by the Exchange Agreement or such other purchase agreement are not consummated simultaneously with Closing, then notwithstanding anything herein to the contrary, Sellers may transfer the Assets and assign this Agreement to a third party qualified intermediary and cause title to the Assets to be transferred by such third party to Purchaser, and Purchaser shall cooperate with such transfer and assignment. Alternatively, in such event, at Sellers election, Purchaser will enter into an exchange agreement substantially the same as the Exchange Agreement with respect to other replacement property identified by Sellers. The Closing Date may not be extended beyond the time provided by the definition thereof to effectuate the exchange described in this Section.

5.17 WFXL TOWER. Sellers, at their expense and at Purchaser's behest, have engaged Anderson-Foreman to perform a structural analysis of the antenna tower (the "WFXL Tower") used by television station WFXL-TV. Sellers will provide Purchaser with a copy of the results of such analysis upon receipt. Sellers make no representation, warranty or covenant regarding the WFXL Tower, and Purchaser shall not be entitled to terminate this Agreement based upon the WFXL Tower or such report.

5.18 HSR FILINGS. Purchaser and Sellers shall, as promptly as practicable following the execution of this Agreement, and in cooperation with each other, file with the Department of Justice and the Federal Trade Commission the premerger notification forms and any other documents required under the HSR Act, and each shall use its best efforts to obtain earliest termination of all

waiting periods under the HSR Act.

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5.19 FURTHER ACTIONS. Subject to the terms and conditions of this Agreement, the Sellers and Purchaser each agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated in this Agreement and to satisfy the conditions hereto, in each case in as prompt a manner as is reasonably possible.

5.20 ACCOUNTS RECEIVABLE.

(a) Upon Closing, Purchaser shall collect the Accounts Receivable on behalf of the Sellers for a period of 120 days following the Closing Date (the "Collection Period"). Purchaser shall collect the Accounts Receivable with the same care and diligence as Purchaser uses with respect to its own accounts receivable, except that Purchaser shall not be obligated to use any extraordinary efforts for collection, including without limitation, institution of litigation and shall not refer any of the Accounts Receivable to a collection agency or to an attorney for collection, or compromise, settle or adjust the amount of any Account Receivable, except with the prior written approval of Sellers. Any payment received by Purchaser from any account debtor of Purchaser that is also an account debtor of Sellers shall be applied to the oldest account due from such account debtor, unless there is a good faith dispute with respect to either account and the account debtor specifically identifies the invoice being paid, in which case any payment by such account debtor shall be applied first in accordance with the remittance advice or instructions from the account debtor, with any excess payment applied to the oldest account due. Purchaser shall have no right to offset any amounts collected in respect of the Accounts Receivable against any amounts owed by Sellers to Purchaser. Any Accounts Receivable remaining uncollected at the end of the Collection Period shall be transferred to Sellers, a list thereof and all files concerning the collection or attempt to collect such Accounts Receivable hereunder, and Purchaser shall thereafter have no further responsibility with respect thereto except to remit to Sellers any payments in respect of the Accounts Receivable that Purchaser receives.

(b) Certain capitalized terms used in this Section are defined below. Purchaser shall pay the A/R Commissions out of the A/R Proceeds when due on behalf of Sellers. On the first and fifteenth day of each month, Purchaser shall remit to Sellers all A/R Proceeds not previously remitted to Sellers less all A/R Commissions paid by Purchaser. On the fifteenth day of each month, Purchaser shall deliver to Sellers a list of all A/R Proceeds received by Purchaser and all A/R Commissions paid by Purchaser (and, upon Sellers' request, evidence of such payments) during the prior month.

(c) For purposes of this Section, (i) the proceeds of collection of the Accounts Receivable are referred to as the "A/R Proceeds," (ii) those sales employees of Sellers with respect the Station who are employed by Purchaser during the Collection Period are referred to as "Transferred Sales Employees," and (iii) those commissions, if any, that are payable by Sellers to Transferred Sales Employees as a result of receipt of the A/R Proceeds, pursuant to Sellers' sales commission policy in effect at Closing (which Sellers will deliver to Purchaser at Closing), and that have not been paid by Sellers, are referred to as the "A/R Commissions."

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5.21 SATELLITE TRUCK. Notwithstanding anything in this Agreement to the contrary, the Company's existing satellite truck (the "Existing Truck") and the related FCC authorization described below are Retained Assets and the Frontline DSNG satellite truck (the "New Truck") ordered by the Company (at the Company's expense) is included in the Assets, and if the New Truck is not delivered to the

Company prior to Closing then:

(a) the New Truck will not be conveyed to Purchaser at Closing, and Sellers and Purchaser shall use commercially reasonable efforts to arrange for Purchaser to acquire the New Truck directly from the manufacturer and pay when due the balance of the purchase price for the New Truck (being \$150,000) and any unpaid sales taxes applicable thereto, which payments shall be reimbursed by Sellers immediately; and, if such arrangements cannot be made despite such efforts, then the New Truck will be conveyed to Purchaser upon receipt by the Company (and any applicable transfer taxes will be paid as set forth in Section 5.12); and,

(b) during the period after Closing and until delivery of the New Truck, the Company will lease to Purchaser the Existing Truck pursuant to a customary net lease agreement to be entered into by the Company and Purchaser at Closing providing among other things that Purchaser will:

(i) pay all costs and expenses of operating and maintaining the Existing Truck during the lease term, including without limitation the cost of insurance (which Purchaser will maintain in effect during the lease term with the Company included as an additional insured) and any applicable property and other taxes, but Purchaser will not be obligated to pay rent to the Company for the use of the Existing Truck;

(ii) use the Existing Truck only to operate the Station and only in compliance with all applicable laws and the terms of the FCC authorization to operate the temporary fixed satellite transmit earth station included in the Existing Truck, it being understood such FCC authorization will not be assigned to Purchaser and that the holder of such FCC authorization shall have ultimate control over the operation of such earth station in accordance with FCC rules and policies;

(iii) indemnify the Company against any and all loss, liability, cost and expense arising from use of the Existing Truck during the lease term; and

(iv) return the Existing Truck to the Company at the end of the lease term in the same condition as it existed at the beginning of such term, ordinary wear and tear from reasonable use excepted.

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ARTICLE VI

SURVIVAL; INDEMNIFICATION; REMEDIES

6.01 SURVIVAL. The representations and warranties of Purchaser and Sellers contained herein shall survive the Closing for a period of twelve months after the Closing Date and shall terminate on such date, except to the extent that any claims for indemnification in respect of a breach of any such representation or warranty is made on or before such date, in which case such representation or warranty (but not any others) shall survive until the resolution of such claim. Purchaser's obligation to pay, perform or discharge the Assumed Liabilities shall survive until such Assumed Liabilities have been paid, performed or discharged in full. Any claim for indemnification in respect of a covenant or agreement of Purchaser or Sellers hereunder to be performed before the Closing shall be made before the expiration of the twelve month anniversary of the Closing Date. The covenants and agreements of Sellers contained herein and to be performed to any extent after the Closing Date shall survive the Closing for a period of twelve months after the Closing Date (except for those set forth in Section 5.11 (Certain Tax Matters), which shall survive for five years, and those set forth in Sections 5.10 (WALB Tower) and 5.21 (Satellite Truck), which shall survive until fully performed) and shall terminate on such date and any claims for indemnification in respect of a breach of such covenants to be performed in any respect after the Closing Date must be made on or before such date. The covenants and agreements of Purchaser contained herein to be performed in any respect after the Closing Date shall survive the Closing Date until fully discharged and performed.

