OPTION EXERCISE AGREEMENT

THIS OPTION EXERCISE AGREEMENT (this "Agreement") is made and entered into as of February 10, 2014, by and between Granite Broadcasting Corporation, a Delaware corporation company (together with its successors and permitted assigns, "Option Holder") and Malara Broadcast Group Inc., a Delaware corporation, Malara Broadcast Group of Duluth LLC, a Delaware limited liability company, and Malara Broadcast Group of Duluth Licensee LCC, a Delaware limited liability company (collectively, the "Grantor").

WITNESSETH:

WHEREAS, Grantor is the licensee of broadcast television station KDLH(TV), Duluth, Minnesota (the "Station");

WHEREAS, Option Holder and Grantor are parties to that certain Put and Call Option Agreement dated as of December 8, 2009 (the "Option Agreement"), pursuant to which, among other things, the Grantor has granted to Option Holder an option to purchase the Station Assets (as defined in the Option Agreement) on the terms and conditions set forth in the Option Agreement; and

WHEREAS, Option Holder desires to exercise such option, and Option Holder and the Grantor wish to make arrangement for the orderly implementation of the option exercise pursuant to the terms of the Option Agreement; and

WHEREAS, the transaction contemplated hereby requires the consent of the Federal Communications Commission ("FCC").

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

1. Defined Terms. All capitalized terms used and not defined herein shall, unless the context otherwise indicates, have the meanings ascribed thereto in the Option Agreement.

2. Option Exercise.

(a) Pursuant to Section 1.5(a) of the Option Agreement, Option Holder hereby exercises the Call Option. This Agreement shall be deemed to be the Call Option Exercise Notice in accordance with Section 1.5(a) of the Option Agreement, which, except as otherwise specifically provided herein, shall be subject to the terms and conditions therein.

(b) Option Holder represents and warrants to Grantor that the applicable Cash Flow is as set forth on *Schedule 2(b)* attached hereto; and Grantor represents and warrants to Option Holder that the Existing Station Indebtedness is $0. Based on and subject to the foregoing, the parties hereto agree that in accordance with the terms and conditions of the Option Agreement, the Option Exercise Price is $150,000.

(c) The Call Option is being exercised in connection with the Option Holder's execution and delivery of an Asset Purchase Agreement, dated as of the date hereof (the "Purchase Agreement"), among Option Holder, certain of Option Holder's affiliates, Quincy Newspapers, Inc., an Illinois corporation ("Quincy"), and SagamoreHill Midwest, LLC, a Delaware limited liability company ("SHB") (the proposed transaction as set forth in the Purchase Agreement, the "Transaction").

(d) Notwithstanding anything to the contrary contained in the Option Agreement, the "Option Closing" for the Station shall take place simultaneously with the consummation of the Transaction and Option Holder shall notify Grantor of the date of the Closing.

3. Notice of Assignment; Closing Mechanics.

(a) As provided in Section 10.5 of the Option Agreement, Option Holder may assign the Option Agreement or any of its rights or obligations thereunder pursuant to the terms and subject to the conditions set forth therein. Pursuant to Section 10.5 of the Option Agreement and in connection with the transactions contemplated by the Purchase Agreement, Option Holder hereby (i) provides notice to Grantor of the assignment of its rights under the Option Agreement, with respect to the Station Assets being transferred under the Purchase Agreement (such transferred Station Assets, the "SHB Assigned Assets"), to SHB, and (ii) instructs Grantor to, and Grantor agrees to, execute and deliver, at the Option Closing, the conveyancing documents set forth in Section 2.3(a) of the Option Agreement, to SHB as the direct assignee of Grantor solely with respect to the delivery and conveyance of the SHB Assigned Assets as set forth by Option Holder in the applicable conveyancing documents. Grantor shall (i) agree to such modifications closing documents specified in the Option Agreement as Option Holder may reasonably request in order to accommodate the requirements of SHB, and (ii) subject to Section 4 below, take all actions reasonably necessary or reasonably required by Option Holder, in each case as contemplated to be taken by Option Holder in the Purchase Agreement, or such other actions as may be reasonably requested by Option Holder, to facilitate the sale and transfer of the SHB Assigned Assets.

(b) At the Option Closing, Grantor and Option Holder shall execute and deliver any conveyancing documents set forth in Section 2.3 of the Option Agreement necessary to evidence the conveyance of any Station Assets and related liabilities to Option Holder that are not otherwise conveyed to SHB in accordance with Section 3(a) of this Agreement.

(c) For the avoidance of doubt, except as specified herein solely with respect to the conveyance and delivery of the SHB Assigned Assets to Mission, Option Holder is not assigning any other of its rights or delegating any of its obligations under the Option Agreement (including, without limitation, any rights to indemnification or obligation to indemnify Grantor thereunder) to an assignee.

4. Expenses. At the Closing or earlier termination of this Agreement, after presentation of invoices or other evidence reasonably satisfactory to Option Holder, Option Holder agrees to deliver to Grantor, the expense payments due under the Option (each, a "Reimbursable Expense"); provided, however, that any amount paid or payable by Grantor (a) to

the FCC pursuant to the terms of any tolling, assignment and escrow agreements as necessary and requested by the FCC to facilitate the grant of the FCC Applications (as defined in the Purchase Agreement) (any such agreement, a "Tolling Agreement") or (b) in connection with (*i*) the opposition of any petitions to deny or other objections filed with respect to the FCC Applications to the extent such petition or objection relates to Grantor and (*ii*) any requests for extension of the effective period of the FCC Consent (as defined in the Purchase Agreement) shall be reimbursed by Option Holder promptly following the payment therefor by Grantor and, to the extent reasonably practicable, such costs shall be advanced or reimbursed by Option Holder substantially contemporaneously with the payment of such costs by the Grantor. In the event that any amounts (*y*) paid by Grantor into escrow to a Tolling Agreement and (*z*) which were advanced or reimbursed by Option Holder pursuant to this Section 4, are subsequently released by the FCC to Grantor, such amounts (including any corresponding interest released therewith) shall be promptly delivered to Option Holder in accordance with written instructions provided by Option Holder to Grantor.

5. Further Assurances. Subject to the terms and conditions of this Agreement, each of the parties hereto will, on request, use all commercially reasonable efforts to cooperate with one another by furnishing additional information, executing and delivering any additional documents and/or instruments and doing any and all such things as may be reasonably required by the parties or their counsel to consummate or otherwise implement the transactions contemplated by the Option Agreement and this Agreement.

6. Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of Grantor and Option Holder.

7. Certain Additional Covenants.

(a) Grantor has read Articles 4 and 5 of the Purchase Agreement, and hereby agrees for the benefit of Option Holder, not to take any action, or fail to take any action, that would be a breach by the Option Holder of Article 4 or 5 of the Purchase Agreement; and

(b) Within ten (10) business days after the date of this Agreement, Grantor agrees that it shall file, along with SHB, one or more applications to the FCC requesting the consent to the assignment of the FCC Licenses hereby from Grantor to SHB.

8. 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 compliances as set forth in this Section 7.

9. Representations. Each party hereto hereby makes the following representations and warranties to the other party: The execution and delivery by such party of this Agreement,

the Option Agreement and the agreements contemplated to be delivered at Closing hereby (the "Operative Agreements") to which it is a party, and the performance by such party of its obligations hereunder and thereunder, have been duly and validly authorized by such party, no other corporate or limited liability company action on the part of such party or its equityholders being necessary. This Agreement has been duly and validly executed and delivered by such party and constitutes, and upon the execution and delivery by such party of the Operative Agreements to which it is a party, such Operative Agreements will constitute, legal, valid and binding obligations of such party enforceable against it in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar Laws relating to or affecting the rights of creditors generally, or by general equitable principles.

10. Notices. All notices, demands and other communications given or delivered under this Agreement will be in writing and will be deemed to have been given (i) when personally delivered, (ii) the next business day after delivery to such overnight delivery service or (iii) on the third (3rd) Business Day after it is mailed by registered or certified mail (with postage and other fees prepaid and with return receipt requested). Notices, demands and communications to the parties will, unless another address is specified in writing, be sent to Option Holder at the address indicated in Section 10.7 of the Option Agreement and to Grantor at Malara Broadcast Group Inc., 9257 Bailey Lane, Fairfax, Fairfax County, VA 22031, with a copy (which will not constitute notice to Grantor) to Cozen O'Connor, 277 Park Avenue, New York, NY 10172, Attn: Stuart A. Shorenstein.

