

ELISABETH M. KIMMEL  
President & General Counsel  
Midwest Television, Inc.

**KFMB STATIONS**  
**KFMB-TV**  **NEW MEDIA**  
**760AM** ■ **100.7JACKFM**  
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September 27, 2016

Gregg Wolfson  
Vice President/GM  
Local Media San Diego  
6160 Cornerstone Ct. East, Suite 150  
San Diego, CA

VIA EMAIL & CERTIFIED MAIL

Re: Termination of Joint Operating Agreement

Dear Gregg:

This shall serve as 90 days' written notice of our intent to terminate the Joint Operating Agreement ("JOA") between Midwest Television, Inc. and Local Media San Diego, LLC dated October 5, 2015. For purposes of clarity, the JOA will end at the close of business on December 31, 2016.

It is our expectation that in accordance with the terms of the JOA, LMSD will continue to "provide operational management services, including coordination of programming, sales, promotional and other activities" at the current level unless otherwise directed by Midwest.

We appreciate your cooperation in ensuring both parties' smooth exit from the JOA.

Sincerely,



Elisabeth Kimmel

KFMB-TV8   
858 571 8888

NEW MEDIA  
858 571 8888

760AM  
858 292 7600

100.7JACKFM  
858 292 7600

## Outline of Joint Operating Agreement

This Outline (Outline) of Joint Operating Agreement (JOA) is entered into as of October 5, 2015, by and between Local Media San Diego, LLC (LMSD) and Midwest Television, Inc. (Midwest or MW). In consideration of the mutual covenants and agreements set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

This Outline, this relationship, and the terms of any agreement that may result from this outline are subject to any and all applicable FCC, DOJ, or other rules and regulations as might apply, and each party shall comply with all such rules. It shall be the responsibility of each party to solicit their own legal advice for applicable opinions regarding this relationship.

Based on initial discussions and the potential efficiencies of joint operation, both organizations agree that the JOA relationship described below would be in their individual and collective interest.

The parties shall form a Joint Management Advisory Committee (JMAC). The JMAC shall consist of (i) Elisabeth Kimmel, President of Midwest, and/or (ii) a designee of the Midwest President, (iii) Steve McNeely and Norm McKee of LMSD or (iv) an appointed successor by LMSD. It is contemplated this committee will meet monthly, either in person or telephonically, or as called to evaluate the ongoing effectiveness of the JOA and the stations' operations under the terms of the JOA. In addition the JMAC will assess operational progress and opportunities, as well as insure the agreement/relationship is functioning as intended, but the JMAC will not have the authority to direct either LMSD or MW to take or not take any actions.

All current and future employees of MW shall remain MW employees. As such, these MW employees shall be subject to the policies, benefits, and procedures employed and overseen by MW.

Pursuant to the JOA, LMSD will provide operational management services, including coordination of programming, sales, promotional and other activities on behalf of both organizations, subject to and in accordance with FCC regulations. MW will maintain control of the programming of its stations while utilizing LMSD's expertise to advise and oversee implementation and daily compliance with the instructions of MW. Notwithstanding the JOA relationship, each party shall retain responsibility for that party's compliance with all applicable rules and regulations.

### Programming

Subject to MW's approval with respect to its stations, LMSD will provide programming management services to MW. Initially, LMSD would coordinate and oversee the execution of a perceptual and music research study for KFMB FM and work with MW management to implement any programming changes recommended by the study and approved by MW. Upon completion of the research and assessment of resulting programming recommendations, LMSD will assist MW in the completion of a search and the hiring of a Program Director, ideally one that would also carry an air shift. The study will be at the expense of MW and managed by Gregg Wolfson and Joe Lindsay (LMSD) and Elisabeth Kimmel (MW).

- a. MW broadcast studios for KFMB AM & FM will remain at their current location;
- b. LMSD will provide consultative services to MW regarding their broadcast formats and promotional opportunities;
- c. LMSD will communicate directly and exclusively with Elisabeth Kimmel, or her designee, as it relates to all programming issues; and
- d. All programming MW related changes will be approved by Elisabeth Kimmel (MW), and those costs associated with such changes will be the responsibility of MW.

### Promotions & Marketing

Subject to MW's approval with respect to its stations, LMSD will direct the promotional requirements of the MW stations and manage the MW promotional staff. LMSD agrees to evaluate the MW proprietary promotion software and recommend the best software for the collective group (Promo Suite is currently being used by LMSD). Promotional staffing evaluations will be performed by LMSD, which shall make cost/benefit recommendations to Elisabeth Kimmel for approval.

LMSD will relocate a portion of their promotional activities to the MW building.

