

OPTION AGREEMENT

THIS OPTION AGREEMENT is made and entered into as of _____, 2004 by and between **SAGAMOREHILL OF MINNESOTA, LLC**, a Delaware limited liability company (“Sagamore”), **SAGAMOREHILL OF MINNESOTA LICENSES, LLC**, a Delaware limited liability company (“SHM Licenses”; Sagamore and SHM Licenses are collectively referred to as “SHM”), and **QUINCY NEWSPAPERS, INC.**, an Illinois corporation (“QNI”).

WITNESSETH

WHEREAS, SHM has acquired from Shockley Broadcasting, LLC certain assets used in the operation of television station KXLT-TV, Rochester, Minnesota (“KXLT”) pursuant to an Asset Purchase Agreement dated May 27, 2004 (the “SHM APA”);

WHEREAS, SHM desires to grant QNI an option to purchase such assets relating to KXLT on the terms and conditions set forth herein; and

WHEREAS, QNI desires to acquire an option to purchase such assets relating to KXLT on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties, intending to be legally bound, agree as follows;

1. **Option.** SHM hereby gives, grants, transfers and conveys to QNI, and its successors and assigns, the sole and exclusive right, privilege and option to purchase (the “Option”), on the terms and conditions hereinafter set forth, all of the tangible and intangible personal property, licenses, authorizations and certain leases, contracts and agreements, owned or held by SHM or in which SHM holds an interest, relating to the operation of KXLT including, without limitation, the property described below (and collectively referred to as the “KXLT Assets”):

- (i) All of the licenses and other authorizations issued by the Federal Communications Commission (“FCC”) for the operation of KXLT;
- (ii) All of the tangible personal property now owned or hereafter acquired and used or useful in the operation of KXLT;
- (iii) All of the intangible personal property now owned or hereafter acquired and used or useful in the operation of the KXLT, including any cash and accounts receivable; and

- (iv) All of The contracts, leases and other agreements relating to the operation of KXLT.

In the event that QNI (or any successor or assign of QNI) exercises the Option, the KXLT Assets shall be assigned, transferred or conveyed, after the application of the Cash Purchase Price as may be required to repay the Existing Station Indebtedness, by SHM to QNI (or its successor or assign), subject only to prior FCC consent, by good and sufficient bill of sale and/or other documents of transfer, all in form and substance satisfactory to QNI and SHM, free and clear of all liens, charges, encumbrances, debts, liabilities and obligations whatsoever, other than those solely in favor of or created by QNI.

2. **Consideration for Option.** This Option is granted in return for, among other consideration, the payment by QNI to SHM of Fifty Thousand Dollars (\$50,000) and QNI's guarantee of SHM's debt with respect to the Station.

3. **Period of Option.** QNI (or its successor or assign) may exercise the Option at any time on or before that date which is ten (10) years from the date first set forth above.

4. **Exercise of Option.** QNI (or its successor or assign) may exercise the Option by delivery of written notice thereof (the "Exercise Notice") to SHM. Within twenty (20) business days after delivery of the Exercise Notice, SHM and QNI (or its successor or assign) shall enter into an Asset Purchase Agreement (the "KXLT APA") containing customary and reasonable terms and conditions generally applicable to similar transactions.

5. **Payment Upon Consummation.** Upon exercise of the Option and consummation of the sale of the KXLT Assets to QNI (or its successor or assign) pursuant to the KXLT APA, QNI (or its successor or assign) shall pay to SHM an amount which is equal to the Cash Purchase Price. The "Cash Purchase Price" shall be an amount equal to the greater of:

- (i) (x) the product of seven (7) and the amount of the cash flow generated by the Station during the twelve (12) months completed prior to the date upon which the Exercise Notice is given, reduced by (y) without duplication, the amount of the Existing Station Indebtedness as of the date of the Closing and any amount owing as of the date of the Closing by Seller to Buyer or any of its affiliates; or
- (ii) the sum, without duplication, of the amount of the Existing Station Indebtedness as of the date of the Closing and any amount owing as of the date of the Closing by SHM to QNI or any of their respective affiliates.

