

OPTION AGREEMENT

This Option Agreement (this "Agreement"), is entered into as of this 31st day of January, 2012, by and among **Desert Television, LLC**, a California limited liability company ("Desert Television"); **U-Dub Productions, LLC**, a California limited liability company ("U-Dub"); and **Gulf-California Broadcast Company**, a Nevada corporation ("Buyer"). For purposes of this Agreement, Desert Television and U-Dub are individually referred to as a "Seller" and collectively referred to as "Sellers."

Sellers and Buyer have entered into and as of the date hereof have completed the transactions as contained in that certain Asset Purchase Agreement (the "Purchase Agreement") dated January 30, 2012 and concurrently herewith have entered into that certain Local Marketing Agreement (the "LMA"), dated January 31, 2012. Pursuant to the Purchase Agreement, Sellers have sold, assigned and transferred to Buyer certain of their assets, and Buyer has purchased from Sellers those assets, all on the terms and conditions described therein. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

Subject to the matters described on Schedule 2.9 to the Purchase Agreement, Desert Television owns the licenses, permits, authorizations and approvals related to television broadcast stations KPSP-CD, Cathedral City, California and more fully described on **Exhibit A** attached hereto (the "KPSP FCC Authorizations") issued by the Federal Communications Commission (the "FCC") and U-Dub owns the licenses, permits, authorizations and approvals related to television broadcast stations KYAV-LP, Palm Springs, California and more fully described on **Exhibit B** attached hereto (the "KYAV FCC Authorizations"), and together with the KPSP FCC Authorizations, the "FCC Authorizations") issued by the FCC.

As provided in the Purchase Agreement, Sellers desire to grant an exclusive option (the "Option") to Buyer to purchase one or both of the KPSP FCC Authorizations and the KYAV FCC Authorizations, on the terms and conditions set forth herein.

Now, therefore, in consideration of the mutual covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the parties agree as follows:

1. OPTION; PURCHASE AND SALE OF FCC AUTHORIZATIONS; PURCHASE PRICE.

1.1. **Option.** Sellers hereby grant to Buyer the exclusive right and Option to one or both of the KPSP FCC Authorizations and the KYAV FCC Authorizations from the date hereof, until 12 months following Closing (the "Option Period"), in exchange for [REDACTED] (the "Option Purchase Price"), upon the terms and conditions hereinafter set forth. Buyer may exercise the Option at any time during the Option Period by giving Sellers written notice thereof (the "Exercise Notice"), which Exercise Notice shall specify either (a) that both FCC Authorizations are being purchased, or (b) if only one is being purchased, the FCC Authorization being purchased, at which time this Agreement shall become a binding agreement of purchase and sale with respect to such FCC Authorization(s) described in the Exercise Notice as being purchased. If the Exercise Notice specifies that only one of the FCC Authorizations is being purchased for purposes of such purchase, all references in this Agreement to the "FCC Authorizations" shall be deemed to refer only to the FCC Authorization being purchased

1.2. Purchase and Sale; Purchase Price.

(a) Upon the date (the "Exercise Date") Sellers receive an Exercise Notice, Sellers agree that, subject to the terms and conditions of this Agreement, on the Option Closing Date (defined below), Sellers shall sell, convey, transfer, assign and deliver to Buyer, by assignment or other

appropriate instrument, free and clear of all liens or similar encumbrances, all of the Sellers' right, title, and interest, in and to the FCC Authorizations.

(b) Subject to the terms and conditions of this Agreement, on the Option Closing Date, Buyer shall deliver to Sellers the Option Purchase Price in full payment for such FCC Authorizations.

1.3. Option Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Section 6.1, or the Option shall have expired unexercised, and subject to the satisfaction or waiver of the conditions set forth in Section 4, the consummation of the transactions contemplated hereby will take place as promptly as practicable on a date mutually agreed to by Sellers and Buyer (and in any event within five (5) business days) after satisfaction or waiver of the conditions set forth in Section 4 (the "Option Closing Date"), at a place mutually agreeable by the parties.

