

SEPARATION AND SERVICES AGREEMENT

THIS SEPARATION AND SERVICES AGREEMENT (this "Agreement") is entered into as of this 14th day of December, 2001, by and among Granite Broadcasting Corporation ("Granite"), KNTV Television, Inc., ("KNTV"), KNTV License, Inc. ("KNTV License", and together with KNTV, the "KNTV Entities"), KBWB, Inc. ("KBWB"), KBWB License, Inc. (f/k/a KOFY-TV License, Inc.) ("KBWB License", and together with KBWB, the "KBWB Entities") and National Broadcasting Company, Inc. ("NBC").

A G R E E M E N T

WHEREAS, as of the date hereof, the KNTV Entities and the KBWB Entities operate television stations KNTV-TV (the "KNTV Station") and KBWB-TV (the "KBWB Station") in the San Francisco-Oakland-San Jose, California DMA as a permitted duopoly in accordance with the rules and regulations of the Federal Communications Commission;

WHEREAS, pursuant to a Stock Purchase Agreement of even date herewith (the "Purchase Agreement"), by and among Granite, the KNTV Entities, and NBC, the parties thereto agreed to the purchase by NBC from Granite of all outstanding shares of capital stock of KNTV;

WHEREAS, upon the consummation of the Closing (as defined in the Purchase Agreement), the KNTV Station and the KBWB Station will no longer be operated as a duopoly;

WHEREAS, the parties hereto wish that, as of and following the date of the Closing (the "Closing Date"), the KNTV Station and the KBWB Station provide certain services to each other in connection with the operation of their respective television stations as separately owned businesses and Granite provide certain services to the KNTV Station in connection with the operation of the KNTV Station;

NOW, THEREFORE, in consideration of the premises and of the respective representations and warranties hereafter set forth and of the covenants and agreements herein contained, the parties covenant and agree with each other as follows:

1. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Purchase Agreement.

2. Programming Agreements.

(a) Schedule 2(a) lists all programming agreements to which KNTV is a party on the date hereof and pursuant to which the KBWB Station wishes to broadcast programming after the Closing (the “KNTV Programming Agreements”). KNTV shall use commercially reasonable efforts to enable the KBWB Station to broadcast such programming on and after the Closing Date on substantially similar terms as currently broadcast by KBWB. Such efforts shall include, without limitation, attempting to obtain necessary third-party consents to assign, license, sublicense, bifurcate or otherwise transfer any programming rights pursuant to the KNTV Programming Agreements. Notwithstanding the foregoing, KNTV shall not, without the consent of NBC, take any action to cause the KNTV Station to be unable to broadcast such programming.

(b) [Intentionally Deleted]

(c) Schedule 2(c) lists all programming agreements to which Granite is a party on the date hereof and to which Granite will remain a party on the Closing Date, (i) pursuant to which NBC wishes to cause the KNTV Station to broadcast programming after the Closing and (ii) pursuant to which KBWB wishes to continue to broadcast programming after the Closing (the “Granite Programming Agreements”). Granite shall use commercially reasonable efforts to enable the KNTV Station to broadcast such programming on and after the Closing Date on substantially similar terms as currently broadcast by KNTV. Such efforts shall include, without limitation, attempting to obtain necessary third-party consents to assign, license, sublicense, bifurcate or otherwise transfer any programming rights pursuant to the Granite Programming Agreements; provided, that such efforts shall not prevent or materially interfere with KBWB’s ability to broadcast such programming on substantially similar terms as currently broadcast by KBWB. KNTV and KBWB agree to share the applicable programming fees as more specifically set forth on Schedule 2(c). To the extent that any additional fees or obligations are payable to or otherwise owed to such third parties with respect to KNTV’s broadcast, KNTV shall assume all such fees or obligations.

(d) Schedule 2(d) lists all programming agreements to which KBWB is a party and pursuant to which NBC wishes to cause the KNTV Station to broadcast programming after the Closing (the “KBWB Programming Agreements”). KBWB shall use commercially reasonable efforts to enable the KNTV Station to broadcast such programming on and after the Closing Date on commercially reasonable terms. Such efforts shall include, without limitation, attempting to obtain necessary third-party consents to assign, license, sublicense, bifurcate or otherwise transfer any programming rights pursuant to the KBWB Programming Agreements; provided, that such efforts shall not prevent or materially interfere with KBWB’s ability to broadcast such programming on substantially similar terms as currently broadcast by KBWB. To the extent that any fees or obligations are payable to or otherwise owed to such third parties with respect to KNTV’s broadcast, KNTV shall assume all such fees or obligations.

