

**OPTION AGREEMENT**

THIS OPTION AGREEMENT (this "*Agreement*") is made and entered into as of May 9, 2009, by and among Fisher Broadcasting-Seattle Radio LLC, a Delaware limited liability company (together with its successors and permitted assigns, "*Option Holder*"), and South Sound Broadcasting L.L.C., a Washington limited liability company (together with its successors and permitted assigns, the "*Grantor*").

**WITNESSETH:**

**WHEREAS**, Grantor is the owner and licensee of radio station KFMY, Oakville, Washington, which operates on frequency 97.7 (the "*Station*");

**WHEREAS**, Grantor and Option Holder are parties to that certain Local Marketing Agreement, dated as of the date hereof (the "*LMA*"), pursuant to which Option Holder has agreed to provide programming for the Station;

**WHEREAS**, Grantor desires to grant Option Holder an option to purchase, at Option Holder's election, certain tangible and intangible assets used and useful in connection with the operation of the Station, including, the FCC Licenses (as defined below), on the terms and conditions set forth herein; and

**WHEREAS**, Option Holder desires to acquire from Grantor an option to purchase, at Option Holder's election, certain tangible and intangible assets 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 Grant.** Grantor hereby gives, grants, transfers and conveys to Option Holder, 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 and effective for the Option Period, those tangible and intangible assets used and useful in the operation of the Station set forth below (together with the property described in clauses (a)-(e) below, the "*Optioned Assets*"), but specifically excluding the Excluded Assets (as such term is defined below) :

(a) The licenses, construction permits and other authorizations issued by the Federal Communications Commission (the "*FCC*") for the operation of the Station listed on Schedule 1(a), including any renewals, extensions or modifications thereof and additions thereto as of the date hereof and as may be issued between the date hereof and the Option Closing (as hereinafter defined) (collectively, the "*FCC Licenses*");

(b) The licenses, permits, construction permits, approvals, concessions, franchises, certificates, consents, qualifications, registrations, privileges and other authorizations and other rights, from any governmental authority to Grantor used in connection with the Station listed on Schedule 1(b), including any renewals, extensions or modifications thereof and additions thereto as of the date hereof and as may be issued between the date hereof and the Option Closing, each as and to the extent transferable (collectively, the "*Permits*");

(c) Those items of tangible personal property listed on Schedule 1(c) (as such schedule may be updated pursuant to Section 11(b));

(d) Those items of intangible personal property listed on Schedule 1(d), together with the goodwill of the business associated therewith and evidenced thereby; and

(e) The contracts, leases and other agreements listed on Schedule 1(e) (as such schedule may be updated pursuant to Section 11(b)) relating to the ownership and operation of the Station.

Notwithstanding the foregoing, the Optioned Assets shall not include the following (collectively, the "**Excluded Assets**"): (1) All of Grantor's cash on hand or in bank accounts and any other cash equivalents; (2) all receivables of the Station (the "**Accounts Receivable**"), except for those Accounts Receivable to which Option Holder is entitled pursuant to the terms of the LMA; (3) those contracts leases and other agreement relating to the ownership and operation of the Station listed on Schedule 1 -- Excluded Contracts; (4) Grantor's leasehold interests in the improved real property located at 1803 State Avenue NE, Olympia, Washington, used as the broadcast studio and offices of Grantor and the Station (the "**Main Studio**"); (5) except for the assets listed on Schedule 1(c), all studio and office equipment, furniture and fixtures located at the Main Studio, including, without limitation, studio equipment, operating boards, office computer and peripherals and music library; and (6) the assets listed on Schedule 1 -- Excluded Assets.

2. **Consideration for Option.** The Option is granted for the Option Period (as the same may be extended pursuant to Section 4 hereof) in return for, among other consideration, the payment by Option Holder to Grantor of an amount equal to Twenty-five Thousand Dollars (\$25,000.00) (the "**Option Fee**"), which shall be due and payable on the date hereof and shall be non-refundable.

3. **Option Period.** The Option shall be effective commencing on the date hereof and shall terminate on the earlier of (a) May 8, 2012, (b) the date sixty (60) days following the date on which the LMA is terminated in accordance with its terms (other than pursuant to Section 5.1(d) of the LMA), and (c) the date on which the LMA is terminated in the case of termination pursuant to Section 5.1(d) of the LMA (the "**Option Period**"). The Option may be exercised by Option Holder pursuant to the terms and subject to the conditions of this Agreement at any time and from time to time during the Option Period.

