

SCHEDULE 3.1

1. **Definitions.** The following terms, as used in this Schedule 3.1, shall have the meanings set forth in this section:

(a) **"Net Sales Revenue"** means all gross revenue received by Sales Agent or Licensee for the Advertisements, other than Advertisements that are adjacent to or in the Delivered Programming, less agency, buying service or other sales commissions paid to or withheld by an advertiser, agency or service, as the case may be. For the avoidance of doubt, Net Sales Revenue shall include any (i) network compensation paid to Licensee following the Base Date by Fox Broadcasting Company ("FOX") pursuant to any Station Affiliation Agreement between Licensee and FOX in effect as of the Base Date, or any successor or renewal thereof, and (ii) cash compensation received by Licensee in connection with the retransmission of the Station's signal by any direct-to-home satellite operators, including direct broadcast satellite systems, or terrestrial multi-channel video program distributors.

(b) **"Reimbursable Station Expenses"** means the out-of-pocket costs and expenses actually incurred by Licensee during the period following the Base Date in operating the Station and performing its obligations under this Agreement; *provided, however*, that Reimbursable Station Expenses shall not include the salaries, insurance and other costs for more than two (2) full-time employees of Licensee, unless Licensee makes a good faith reasonable determination based on facts and circumstances existing at the time of such determination that in order to remain in full compliance with all Communications Laws, after taking into account services provided by Sales Agent, it is necessary for Licensee to employ more than two (2) full-time employees. Without limiting the generality of the foregoing, Reimbursable Station Expenses shall include, to the extent not otherwise included in Licensee's Expense Schedule:

(i) the entire out of pocket costs and expenses, if any, actually incurred by Licensee in order to complete the construction of the digital facilities of the Station in accordance with the Communications Act;

(ii) reasonable capital and operating expenses actually incurred by Licensee that are necessary to enable the Station to continue broadcast operations in accordance with the terms of the FCC Licenses and the Communications Act; *provided, however*, that, prior to incurring any capital expenses not included in Licensee's Expense Schedule, Licensee shall obtain the written consent of Sales Agent to undertake such capital improvements, which consent shall not be unreasonably conditioned, withheld or delayed;

(iii) reasonable operating expenses actually incurred by Licensee that are necessary to enable Licensee to conduct the business and operations of the Station in accordance with the terms of this Agreement (including, without limitation, any liability incurred as a result of any programming broadcast on the Station, other than programming produced in whole or in part by Licensee or any Affiliate of Licensee, subject to the rights of Sales Agent set forth in Section 8 below) and that conform in character to an expense line item or category expressly set forth in Licensee's Expense Schedule;

(iv) any out-of-pocket costs or expenses actually incurred by Licensee in any given month in excess of \$10,000 other than in accordance with Licensee's Expense Schedule, *provided, however*, that the aggregate amount of any such excess costs or expenses shall not exceed \$50,000 during the one-year period following the adoption of the applicable Licensee's Expense Schedule and that all such excess costs or expenses shall have been incurred in the ordinary course of business; and

(v) any costs or expenses actually incurred by Licensee as a result of complying with the obligation to broadcast the Delivered Programming.

(c) "JSA Fee" means \$4,166.66 per month, payable by Sales Agent to Licensee in consideration for the right to sell the Advertisements.

(d) "Licensee's Expense Schedule" means the out-of-pocket costs and expenses Licensee expects to incur in operating the Station and performing its obligations under this Agreement, a copy of which is attached as Exhibit A hereto. Subject to Section 7 hereof, Licensee's Expense Schedule shall cover the period commencing on the Base Date and ending on [December 31, 200_.]

(e) "Station Cash Flow" means broadcast operating income of the Station, determined in accordance with generally accepted accounting principles consistently applied, adjusted as follows:

(1) plus the sum of (i) depreciation and amortization (including film amortization and amortization of deferred and stock based compensation) relating to the Station (to the extent such depreciation and amortization were deducted in calculating operating income of the Station), and (ii) any trade/barter expenses (to the extent such expenses were deducted in calculating operating income of the Station); and