6.02 INDEMNIFICATION BY SELLERS.

(a) After the Closing, Sellers hereby agree to indemnify, defend and hold Purchaser harmless against and with respect to, and shall reimburse Purchaser for:

(1) any and all losses, liabilities or damages (whether such claim arises from a third party action or is made by Purchaser against Sellers) resulting from any breach of any representation or warranty made pursuant to this Agreement, or any failure by Sellers to perform any covenant of Sellers set forth herein or in any certificate, document or instrument prepared by Sellers and delivered to Purchaser hereunder;

(2) any failure by Sellers to pay, perform or discharge any and all liabilities of Sellers not assumed by Purchaser pursuant to the terms hereof;

(3) any litigation, proceeding or claim by any third party arising from the business or operations of the Assets by Sellers prior to the Closing Date; and

(4) any and all out-of-pocket costs and expenses, including reasonable legal fees and expenses, incident to any action, suit, proceeding, claim, demand, assessment or judgment incident to the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

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Subject to the limitations set forth herein, such indemnity shall apply after Closing regardless of whether Purchaser has knowledge of any breach or default of Sellers under this Agreement at Closing. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, in the event of a failure of the condition set forth in Section 7.05 (Material Adverse Change) to be satisfied or a failure of the representation set forth in clause (ii) of Section 3.07 (Material Adverse Change) to be true at Closing for any reason other than a failure by Sellers to comply with terms of this Agreement, Purchaser's sole remedy shall be the right to terminate this Agreement prior to Closing pursuant to Section 9.01 and obtain the Deposit pursuant to Section 9.03(b).

(b) Sellers' obligation to indemnify Purchaser pursuant to Section 6.02 shall be subject to all of the following limitations:

(1) No indemnification shall be required to be made by Sellers as the Indemnifying Party under Section 6.02 until the aggregate amount of damages of Purchaser as Claimant exceeds Three Hundred Thousand Dollars (\$300,000) and then only with respect to the amount of such damages in excess of such amount; provided, however, that such limitation shall not apply to claims made by Purchaser with respect to adjustments to the Purchase Price under Section 1.04 or expenses to be paid by Sellers under Section 5.12.

(2) Purchaser shall be entitled to indemnification only for those damages arising with respect to any claim as to which Purchaser has given the Sellers written notice within the appropriate time period set forth in Section 6.01 hereof for such claim.

(3) Notwithstanding anything contained in this Agreement or applicable law to the contrary, except as set forth in this Section 6.02(b) in no event shall Sellers' obligation for indemnification under this Agreement and the Other Agreements in the aggregate exceed Two Million Dollars (\$2,000,000) and Purchaser waives and releases, and shall have no recourse against, Sellers as a result of the breach of any representation, warranty, covenant or agreement of Sellers contained in this Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated hereby or the operation of the Station.

(4) Following the Closing, the sole and exclusive remedy for Purchaser for any claim (whether such claim is framed in tort, contract or otherwise) arising out of a breach of any representation, warranty, covenant or other agreement in this Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated by this Agreement or the operation of the Station shall be a claim for indemnification pursuant to this Section 6.02.

(5) Anything in this Agreement or any applicable law to the contrary notwithstanding, it is understood and agreed by Purchaser that no director, officer, employee, agent or Affiliate of Sellers shall have (i) any personal liability to Purchaser as a result of the breach of any representation, warranty, covenant or agreement of Sellers contained in this

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Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated hereby or the operation of the Station or (ii) any personal obligation to indemnify Purchaser for any of Purchaser's claims pursuant to Section 6.02(a), and Purchaser waives and releases and shall have no recourse against any of such parties as a result of the breach of any representation, warranty, covenant or agreement of Sellers contained in this Agreement or the Other Agreement or otherwise arising out of or in connection with the transactions contemplated hereby or the operation of the Station.

The limitations set forth in Section 6.02(b)(1), (2), (3) and (4) shall not apply to any Third Party claims for Retained Liabilities or Sellers' obligations under Sections 5.10 and 5.21 or any indemnification obligations of Sellers with respect to the foregoing, or to claims, if any, under the Exchange Agreement, and no such claims shall be taken into account for purposes of the dollar amount thresholds set forth in such Sections.

6.03 INDEMNIFICATION BY PURCHASER.

(a) After the Closing, Purchaser hereby agrees to indemnify, defend and hold Sellers harmless against and with respect to, and shall reimburse Sellers for:

(1) any and all losses, liabilities or damages (whether such claim arises from a third party action or is made by Sellers against Purchaser) resulting from any breach of any representation or warranty made pursuant to this Agreement, or any failure by Purchaser to perform any covenant of Purchaser set forth herein or in any certificate, document or instrument delivered to Sellers under this Agreement;

(2) any failure by Purchaser to pay, perform or discharge any and all Assumed Liabilities or any other liabilities of, or assumed by, Purchaser pursuant to this Agreement;

(3) any litigation, proceeding or claim arising from the business or operations of the Assets on or after the Closing Date; and

(4) any and all out-of-pocket costs and expenses, including reasonable legal fees and expenses, incident to any action, suit, proceeding, claim, demand, assessment or judgment incident to the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

Subject to the limitations set forth herein, such indemnity shall apply after Closing regardless of whether Sellers have knowledge of any breach or default of Purchaser under this Agreement at Closing.

(b) Purchaser's obligation to indemnify Sellers pursuant to Section 6.03 shall be subject to all of the following limitations:

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(1) No indemnification shall be required to be made by Purchaser as the Indemnifying Party under Section 6.03 until the aggregate amount of damages of Sellers as Claimant exceeds Three Hundred Thousand Dollars (\$300,000) and then only with respect to the amount of such damages in excess of such amount; provided, however, that such limitation shall not apply to claims made by Sellers with respect to adjustments to the Purchase Price under Section 1.04 or expenses to be paid by Purchaser under Section 5.12.

(2) Sellers shall be entitled to indemnification only for those damages arising with respect to any claim as to which Sellers have given Purchaser written notice within the appropriate time period set forth in Section 6.01 hereof for such claim.

(3) Notwithstanding anything contained in this Agreement or applicable law to the contrary, except as set forth in this Section 6.03(b), in no event shall Purchaser's obligation for indemnification under this Agreement and the Other Agreements in the aggregate exceed Two Million Dollars (\$2,000,000), and Sellers waive and release, and shall have no recourse against, Purchaser as a result of the breach of any representation, warranty, covenant or agreement of Purchaser contained in this Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated hereby or the operation of the Station.

(4) Following the Closing, the sole and exclusive remedy for Sellers for any claim (whether such claim is framed in tort, contract or otherwise) arising out of a breach of any representation, warranty, covenant or other agreement in this Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated by this Agreement or the operation of the Station shall be a claim for indemnification pursuant to this Section 6.03.

(5) Anything in this Agreement or any applicable law to the contrary notwithstanding, it is understood and agreed by Sellers that no director, officer, employee, agent or Affiliate of Purchaser shall have (i) any personal liability to Sellers as a result of the breach of any representation, warranty, covenant or agreement of Purchaser contained in this Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated hereby or the operation of the Station or (ii) personal obligation to indemnify Sellers for any of Sellers' claims pursuant to Section 6.03(a), and Sellers waives and releases and shall have no recourse against any of such parties as the result of the breach of any representation, warranty, covenant or agreement of Purchaser contained in this Agreement or the Other Agreements or otherwise arising out of or in connection with the transactions contemplated hereby or the operation of the Station.