(e) Schedule 2(e) lists all programming agreements to which both KBWB and KNTV are parties and pursuant to which NBC and KBWB wish to allow KBWB to broadcast all of such

programming after the Closing Date (the “KNTV/KBWB Programming Agreements”). NBC, KNTV and KBWB shall use commercially reasonable efforts to obtain a release of KNTV from such KNTV/KBWB Programming Agreements to enable KBWB to exclusively broadcast such programming on and after the Closing Date on substantially similar terms as currently broadcast by KNTV and/or KBWB.

3. Mount Sutro, Microwave Paths and Related Matters.

(a) KBWB shall use commercially reasonable efforts to obtain the consent of Sutro Tower, Inc. (the “Sutro Consent”) to sublease to KNTV on and after the Closing Date, the portion of the Sutro Property set forth on Schedule 3(a). “Sutro Property” shall mean the Demised Premises, as defined in the Agreement of Second Lease Renewal and Amendment (the “Sutro Lease”), dated as of March 1, 1995, between Sutro Tower, Inc. and Pacific FM, Inc. (predecessor to KBWB). Upon receipt of the Sutro Consent, KNTV and KBWB shall enter into a sublease agreement for the Sutro Property at a monthly base rental rate equal to \$1,900 and otherwise on customary terms and conditions, for a term equal to the term of the Sutro Lease (including all renewal or extension options to the extent KBWB, in its sole discretion, exercises such options, provided that if KBWB does not exercise any such extension or renewal option, KBWB shall use commercially reasonable efforts to cause the landlord of the Sutro Property to assume the sublease or otherwise enter into a lease agreement directly with KNTV). Notwithstanding the foregoing, (i) KNTV shall have the right to terminate such sublease at any time after the Closing Date on 30 days prior written notice to KBWB, and (ii) such sublease shall terminate immediately upon termination of the Sutro Lease at any time for any reason. KNTV will pay its pro-rata share of the cost of utilities, maintenance and all other charges allocated to KBWB under the Sutro Lease except to the extent KNTV’s use or consumption is disproportionate to KBWB’s, in which event such charges shall be equitably allocated by KBWB. Such sublease shall provide that in the event KNTV desires to install additional equipment on the Sutro Property, KBWB shall cooperate in good faith in connection with any negotiation with the landlord under the Sutro Lease, to the extent required in order to install such equipment. If KBWB is unable to obtain the Sutro Consent on or before the Closing Date, KBWB shall enter into an irrevocable license agreement with KNTV, on the same substantive terms and conditions which are contained in the referenced sublease (including the provisions regarding term and termination), in order to permit KNTV to use the Sutro Property, and KNTV and KBWB shall cooperate to enter into an arrangement acceptable to both parties with respect to a claim, if any, by Sutro Tower, Inc. that such license violates the terms of the Sutro Lease. Notwithstanding that KBWB may have granted KNTV the aforementioned license, KBWB shall continue to endeavor to obtain the Sutro Consent after the Closing Date so that such sublease may be entered into by KNTV and KBWB.

(b) Upon the Closing, KBWB shall assign, transfer, convey and deliver to KNTV all of the equipment listed on Schedule 3(b) for no additional consideration other than as set forth in the Purchase Agreement.

(c) Upon the Closing, KBWB shall permit KNTV to use (on a non-exclusive basis) the equipment listed on Schedule 3(c)(1), subject to the terms and conditions listed on Schedule 3(c)(2).

Such use shall be governed by the terms of a license agreement to be entered into on or prior to the Closing Date, which shall provide for usage of such equipment consistent with the current usage parameters relating thereto.

4. **Fiber Link.** Upon the Closing, KBWB and KNTV shall cooperate to transfer to KNTV the billing account for the Pac Bell bi-directional fiber link between KNTV and KBWB (the “Fiber Link”). To the extent necessary, KBWB shall provide to KNTV a license sufficient to enable KNTV to continue to utilize the Fiber Link, such license to be on customary terms and conditions and to provide for all costs relating thereto to be paid by KNTV.

