

## **Description of Transaction and Agreements**

First State Bank of the Southeast (formerly known as First State Financial, Inc., hereinafter, “FSB”) is the senior and only secured creditor with a perfected first priority security interest in all of the assets (excluding the broadcast station FCC licenses, including any future or later acquired stations) and stock of Choice Radio Corporation, a Kentucky corporation (“Choice”), and in all proceeds of any sale of the assets (including the broadcast licenses held by Choice, including any future or later acquired stations) of Choice or its stock, which radio broadcast stations includes all of the stations listed in this application (the “Stations”).

FSB made a loan to Choice in April 2016, that is evidenced by a promissory note executed by Choice and given to FSB (the “Note”), which Note is secured by a Commercial Security Agreement signed by Choice (the “Security Agreement”), and by a personal Guaranty executed by each of two individuals (each a “Guaranty”), specifically, by each of Jonathan L. Smith (“Smith”), as President and a stockholder of Choice, and by Karen Moses-Bowling (“Moses”), a stockholder of Choice, all of the foregoing documents signed on April 6, 2016 (copies of the Note, Security Agreement, Smith Guaranty, and Moses Guaranty are attached as exhibits to a related involuntary transfer of control application being filed for Choice on this same date, the “Involuntary Transfer of Control Application”).

While Choice and Smith have always represented to the Commission that Smith is the only officer, director or shareholder of Choice, including as recently as the biennial ownership report certified by Smith and filed for Choice on April 24, 2020, see LMS File No. 0000112709, Choice represented to FSB, and the physical stock certificates for Choice that Choice delivered to and are being held by FSB as part of FSB’s collateral, demonstrate that Smith holds 510 shares and Moses holds 490 shares of the stock of Choice, since at least April 6, 2016.

FSB’s first priority security interest in the collateral was perfected on April 18, 2016, when FSB made the appropriate Uniform Commercial Code (“UCC”) filing with the Kentucky Secretary of State, in UCC Filing No. 2016-2826024-53.01.

After Choice defaulted on its loan and Note with FSB, FSB filed a complaint and obtained a default judgment against Choice, and an order for the sale of Choice’s stations; copies of the Default Judgment and Order Authorizing Transfer of Collateral (the “Default Judgment”) entered May 29, 2019, by the Whitley Circuit Court, Division 1, for the Commonwealth of Kentucky 34<sup>th</sup> Judicial Circuit (the “Kentucky Court”), as amended by the Amended Judgment and Order Authorizing Transfer of Collateral entered by the Kentucky Court on November 20, 2019 (the “Amended Order”, and together with the Default Judgment, the “Judgment”), are attached as exhibits to the Involuntary Transfer of Control Application.

FSB has proceeded with its efforts to collect on its Judgment, by a court-approved sale of the Stations, so that FSB may receive the proceeds of such sale. Since Choice and its principal Smith have chosen not to cooperate in that process, FSB has sought and the Kentucky Court has granted an order authorizing the Honorable Karen Davenport (“Davenport”), the Harlan County

Master Commissioner, to sign certain documents (including but not limited to FCC applications, and purchase or sale agreements, related to the Stations) on behalf of Choice or Smith in connection with a court-ordered sale of the station, in the event that Smith did not voluntarily sign such documents within a certain time period. Since Smith did not do so, the related Involuntary Transfer of Control Application is being filed on this date, which requests Commission consent to Davenport exercising that authority, granted by the Kentucky Court, to sign documents on behalf of Choice and Smith (however, all other authority over the Stations shall remain with Choice, not with Davenport). A copy of the Order Compelling Jonathan L. Smith To Make Disclosures And To Execute Transfer Instruments Or, In The Alternative, Order Authorizing The Harlan County Master Commissioner To Execute Transfer Instruments To Transfer Ownership Of Choice Radio Corporation, entered by the Kentucky Court on October 12, 2020 (the “Davenport Authorization Order”), is attached as an exhibit to the Involuntary Transfer of Control Application.

FSB also has found a buyer for the Stations, and has entered into an Asset Sale & Purchase Agreement, signed by Davenport on behalf of Choice, with the proposed assignee, Roy Jaynes Broadcasting, LLC, a Kentucky limited liability company (the “Purchase Agreement”). A copy of the Purchase Agreement is attached as an exhibit to this application, including its only schedule or exhibit, Exhibit 1 (which is a copy of the Amended Order).