2. REPRESENTATIONS AND WARRANTIES OF SELLERS. Each Seller jointly represents and warrants to Buyer that:

2.1. Status and Authority. Desert Television and U-Dub are limited liability companies duly organized and validly existing under California law. Each Seller has full power and authority to execute and deliver this Agreement. Each Seller has (a) has full power and authority to carry out and perform all of its obligations under the terms of this Agreement, and (b) all corporate action by Seller necessary for the authorization, execution, delivery and performance by Seller of this Agreement has been taken. This Agreement has been duly executed and delivered by Sellers and this Agreement constitutes or will, when executed and delivered, constitute the valid and legally binding obligations of Sellers, enforceable against it in accordance with their respective terms.

2.2. No Defaults. Neither the execution and delivery of this Agreement nor the consummation by Sellers of the transactions contemplated hereby is an event that, of itself or with the giving of notice or the passage of time or both, will: (a) conflict with the provisions of the organizational documents of Seller; (b) violate any judgment, decree, order, statute, law, rule or regulation applicable to either Seller or any of the FCC Authorizations; or (c) result in the creation or imposition of any lien or similar encumbrance against the FCC Authorizations.

2.3. Licenses. The FCC Authorizations are not subject to any encumbrance created by Sellers.

3. COVENANTS. From the date hereof until the earlier of the Option Closing Date or the termination of this Agreement:

3.1. Maintenance of the FCC Authorizations. Sellers shall, at Buyer's cost, use reasonable commercial efforts (subject to receiving cooperation and assistance from Buyer, as the owner of the assets formerly used by Sellers) to comply with the requests of the Buyer, as the Buyer's may from time to time direct in writing, to maintain in full force and effect, and shall, at Buyer's request, take reasonable actions to renew and extend as and when requested by Buyer to prevent their lapse or termination prior to the Option Closing Date, all applicable FCC Authorizations.

3.2. FCC Applications. Within five (5) business days after the Exercise Notice from Buyer to Sellers, Sellers and Buyer shall jointly prepare and file with the FCC a complete and accurate applications for FCC consent to the assignment of the FCC Authorizations from Sellers to Buyer as contemplated herein (the "FCC Applications"). Sellers and Buyer effectively shall each pay one-half of all FCC filing fees in connection with the FCC Applications. Sellers and Buyer shall notify the other in the event it becomes aware of any facts, actions, communications or occurrences that might directly or indirectly affect their ability to

obtain the FCC consent. Sellers and Buyer shall diligently take all necessary, desirable and appropriate actions, provide any additional information reasonably required or requested by the FCC and otherwise use their reasonable efforts to obtain the FCC consent. Sellers (at Buyer's cost) and Buyer shall oppose any petitions to deny or other objections filed with respect to the FCC Applications, provided, however, that none of Sellers or Buyer shall have any obligation to participate in any evidentiary hearing on the FCC Applications or to pay a third party to obtain the FCC consent.

4. CONDITIONS PRECEDENT.

4.1. **Conditions to the Obligations of Buyer.** The obligations of Buyer to complete the purchase of the FCC Authorizations under this Agreement are subject to the fulfillment of the following conditions prior to or on the Option Closing Date:

(a) **Exercise Notice.** Buyer shall have delivered to Sellers the Exercise Notice.

(b) **Representations, Warranties and Covenants.**

(i) Each of the representations and warranties of Sellers contained in this Agreement shall be true and correct in all material respects as of the Option Closing Date;

(ii) Sellers shall have performed and complied in all material respects with each and every covenant and agreement required by this Agreement to be performed or complied with by them prior to or on the Option Closing Date;

(iii) Sellers shall have furnished Buyer with a certificate, dated the Option Closing Date and duly executed by the members or managers, as applicable, of Sellers, to the effect that the conditions set forth in Sections 4.1(b)(i) and 4.1(b)(ii) have been satisfied; and

(iv) Buyer shall be furnished with such certificates, documents or instruments with respect to Sellers as Buyer may have reasonably requested before the Closing to carry out the intent and purposes of this Agreement.