The limitations set forth in Section 6.03(b)(1), (2), (3) and (4) shall not apply to Purchaser's obligations under Sections 5.08, 5.10, 5.20 and 5.21, Purchaser's obligation to pay, perform or discharge the Assumed Liabilities, or any indemnification obligations of Purchaser with respect to the foregoing.

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6.04 PROCEDURE FOR INDEMNIFICATION. The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "Claimant") shall promptly give 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, the amount thereof, estimated in good faith, and the method of computation of such claim, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such indemnification claim shall have occurred. If the claim relates to an action, suit, or proceeding filed by a third party against Claimant, such notice shall be given by Claimant within ten business days after written notice of such action, suit, or proceeding was given to Claimant.

(b) With respect to claims solely between the parties, following receipt of notice from the Claimant of a claim, the Indemnifying Party shall have thirty 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 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, subject to the terms hereof (including Sections 6.02(b) and 6.03(b)). 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, as applicable, subject to the limitations of Sections 6.02(b) and 6.03(b).

(c) With respect to any claim by a third party as to which the Claimant is entitled to indemnification under this Agreement, the Indemnifying Party shall have the right at its own expense, to participate in or assume control of the defense of such claim, and the Claimant shall cooperate fully with the Indemnifying Party, subject to reimbursement for actual out-of-pocket expenses incurred by the Claimant as the result of a request by the Indemnifying Party. If the Indemnifying Party elects to assume control of the defense of any third-party claim, the Claimant shall have the right to participate in the defense of such claim at its own expense. If the Indemnifying Party does not elect to assume control or otherwise participate in the defense of any third-party claim, then the Claimant may defend through counsel of its own choosing and (so long as it gives the Indemnifying Party at least fifteen (15) days' notice of the terms of the proposed settlement thereof and permits the Indemnifying Party to then undertake the defense thereof) settle such claim, action or suit, and to recover from the Indemnifying Party the amount of such settlement or of any judgment and the costs and expenses of such defense. The Indemnifying Party shall not compromise or settle any third party claim, action or suit without the prior written consent of the Claimant, which consent will not be unreasonably withheld or delayed.

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(d) If a claim, whether between the parties or by a third party, requires immediate action, the parties will make every effort to reach a decision with respect thereto as expeditiously as possible.

(e) Subject to the limitations set forth herein and without expanding the total liability of Purchaser or Sellers hereunder, the indemnification rights provided in Section 6.02 and Section 6.03 shall extend to the officers, directors, employees, agents and Affiliates of any Claimant although for the purpose of the procedures set forth in this Section 6.04, any indemnification claims by such parties shall be made by and through the Claimant.

ARTICLE VII CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived, in whole or in part, by Purchaser for purposes of consummating such transactions, but without prejudice to any other right or remedy which Purchaser may have hereunder as a result of any misrepresentation by, or breach of any agreement, covenant or warranty of the Sellers contained in this Agreement or any Other Agreement:

7.01 REPRESENTATIONS TRUE AND COVENANTS PERFORMED AT CLOSING. The representations and warranties made by the Sellers shall be correct and complete in all Material respects on the Closing Date with the same force and effect as if such representations and warranties had been made on and as of the Closing

Date. Sellers shall have each duly performed and complied in all Material respects with all of the agreements, covenants, acts and undertakings to be performed or complied with by it in all Material respects on or prior to the Closing Date. Sellers shall have delivered to Purchaser a certificate signed by Sellers dated as of the Closing Date certifying as to the fulfillment of the conditions of this Section 7.01. Notwithstanding any other provision of this Agreement to the contrary, for purposes of this Section 7.01, all Materiality qualifications contained in the representations and warranties made by the Sellers shall be disregarded and given no effect.

7.02 INCUMBENCY CERTIFICATE. Purchaser shall have received an appropriate incumbency certificate or certificates, dated the Closing Date, certifying the incumbency of all officers of the Sellers. The certificate or certificates shall contain specimens of the signatures of the officers, whose incumbency is certified and shall be executed by officers of the Sellers other than officers whose incumbency is certified.

7.03 CERTIFIED COPIES. Purchaser shall have received copies, certified by the duly qualified and acting Secretary or Assistant Secretary of the Sellers, of Sellers' articles and bylaws and resolutions adopted by the Board of Directors of the Sellers approving this Agreement and the consummation of the transactions contemplated hereby.

7.04 REQUIRED CONSENTS. The Required Consents shall have been obtained.

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7.05 NO MATERIAL ADVERSE CHANGE. There shall not have occurred any Material Adverse Change, or any condition or event that is reasonably likely to cause a Material Adverse Change, with respect to the Assets or the Business, or either of Sellers with respect to the Business, taken as a whole, from the Balance Sheet Date. Each of the Sellers shall have delivered to Purchaser a certificate or certificates dated as of the Closing Date executed by the Sellers certifying the foregoing statement.

7.06 NO INJUNCTION, ETC. No Litigation, Law, Order or legislation shall have been instituted, threatened or proposed by a Third Party before any court or Governmental Authority to enjoin, restrain, prohibit or obtain damages in respect of this Agreement or the consummation of the transactions contemplated hereby, if such Litigation, Law, Order or legislation, in the reasonable judgment of Purchaser, would make it inadvisable to consummate the transactions contemplated hereby.

7.07 CONVEYANCING DOCUMENTS. Purchaser shall have received from Sellers duly executed documents conveying the Assets to Purchaser free and clear of Liens other than Permitted Liens and otherwise subject to the terms of this Agreement, including an assignment of the FCC Licenses duly executed by the Sellers, respectively, and a bill of sale, deeds in recordable form, and an assignment and assumption agreement duly executed by the Company, all subject to the terms of this Agreement.

7.08 FCC APPROVALS. The FCC shall have given all requisite approvals and consents, without any condition or qualification Materially adverse to Purchaser (whether or not any appeal or request for reconsideration or review is pending or the time for filing any appeal or request for reconsideration or review, or for any sua sponte action by the FCC with similar effect has expired).

7.09 HART-SCOTT APPROVAL. All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

7.10 RESERVED.

7.11 TITLE DOCUMENTS. Purchaser shall have received an owner's title insurance policy (or an endorsement to an existing owner's title insurance policy) for each parcel of the Owned Real Property subject to no Liens other

than Permitted Liens. Purchaser confirms that it has ordered such policy.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS OF THE SELLERS

The obligations of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived, in whole or in part, by the Sellers for purposes of consummating such transactions, but without prejudice to any other right or remedy which the Sellers may have hereunder as a result of any

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misrepresentation by, or breach of any agreement, covenant or warranty of Purchaser contained in this Agreement or any Other Agreement:

8.01 REPRESENTATIONS TRUE AND COVENANTS PERFORMED AT CLOSING. The representations and warranties made by Purchaser shall be correct and complete in all Material respects on the Closing Date with the same force and effect as if such representations and warranties had been made on and as of the Closing Date. Purchaser shall have duly performed and complied with all of the agreements, covenants, acts and undertakings to be performed or complied with by it on or prior to the Closing Date. Purchaser shall have delivered to the Sellers a certificate signed by Purchaser dated as of the Closing Date certifying as to the fulfillment of the conditions of this Section 8.01. Notwithstanding any other provision of this Agreement to the contrary, for purposes of this Section 8.01, all Materiality qualifications contained in the representations and warranties made by Purchaser shall be disregarded and given no effect.