(2) less the sum of (i) any amounts paid by Sales Agent to Licensee pursuant to Section 2(a) below; (ii) cash payments made or scheduled to be made for program contract rights relating to the Station; (iii) payments made by Sales Agent to Licensee to the extent not otherwise taken into account in calculating operating income; (iv) any rental income earned by Sales Agent from Station real property or towers leased to the extent taken into account in calculating broadcast operating income; (v) any rent paid with respect to any capital leases of the Station; (vi) the allocable portion, to the extent taken into account in calculating operating income, of any fees received by any Affiliate of Licensee for entering into any arrangement with a third party that relates to the Station and any other television station owned and/or programmed by Licensee or any Affiliate; (vii) any trade/barter revenue; (viii) any revenue attributable to Delivered Programming; (ix) any capital lease interest expense; (x) any cost of capital interest expense or other financing costs; and (xi) the amount of any expenditures on capital equipment purchased by Sales Agent after the Base Date.

(f) "Licensee Revenue Share" means the payment to be made to Licensee each month from Net Sales Revenue in accordance with Section 2(a) below.

2. **Allocation of Revenue.** Beginning on the Base Date, Net Sales Revenue shall be allocated and paid on a monthly basis as follows:

(a) For each calendar month during the period following the Base Date, Licensee shall receive from Net Sales Revenue for each such month a payment equal to the sum of (i) Reimbursable Station Expenses for such month to the extent such Reimbursable Station Expenses are consistent, in character and amount, with Licensee's Expense Schedule or which otherwise constitute Reimbursable Station Expenses under Section 1(b)(i)-(v), (ii) the JSA Fee and (iii) 10% of Station Cash Flow for such month; *provided, however*, that no amount shall be due under this clause (iii) of Section 2(a) unless and until the annual Station Cash Flow in a given fiscal year during the Term exceeds \$2,200,000. The foregoing notwithstanding, Licensee shall not be entitled to receive any amount pursuant to clause (iii) of this Section 2(a) if, at the time such amount is due (the "Cash Flow Payment Date"), the aggregate amount of Net Sales Revenue during the period from the Base Date until the Cash Flow Payment Date is less than the sum of the Reimbursable Station Expenses and JSA Fees paid to Licensee during the period from the Base Date until the Cash Flow Payment Date.

(b) For each calendar month during the period following the Base Date, Sales Agent shall receive from Net Sales Revenue an amount equal to the Net Sales Revenue for such month less the Licensee Revenue Share for such month.

3. **Payment of Licensee Revenue Share.**

(a) On or before the fifth (5th) business day of each calendar month during the Term, Licensee shall deliver to Sales Agent a statement setting forth in reasonable detail the amount of Reimbursable Station Expenses paid by Licensee during the prior calendar month. The statement shall include invoice copies and other documentation reasonably satisfactory to Sales Agent evidencing Licensee's payment of such Reimbursable Station Expenses. Licensee shall deliver promptly to Sales Agent such additional documentation concerning the amounts shown on Licensee's statement as Sales Agent shall reasonably request.

(b) On or before the fifteenth (15th) business day of each calendar month during the Term, Sales Agent shall pay to Licensee the Licensee Revenue Share for the prior calendar month.

(c) If Licensee elects to preempt any previously scheduled commercial programming in favor of replacement commercial programming from which Licensee will receive revenue or non-cash consideration, then, to the extent that Sales Agent suffers a loss of revenue ("Lost Revenue") from its inability to broadcast advertising spots that were sold for broadcast on such preempted programming, a cash amount equal to the amount of the Lost Revenue shall be deducted from the payment of Licensee Revenue Share. This provision shall not apply to the reasonable, good faith exercise by Licensee of its rights under Section 4.5 to preempt Broadcast Material (i) to present alternative program material of greater local or national importance or (ii) that Licensee determines to violate applicable laws or to be contrary to the public interest or the terms of this Agreement. Licensee represents and covenants that preemption pursuant to Section 4.5 shall only occur to the extent that Licensee deems such action necessary to carry out its obligations as an FCC licensee, and expressly agrees that such right of

preemption shall not be exercised in an arbitrary manner or for the commercial advantage of Licensee or others.

(d) Any payment made hereunder that covers a partial calendar month shall be prorated on the basis of the actual number of days in such month to which such payment applies.

4. Rights of Audit and Objection.

(a) Rights of Audit. At all times during the Term and for twelve (12) months following the termination of this Agreement, each party shall have the right, at its own expense and upon prior written request to the other party, to review and audit the books and records of such party relating to Net Sales Revenue, Reimbursable Station Expenses and Station Cash Flow. Any such review must take place during normal business hours Monday through Friday.