(c) **Proceedings.** No party hereto shall be subject to any restraining order or injunction restraining or prohibiting the consummation of the transactions contemplated hereby; no action or proceeding shall have been instituted before any court or governmental body to restrain or prohibit, or to obtain substantial damages in respect of, the consummation of the transactions contemplated by this Agreement; and none of the parties to this Agreement shall have received written notice from any party of (A) its intention to institute any action or proceeding to restrain or enjoin or nullify this Agreement or the transactions contemplated hereby, or to commence any investigation into the consummation of this Agreement or (B) the actual commencement of such an investigation.

(d) **FCC Consent.** The FCC, or its staff, acting under delegated authority, shall have consented to the assignment to Buyer of the FCC Authorizations, as proposed in the FCC Applications, without conditions which are materially adverse to Buyer or which in any way diminish the operating rights with respect to the FCC Authorizations and such consent shall have become "final" (i.e., it shall have not been vacated, reversed, stayed, set aside, annulled or suspended; with respect to which no timely appeal, timely request for stay, or timely petition for reconsideration, rehearing or review by any person or the FCC on its own motion, is pending; and as to which the time for filing any such timely appeal, timely request, timely petition for reconsideration, rehearing or review by the FCC on its own motion has expired).

(e) **No Liens.** There shall be no liens or similar encumbrances in respect of the FCC Authorizations as of the Option Closing Date.

4.2 Conditions to the Obligations of Seller. The obligations of Sellers to complete the sale of the FCC Authorizations under this Agreement are subject to the fulfillment of the items referred to in (c) and (d) of Section 4.1

5. INDEMNIFICATION; EQUITABLE RELIEF.

5.1. Indemnification by Sellers. Sellers, jointly and severally, will indemnify and hold harmless Buyer and its officers, employees, agents, representatives, and affiliates (collectively, the "Buyer Indemnitees") for, and will pay to the Buyer Indemnitees the amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with: (a) any breach of any representation or warranty made by Sellers in this Agreement that is not disclosed to Buyer in writing prior to the Option Closing Date; or (b) any breach by Sellers of any covenant or obligation of Sellers in this Agreement.

5.2. Indemnification by Buyer. Buyer will indemnify and hold harmless Sellers and their respective officers, employees, agents, representatives, and affiliates (collectively, the "Seller Indemnitees"), and will pay to the Seller Indemnitees the amount of any Damages arising, directly or indirectly, from or in connection with any breach by Buyer of any covenant or obligation of Buyer in this Agreement.

5.3. Indemnification Procedures. With respect to any claim of indemnification arising out of this Agreement, the parties agree to adhere to the procedures for establishment of claims and payment procedures set forth in Section 9 of the Purchase Agreement.

6. TERMINATION.

6.1. Termination. This Agreement may be terminated at any time prior to the Option Closing Date:

(a) by mutual written consent of Sellers and Buyer;

(b) by Buyer, upon a material breach of any representation, warranty, covenant and agreement on the part of Sellers set forth in this Agreement, or if any representation or warranty of Sellers shall have become materially untrue; or

(c) by either Buyer or Sellers upon termination of the Purchase Agreement in accordance with its terms.

6.2. Effect of Termination. In the event of the termination of this Agreement pursuant to Section 6.1, this Agreement shall forthwith become void, there shall be no liability on the part of Buyer, Sellers, or any of their respective officers, directors, stockholders, managers, or members to the other parties hereto and all rights and obligations of any party hereto shall cease

7. GENERAL PROVISIONS

7.1. Survival of Representations and Warranties and Covenants. The representations and warranties and covenants made herein shall survive until termination of the indemnity provided in Section 5.1 and Section 5.2 with respect to any such representation, warranty or covenant.