LMSD stations will be permitted to establish a strategic relationship with KFMB-TV, as approved by MW, to facilitate joint promotions benefiting both the radio stations and KFMB TV. Further, from time to time LMSD will be permitted to utilize a portion of the KFMB TV studios, in a manner that does not interfere with the operation of KFMB-TV, for purposes of staging small listener attended concerts/performances.

### Sales

Subject to MW's approval with respect to its stations and employees, LMSD will provide management direction of all sales activities under the JOA agreement. This shall include the establishment of sales responsibilities, supervision of sales staff, determination of pricing and packaging structure, as well as performance of the respective budgets as proposed by the JMAC.

LMSD management services will from time to time include recommendations as to staffing, and other factors that impact the sales process. LMSD and MW shall retain ultimate control of pricing all avails on their respective stations, including (without limitation) with respect to advertisements sold to political candidates, and of their stations' compliance with FCC political advertising obligations.

Essential to this Outline is coordination between MW and LMSD regarding staffing requirements, subscription services, sales commissions, sales management overrides and sales process management.

- a. MW will convert its traffic system over to Marketron, with LMSD paying MW's Marketron license fees until MW's agreement with Wide Orbit expires in October 2016, and after October 2016 each party shall pay the appropriate pro rata share of Marketron license expenses;
- b. LMSD, with the assistance of MW will oversee billing and collections activities;
- c. MW and LMSD will coordinate and convert as appropriate to establish a consistent payment structure for all sales commissions and sales management overrides. The parties shall contribute the same percentage of non-political local net sales revenue toward sales management overrides, except that sales management override expenditures for MW shall be capped at no more than [REDACTED] of MW's annual

non-political net revenue. Net revenue will be defined as all local and national spot revenue, all NTR & digital revenue, minus agency and Katz commissions. Political, trade, and talent revenues will not be included. Notwithstanding the foregoing, it is understood that certain MW's sales-management personnel who would otherwise fall under this provision are currently under contract. MW will offer to restructure those contracts to correspond to the above terms, but to the extent MW is unsuccessful in doing so, the above terms will not apply to such personnel for the remainder of their respective employment agreements, and the cap on MW management override expenditures set forth above shall be reduced to account for those overrides that would be payable to MW sales management personnel who would otherwise be payable under this provision.

- d. LMSD will convert from the RAB management system to Efficio, currently used by MW;
- e. MW sales staff will be relocated to LMSD office; and
- f. Sales staff employed by LMSD and MW will be responsible for selling their primary stations, and secondary stations when applicable, NTR & digital platforms, and work in unison for the betterment of the group.

### Accounting

LMSD, with the cooperation of MW, will provide evaluation of sales and revenue budget and performance for the MW radio stations. It is the responsibility of MW to produce accounting and reporting statements as required for MW internal or external purposes, as well as tax return purposes for such other revenue not managed by LMSD. Each party shall be responsible for paying expenses relating to its respective station from its respective accounts.

### Engineering

All engineering services and regulatory compliance will continue to rest with the applicable licensees.

### Transparency and Performance Assessments

All MW and LMSD operations will be subject to budgetary controls as established by the respective operating entities. All MW station operations under the JOA will be subject to the ultimate control of MW. All LMSD station operations under the JOA will be subject to the ultimate control of LMSD.

To establish transparency and add comfort regarding the efforts of the parties participating in the JOA, a portion of the compensation of all JOA management personnel will be subject to the performance measurement established by MW and LMSD. Operating bonuses will target a portion of compensation for these individuals and shall be subject to the performance of each entity achieving the agreed-upon revenue and earnings budgets. Such bonuses, to be determined, will be mutually agreeable by both parties. In addition, further transparency will be provided by:

- Participation of MW President or designee and MW Radio department heads in regular bi weekly LMSD Department Head meetings;
- A daily presence of LMSD management at LMSD and MW offices;
- Monthly revenue and programming reviews; and
- MW shall provide office space in their facility for certain LMSD Management personnel, promotional staff, as well as meeting space for promotional and other management meetings.

MW shall have the right to review applicable calculations made by LMSD as it pertains to the monthly compliance with the JOA.