8.02 INCUMBENCY CERTIFICATE. The Sellers shall have received an incumbency certificate or certificates dated the Closing Date certifying the incumbency of all officers of Purchaser who have executed this Agreement or documents in connection with this Agreement. The certificate or certificates shall contain specimens of the signatures of each of the officers whose incumbency is certified and shall be executed by an officer of Purchaser other than an officer whose incumbency is certified.

8.03 CERTIFIED COPIES. The Sellers shall have received copies, duly certified by the duly qualified and acting Secretary or Assistant Secretary of Purchaser, of Purchaser's articles and bylaws and resolutions adopted by the Board of Directors of Purchaser approving this Agreement and the consummation of the transactions contemplated herein.

8.04 NO INJUNCTION, ETC. No Litigation, Law, Order or legislation shall have been instituted, threatened or proposed by a Third Party before any court or Governmental Authority to enjoin, restrain, prohibit or obtain damages in respect of this Agreement or the consummation of the transactions contemplated hereby, if such Litigation, Law, Order or legislation, in the reasonable judgment of Purchaser, would make it inadvisable to consummate the transactions contemplated hereby.

8.05 HART-SCOTT ACT APPROVAL. All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

8.06 ASSUMPTION AGREEMENT. Sellers shall have received from Purchaser a duly executed assignment and assumption agreement pursuant to which Purchaser assumes the Assumed Liabilities.

8.07 FCC APPROVALS. The FCC shall have given all requisite approvals and consents, without any condition or qualification Materially adverse to the Sellers (whether or not any appeal or request for reconsideration or review is pending or the time for filing any

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appeal or request for reconsideration or review, or for any sua sponte action by the FCC with similar effect has expired).

8.08 REQUIRED CONSENTS. The Required Consents shall have been obtained.

ARTICLE IX
TERMINATION

9.01 CAUSES FOR TERMINATION. This Agreement and the transactions contemplated by this Agreement may be terminated at any time prior to the Closing Date: (i) by the mutual consent of the Sellers and Purchaser; (ii) by Purchaser in the event the conditions set forth in Article VII of this Agreement shall not have been satisfied or waived by the date nine months after the date of this Agreement for any reason other than Purchaser's breach or default hereunder or failure to act in good faith; (iii) by the Sellers in the event that the conditions set forth in Article VIII of this Agreement shall not have been satisfied or waived by the date nine months after the date of this Agreement for any reason other than Sellers' breach or default hereunder or failure to act in good faith; or (iv) by Purchaser or the Sellers at any time if Purchaser determines in good faith that any Material Adverse Change, or any condition or event that is reasonably likely to cause a Material Adverse Change, with respect to Business or the Assets, or the Sellers with respect to the Business shall have occurred or been discovered since the Balance Sheet Date.

9.02 NOTICE OF TERMINATION. Notice of termination of this Agreement as provided for in this Article IX shall be given by the party so terminating to the other parties hereto in accordance with the provisions of Section 11.01.

9.03 EFFECT OF TERMINATION.

(a) In the event of a termination of this Agreement pursuant to Section 9.01 hereof, except for Sections 3.24, 404, 5.04, 5.12 and 9.03, which shall remain in full force and effect, this Agreement shall become void and of no further force and effect, and each party shall pay the costs and expenses incurred by it in connection with this Agreement, and no party (or any of its agents, counsel, representatives, Affiliates or assigns) shall be liable to any other party for any Loss hereunder. Notwithstanding the foregoing sentence, if the non-occurrence of Closing is the direct or indirect result of the Material breach or default by the Sellers of any of their respective obligations hereunder, including without limitation, any Material inaccuracy in any representation or warranty made by such party, and Purchaser has not Materially breached or defaulted on any of its obligations hereunder, Sellers shall be liable to Purchaser for any such breach or default; and if the non-occurrence of Closing is the direct or indirect result of the Material breach or default by Purchaser of any of its obligations hereunder, and neither of the Sellers has Materially breached or defaulted on any of its respective obligations hereunder, the Deposit shall be paid to the Sellers as liquidated damages to compensate the Sellers for the damages resulting to such parties from such breach or default. The parties agree that actual damages pursuant to a breach of this Agreement prior to the Closing would be impossible to measure. Receipt of the Deposit shall be the sole and exclusive remedy that the

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Sellers shall have in the event of such breach or default and shall constitute a waiver of any and all other legal or equitable rights or remedies that any of the Sellers may otherwise have as a result of Purchaser's breach or default, and that in consideration for the receipt of the Deposit as liquidated damages, neither of the Sellers may obtain any further legal or equitable relief, including specific performance, to which it may otherwise have been entitled and Purchaser shall have no further Liability to the Sellers as a result of such breach or default or the non-occurrence of Closing.

(b) If the Closing does not occur due to the nonfulfillment of any of the conditions in Article VII or for any other reason except Purchaser's Material breach or default in the performance of any of its obligations under this Agreement, then promptly after termination of this Agreement the Deposit shall

be returned to Purchaser. The Sellers acknowledge that Purchaser, at its option (to be exercised in its sole and absolute discretion), may elect to have the Agreement specifically performed by the Sellers. The Sellers further acknowledge that any breach of this Agreement by either of the Sellers will cause irreparable damage and injury to Purchaser and that Purchaser will be entitled to injunctive relief in any court of competent jurisdiction without the necessity of posting any bond.

(c) It is agreed that time is of the essence in the performance and satisfaction of this Agreement and each of the conditions specified in Articles VII and VIII of this Agreement are Material for purposes of this Agreement.

9.04 RISK OF LOSS. The Sellers assume all risk of condemnation, destruction or Loss due to fire or other casualty from the date of this Agreement until the Closing.

ARTICLE X DEFINITIONS

The following terms (in their singular and plural forms as appropriate) as used in this Agreement shall have the meanings set forth below unless the context requires otherwise:

"Accounts Receivable" means all accounts receivable, notes receivable, and other monies due to the Sellers for sales and deliveries of goods, performance of services and other business transactions (whether or not on the books of the Sellers) that exist as of 12:01 a.m. on the Closing Date.

"Affiliate" of a Person means: (i) any Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person; (ii) any officer, director, partner, employee, agent, or representative or direct or indirect beneficial or legal owner of any 10% or greater equity or voting interest of such Person; or (iii) any entity for which a Person described in (ii) above acts in any such capacity.

"Agreement" means this Asset Purchase Agreement, including the Exhibits and Schedules delivered pursuant hereto or referred to herein, each of which is incorporated herein by reference.