#### 4. **Exercise of Option; Withdrawal.**

(a) Option Holder may exercise the Option at any time during the Option Period by delivery of written notice thereof (the "**Exercise Notice**") to Grantor. Upon exercise of the Option, Option Holder and Grantor shall be obligated to consummate the purchase and sale of the Optioned Assets at the Option Closing, subject to the provisions of Sections 4(b), 9 and 10 hereof.

(b) Option Holder may withdraw any Exercise Notice at any time prior to the Option Closing by written notice to Grantor of such withdrawal. No such withdrawal (and no withdrawal of any subsequent Exercise Notice) shall affect Option Holder's right to exercise the Option by delivering to Grantor, during the Option Period, one or more other Exercise Notices.

In the event that Option Holder withdraws any Exercise Notice, Option Holder shall reimburse Grantor for any actual out-of-pocket costs and expenses, including reasonable attorneys' fees, incurred by Grantor in preparing and filing any FCC Applications in connection with such Exercise Notice, but exclusive of internal overhead costs, including any salary or other compensation or benefits paid to employees of Grantor.

## 5. *Purchase Price and Closing*

(a) *Purchase Price for Optioned Assets.* At the Option Closing, Option Holder shall pay to Grantor an aggregate amount equal to the sum of (i) Eleven Million Dollars (\$11,000,000) (the "**Base Price**") plus (ii) the Escalation Amount as calculated in accordance with *Schedule 5(a)* as of the Closing Date (such sum, the "**Purchase Price**"). The Purchase Price shall be paid by Option Holder by federal wire transfer of same-day funds pursuant to wire instructions delivered to Option Holder by Grantor at least two business days prior to the Closing Date (or such other method of funds transfer as may be agreed upon by Option Holder and Grantor); provided that [Five Hundred Thousand Dollars (\$500,000.00)] (the "**Escrow Amount**") shall be deposited in an escrow account pursuant to Section 5(d).

(b) *Treatment of Assets and Liabilities Upon Exercise of Option.*

(i) *Transfer of Assets.* At the Option Closing, Grantor shall sell, assign, transfer, convey and deliver to Option Holder all right, title and interest of Grantor in and to the Optioned Assets free and clear of liens, claims and encumbrances ("**Liens**"), except for (1) Assumed Obligations (as defined below), (2) Liens for taxes not yet due and payable and (3) any other Liens expressly identified and agreed to by the parties in writing (collectively, "**Permitted Liens**").

(ii) *Assumption of Obligations.* From and after the Option Closing, Option Holder shall assume and undertake to pay, discharge and perform all liabilities, obligations and commitments of Grantor, as the holder of the Permits and the FCC Licenses, including all obligations to make all required FCC filings with respect thereto, and as the owner of the Optioned Assets (including all leases, agreements and contracts included in such Optioned Assets) to the extent such liabilities, obligations and commitments arise out of events occurring on or after the Closing Date (the "**Assumed Obligations**").

(iii) *Excluded Obligations.* Option Holder does not assume or agree to discharge or perform, and will not be deemed by reason of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, to have assumed or to have agreed to discharge or perform, and Grantor shall remain liable for, any liabilities, obligations or commitments of Grantor arising from the business or operation of the Station prior to the Closing Date and any other liabilities, obligations or commitments other than the Assumed Obligations (any and all such liabilities, obligations and commitments, the "**Excluded Obligations**").

(iv) *Allocation.* Option Holder and Grantor shall establish prior to the Closing Date an allocation of the Purchase Price in accordance with the respective values of the Optioned Assets and the goodwill being purchased and sold in accordance with the requirements of Section 1060 of the Internal Revenue Code of 1986, as amended. The parties agree to allocate to any depreciable property an amount equal to its tax basis for federal income tax purposes as of Closing Date. Option Holder and Grantor agree to file their federal income tax returns and their other tax returns reflecting such allocation and to use such allocation for accounting and financial reporting purposes.

(c) *Closing.* Upon any exercise of Option, the consummation of the purchase and sale and purchase of the Optioned Assets (an “*Option Closing*”) shall take place at the offices of Stafford Frey Cooper, 601 Union Street, Suite 3100, Seattle, Washington, at 10:00 a.m. local time, no later than ten (10) business days after the satisfaction or, to the extent permissible by law, the waiver (by the party for whose benefit the closing condition is imposed) of, the conditions specified in Sections 9 and 10 hereof. Alternatively, such Option Closing may take place at such other place, time or date as the parties may mutually agree upon in writing (including by electronic exchange). The date on which the Option Closing occurs is referred to herein as the “*Closing Date*”.