### **Management Fee**

LMSD shall receive a management fee for the JOA services provided and expenses incurred. The fee will be a monthly base fee of [REDACTED] plus an earned performance incentive equal to [REDACTED] of increased gross revenue for the MW radio stations versus the comparable period of the prior year, excluding in each case political (e.g., candidate, PAC, issue) revenue, except that [REDACTED] of such performance incentive is payable only in the event that the MW stations achieved the budgeted EBITDA during the relevant measurement period. The revenue and expense budgets used for all purposes under this agreement are subject to the review and approval of LMSD and MW and will be based on the existing MW budgets, with annual budgets established and approved no less than [REDACTED] prior to the commencement of each fiscal year, subject to any jointly agreed adjustments. In the event that by the beginning of an annual budget period no agreement is reached regarding revenue and expense adjustments, the revenue and expenses itemized on the budget shall continue in force until an agreement regarding adjustments can be reached. The budget will also be subject to adjustments for such additional expenses as shall be proposed by LMSD and approved by Elisabeth Kimmel or her designated representative from time to time. The performance incentive will be measured quarterly and paid within [REDACTED] days following the completion of the quarter.

### **Initial Term**

The initial term of the JOA will be three (3) years. The JOA, however, may be terminated by either party upon ninety (90) days of either party's delivery to the other of written notice of its decision to exit the agreement.

### **Confidentiality, Trade secrets and Non-Solicitation of Employees**

This arrangement shall not be construed as a partnership or joint venture. Each party represents that it has all necessary authorization to execute this Outline. Neither party shall publish a press release or otherwise disclose any information regarding this arrangement without the prior consent of the other, except as may be required by law. Neither party shall have any obligation to the other to pay rent for use of the space of the other or to reimburse the other for any renovation expenses. Neither party may assign its rights under this Outline without the prior written consent of the other. Notwithstanding anything to the contrary in this Outline, the parties agree that MW and LMSD will each maintain ultimate control and authority over its respective stations, including, specifically, control and authority over operations, finances, personnel and programming, and nothing in this Outline shall be deemed to prohibit MW or LMSD from making expenditures in the course of exercising such control and authority.

**Proprietary Interest.** MW and LMSD each recognize the proprietary interest of the other party in its Trade Secrets. As used herein, the term "Trade Secrets" include all confidential or proprietary information belonging to such party with respect to its radio stations that is not otherwise publicly available and to which the other party has access solely by virtue of its participation in this JOA. MW and LMSD acknowledge and agree that any and all Trade Secrets of the other party shall be and are the property of the other party.

**Covenant Not to Divulge Trade Secrets.** MW and LMSD acknowledge and agree that each party is entitled to prevent the disclosure of its Trade Secrets. At all times during and after the Term of the JOA,

the companies agree to hold in strictest confidence, and not use or disclose or allow to be used or disclosed to any person, firm, or corporation, other than to each other to further the business of the JOA, the Trade Secrets of the other party. MW and LMSD will immediately give notice to the other of any unauthorized use or disclosure of Trade Secrets and agree to assist in remedying any such unauthorized use or disclosure of Trade Secrets.

**Ownership/Return of All Companies Property at Termination** MW and LMSD acknowledge and agree that all Trade Secrets will remain the sole and exclusive property of the company to which such Trade Secrets apply. MW and LMSD further recognize and agree that all work performed or work product developed by the companies in the course of the JOA, or using either companies equipment, computers or other electronic communications devices is and shall remain the sole and exclusive property of the company to which such work applies. In the event of termination of the JOA, the companies will promptly deliver to respective companies all respective company property, including but not limited to, materials, keys, property, files, manuals, memoranda, documents, electronic communication devices and equipment, computer disks, data, and other information belonging to the respective company or any of its affiliates, including all copies or reproductions and excerpts of the same.

**No Adverse Use** MW and LMSD will not at any time use any of the Trade Secrets of the other in any way which may directly or indirectly have an adverse effect upon such other company's business, including the business of any of its affiliates.

**Agreement Not to Interfere with Companies' Business** MW and LMSD agree that during the term of the JOA and for a period of 12 months thereafter, MW and LMSD will not interfere with each other's business by

1. Directly soliciting, inducing or attempting to induce any employees to leave the employment of their respective employer company or affiliate. For the avoidance of doubt, this provision shall not prohibit either party from hiring an employee of the other that responds to a general solicitation for employment.
2. Using Trade Secrets of the other, as defined above, to induce or attempt to induce any JOA customers, vendors or suppliers to cease doing business with the other company.
3. Injunctive Relief for Misuse of Trade Secrets. MW and LMSD acknowledge that breach of the confidentiality covenants of this JOA would cause irreparable injury to the companies and agree that in the event of any such breach, the companies shall be entitled to seek temporary, preliminary and permanent injunctive relief.

In witness whereof, the parties have executed this Outline on the date set forth above.

Midwest Television, Inc.

Elisabeth M. Kimmel

Signature

Elisabeth M. Kimmel

Printed Name

President

Title

Local Media of San Diego, LLC

Greg W...

Signature

Greg W...

Printed Name

vpl/bm

Title