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"Assets" means all of the Seller's right, title and interest in and to the assets and properties, of every kind, nature, character and description, whether real, personal or mixed, whether tangible or intangible, whether accrued, contingent or otherwise (other than the Retained Assets) used or held for use in the Business, together with any additions thereto between the date hereof and the Closing Date, but excluding those disposed of between the date of this Agreement and the Closing Date in accordance with the terms of this Agreement, including but not limited to the following:

- (i) the FCC Licenses;
- (ii) the Real Property;
- (iii) the Personal Property;
- (iv) the Inventory;
- (v) the Intellectual Property;
- (vi) the Assumed Contracts;
- (vii) the Licenses;
- (viii) the Computer Software;

(ix) the Databases;

(x) Sellers' other intangible assets of the Business, including, but not limited to, the trademarks, service marks, and tradenames and assumed names of the Business;

(xi) all intangible personal property and assets other than the foregoing that are used or held for use in the Business, including all books and records of Sellers relating solely to the Business (including copies of the Assumed Contracts and the records required by the FCC to be kept at the Station) and any assignable warranties with respect to the Personal Property;

(xii) the customer lists, mailing lists, customer files, supplier files, sales agent and manufacturers' representative files, credit files, and credit data relating to the Assets and the Assumed Liabilities, all other files, records, drawings, catalogues, stationery, advertising materials and other documents (or copies thereof) related to the Assets or the Business, and the use of any telephone numbers that are used in the operation of the Business;

(xiii) to the extent used or held for use in the operation of the Business and adjusted in favor of Sellers under Section 1.04, the deposits, prepaid sums, fees and expenses (including, without limitation, Taxes, insurance premiums, rental fees, utility charges and

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service charges), trust funds, retainages, escrows, monies and assets held by Third Parties, and deferred charges, as the same shall exist as of the Closing Date; and

(xiv) any other assets used in the Business and owned by either of the Sellers (other than the Retained Assets).

"Assumed Contracts" means (i) all Contracts listed on Schedules 3.10 and 3.21 and all Contracts of the type described in Sections 3.10 and 3.21 that are not required to be listed thereon pursuant to the exceptions set forth in such Sections, (ii) Contracts with advertisers for the sale of advertising time for cash or production services in the ordinary course of business, (iii) Contracts entered into between the date of this Agreement and the Closing Date that Purchaser agrees in writing to assume, and (iv) Contracts entered into between the date of this Agreement and the Closing Date in compliance with Section 5.01; provided that Assumed Contracts shall in no event include Contracts that are included in the Retained Assets. The Assumed Contracts shall include without limitation the contracts listed on Schedules 3.10 and 3.21, whether entered into solely by the Company, solely by the Company's parent or jointly by the Company and its parent. With respect to those Assumed Contracts to which the Company's parent is a party, at Closing Sellers shall cause such Assumed Contracts to be assigned to Purchaser, and Purchaser shall assume such Assumed Contracts, and such Assumed Contracts shall otherwise be considered Assumed Contracts for all purposes of this Agreement, including without limitation for purposes of the representations and warranties hereunder, except that Sellers shall not be deemed to be in breach or default hereunder by reason of the fact that the Company's parent is the only party thereto or a joint party thereto.

"Assumed Liabilities" means the following specific Liabilities of the Sellers:

(i) Liabilities first to be paid or performed after 12:01 a.m. on the Closing Date under or pursuant to the Assumed Contracts (including, without limitation, outstanding purchase orders and sales commitments of Sellers); provided, however, such Liabilities shall not include any Liabilities resulting from or arising out of any Default by Sellers prior to the Closing Date under or with respect to any of such Assumed Contracts;

(ii) To the extent arising after 12:01 a.m. on the Closing Date or for which there is an adjustment to the Purchase Price, all trade accounts payable and

accrued operating expenses of Sellers which (A) were incurred in the ordinary course of business consistent with past practices, (B) arose only from expenditures related directly to the Business or the Assets, (C) are not payable to or with respect to or for the benefit of an Affiliate of Seller; and

(iii) All sick, personal and vacation time accrued prior to Closing by Sellers' Station employees.

"Balance Sheet Date" means the date of the most recent balance sheet included in the Financial Statements, being March 31, 1998.

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"Board of Directors" means the Board of Directors of a Person that is a corporation.

"Business" means the Sellers' business of owning and operating the Station.

"Business Day" means a day other than a Saturday, a Sunday, a day on which banking institutions in the State of Georgia are authorized or obligated by law or required by executive order to be closed, or a day on which the New York Stock Exchange is closed.

"Certificate of Incorporation" means the certificate of incorporation of a Person that is a corporation.

"Closing" means the consummation of the transactions contemplated by this Agreement.

"Closing Date" means the date on which the Closing occurs, which shall be the fifth business day after issuance of the FCC approval as set forth in Section 5.15 and the satisfaction (or waiver) of all of the conditions set forth in Articles VII and VIII, or such other date as the parties may agree in writing; provided that the Closing Date may be extended by Sellers to a date no later than nine (9) months after the date of this Agreement as necessary to effectuate the tax-free like-kind exchange described in Section 5.16.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Communications Act" means the Communications Act of 1934, as amended, and the rules, regulations and written policies of the FCC.

"Computer Software" means all Sellers' computer programs, materials, tapes, source and object codes, and all prior and proposed versions, releases, modifications, updates, upgrades and enhancements thereto that are used or held for use in the Business, as well as all documentation and listings related thereto used in the Business.

"Contract" means any written or oral contract, agreement, understanding, lease, usufruct, license, plan, instrument, commitment, restriction, arrangement, obligation, undertaking, practice or authorization of any kind or character or other document to which either of Sellers is a party or that is binding on either of Sellers and that is used or held for use in the Business.

"Databases" means Sellers' databases in all forms, versions and media, together with prior and proposed updates, modifications and enhancements thereto, as well as all documentation and listings therefor used in the Business, other than Licenses, that are used or held for use in the Business.

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"Default" means (1) a breach of, default under, or misrepresentation in or with respect to any contract or license, (2) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a

breach of, default under, or misrepresentation in any contract or license, or (3) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right to terminate, change the terms of or renegotiate any contract or license or to accelerate, increase, or impose any Liability under any contract or license.

"Employee Benefit Plan" means, collectively, each pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other incentive plan, any other written or unwritten employee program, arrangement, agreement or understanding, whether arrived at through collective bargaining or otherwise, any medical, vision, dental or other health plan, any life insurance plan, or any other employee benefit plan or fringe benefit plan, including, without limitation, any "employee benefit plan," as that term is defined in Section 3(3) of ERISA currently or previously adopted, maintained by, sponsored in whole or in part by, or contributed to by either of the Sellers or any other ERISA Affiliate thereof or under which either of the Sellers or any other ERISA Affiliate thereof has any Liability for the benefit of employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate. "Employee Benefit Plans" also means any plans, programs, agreements, arrangements or understandings previously maintained by, sponsored in whole or in part by, or contributed to by either of the Sellers or any other ERISA Affiliate thereof that could result in a Material Liability to the Sellers, including but not limited to, any plan covered by or subject to Title IV of ERISA. Employee Benefit Plans include (but are not limited to) "employee benefit plans" as defined in Section 3(3) of ERISA and any other plan, fund, policy, program, practice, custom, understanding or arrangement providing compensation or other benefits to any current or former officer or employee or director or independent contractor of either of the Sellers or any dependent or beneficiary thereof, maintained by the Sellers or under which the Sellers have any obligation or Liability, whether or not they are or are intended to be (i) covered or qualified under the Code, ERISA or any other applicable Law, (ii) written or oral, (iii) funding or unfunded, (iv) actual or contingent, or (v) generally available to any or all employees (or former employees) of the Sellers (or their beneficiaries or dependents), including, without limitation, all incentive, bonus, deferred compensation, flexible spending accounts, cafeteria plans, vacation, holiday, medical, disability, share purchase or other similar plans, policies, programs, practices or arrangements.