11. Assignment. This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties and their respective successors and assigns; provided that, neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by Grantor without the prior written consent of Option Holder. Any such assignment made by Grantor without the prior written consent of Option Holder shall be null and void. Notwithstanding the foregoing, Option Holder may, without obtaining the prior consent of Grantor, assign this Agreement and any of its rights or obligations hereunder to any Person; *provided, however,* that Option Holder, as assignor, shall remain liable for its obligations hereunder. Option Holder shall provide to Grantor written notice of any such assignment of this Agreement and any of its rights or obligations hereunder. Any permitted assignee of Grantor or Option Holder hereunder shall be a "party" to this Agreement for all purposes hereof.

12. Certain Matters. The representations, warranties and covenants set forth in the Option Agreement, this Agreement and any Operative Agreement shall survive the Closing for a period of 12 months. After the Closing, Grantor shall indemnify and hold harmless Option Holder and each of its past and present Affiliates from and against any and all damages, losses, taxes, claims, liabilities, demands, charges, suits, penalties, costs and expenses (including court costs and reasonable attorneys' fees and expenses of a single law firm incurred in investigating and preparing for any litigation or proceeding), arising out of or incurred with respect to (i) any breach of a representation or warranty set forth in Article III or IV of the Option Agreement or a representation or warranty in this Agreement, and (ii) the breach or non-performance of any covenant or obligation to be performed by Grantor hereunder or under the Option Agreement. Notwithstanding the foregoing or anything else herein to the contrary, after the Closing, except

in the case of fraud, the maximum aggregate liability of Grantor under this Agreement shall be the Exercise Price. Each party shall be entitled to seek specific enforcement of this Agreement.

13. 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.

14. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. In furtherance of the foregoing, the internal law of the State of New York will control the interpretation and construction of this Agreement (and all schedules and exhibits hereto), even if under that jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

15. 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.

16. Publicity. None of the parties hereto 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.

17. FCC Compliance. Notwithstanding any provision to the contrary herein, Option Holder's rights under this Agreement are subject to the Communications Act and the FCC Regulations.

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. The delivery of an executed counterpart of the Agreement by facsimile or electronic transmission will be deemed to be an original counterpart of the Agreement so transmitted.

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 (other than the Purchase Agreement), together with the Option Agreement, embody the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. Except as expressly modified herein, the Option Agreement shall continue to be, and shall remain, in full force and effect.

21. Termination of this Agreement Only. In the event that, pursuant to Section 1.5(a) of the Option Agreement, Option Holder withdraws any Call Option Exercise Notice given pursuant to Section 2 of this Agreement, this Agreement (but not the Option Agreement) shall terminate without liability for any party, other than for breach of this Agreement or the Option Agreement prior to such termination, and Grantor agrees to proceed as set forth on Schedule 21.

[*Remainder of page intentionally blank; signature page follows*]

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

GRANITE BROADCASTING CORPORATION

By: 
Name: Lawrence I. Wills
Title: Chief Financial Officer

MALARA BROADCAST GROUP INC.

By: _____
Name:
Title:

MALARA BROADCAST GROUP OF DULUTH LLC

By: _____
Name:
Title:

MALARA BROADCAST GROUP OF DULUTH LICENSEE LCC

By: _____
Name:
Title:

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

GRANITE BROADCASTING CORPORATION

By:_____
Name:
Title:

MALARA BROADCAST GROUP INC.

By: A J Malara
Name: ANTHONY J. MALARA
Title: PRESIDENT & CEO

MALARA BROADCAST GROUP OF DULUTH LLC

By: A J Malara
Name: ANTHONY J. MALARA
Title: PRESIDENT & CEO

MALARA BROADCAST GROUP OF DULUTH LICENSEE LCC

By: A J Malara
Name: ANTHONY J. MALARA
Title: PRESIDENT & CEO