

## **OPTION AGREEMENT**

**THIS OPTION AGREEMENT** (this “Agreement”) is made as of the \_\_\_\_ day of \_\_\_\_\_, 2013, by Chesapeake Media I, LLC, a Nevada limited liability company, its successors or assigns (the “Optionee”), and Reno (KRNVT-TV), Inc., a Maryland corporation (“OpCo”), Reno (KRNVT-TV) Licensee, Inc., a Maryland corporation and Reno (KENV-TV) Licensee, Inc., a Maryland corporation (collectively, the “Optionor”).

### **Explanatory Statement**

Optionor is, as of the date hereof, the owner or the parent of the owner of certain of the assets, including the FCC Licenses (as defined below) (collectively, the “Assets”) of television broadcast station KRNVT-DT, Reno, Nevada, and KENV-DT, Elko, Nevada (collectively, the “Station”). Optionee and Optionor desire to enter into this Agreement to provide Optionee an option to acquire the Assets or the issued and outstanding equity of Optionor.

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**NOW, THEREFORE, IN CONSIDERATION OF** the premises and mutual covenants, promises and agreements set forth herein, the parties represent, warrant, covenant and agree as follows:

1. **Grant of Option.** Optionor hereby grants to the Optionee, subject to the terms and conditions hereinafter set forth, the option (the “Option”) to purchase the Assets or to elect to acquire all of the issued and outstanding equity of Optionor as provided in the APA (as defined below). The Assets shall include all the assets owned or held by Optionor or its affiliates relating to the Station, including the FCC Licenses which shall be defined as all licenses, permits, construction permits and other authorizations held by Optionor issued by or pending before the United States Federal Communications Commission necessary for the operation of the Station.

2. **Term and Exercise.**

(a) The Optionee may exercise this Option at any time prior to the expiration of this Option, which, subject to 2(b) below, expiration shall occur eight (8) calendar years from the date of this Agreement (the “Exercise Period”); provided, however, that the closing on the purchase of the Assets may take place after the expiration of the Exercise Period so long as Optionee has delivered the Exercise Notice (as defined in Section 2(c) below) prior to the expiration of the Exercise Period.

(b) Provided Optionee is not in material default under this Agreement or any other written agreement between Optionor and Optionee, Optionee shall have the right to extend the Exercise Period for five (5) additional eight (8) year terms (each a “Extension Term”); provided, however if Optionee does not provide written notice to Optionor of its intention to terminate (a “Notice of Termination”) this Agreement no later than six (6) months prior to the

end of the applicable Exercise Period, this Agreement shall automatically renew for the applicable Extension Term.

(c) The Optionee shall exercise the Option by giving written notice (the "Exercise Notice") of the Optionee's exercise of this Option.

(d) No later than five (5) calendar days, unless extended by Optionee, after receipt by Optionor of the Exercise Notice, Optionor and Optionee shall execute and enter into the Asset Purchase Agreement substantially in the form attached hereto as Exhibit A (the "APA").

3. **Consideration for Option.** The Optionee shall pay to the Optionor for the grant of the Option Ten Thousand Dollars (\$10,000) in the aggregate (the "Grant Price"), which shall be paid by certified check or wire transfer of immediately available funds on the date of this Agreement.

4. **Exercise Price.** On the Closing Date (as defined in the APA), Optionee shall pay to Optionor as full and final payment under the APA the amount of set forth in the APA, subject to any adjustments as provided by the APA.

5. **Representations and Warranties of the Optionor and Optionee.**

(a) Optionor represents and warrants to Optionee as follows:

(i) **Organization and Authority of Seller.** Optionor is a corporation or limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware. Optionor has the requisite corporate power and authority to execute, deliver and perform this Agreement and the documents contemplated hereby according to their respective terms.

(ii) **Authorization and Binding Obligation.** The execution, delivery and performance of this Agreement by Optionor has been duly authorized by all necessary corporate or other required action on the part of Optionor. This Agreement has been duly executed and delivered by Optionor and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by judicial discretion in the enforcement of equitable remedies.

(b) Optionee represents and warrants to Optionor as follows:

(i) **Organization and Authority of Seller.** Optionee is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland. Optionee has the requisite power and authority to execute, deliver and perform this Agreement and the documents contemplated hereby according to their respective terms.

(ii) **Authorization and Binding Obligation.** The execution, delivery and performance of this Agreement by Optionee has been duly authorized by all necessary required action on the part of Optionee. This Agreement has been duly executed and delivered by Optionee and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by judicial discretion in the enforcement of equitable remedies.

6. **Deliveries by Optionor on the Closing Date.** On the Closing Date, Optionor shall deliver to Optionee the following:

(a) a certificate of Optionor executed by a duly authorized person dated as of the Closing Date to the effect that, except as specified in such certificate, the representations of Optionor set forth in Section 5(a) of this Agreement are true, accurate, and complete in all respects;

(b) a certificate as to the existence and/or good standing of Optionor issued by the Secretary of State the State of Delaware or such other jurisdiction, as applicable, dated no earlier than three (3) calendar days prior to the Closing Date;

(c) a receipt for payment of the Exercise Price; and

(d) such other documents as Optionee may reasonable request.