(d) *Indemnity Escrow.* The Escrow Amount shall be deposited by Option Holder into an escrow account maintained by [*Insert Escrow Agent*] (the “*Escrow Agent*”) on the Closing Date and shall be retained by the Escrow Agent in accordance with the terms of an escrow agreement entered into by Option Holder and Grantor, substantially in the form attached as *Exhibit A* (the “*Escrow Agreement*”) until the earlier to occur of (x) the date that is fifteen (15) months after the Closing Date (except as expressly set forth herein), and (y) the date on which the balance of the Escrow Account is reduced to \$0.00 because of disbursements therefrom in accordance with this Section 5(d) and the Escrow Agreement (the “*Escrow Termination Date*”). After the Option Closing, subject to the provisions of this Section 5(d) and Section 12, Option Holder shall be entitled to seek disbursements of all or portions of the Escrow Amount from the Escrow Account in order to satisfy any amounts due to Option Holder under claims for Damages pursuant to Section 12. On the Escrow Termination Date, Option Holder and Grantor shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to disburse to Grantor any escrowed funds remaining in the Escrow Account, except to the extent of the amount of any claims for indemnifiable Damages made by any Indemnified Party under Section 12 prior to the Escrow Termination Date that have yet to be paid, are in dispute, or as to which Third Party Claims are pending, which amounts (to the extent of the remaining portion of the Escrow Amount) shall continue to be held by the Escrow Agent after the Escrow Termination Date until such time as such disputed claims or Third Party Claims are resolved, at which time the Escrow Amount remaining in the Escrow Account shall be disbursed to Option Holder or Grantor in accordance with the resolution of such disputed claims.

**6. Representations and Warranties of Grantor.** Grantor represents and warrants to Option Holder, as of the date hereof and as of the Closing Date, as follows; *provided, however*, that Grantor make no representation or warranty as to any action, event, occurrence or circumstance that was or shall be caused by Option Holder or that arose, or shall arise from any omission by Option Holder to perform its obligations under the LMA:

(a) Grantor is a limited liability company duly organized under the laws of the State of Washington and has the power, authority and full legal capacity to enter into and to perform its obligations under this Agreement. The execution, delivery and performance of this Agreement by Grantor has been duly authorized and this Agreement constitutes a valid and binding obligation of Grantor enforceable against it 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).

(b) Grantor has good and marketable title to the Optioned Assets free and clear of all Liens other than Permitted Liens and Liens that will be discharged at or prior to the Option Closing.

(c) Grantor is the holder of the FCC Licenses and such FCC Licenses are valid and in full force and effect. Grantor is, and at all times from and after the date of this Agreement to and including the Closing Date will be, legally, financially and otherwise qualified under the Communications Act of 1934, as amended (the "*Communications Act*"), to perform its obligations hereunder, to be the licensee of, and to own and operate the Station. To Grantor's knowledge, no fact or circumstance exists relating to the FCC qualifications of Grantor that (i) could reasonably be expected to prevent or delay the FCC from granting the FCC Applications (as defined below) or (ii) would otherwise disqualify Grantor as the licensee, owner, operator or transferor of the Station.

(d) Grantor has filed all material returns, reports, and statements that Grantor is required to file with the FCC and the Federal Aviation Administration. There is no action, suit or proceeding pending or, to Grantor's knowledge, threatened in writing against Grantor in respect of the Station seeking to enjoin the transactions contemplated by this Agreement; and (ii) to Grantor's knowledge, there are no governmental claims or investigations pending or threatened against Grantor in respect of the Station (except those affecting the broadcasting industry generally).

(e) No broker, finder or other person is entitled to a commission, brokerage fee or other similar payment in connection with this Agreement or the transactions contemplated hereby as a result of any agreement or action of Grantor or any other party acting on Grantor's behalf.

**7. Representations and Warranties of Option Holder.** Option Holder represents and warrants to Grantor, as of the date hereof and as of the Closing Date, as follows:

(a) Option Holder is a limited liability company duly organized under the laws of the State of Delaware and qualified to do business in the State of Washington and has the

power, authority and full legal capacity to enter into and to perform its obligations under this Agreement. The execution, delivery and performance of this Agreement by Option Holder has been duly authorized and this Agreement constitutes a valid and binding obligation of Option Holder enforceable against it 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).