For purposes of determining the Cash Purchase Price, the amount of the cash flow referred to in clause (1)(x) above will be determined in accordance with generally accepted accounting principles. QNI (or its successor or assign) and SHM will cooperate in the determination of the Cash Purchase Price. For purposes of this Section, "Existing Station Indebtedness" shall mean trade debt incurred in the ordinary course of business and the outstanding principal, interest and any other amounts owing in connection with or relating to the

station, whether now or hereafter existing or arising, including without limitation under SHM's loan with _____ Bank dated _____, and any replacement(s) thereof.

6. **Representations and Warranties of SHM.** SHM represents and warrants to QNI as follows:

(a) Each of Sagamore and SHM Licenses is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware.

(b) Each of Sagamore and SHM Licenses has the power and authority to enter into and to perform its obligations under this Agreement.

(c) The execution, delivery and performance of this Agreement by each of Sagamore and SHM Licenses has been duly authorized and this Agreement constitutes a valid and binding obligation of each of Sagamore and SHM Licenses enforceable against each of them in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

7. **Representations and Warranties of QNI.** QNI represents and warrants to SHM as follows:

(a) QNI is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois.

(b) QNI has the power and authority to enter into and perform its obligations under this Agreement.

(c) The execution, delivery and performance of this Agreement by QNI has been duly authorized and this Agreement constitutes a valid and binding obligation of QNI enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

8. **Covenants of SHM.** During the period in which the Option may be exercised, subject to the Shared Services Agreement of even date herewith among SHM, QNI and KTTC Television, Inc., a Delaware corporation ("QNI Sub"), (the "SSA") and the Agreement for the Sale of Commercial Time of even date herewith among SHM, QNI and QNI Sub (the "JSA"), SHM covenants to:

(a) Operate KXLT in substantially the manner in which it is currently being operated;

(b) Maintain all machinery and equipment included in the KXLT Assets in a normal state of repair and efficiency;

(c) Maintain insurance upon the KXLT Assets and with respect to the operation of KXLT in such amounts and in such nature as in effect on the date hereof;

(d) Operate KXLT in all material respects in accordance with the terms of the licenses and authorizations issued by the FCC, the Communications Act of 1934, as amended, the rules and regulations of the FCC, and all other statutes, ordinances, rules and regulations of governmental authorities;

(e) Other than the Existing Station Indebtedness, not mortgage, pledge, subject to any lien or otherwise encumber any of the KXLT Assets; and

(f) Not sell, lease or otherwise dispose of any of the KXLT Assets in a manner that is inconsistent with this Agreement.

9. **Specific Performance.** SHM and QNI acknowledge and agree that, due to the unique nature of the subject matter of this Agreement, QNI (or its successor or assign) would suffer irreparable damages in the event of breach of this Agreement, which damages could not adequately be compensated except by specific performance of this Agreement. Accordingly, without limiting any other remedy that may be available to QNI (or its successor or assign) at law or equity, in the event of a breach by SHM of this Agreement, it is agreed that QNI (or its successor or assign) shall be entitled to temporary and permanent injunctive relief, including, but not limited to, specific performance hereof, without any showing of actual damage or inadequacy of legal remedy, in any proceeding before a court of law with proper jurisdiction to hear the matter, which may be brought to enforce this Agreement. SHM hereby waives any defense that there is an adequate remedy at law for such breach of this Agreement.

10. **Expenses.** Whether or not the transactions contemplated hereby are consummated, except as otherwise expressly provided herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses.

11. **Further Assurances.** Subject to the terms and conditions of this Agreement, each of the parties hereto will use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

12. **Amendment and Modification.** This Agreement may be amended, modified or supplemented only by written agreement of SHM and QNI.

13. **Waiver of Compliance: Consents.** Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement or condition herein may be waived by the party entitled to the

benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 13.