(b) Right of Objection. On or prior to the 30th day after Licensee's receipt of a Licensee Revenue Share payment, Licensee may give Sales Agent a written notice (an "Objection Notice") indicating its objections to the applicable payment. If Licensee fails to deliver an Objection Notice within such thirty (30) day period, then the applicable Licensee Revenue Share payment will be conclusive and binding upon the parties hereto. If Licensee gives a timely Objection Notice, Licensee and Sales Agent will negotiate in good faith to resolve their disputes regarding the disputed Licensee Revenue Share payment. If the Parties are unable to resolve all disputes regarding such Licensee Revenue Share payment on or prior to the thirtieth (30th) day after an Objection Notice is given, the Parties shall retain a qualified accounting firm (either by mutual agreement or by random choice after eliminating any such firm which is conflicted or otherwise unable to participate) (the "Independent Accounting Firm") to resolve the dispute as soon as practicable, and in any event within thirty (30) days. The Licensee Revenue Share payment for the applicable period determined by the Independent Accounting Firm will be conclusive and binding upon the parties hereto and will constitute the Licensee Revenue Share payment for such applicable period for all purposes of this Schedule 3.1. The fees and expenses of the Independent Accounting Firm in connection with its review of any Licensee Revenue Share payment shall be paid one-half (1/2) by Sales Agent and one-half (1/2) by Licensee.

5. **National Rep Contract.** Except as provided in this Section 5, national spot advertising broadcast on the Station shall be sold by Katz Millennium Sales & Marketing, Inc. ("Katz") pursuant to the terms of the Representation Agreement dated August 13, 2001, between Katz and Sales Agent, as assignee of Sinclair Properties, LLC (the "Katz Rep Agreement"). All proceeds from the sale of such advertising shall be considered Net Sales Revenue for purposes of this Agreement. Notwithstanding the foregoing, Sales Agent may, at its option and expense, obtain a termination of the Katz Rep Agreement and enter into a representation agreement with such other national rep firm as Sales Agent may select and such other firm shall have the right to sell the Station's national spot advertising.

6. **Licensee Expenditures.** Nothing in this Schedule 3.1 shall restrict Licensee from entering into any contract or commitment or incurring any obligation or liability in connection with the acquisition of programming for broadcast on the Station or the employment of such personnel as Licensee deems to be necessary or appropriate for the operation of the Station.

7. **Changes to Licensee's Expense Schedule.** Commencing in 200_ and annually thereafter during the Term, Licensee and Sales Agent shall cooperate in good faith to agree upon in writing no later than October 1 of the applicable year such changes, if any, to the Licensee's Expense Schedule as are reasonably required to accurately reflect actual Reimbursable Station Expenses incurred during such year (or, in the case of Licensee's Expense Schedule attached hereto as Exhibit A, during the period commencing on the Base Date and ending on December 31, 200_). In the event that Licensee and Sales Agent are unable to resolve any dispute regarding any proposed changes to a Licensee's Expense Schedule by October 1 of any year, either party may notify the other party in writing of its objection to Licensee's Expense Schedule for the prior year. In the event such a notice is provided, until such time as the parties agree upon a new Licensee's Expense Schedule in writing, this Agreement shall remain in full force and effect in accordance with its terms, except that the Licensee's Expense Schedule for the succeeding year shall be the Licensee's Expense Schedule for the prior year subject to an automatic increase of each expense item set forth in the Licensee's Expense Schedule for such prior year in an amount equal to the greater of five percent (5%) or the increase in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100 (the "Automatic Increase"). If neither party has provided to the other a written notification of a dispute regarding changes to a Licensee's Expense Schedule prior to October 1 of the applicable year, the Licensee's Expense Schedule for the succeeding year shall be the Licensee's Expense Schedule for the prior year subject to the Automatic Increase.

8. **Programming Liability Claims.** If Licensee has the right under Section 1(b)(ii) of this Schedule 3.1 to seek reimbursement from Sales Agent for any liability that may be incurred by Licensee as a result of programming broadcast on the Station, Licensee shall not settle any claim regarding any such liability without Sales Agent's consent (such consent not to be unreasonably withheld), and Sales Agent shall have the right to participate (at Sales Agent's cost) in the defense of any action involving a claim for any such liability.