"Environmental Laws" means all Laws relating to pollution or protection of the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended, 42 U.S.C. 9601 et seq. ("CERCLA"), the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq. ("RCRA"), and other Laws relating to emissions, discharges, releases or threatened releases of any

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Hazardous Substance, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any Hazardous Substance.

"Environmental Litigation" means any Litigation against the Sellers with respect to the Business or the Assets of either of the Sellers (including, without limitation, written notice or other written communication by any Person alleging potential Liability for investigatory costs, cleanup costs, private or governmental response or remedial costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based upon, or resulting from (i) any Environmental Matter or (ii) any circumstances or state of facts forming the basis of any Liability or alleged Liability under, or violation or alleged violation of, any Environmental Law.

"Environmental Matter" means any matter or circumstances related in any manner whatsoever to (i) the emission, discharge, disposal, release or

threatened release of any Hazardous Substance into the environment, or (ii) the transportation, treatment, storage, recycling or other handling of any Hazardous Substance or (iii) the placement of structures or materials into waters of the United States, by, in each case, either of the Sellers or any of their respective predecessors or (iv) the presence of any Hazardous Substance, including, but not limited to, asbestos, in any building, structure or workplace or on any of the Real Property.

"ERISA" means Employee Retirement Income Security Act of 1974, as amended.

"ERISA Plan" means any Employee Benefit Plan which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, or an "employee welfare benefit plan" as that term is defined in Section 3(1) of ERISA.

"FCC" means the Federal Communications Commission.

"FCC Licenses" means the licenses and authorizations issued by the FCC to either of the Sellers with respect to the Business.

"Financial Statements" means the unaudited balance sheets of the Sellers as of December 31, 1997 and March 31, 1998 and the related statements of income for the periods then ended.

"GAAP" means generally accepted accounting principles as in effect in the United States consistently applied.

"Governmental Authority" means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority, board or body.

"Hart-Scott Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C.A. ss. 18(a), as amended, and all Laws promulgated thereunder.

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"Hazardous Substance" means (i) any hazardous substance, hazardous material, hazardous waste pollutants, contaminants, or toxic substance (as those terms are defined by any applicable Environmental Laws) and (ii) any petroleum, petroleum products, or oil.

"Improvements" means all buildings, structures, fixtures and other improvements included in the Real Property.

"Intellectual Property" means the following of Sellers to the extent used or held for use in the Business (i) patents and pending patent applications together with any and all continuations, divisions, reissues, extensions and renewals thereof, (ii) trade secrets, know-how, inventions, formulae and processes, whether trade secrets or not, (iii) trade names, trademarks, service marks, logos, assumed names, brand names and all registrations and applications therefor, (iv) copyrights and any registrations and applications therefor, (v) technology rights and licenses, and (vi) Computer Software and all other intellectual property owned by, registered in the name of, or used in the business of a Person or in which a Person or its business has any interest.

"Inventory" means all Sellers' inventories of raw materials, supplies, products, advertising materials, and other inventories used or held for use in the Business.

"IRS" means the Internal Revenue Service of the United States of America.

"Knowledge" or "Known" with respect to the Sellers, means collectively those facts that either of the Sellers or any of their officers and employees listed on Exhibit X hereto, after due inquiry, knew or reasonably should have known.

"Law" means any code, law, order, ordinance, regulation, rule, or statute of any Governmental Authority.

"Leased Personal Property" means all Personal Property that is not owned by

the Sellers that the Sellers either use or have the right to use.

"Leased Real Property" means all Real Property that is not owned in fee simple by the Sellers that the Sellers either occupy or use or has the right to occupy or use.

"Liability" means any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, expense (including, without limitation, costs of investigation, collection and defense), claim, deficiency, guaranty or endorsement of or by any Person (other than endorsements of notes, bills and checks presented to banks for collection or deposit in the ordinary course of business) of any type, whether accrued, absolute, contingent, liquidated, unliquidated, matured, unmatured or otherwise.

"License" means any license, franchise, notice, permit, easement, right, certificate, authorization, approval or filing with any Governmental Authority or court to

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which either Seller is a party or that is or may be binding on either Seller and that is used or held for use in the Business.

"Lien" means any mortgage, lien, security interest, pledge, hypothecation, encumbrance, restriction, reservation, encroachment, infringement, easement, conditional sale agreement, title retention, lease, right of occupancy or other security arrangement, defect of title, adverse right or interest, charge or claim of any nature whatsoever of, on, or with respect to any property or property interest.

"Litigation" means any action, administrative or other proceeding, arbitration, cause of action, claim, complaint, criminal prosecution, inquiry, hearing, investigation (governmental or otherwise), litigation, notice (written or oral) before any Governmental Authority or arbitration, mediation or similar tribunal by any Person alleging potential Liability against the Sellers or any Affiliate of Sellers with respect to the Business or the Assets, the Business or the transactions contemplated by this Agreement.

"LOI" means the letter of intent dated April 10, 1998 between Sellers and Purchaser with respect to the Station.

"Loss" means any and all direct or indirect demands, claims, payments, obligations, recoveries, deficiencies, fines, penalties, interest, assessments, actions, causes of action, suits, losses, diminution in the value of assets, damages, punitive, exemplary or consequential damages (including, but not limited to, lost income and profits and interruptions of business), liabilities, costs, expenses (including without limitation, (i) interest, penalties and reasonable attorneys' fees and expenses, (ii) attorneys' fees and expenses necessary to enforce rights to indemnification hereunder, and (iii) consultants' fees and other costs of defense or investigation), and interest on any amount payable to a Third Party as a result of the foregoing, whether accrued, absolute, contingent, known, unknown, or otherwise as of the Closing Date or thereafter.

"Material" or "Materially" shall be determined in light of the facts and circumstances of the matter in question; provided, however, that any specific monetary amount cited in this Agreement shall be deemed to determine materiality in that instance.

"Material Adverse Change" or "Material Adverse Effect" means any Material adverse change in or effect on (i) the business, operations, assets, Liabilities, financial condition or results of operations of such Person, including, without limitation, any Material adverse change in the value of the Station, the Assets or the Business, taken as a whole, (ii) the ability of such party to consummate the transactions contemplated by this Agreement or any of the Other Agreements to which it is or will be a party, or (iii) the ability of such party to perform any of its obligations under this Agreement or any of the

Other Agreements to which it is or will be a party, if such change or effect materially impairs the ability of such party to perform its obligations hereunder or thereunder, taken as a whole. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of less than \$700,000, no Material Adverse Change or Material Adverse Effect will be deemed to have occurred. If

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any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of \$700,000 or more but less than \$5,200,000, no Material Adverse Change or Material Adverse Effect will be deemed to have occurred and the Sellers shall have the option to either (i) cure such change, condition or event by the Closing Date or (ii) reduce the Purchase Price by the amount of the adverse effect caused by such change, condition or event. If any change, condition or event shall have an adverse effect or a reasonably likely adverse effect of \$5,200,000 or more, either Purchaser or the Sellers may terminate this Agreement at their discretion. Neither a Material Adverse Change nor a Material Adverse Effect shall be deemed to result from an adverse change in general economic conditions, industry conditions or general conditions in the markets in which the Sellers operate. Further, notwithstanding the \$700,000 threshold contained in the third sentence of this definition, the Sellers shall use all reasonable efforts to promptly remedy any adverse change, condition or event that causes or is reasonably likely to cause the Station to be or go off the air.