14. **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or by Federal Express or other comparable nationally recognized courier service (receipt requested) or by facsimile transmission, telexed or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

To SHM: SagamoreHill of Minnesota, LLC
3825 Inverness Way
Augusta, Georgia 30907
Attention: Louis Wall
Telephone: (706) 855-8506
Telecopy: (706) 855-8747

With a copy (which shall not constitute notice) to:

Wiley Rein & Fielding LLP
1776 K Street, NW
Washington, DC 20006
Attention: Brook A. Edinger
Telephone: (202) 719-7279
Telecopy: (202) 719-7049

To QNI: Quincy Newspaper, Inc.
130 South 5th Street
Quincy, Illinois 62301
Attention: Ralph Oakley
Telephone: (217) 221-3404
Telecopy: (217) 221-3402

With a copy (which shall not constitute notice) to:

Scholz, Loos, Palmer, Siebers and Duesterhaus
625 Vermont Street
Quincy, Illinois 62301
Attention: Steven E. Siebers
Telephone: (217) 223-3444
Telecopy: (217) 223-3450

15. **Assignment.** This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but, except as provided for herein, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by SHM without the prior written consent of QNI, which consent shall not be unreasonably withheld. Without the consent of SHM, QNI may assign its rights and obligations under this Agreement to any other party or parties. To the extent this Agreement is assigned by QNI in accordance with the terms of this Section 16 to a party that is not an affiliate of QNI, upon such assignment QNI shall have no further obligations under this Agreement and SHM's only recourse under this Agreement shall be against such assignee of QNI, provided that such assignee is financially and legally qualified to hold the FCC licenses for the Station.

16. **No Third Party Beneficiaries.** Except as expressly provided herein, this Agreement is not intended to, and shall not, confer upon any other person except the parties hereto any rights or remedies hereunder.

17. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA (BUT NOT THE LAWS PERTAINING TO CHOICE OF LAW) AS TO ALL MATTERS, INCLUDING BUT NOT LIMITED TO MATTERS OF VALIDITY, CONSTRUCTION, EFFECT, PERFORMANCE AND REMEDIES.

18. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. **Headings.** The section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

20. **Entire Agreement.** This Agreement, including the documents delivered pursuant to this Agreement or other written agreements referring specifically to this Agreement, the SSA and the JSA, embody the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. The Exhibit(s) hereto are an integral part of this Agreement and are incorporated by reference herein. This Agreement supersedes all prior negotiations, agreements and understandings between the parties with respect to the transactions contemplated by this Agreement and all letters of intent and other writings executed prior to the date hereof relating to such negotiations, agreements and understandings.

21. **Severability.** If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other

provision is invalid or enforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in any acceptable manner to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

22. **Press Releases.** No press releases or other public announcements concerning this Agreement or the transactions contemplated hereby shall be made by any party hereto without the prior written consent of the other party unless the first such party is legally compelled to do so.

23. **Publicity.** Neither SHM nor QNI shall make or issue or cause to be made or issued, any announcement (written or oral) concerning this Agreement or the transactions contemplated hereby for dissemination to the general public without the prior consent of the other party. This provision shall not apply, however, to any announcement or written statement required to be made by law or the regulations of any federal or state governmental agency or any stock exchange, except that the party required to make such announcement shall provide a draft copy thereof to the other party hereto, and consult with such other party concerning the timing and content of such announcement, before such announcement is made.

24. **FCC Approval.** Notwithstanding any provision to the contrary herein, QNI's rights under this Agreement are subject to the Communications Act of 1934, as amended, and the rules, regulations and published policies of the FCC. SHM and QNI agree to use their respective commercially reasonable best efforts to obtain any approval required by the FCC for any action or transaction contemplated under this Agreement.

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[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE TO OPTION AGREEMENT

IN WITNESS WHEREOF, the undersigned have executed this Option Agreement as of the day and year first written above.

SAGAMOREHILL OF MINNESOTA, LLC

By: _____
Name:
Title

**SAGAMOREHILL OF MINNESOTA
LICENSES, LLC**

By: _____
Name:
Title:

QUINCY NEWSPAPERS, INC.

By: _____
Name: Ralph M. Oakley
Title: Vice President