5. **News-gathering and Production Equipment; Office Equipment.** Each of Granite, KBWB and KBWB License hereby represents and warrants to NBC that neither KBWB nor KBWB License owns, uses or holds for use any news-gathering or news-production equipment. If any party hereto determines that any such equipment is owned, used or held for use by KBWB or KBWB License, Granite, KBWB or KBWB License (as applicable) shall cause such equipment to be assigned, transferred, conveyed and delivered to KNTV at no cost. At or prior to the Closing, Granite or KBWB (as the case may be) shall assign, transfer, convey and deliver to KNTV, for no additional consideration other than as set forth in the Purchase Agreement, all equipment (including without limitation office equipment, desks, telephones, televisions, computers, chairs, etc) used by current employees of KNTV who work at KBWB’s office.

6. **Employees.**

(a) Upon the Closing, to the extent permissible by law or contractual provision, KBWB shall (i) offer employment with KBWB to the 3 traffic personnel of KNTV who are designated in writing by NBC prior to the Closing (the “Designated Personnel”) and (ii) assume all liabilities and obligations in connection with the employment of such personnel after the Closing. Neither NBC nor KNTV shall for a period of one year after the Closing Date recruit or solicit, or attempt to recruit or solicit, the employment or consulting services of any person who is at the time of the Closing, or was at any time between the date hereof and the Closing Date, an employee of KBWB other than the personnel listed on Schedule 6(a) or 6(b) hereto or as agreed in writing by NBC and KBWB.

(b) Upon the Closing, to the extent permissible by law or contractual provision, KBWB shall assign to KNTV, and KNTV shall assume, the employment contracts listed on Schedule 6(b) hereto (the “KNTV Employment Contracts”) and KNTV shall release KBWB from any obligations thereunder arising after the Closing Date.

(c) Upon the Closing, to the extent permissible by law or contractual provision, KNTV shall assign to KBWB, and KBWB shall assume, the employment contracts listed on Schedule 6(c) hereto (the “KBWB Employment Contracts”) and KBWB shall release KNTV from any obligations thereunder arising after the Closing Date.

7. **[Intentionally Deleted]**

8. KBWB Sublease.

(a) Subject to the terms and conditions of this Agreement, upon the Closing KBWB and KNTV agree to enter into a sublease agreement for a certain portion of KBWB's newsroom and offices at 2500 Marin Street, San Francisco, CA, pursuant to the terms and conditions described in Schedule 8. To the extent not addressed in Schedule 8, such sublease shall be on customary terms and conditions.

9. Duopoly Contracts; Granite Group Contracts.

(a) Schedule 9(a) lists certain contracts, other than programming agreements, to which KNTV, KBWB and/or Granite are parties and which were negotiated based upon the operation of KNTV and KBWB as a duopoly (the "Duopoly Contracts"). The parties hereto shall use commercially reasonable efforts to cause the rights and obligations pursuant to the Duopoly Contracts to be allocated between KNTV and KBWB as of the Closing Date, as set forth more specifically in Schedule 9(a).

(b) Schedule 9(b) lists certain contracts, other than programming agreements, of Granite which apply to Granite's group of owned television stations (the "Granite Group Contracts"). Granite shall provide notice to each of the counterparties to the Granite Group Contracts that, as of the Closing Date, KNTV will not be owned by Granite and will not be subject to the terms of such contracts.

10. Cross-Promotion. Prior to the Closing, KBWB and NBC shall use commercially reasonable efforts to negotiate an agreement for cross-promotion of KBWB and KNTV.

11. Instruments of Conveyance; Substitution.

(a) Immediately prior to the Closing, the parties shall execute such bills of sale, certificates, assignments, assumptions, leases, subleases, licenses, sublicenses, other instruments of transfer and assumption and other documents as are necessary to effect the transactions contemplated hereby, all in form reasonably satisfactory to counsel for Granite and NBC, and dated and effective immediately prior to the Closing Date.