"Order" means any decree, injunction, judgment, order, ruling, writ, quasi-judicial decision or award or administrative decision or award of any federal, state, local, foreign or other court, arbitrator, mediator, tribunal, administrative agency or Governmental Authority to which any Person is a party or that is or may be binding on any Person or its securities, assets or business (including, in the case of the FCC, a public notice or other written authorization).

"Other Agreements" means the agreements, documents, assignments and instruments to be executed and delivered by the Sellers pursuant to this Agreement.

"Owned Real Property" means all Real Property other than Leased Real Property.

"Permitted Liens" means (i) Liens for current real property Taxes not yet due and payable, (ii) non-monetary Liens on Real Property that do not affect the value or use or future use of any parcel of Real Property, and (iii) those exceptions to title contained in the existing lender title policies with respect to the Owned Real Property that are listed on Schedule X-1 attached hereto.

"Person" means a natural person or any legal, commercial or governmental entity, such as, but not limited to, a business association, corporation, general partnership, joint venture, limited partnership, limited liability company, trust, or any person acting in a representative capacity.

"Personal Property" means collectively all Sellers' of the personal property or interests therein owned, leased, used or controlled by the Sellers and used or held for use in the Business, including, without limitation, machinery, tools, equipment (including office equipment and supplies), furniture, furnishings, fixtures (including trade fixtures), vehicles, leasehold improvements, all other tangible personal property other than Inventory (which is specifically excluded from the Personal Property).

"PUC Laws" means public utility commission laws, rules and regulations.

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"Purchase Price" means the total consideration to be paid to the Sellers by Purchaser for the purchase of the Assets pursuant to this Agreement and which

shall be paid in accordance with Section 1.05 of this Agreement.

"Real Property" means collectively all Sellers' real property or interests therein owned, leased, occupied, or used by the Sellers as of the date of this Agreement and used or held for use in the Business, together with (i) all rights, easements, tenements, hereditaments, appurtenances, privileges, immunities, mineral rights and other benefits belonging or appertaining thereto which run with said real property and (ii) all right, title and interest, if any, of the Sellers in and to (A) any land lying in the bed of any street, road, avenue, open or proposed, adjoining said real property, (B) any award made or to be made in lieu of the land described in the preceding clause (A), (C) any unpaid award for damage to said real property, and (D) all strips and rights-of-way abutting or adjoining said real property, if any. The Real Property includes, without limitation, all buildings, structures, fixtures and other improvements located on the land described in the preceding sentence.

"Required Consents" means the consents to assign to Purchaser those Contracts designated on Schedule 3.03 as Required Consent Contracts, to the extent required under such Assumed Contracts.

"Retained Assets" means the following:

(a) cash, cash equivalents and cash items of any kind whatsoever, certificates of deposit, money market instruments, bank balances, and rights in and to bank accounts, Treasury bills and marketable securities and other securities of Sellers, and the Accounts Receivable;

(b) contracts of insurance and insurance plans and the assets thereof, promissory notes, amounts due from employees, bonds, letters of credit, certificates of deposit, or other similar items, and any cash surrender value in regard thereto;

(c) any pension, profit-sharing, retirement, bonus, stock purchase, savings plans and trusts, 401(k) plans, health insurance plans (including any insurance contracts or policies related thereto), and the assets thereof and any rights thereto, and all other plans, agreements or understandings to provide employee benefits of any kind for employees of Sellers, including any contracts listed on Schedule X to this Agreement;

(d) tangible personal property disposed of or consumed in the ordinary course of the business of Sellers and in compliance with this Agreement between the date of this Agreement and the Closing Date;

(e) claims of Sellers with respect to transactions arising prior to the Closing Date, including, without limitation, rights and interests of Sellers in and to any claims for tax refunds (including, but not limited to, federal, state or local franchise, income or other

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taxes) and causes of action and claims of Sellers under contracts and with respect to other transactions with respect to events occurring prior to the Closing Date and all claims for other refunds of monies paid to any governmental agency and all claims for copyright royalties for broadcast prior to the Closing Date;

(f) Contracts that are not Assumed Contracts;

(g) Sellers' corporate records and other books and records that pertain to internal corporate matters of Sellers and Sellers' account books of original entry with respect to the Business and the Assets, and all original accounts, checks, payment records, tax records (including payroll, unemployment, real estate and other tax records) and other similar books, records and information of Sellers relating to Sellers' operation of the Business and the Assets prior to Closing;

(h) the deposits and prepaid expenses of Sellers with respect to the items that are not adjusted in favor of Sellers under Section 1.04; and

(i) all interests in the assets described on Schedule X to this Agreement.

Notwithstanding anything to the contrary set forth in this Agreement, no representations, warranties or covenants are made with respect to the Retained Assets.

"Retained Liabilities" means any Liability of Sellers that is not an Assumed Liability, including, without limitation, the following:

(i) any Liabilities for any Taxes of Sellers that arise prior to the Closing Date;

(ii) any Liabilities relating to current or former assets of Sellers not being acquired by Purchaser pursuant to this Agreement;

(iii) any Contracts that are not Assumed Contracts;

(iv) any Liability incurred by Sellers as a result of any Default by Sellers under any provision of this Agreement or the Other Agreements;

(v) any Liability of Sellers for severance payments or other severance obligations relating to any Person employed by Sellers on or before the Closing Date;

(vi) any Liability of Sellers for continuation of coverage under any group health plan maintained by Sellers required under the provisions of Code ss.4980B or Sections 601-608 of ERISA with respect to any Person employed by Sellers who experiences a "qualifying event" (as defined in the Code and ERISA) on or before the Closing Date;

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(vii) any Liability of Sellers to pay bonuses or other compensation to Affiliates of Sellers on account of the transactions contemplated by this Agreement;

(viii) any Liability of Sellers, of any nature whatsoever, to any current or former shareholder or Affiliate of Sellers;

(ix) any Liability (including without limitation, any Liability relating to any Litigation described on Schedule 3.19 and any other Litigation) relating to, based upon, or arising out of (A) the conduct of the Business or the ownership of the Assets prior to the Closing Date or (B) any act, omission, transaction, circumstance, sale of goods or services, state of facts or other condition which occurred or existed prior to the Closing Date, whether or not then known, due or payable and whether or not disclosed in this Agreement or the Other Agreements;

(x) any Liability that Purchaser may incur in connection with any Litigation brought against Purchaser under the Worker Adjustment and Retraining Notification Act or any similar Law that relates to actions taken by Sellers with regard to any employees or any site employment;

(xi) any Environmental Litigation;

(xii) any Liability of Sellers under or relating to any Employee Benefit Plan;

(xiii) any Liability to or Lien of any Third Party pursuant to the bulk sales of any jurisdiction that may be asserted against the sale of any of the Assets pursuant to this Agreement (whether asserted against Sellers, the Assets or Purchaser);

(xiv) any claim by any broker, finder or other Person employed or allegedly employed by Sellers in connection with the transactions contemplated by this Agreement; or

(xv) any credit agreements, note purchase agreements, indentures, or other financing arrangements, other than the Assumed Contracts, of either of Sellers.

"Subsidiary" means WALB Licensee Corp.

"Tax" or "Taxes" means any federal, state, county, local, foreign and other taxes, assessments, charges, fees, and impositions, including interest and penalties thereon or with respect thereto, whether disputed or not, and including Liabilities relating to unclaimed property.