(b) Subject to obtaining the FCC Consent (as defined below), Option Holder is, and as of the Closing Date will be, legally, financially and otherwise qualified under the Communications Act to perform its obligations hereunder and to be the licensee of, and own and operate, the Station. To Option Holder's knowledge, no fact or circumstance exists relating to the FCC qualifications of Option Holder that (a) could reasonably be expected to prevent the FCC from granting the Assignment Application or (b) would otherwise disqualify Option Holder as the licensee, owner or operator of the Station. To Option Holder's knowledge, no waiver of any FCC Rule (as defined below) is required for the grant of the FCC Consent.

(c) No broker, finder or other person is entitled to a commission, brokerage fee or other similar payment in connection with this Agreement or the transactions contemplated hereby as a result of any agreement or action of Option Holder or any other party acting on Option Holder's behalf.

**8. Covenants of Grantor.** Subject to the LMA and the performance by Option Holder of its obligations thereunder, during the Option Period, Grantor covenants to:

(a) Maintain insurance on the Optioned Assets and with respect to the operation of the Station in such amounts and in such nature as in effect on the date hereof;

(b) Operate the Station in all material respects in accordance with the terms of the FCC Licenses, the Communications Act, the rules, regulations and published policies of the FCC ("**FCC Rules**"), and all other statutes, ordinances, rules and regulations of governmental authorities;

(c) Refrain from taking any action that would cause the FCC Licenses not to be in full force and effect or to be revoked, suspended, cancelled, rescinded, terminated or expired;

(d) File all material returns, reports, and statements that Grantor is required to file with the FCC and the Federal Aviation Administration;

(e) Not mortgage, pledge, subject to any Lien or otherwise encumber (or cause any of the foregoing to occur) any of the Optioned Assets; and

(f) Not sell, lease or otherwise dispose of any of the Optioned Assets in a manner that is inconsistent with this Agreement, except for properties and assets sold or replaced with others of like kind and value in the ordinary course of business.

Notwithstanding anything to the contrary contained herein, to the extent that the obligations of Grantor hereunder would require the incurrence of an Operating Expense as defined in the LMA, such obligation or covenant shall be subject to the terms and conditions of the LMA.

#### **9. Grantor Closing Conditions.**

Upon the exercise of an Option in accordance with the terms hereof, the obligations of Grantor to consummate the purchase and sale of the Optioned Assets are subject to satisfaction or waiver, at or prior to the Option Closing, of each of the following conditions:

(a) *Representations, Warranties and Covenants.* The representations and warranties of Option Holder set forth in Section 7 shall be true and correct in all material respects as of the Closing Date except for changes permitted or contemplated by the terms of this Agreement and Grantor shall have received a certificate dated as of the Closing Date from Option Holder, executed by an authorized officer or other authorized representative of Option Holder, to the effect that the conditions set forth in this Section 9(a) have been satisfied.

(b) *FCC Consent.* The FCC Consent shall have been obtained and be in effect and no court or governmental order prohibiting the Option Closing shall be in effect.

(c) *No Prohibitions.* No injunction, restraining order or decree of any nature of any governmental authority of competent jurisdiction shall be in effect that restrains or prohibits any party from consummating the transactions contemplated by this Agreement.

#### **10. Option Holder Closing Conditions.**

Upon the exercise of the Option in accordance with the terms of this Agreement, the obligations of Option Holder to consummate the purchase and sale of the Optioned Assets are subject to satisfaction or waiver, at or prior to the Option Closing, of each of the following conditions:

(a) *Representations, Warranties and Covenants.* The representations and warranties of Grantor set forth in Section 6 shall be true and correct in all material respects at and as of the Closing Date, and the covenants and agreements to be complied with and performed by Grantor at or prior to the Option Closing shall have been complied with or performed in all material respects. Option Holder shall have received a certificate dated as of the Closing Date from Grantor, executed by manager of Grantor, to the effect that the conditions set forth in this Section 10(a) have been satisfied.

(b) *FCC Consent.* The FCC Consent shall have been obtained and constitute a Final Order. For purposes hereof, "**Final Order**" shall mean an action by the FCC or other regulatory authority having jurisdiction with respect to which (i) no timely request for stay, motion or petition for reconsideration or rehearing, application or request for review or notice of appeal or other judicial petition for review is pending and (ii) the time for filing any such request, motion, petition, application, appeal or notice and for entry of orders staying, reconsidering or reviewing on the FCC's or such other regulatory authority's own motion has expired.

(c) *No Prohibitions.* No injunction, restraining order or decree of any nature of any governmental authority of competent jurisdiction shall be in effect that restrains or prohibits any party from consummating the transactions contemplated by this Agreement.