7.2. Public Announcements. Prior to the Option Closing Date, no party shall, without the approval of the other party hereto, make any press release or other public announcement concerning the transactions contemplated by this Agreement, except as and to the extent that such party shall be so obligated by law, in which case such party shall give advance notice to the other party and the parties shall use their best efforts to cause a mutually agreeable release or announcement to be issued.

7.3. Successors and Assigns. Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective representatives, successors and assigns. No party hereto may assign any of its rights or delegate any of its duties hereunder without the prior written consent of the other parties, and any such attempted assignment or delegation without such consent shall be void; provided, however, that Buyer may assign its rights and delegate its duties to any entity controlling, controlled by or under common control with Buyer; provided further, that Buyer shall not be released from any liability under this Agreement as a result of such assignment and/or delegation and will be jointly and severally liable with such assignee.

7.4. Amendments; Waivers. The terms of this Agreement may be changed only by a written instrument executed by the parties. The failure of any party at any time or times to require compliance with any provision of this Agreement shall in no manner affect the right of such party at a later date to enforce the same. No waiver by any party of any condition or the breach of any covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

7.5. Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing (which shall include notice by fax transmission) and shall be deemed to have been duly made and received when (a) personally served, (b) delivered by FedEx or a similar overnight courier service, expenses prepaid, or (c) when confirmation of receipt is received by the sender if sent by facsimile or electronic mail, addressed as set forth below:

If to Sellers,

Desert Television, LLC
U-Dub Productions, LLC
c/o Mr. David N. Rennie
1780 – 999 West Hastings Street
Vancouver, B.C. V6C 2W2
604-681-2233
604-681-5803 (fax)
drennie@rennicorp.com

with a copy, given in the manner prescribed above, to:

Daniel B. McIntyre
1780 – 999 West Hastings Street
Vancouver, B.C. V6C 2W2
604 688-1418
604-688-1409 (fax)
dan@danielmcintyre.com

If to Buyer, then to:

Gulf-California Broadcast Company
825 Edmond Street
St. Joseph, Missouri 64501
Attention: David R. Bradley
816-271-8500
816-271-8695 (fax)
davidrb@npgco.com

with a copy, given in the manner prescribed above, to:

Spencer Fane Britt & Browne LLP
1000 Walnut Street, Suite 1400
Kansas City, Missouri 64106
Attention: Michael L. McCann, Esq.
816-474-8100
816-474-3216 (fax)
mmccann@spencerfane.com

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section providing for the giving of notice.

7.6. Section Headings, Construction. The headings of sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

7.7. Governing Law. This Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the State of California without giving effect to principles of conflicts of laws.

7.8. Entire Agreement. This Agreement, the Purchase Agreement, and the other documents delivered hereunder or under the Purchase Agreement constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof, and supersede all prior agreements, understandings, inducements or conditions, express or implied, oral or written, relating to the subject matter hereof, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of trade inconsistent with any of the terms hereof.

7.9. Execution; Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

7.10. No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any person or entity other than the parties signatory hereto any interest or rights (including any third party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their duly authorized signatories, all as of the day and year first above written.

BUYER:

GULE CALIFORNIA BROADCAST COMPANY

By: David R. Bradley
David R. Bradley, President

SELLERS:

DESERT TELEVISION, LLC

By: _____
Title: _____

U-DUB, LLC

By: _____
Title: _____

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their duly authorized signatories, all as of the day and year first above written.

BUYER:

GULF-CALIFORNIA BROADCAST COMPANY

By: _____
David R. Bradley, President

SELLERS:

DESERT TELEVISION, LLC

By: James H. Hest
Title: AUTHORIZED SIGNATORY

C-DUB, LLC

By: James H. Hest
Title: AUTHORIZED SIGNATORY