7. **Deliveries by Optionee on the Closing Date.** On the Closing Date, Optionee shall deliver to Optionor the following:

(a) a certificate of Optionee executed by a duly authorized person dated as of the Closing Date to the effect that, except as specified in such certificate, the representations and warranties of Optionee set forth in Section 5(b) of this Agreement are true, accurate and complete in all respects;

(b) the Exercise Price payable in cash by wire transfer of immediately available funds;

(c) a certificate issued by the Secretary of State of the State of Maryland certifying as to the good standing and/or qualification of Optionee in such jurisdiction; and

(d) such other documents as Optionor may reasonably request.

8. **Notice of Certain Additional Events.** In the event of any consolidation of the Optionor with, or merger of the Optionor into, any other entity (other than a merger in which the Optionor is the surviving company); any transfer of all or substantially all of the assets of the Optionor; or the dissolution, liquidation, or winding up of the Optionor, the Optionor shall give Optionee at least twenty (20) calendar days' prior written notice of the date which shall be the

record date for determining Optionor's stockholders entitled to vote upon such consolidation, merger, share exchange, transfer, dissolution, liquidation, or winding up.

9. **Assignment.** Upon prior written notice to Optionor, the Optionee may freely assign his or its rights under this Agreement. Optionor may only assign this Agreement with the express consent of Optionee in its sole discretion.

10. **Notices.** Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall either be (a) delivered personally to the party to whom it is directed, in which case a signed receipt therefore shall be received; (b) sent by certified mail, return-receipt requested, postage prepaid; (c) sent by telecopy; or (d) sent to overnight courier addressed to the parties at the addresses set forth below their several signatures, or to such other address or addresses as may be designated from time to time in accordance with this Section 10. Any such notice shall be deemed to be delivered, given, and received for all purposes of this Agreement as of (i) the date noted on the signed receipt if delivered personally; (ii) the date deposited in a regularly maintained receptacle for the deposit of the United States mail, if sent by certified mail; (iii) the date telecopied with confirmed receipt if sent via facsimile; or (iv) the next day after sent by overnight courier:

If to Optionor:

Steven A. Thomas, Esquire  
Thomas & Libowitz, P.A.  
100 Light Street, Suite 1100  
Baltimore, Maryland 21202  
Telephone: (410) 752-2468  
Fax: (410) 752-2046

If to Optionee:

Sinclair Television Group, Inc.  
10706 Beaver Dam Road  
Cockeysville, Maryland 21030  
Attention: David D. Smith  
Phone: (410) 568-1524  
Fax: (410) 568-1537

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

General Counsel  
10706 Beaver Dam Road  
Cockeysville, Maryland 21030  
Phone: (410) 568-1524  
Fax: (410) 568-1537

11. **Additional Actions and Documents.** Each of the parties hereto agrees to take or cause to be taken such further actions, to execute, acknowledge, seal, and deliver or cause to be executed, acknowledged, sealed, and delivered the APA and such further instruments and documents and to use their reasonable efforts to obtain such requisite consents as any other party may from time to time reasonably request in order to fully effectuate the purposes and fulfill the intent of this Agreement.

12. **Binding Effect.** Each of the covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of their respective heirs, guardians, personal and legal representatives, successors, and permitted assigns.

13. **Maryland Law.** This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Maryland.

14. **Specific Performance.** In the event of a breach of this Agreement, any non-breaching party hereto may maintain an action for specific performance against the party or parties hereto who are alleged to have breached any of the terms, conditions, representations, warranties, provisions, covenants, or agreements herein contained, and it is hereby further agreed that no objection to the form of action in any proceeding for specific performance of this Agreement shall be raised by any party hereto so that such specific performance of this Agreement may not be obtained by the aggrieved party. Anything contained herein to the contrary notwithstanding, this Section 14 shall not be construed to limit in any manner whatsoever any other rights and remedies that an aggrieved party may have by virtue of any breach of this Agreement.

15. **Attorneys' Fees.** If a party to this Agreement breaches or threatens to breach this Agreement, such party shall pay all of the other parties' costs, expenses, and fees (including, without limitation, attorneys' fees) incurred as a result of or in connection with such breach or threatened breach.

16. **Headings.** The descriptive headings used in this Agreement are inserted for convenience only, and do not constitute a substantive part of this Agreement, and are not intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement as a whole or any provision hereof.

17. **Word Usage.** Unless the context otherwise requires, whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, and the masculine gender shall include the neuter and feminine gender, and vice versa. Whenever used in this Agreement, words such as "herein," "hereinafter," "hereof," "hereto," and "hereunder" refer to this Agreement as a whole, unless the context otherwise requires.

18. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original, but all of which shall together constitute one document.

19. **Construction.** Each and every term and provision of this Agreement has been mutually agreed to and negotiated by the parties hereto, and shall be construed simply according to its fair meaning and not strictly for or against any party.

20. **Severability.** Each and every term and provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remainder of this Agreement.

21. **Time.** Time is of the essence with respect to all aspects of this Agreement.

(Signatures on the following pages)

**IN WITNESS WHEREOF**, the parties hereunto have executed, sealed, and delivered this Agreement or caused this Agreement to be executed, sealed, and delivered on the day and year first hereinabove set forth.

Optionor:

RENO (KRNV-TV), INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RENO (KRNV-TV) LICENSEE, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RENO (KENV-TV) LICENSEE, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Optionee:

CHESAPEAKE MEDIA I, LLC

By: Sinclair Television Group, Inc., its sole member

By: \_\_\_\_\_  
David B. Amy, Secretary



Exhibit A  
Purchase Agreement