"Tax Returns" means all returns, reports, filings, declarations and statements relating to Taxes that are required to be filed, recorded, or deposited with any Governmental Authority, including any attachment thereto or amendment thereof.

"Third Party" or "Third Parties" means any Person that is not Purchaser, the Sellers or an Affiliate of any of the foregoing.

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ARTICLE XI
MISCELLANEOUS

11.01 NOTICES.

(a) All notices, requests, demands and other communications hereunder shall be (i) delivered by hand, (ii) mailed by registered or certified mail, return receipt requested, first class postage prepaid and properly addressed, (iii) sent by national overnight courier service, or (iv) sent by facsimile, graphic scanning or other telegraphic communications equipment to the parties or their assignees, addressed as follows:

To the Sellers: c/o The Ward L. Quaal Company
401 N. Michigan Avenue, Suite 3140
Chicago, Illinois 60611
Attention: Ward L. Quaal
Telephone: (312) 644-6066
Facsimile: (312) 644-3733

with copies to: Gray Communications Systems, Inc.
1201 New York Avenue, N.W., Suite 1000
Washington, D.C. 20005
Attention: Robert A. Beizer
Telephone: (202) 962-4820
Facsimile: (202) 962-8300

To Purchaser: Cosmos Broadcasting Corporation
2000 Wade Hampton
Greenville, South Carolina 29615
Attention: Martha G. Williams
Telephone: (864) 609-4264
Facsimile: (864) 609-3176

with copies to: Dow, Lohnes & Albertson, PLLC
1200 New Hampshire Avenue, N.W., Suite 800
Washington, D.C. 20036
Attention: Patricia A. Francis
Telephone: (202) 776-2509
Facsimile: (202) 776-2222

(b) All notices, requests, instructions or documents given to any party in accordance with this Section 11.01 shall be deemed to have been given (i) on the date of receipt if delivered by hand, overnight courier service or if sent by facsimile, graphic scanning or other telegraphic communications equipment or (ii) on the date three (3) business days after depositing with the United States Postal Service if mailed by United States registered or certified mail, return receipt requested, first class postage prepaid and properly addressed.

(c) Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 11.01.

11.02 ENTIRE AGREEMENT. This Agreement, the Schedules, the Exhibits, the Exchange Agreement, and the Other Agreements constitute the entire agreement between the parties relating to the subject matter hereof and thereof and supersede all prior oral and written, and all contemporaneous oral negotiations, discussions, writings and agreements relating to the subject matter of this Agreement, including without limitation the LOI.

11.03 MODIFICATIONS, AMENDMENTS AND WAIVERS. The failure or delay of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect its right to enforce that provision. No single or partial waiver by any party of any condition of this Agreement, or the breach of any term, agreement or covenant or the inaccuracy of any representation or warranty of this Agreement, whether by conduct or otherwise, in any one or more instances shall be construed or deemed to be a further or continuing waiver of any such condition, breach or inaccuracy or a waiver of any other condition, breach or inaccuracy.

11.04 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto, and their respective estates, successors, legal or personal representatives, heirs, distributees, designees and assigns, but no assignment shall relieve any party of the obligations hereunder. This Agreement or any portion thereof cannot be assigned by any party without the prior written consent of the other parties hereto; provided, however, that Purchaser may assign this Agreement with the prior written consent of the Sellers, to an Affiliate of Purchaser, which consent shall not be unreasonably withheld if it does not delay the FCC consent and if it does not have an adverse tax impact on Sellers or their Affiliates and if Purchaser obtains all necessary Third Party consents in connection therewith without delaying Closing; provided, further, such assignment shall not relieve Purchaser of its obligations hereunder. With respect to such assignments, all representations, warranties, covenants and indemnification rights shall be binding upon, and inure to the benefit of, the assignee or assignees as if such representations, warranties, covenants and indemnification rights were made directly between the original parties to this Agreement.

11.05 TABLE OF CONTENTS; CAPTIONS; REFERENCES. The table of contents and the captions and other headings contained in this Agreement as to the contents of particular articles, sections, paragraphs or other subdivisions contained herein are inserted for convenience of reference only and are in no way to be construed as part of this Agreement or as limitations on the scope of the particular articles, sections, paragraphs or other subdivisions to which they refer and shall not affect the interpretation or meaning of this Agreement. All references in this Agreement to "Section" or "Article" shall be deemed to be references to a Section or Article of this Agreement.

11.06 GOVERNING LAW. This Agreement shall be controlled, construed and enforced in accordance with the substantive Laws of the State of New York, without respect to the Laws related to choice or conflicts of Laws.

11.07 PRONOUNS. All pronouns used herein shall be deemed to refer to the masculine, feminine or neuter gender as the context requires.

11.08 SEVERABILITY. Should any one or more of the provisions of this Agreement be determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as practicable to

that of the invalid, illegal or unenforceable provisions.

11.09 REMEDIES NOT EXCLUSIVE. Except for the liquidated damages provided for in Section 9.03, prior to Closing no remedy conferred by any of the specific provisions of this Agreement is intended to be, nor shall be, exclusive of any other remedy available at law, in equity or otherwise.

11.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original; but all of such counterparts shall together constitute one and the same instrument.

11.11 INTERPRETATIONS. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Purchaser or Sellers whether under any rule of construction or otherwise. No party to this Agreement shall be considered the draftsman. On the contrary, this Agreement has been reviewed, negotiated and accepted by all parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of all parties hereto.

11.12 EXCLUSIVE REMEDY. The parties acknowledge and agree that after Closing this Agreement shall provide the exclusive remedies of Purchaser and Sellers with respect to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, on and after the Closing, Purchaser and Sellers hereby waive any statutory, equitable or common law rights or remedies relating to any environmental health and safety matters, including without limitation, any such matters arising under any Environmental, Health and Safety Requirements, the Comprehensive Environmental Response, Compensation and Liability Act or any analogous state law.

11.13 GUARANTEE. Subject to the limitations set forth herein, including without limitation those set forth in Sections 6.01 and 6.02(b), Gray Communications Systems, Inc. hereby unconditionally guarantees to Purchaser the due and punctual payment and performance in full, when due, of all obligations and liabilities of Sellers' under this Agreement and the Other Agreements and waives any circumstances that might constitute a defense available to, or a discharge of, a guarantor or surety (but not any circumstances that might constitute a defense available to,

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or discharge of, either of the Sellers).

[SIGNATURES ON FOLLOWING PAGES]

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SIGNATURE PAGE TO WALB-TV ASSET PURCHASE AGREEMENT

IN WITNESS WHEREOF, the Sellers and Purchaser have duly executed this Agreement as of the date first above written.

THE COMPANY

WALB-TV, INC.

By: /s/ Ward L. Quaal

Ward L. Quaal, President

THE SUBSIDIARY

WALB LICENSEE CORP.

By: /s/ Ward L. Quaal

Ward L. Quaal, President

PURCHASER

COSMOS BROADCASTING CORPORATION

By: /s/ James M. Keelor

James M. Keelor, President

FOR PURPOSES OF SECTION 11.13:

GRAY COMMUNICATIONS SYSTEMS, INC.

By: /s/ Robert A. Beizer

Robert A. Beizer, Vice President

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the June 30, 1998 unaudited condensed consolidated financial statements of Gray Communications Systems, Inc. and is qualified in its entirety by reference to such financial statements.

</LEGEND>

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