## 11. *Closing Deliveries.*

(a) *Grantor Documents.* At the Option Closing Grantor shall deliver or cause to be delivered to Option Holder:

(A) certified copies of resolutions authorizing the execution, delivery and performance of this Agreement by Grantor, including the consummation of the transactions contemplated hereby;

(B) the certificates described in Section 10(a) hereof;

(C) the Escrow Agreement substantially in the form attached hereto as *Exhibit A*;

(D) the Assignment and Assumption Agreement substantially in the form attached hereto as *Exhibit B*;

(E) the Assignment and Assumption Agreement (FCC Licenses) substantially in the form attached hereto as *Exhibit C*; and

(F) such other bills of sale, assignments and other instruments of conveyance, assignment and transfer as may be necessary to convey, transfer and assign to Option Holder the Optioned Assets, free and clear of Liens, except for Permitted Liens.

(i) *Option Holder Documents.* At the Option Closing Option Holder shall deliver or cause to be delivered to Grantor:

(A) the certificate described in Section 9(a) hereof;

(B) the Purchase Price;

(C) the Escrow Agreement substantially in the form attached hereto as *Exhibit A*;

(D) the Assignment and Assumption Agreement substantially in the form attached hereto as *Exhibit B*;

(E) the Assignment and Assumption Agreement (FCC Licenses) substantially in the form attached hereto as *Exhibit C*; and

(F) such other documents and instruments of assumption as may be necessary to assume the Assumed Obligations and acquire the Optioned Assets.

(b) *Updated Schedules.* Grantor shall provided an update to the disclosure schedules provided pursuant to this Agreement (a “*Disclosure Supplement*”) to Option Holder no later than 5 business days prior to the Option Closing to reflect events occurring after the date of this Agreement that result in any of the disclosure schedules or Grantor’s representations and warranties contained herein to be incomplete or incorrect as of the Closing Date (each a “*New Matter*”). A Disclosure Supplement shall be deemed to amend the applicable representations and warranties of Grantor; *provided*, that: (i) in no event shall any Disclosure Supplement be deemed to amend any representation or warranty or disclosure schedule for purposes of any determination as to whether the conditions specified in Section 10(a) shall have been satisfied; *provided, however*, that in the event that such conditions are waived by Option Holder, the existence or occurrence of a New Matter shall not form the basis for any indemnification hereunder of, or other claim hereunder by Option Holder.

## 12. *Survival; Indemnification.*

(a) *Survival.* The representations and warranties in this Agreement shall survive the Option Closing for a period of fifteen (15) months following the Closing Date, whereupon they shall expire and be of no further force or effect, except that those representations and warranties that relate to Damages (as defined below) under this Section 12 for which written notice is given by the Indemnified Party (as defined below) to the Indemnifying Party (as defined below) prior to such expiration, which shall survive until such claim for Damages is resolved.

### (b) *Indemnification.*

(i) Subject to the limitations set forth in Section 12(d) below, from and after the Option Closing, Grantor shall defend, indemnify and hold harmless Option Holder from and against any and all losses, costs, damages, claims, suits, actions, judgments, liabilities and expenses, including reasonable attorneys’ fees and expenses (collectively, “*Damages*”), incurred by Option Holder arising out of or resulting from (A) any material inaccuracy in, or breach or non-fulfillment of, any of the representations, warranties, covenants or agreements made by Grantor in this Agreement or default by Grantor under this Agreement, (B) the business or operations of the Station arising before the Closing Date; (C) the Excluded Obligations, and (D) any taxes owed by Grantor for any period prior to (and including) the Closing Date.

(ii) Subject to the limitations set forth in Section 12(d) below, from and after the Option Closing, Option Holder shall defend, indemnify and hold harmless Grantor from and against any and all Damages incurred by Grantor arising out of or resulting from (A) any material inaccuracy in, or breach or non-fulfillment of, any of the representations, warranties, covenants or agreements made by Option Holder in this Agreement or default by Option Holder under this Agreement; (B) the Assumed Obligations, (C) the business or operations of the Station from and after the Closing Date; and (D) any taxes owed by Option Holder for any period following the Closing Date.

(c) *Indemnification Procedures.* If any person entitled to indemnification under this Agreement (an “*Indemnified Party*”) asserts a claim for indemnification for, or receives notice of the assertion or commencement of any action, suit, claim or legal, administrative, arbitration, mediation, governmental or other proceeding or investigation, other than any brought by a party to this Agreement or an affiliate of a party to this Agreement (a “*Third Party Claim*”) as to which such Indemnified Party intends to seek indemnification under this Agreement, such Indemnified Party shall give reasonably prompt written notice of such claim to the party from whom indemnification is to be sought (an “*Indemnifying Party*”), together with a statement of any available information regarding such claim. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party (the “*Defense Notice*”) within fifteen (15) days after receipt from the Indemnified Party of notice of such claim, to conduct at its expense the defense against such Third Party Claim in its own name, or if necessary in the name of the Indemnified Party (which notice shall specify the counsel the Indemnifying Party will appoint to defend such claim (“*Defense Counsel*”); *provided, however*, that the Indemnified Party shall have the right to approve the Defense Counsel, which approval shall not be unreasonably withheld or delayed. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any Third Party Claim. If the Indemnifying Party delivers a Defense Notice to the Indemnified Party, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as may be reasonably requested by the Indemnifying Party, all at the expense of the Indemnifying Party and shall be entitled to reimbursement from the Indemnifying Party for its out-of-pocket expenses, which expressly exclude salary or other compensation or benefits paid to employees of the Indemnified Party.

(i) If the Indemnifying Party shall fail to give a Defense Notice, it shall be deemed to have elected not to conduct the defense of the subject Third Party Claim, and in such event the Indemnified Party shall have the right to conduct such defense in good faith. If the Indemnified Party defends any Third Party Claim, then the Indemnifying Party shall reimburse the Indemnified Party for the costs and expenses of defending such Third Party Claim upon submission of periodic bills. If the Indemnifying Party elects to conduct the defense of the subject Third Party Claim, the Indemnified Party may participate, at his or its own expense, in the defense of such Third Party Claim; *provided, however*, that such Indemnified Party shall be entitled to participate in any such defense with separate counsel at the expense of the Indemnifying Party if so requested by the Indemnifying Party to participate; and *provided, further*, that the Indemnifying Party shall not be required to pay for more than one counsel for all Indemnified Parties in connection with any Third Party Claim.

(ii) Regardless of which party defends a Third Party Claim, the other party shall have the right at its expense to participate in the defense of such Third Party Claim, assisted by counsel of its own choosing. The Indemnified Party shall not compromise, settle, default on, or admit liability with respect to a Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed, and, if the Indemnified Party settles, compromises, defaults on, or admits liability with respect to a Third Party Claim except in compliance with the foregoing, the Indemnified Party will

be liable for all Losses paid or incurred in connection therewith and the Indemnifying Party shall have no obligation to indemnify the Indemnified Party with respect thereto. The Indemnifying Party shall not compromise or settle a Third Party Claim without the consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed, unless such compromise or settlement includes as a term thereof an unconditional release of the Indemnified Party and such compromise or release does not impose any non-monetary obligations on the Indemnified Party other than immaterial administrative obligations (and all monetary obligations are subject to the indemnification provisions of this Agreement), in which case the consent of the Indemnified Party shall not be required.

(iii) After any final decision, judgment or award shall have been rendered by a court or governmental entity of competent jurisdiction and the expiration of the time in which to appeal therefrom, or after a settlement shall have been consummated, or after the Indemnified Party and the Indemnifying Party shall have arrived at a mutually binding agreement with respect to a Third Party Claim hereunder, the Indemnified Party shall deliver to the Indemnifying Party notice of any sums due and owing by the Indemnifying Party pursuant to this Agreement with respect to such matter and the Indemnifying Party shall be required to pay all of the sums so due and owing to the Indemnified Party by wire transfer of immediately available funds within ten (10) business days after the date of such notice.

(iv) Any claim under this Section 12 by an Indemnified Party for indemnification other than indemnification against a Third Party Claim (a “*Direct Claim*”) will be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, and the Indemnifying Party will have a period of 20 days within which to satisfy such Direct Claim. If the Indemnifying Party does not so respond within such 20 day period, the Indemnifying Party will be deemed to have rejected such claim, in which event the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party under this Section 12.

(v) A failure by an Indemnified Party to give timely, complete, or accurate notice as provided in this Section 12(c) shall not affect the rights or obligations of either party hereunder except to the extent that, as a result of such failure, any party entitled to receive such notice was deprived of its right to recover any payment under its applicable insurance coverage or was otherwise materially adversely affected or damaged as a result of such failure to give timely, complete, and accurate notice.

(vi) The parties shall use their commercially reasonable efforts to collect the proceeds of any insurance that would have the effect of reducing any Damages (in which case such proceeds shall reduce such Damages). To the extent any Damages of an Indemnified Party are reduced by receipt of payment under insurance policies or from third parties not affiliated with the Indemnified

Party, such payments (net of the expenses of the recovery thereof) shall be credited against such Damages and, if indemnification payments shall have been received prior to the collection of such proceeds, the Indemnified Party shall remit to the Indemnifying Party the amount of such proceeds (net of the cost of collection thereof) to the extent of indemnification payments received in respect of such Damages. The indemnification obligations hereunder shall survive any termination of this Agreement.

(d) THE INDEMNIFICATION OBLIGATIONS OF THE PARTIES UNDER THIS SECTION 12 SHALL NOT EXTEND TO, AND “DAMAGES” SHALL BE DEEMED TO NOT INCLUDE, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), EXCEPT TO THE EXTENT SUCH DAMAGES ARE DIRECT DAMAGES UNDER APPLICABLE LAW ARISING FROM A THIRD PARTY CLAIM SUBJECT TO INDEMNIFICATION HEREUNDER.

(e) Notwithstanding any other provision of this Agreement to the contrary, neither party shall have any obligation to indemnify the other party under this Section 12 unless and until the aggregate Damages to the party claiming indemnification exceeds Twenty-five Thousand Dollars (\$25,000) (the “*Damages Threshold*”), at which time all Damages, not just those Damages in excess of the Damages Threshold, shall be subject to indemnification under this Section 12.

**13. *Specific Performance.*** Grantor and Option Holder acknowledge and agree that, due to the unique nature of the subject matter of this Agreement, Option Holder 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 Option Holder at law or equity, in the event of a breach by Grantor of this Agreement, it is agreed that Option Holder 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. Grantor hereby waives any defense that there is an adequate remedy at law for such breach of this Agreement.

**14. *Expenses.*** Each of Option Holder and Grantor shall pay any and all fees, costs and out-of-pocket expenses, incurred by such party in connection with the performance of its obligations hereunder and in connection with the preparation and negotiation of this Agreement and the documents and agreements contemplated hereby; *provided, however*, that Option Holder shall pay any and all filing fees incurred with respect to the filing of the FCC Application, and, *provided further*, that no party shall have any reimbursement obligation, including any such obligation under the indemnification provisions of this Agreement, with respect to claims, actions or proceedings brought against such party by or on behalf of any other party (or any of its affiliates) to this Agreement, including with respect to attorneys’ fees or other costs and expenses of litigation.

**15. 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.

**16. Amendment and Modification.** This Agreement may be amended, modified or supplemented only by written agreement of the parties.

**17. 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 17.

**18. Notices.** All notices, demands and requests required or permitted to be given under the provisions of this Agreement shall be (i) in writing, (ii) sent by facsimile, delivered by personal delivery or sent by a nationally recognized commercial delivery service or certified mail, return receipt requested, (iii) deemed to have been given on the date sent by facsimile if sent on a day that is a business day in the state in which the addressee resides, or the next succeeding business day, with confirmation of successful transmission, the date of personal delivery or the date set forth in the records of the delivery service or on the return receipt and addressed to the parties at the address set forth in *Exhibit D* or at such other address as a party may designate upon ten (10) days' prior written notice to the other party.

**19. 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, *provided* that, except as expressly provided herein, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by Grantor without the prior written consent of Option Holder. Without the consent of Grantor, Option Holder shall have the right to assign its rights and obligations under this Agreement; *provided, however*, that Option Holder shall not thereby be released of its obligations hereunder, including, without limitation, the obligation to pay the Purchase Price in the event that any such assignee exercises the Option. Upon any such assignment, Option Holder shall deliver to Grantor notice of such assignment.

**20. 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.

**21. Governing Law.** The construction and performance of this Agreement shall be governed by the laws of the State of Washington without giving effect to the choice of law provisions thereof, subject to the applicable provisions of the Communications Act and FCC Rules.

22. **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.

23. **Publicity.** Neither Grantor nor Option Holder 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 to the extent consistent with and permitted by applicable law.

24. **FCC Approval.**

(a) Notwithstanding any provision to the contrary herein, Option Holder's rights under this Agreement are subject to the Communications Act and the FCC Rules.

(b) As soon as reasonably practicable, but in no event later than five (5) business days after Option Holder's delivery of an Exercise Notice, the parties shall file an application (the "**Assignment Application**") with the FCC requesting the FCC's written consent to the assignment of the FCC Licenses from Grantor to Option Holder. In addition, in connection with any Assignment Application, each party hereto covenants and agrees to (i) prepare, file and prosecute any alternative application, petition, motion, request or other filing (including, upon the request of Option Holder, any motion for leave to withdraw or dismiss any Assignment Application or other filing made by the parties in connection with the transactions contemplated by this Agreement) (collectively, the "**Additional Applications**") and, together with the Assignment Application, the "**FCC Applications**"; (ii) file any amendment or modification to the FCC Applications; (iii) provide to Option Holder any information, documents or other materials reasonably requested by Option Holder in connection with the preparation of any such FCC Applications; (iv) prosecute the FCC Applications with commercially reasonable diligence and otherwise use their commercially reasonable efforts to obtain a favorable conclusion with regard to the FCC Applications; (v) otherwise take any other action with respect to the FCC as may be reasonably necessary or reasonably requested by Option Holder in connection with the transactions contemplated hereby; and (vi) cooperate in good faith with the other party with respect to the foregoing covenants, all as may be determined by Option Holder to be reasonably necessary or appropriate or advisable in order to consummate the transactions contemplated hereby. Each party shall promptly provide the other with a copy of any pleading, order or other document served on it relating to the FCC Applications, shall furnish all information required by

the FCC and shall be represented at all meetings or hearings scheduled to consider the FCC Applications. The FCC's written consent to the assignment of the FCC Licenses contemplated hereby is referred to herein as the "**FCC Consent**." The parties each agree to comply with any condition imposed on them by any FCC Consent, except that no party shall be required to comply with a condition if such condition requires such party to divest any of its direct or indirect assets. The parties shall oppose any petitions to deny or other objections filed with respect to the application for any FCC Consent and any requests for reconsideration or review of any FCC Consent.

**25. Matters Relating to Interpretation and Organization.** A reference in the singular shall be deemed to include the plural and the plural shall be deemed to include the singular. A reference to one gender shall include any other gender. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." All references to "party" and "parties" shall be deemed references to parties to this Agreement unless the context shall otherwise require. The parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement. Except as specifically otherwise provided in this Agreement, a reference to a Section, the Schedules or any Exhibit is a reference to a Section of this Agreement or the Schedules or Exhibits hereto, and the terms "hereof," "herein," and other like terms refer to this Agreement as a whole, including the schedules and exhibits to this Agreement. The terms "or" is used in its inclusive sense ("and/or"). All references to "Dollars" and "\$" refer to the currency of the United States. The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

**26. Counterparts.** This Agreement (and each amendment, modification and waiver in respect of it) may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument. Delivery of an executed counterpart of a signature page of this Agreement (and each amendment, modification and waiver in respect of it) by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of each such instrument; *provided, however*, that any party hereto may request and be entitled to receive the manually executed original counterpart.

**27. Entire Agreement.** This Agreement, together with the schedules and exhibits expressly contemplated hereby and attached hereto and the other agreements, certificates and documents delivered in connection herewith or otherwise in connection with the transactions contemplated hereby and thereby, including the LMA, contains the entire agreement between the parties hereto with respect to the transactions contemplated by this Agreement and supersedes all prior agreements or understandings, whether written or oral, between the parties with respect to the subject matter hereof.

**28. Reverse Break-Up Fee.** In the event that Option Holder fails to exercise the Option during the Option Period in accordance with the terms hereof, Option Holder shall pay to Licensee an aggregate amount equal to the sum of Seven Hundred and Fifty Thousand Dollars (\$750,000) *plus* the Escalation Amount (as calculated in accordance with *Schedule 5(a)*) as of the date on which the Option Period terminates without Option Holder having exercised the Option

(the, "*Option Period Termination Date*") (the "*Reverse Break-Up Fee*"). Receipt of the Reverse Break-Up Fee shall be the sole and exclusive remedy of Grantor as a result of Option Holder's failure to exercise the Option.

[SIGNATURE PAGE FOLLOWS]

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

**GRANTOR:**

SOUTH SOUND BROADCASTING L.L.C.

By: \_\_\_\_\_

Name: Gregory J Smith

Title: MANAGER

**OPTION HOLDER:**

FISHER BROADCASTING-SEATTLE RADIO LLC

By: \_\_\_\_\_

Name:

Title:

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

**GRANTOR:**

SOUTH SOUND BROADCASTING L.L.C.

By: \_\_\_\_\_

Name:

Title:

**OPTION HOLDER:**

FISHER BROADCASTING-SEATTLE RADIO LLC

By: \_\_\_\_\_

Name: Joseph L. Lovejoy

Title: Senior Vice President & CFO