(b) If any of Granite, KNTV or KBWB shall be unable, on or prior to the Closing, to obtain a consent necessary to effect any of the transactions contemplated hereby, then Granite, KNTV, KBWB and NBC shall cooperate to enter into a reasonable arrangement designed to enable Granite, KNTV or KBWB (as applicable) to perform or fulfill its obligations with respect thereto, and to provide for the assumption by the applicable party of the benefits, risks and burdens of, any such relevant liability. Notwithstanding the foregoing, from and after the Closing, Granite, KNTV and KBWB (as applicable) shall continue to use commercially reasonable efforts to obtain such consents.

(c) If at any time after the Closing NBC or Granite considers or is advised that any deeds, bills of sale, certificates, assignments, assumptions, leases, subleases, licenses, sublicenses or other

instruments or any other actions or things are necessary or reasonably desirable to carry out the terms of this Agreement, Granite, KBWB or KNTV (as applicable) shall execute and deliver all deeds, bills of sale, certificates, assignments, assumptions, leases, subleases, licenses, sublicenses and other instruments (in form and substance reasonably satisfactory to counsel for Granite and NBC) and take and do all such other actions and things as may be requested by NBC or Granite in order to carry out the terms of this Agreement.

12. Term. The term of this Agreement (the "Term") shall commence on the date hereof and expire (a) with respect to any agreement referenced herein, upon the expiration of such agreement (including any extensions or renewals thereof) and (b) with respect to Sections 3(b) and 3(c), upon written notice by NBC.

13. Indemnification.

(a) KNTV agrees to reimburse KBWB and indemnify, defend and hold harmless KBWB and its directors, officers, employees, affiliates, controlling persons, agents and representatives from any and all third party claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to reasonable attorneys fees and other expenses of litigation) (collectively, "Losses") arising out of or connected with the services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted, except to the extent that such Losses result from a material breach by KBWB of this Agreement or the willful misconduct or negligence of KBWB. This indemnity applies to claims, actions and demands for which KBWB may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnities set forth in this Section 13(a) shall not apply to claims between the parties arising out of or connected to the Purchase Agreement.

(b) KBWB agrees to reimburse KNTV and indemnify, defend and hold harmless KNTV and its respective directors, officers, employees, affiliates, controlling persons, agents and representatives from any and all Losses arising out of or relating to any KBWB act or omission arising out of or connected with the provision of any service by KBWB in the performance of this Agreement, regardless of the legal theory asserted, to the extent such Losses result from a material breach by KBWB of this Agreement or the willful misconduct or negligence of KBWB.

(c) The indemnification procedures set forth in Section 8.3 of the Purchase Agreement are hereby incorporated by reference as between Granite, NBC, KNTV and KNTV License, with such grammatical or other changes, as applicable.

14. Confidentiality. This Agreement shall be subject to the provisions of the letter agreement between NBC and the Company dated as of November 13, 2001.

15. No Partnership or Joint Venture. This Agreement is not intended to be, and shall not be construed as, an agreement to form a partnership, agency relationship or a joint venture between the parties. Except as otherwise specifically provided in this Agreement no party shall be authorized to

act as an agent of or otherwise to represent any other party.

16. Governing Law; Entire Agreement. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of New York. This Agreement together with the Purchase Agreement, and the agreements and other documents executed in connection therewith, constitute the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be modified or amended except in a writing signed by a duly authorized representative of each of the parties hereto.

17. Representations and Warranties. Each of the parties hereto represents and warrants that (i) it has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations set forth herein, and (ii) the execution and delivery of this Agreement and the performance of the obligations contemplated hereunder do not conflict with, or result in any violation or breach of, or default under, its certificate of incorporation or bylaws or any material contract or other agreement or instrument to which it is a party or by which it is bound.

18. Assignment. None of the parties hereto may assign this Agreement or the rights and obligations accruing hereunder without the prior written consent of the other parties; provided, however, that upon the transfer of all or substantially all of the assets of any party hereunder, such party shall assign this Agreement to such transferee, and shall cause such transferee to assume this Agreement (and no consent shall be required for such assignment).

[signatures continued on following page]

IN WITNESS HEREOF, the parties have executed this Agreement as of the date first written above.

GRANITE BROADCASTING CORPORATION

Name:
Title:

NATIONAL BROADCASTING COMPANY, INC.

Name:
Title:

KNTV LICENSE, INC.

Name:
Title:

KNTV TELEVISION, INC.

Name:
Title:

KBWB LICENSE, INC.

Name:

Title:

KBWB, INC.

Name:

Title: