

**SECURITY AGREEMENT**

THIS SECURITY AGREEMENT, dated as of \_\_\_\_\_, 2017, is by and between the Kovas Family GST Trust, Joseph W. Walburn, Trustee ("Secured Party"), and Evanston Broadcasting, LLC ("Debtor").

**RECITALS**

Debtor concurrently herewith, and in accordance with that certain Asset Purchase Agreement (as amended, the "Purchase Agreement"), by and between Debtor and Secured Party as of May \_\_\_\_, 2017, pursuant to which Debtor agreed to purchase from Secured Party the assets owned by Secured Party and used in connection with the operation of radio broadcast station WCGO, Evanston, Illinois, FCC Facility ID No. 35447 (the "Station"), as part of the Closing on such purchase.

In connection with such sale, Secured Party is providing financing to the Debtor as evidenced by that certain Promissory Note bearing the same date as this Agreement (the "Note") in an aggregate principal amount of Two Million Nine Hundred Forty Thousand Dollars (\$2,940,000), more or less, as the same may be adjusted pursuant to the Purchase Agreement.

Such financing is premised on the grant of the security provided for in this Agreement. The Note is also secured by an Agreement for Pledge of Membership Interests (the "Pledge Agreement") bearing the same date as this Agreement between Secured Party (as Pledgee) and the owners of Debtor (as Pledgors) as well as by a Guaranty Agreement between Secured Party and William H. Pollack. The Pledge Agreement, this Agreement and the Financing Statement(s) provided for herein, are referred to collectively as the "Security Instruments").

**Now, therefore**, for and in consideration of Debtor's acceptance of the Note, the mutual covenants set forth herein, and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties represent, warrant and agree as set forth below.

**SECTION 1. Security.**

(a) As security for the payment of the principal indebtedness under the Note referenced above, and any interest that may accrue thereon (collectively, the "Obligations"), Debtor hereby grants to Secured Party a continuing security interest in the Collateral set forth in Schedule 1 hereto.

(b) Debtor hereby represents and warrants to Secured Party that except for the liens granted by the Debtor in favor of the Secured Party pursuant to this Security Agreement, Debtor is (or to the extent that certain items of the Collateral may be acquired after the date hereof, will be and remain), the owner of the Collateral free from any adverse lien,

security interest or encumbrance, save for liens subordinate to the liens granted pursuant hereto.

**SECTION 2. Covenants of Debtor.**

Debtor hereby covenants that:

(a) Debtor will defend the Collateral against any claims and demands of all other persons at any time claiming the same or an interest therein which would conflict with any claim or interest of Secured Party. Debtor will maintain the tangible property included within the Collateral in good operating condition and repair, and use it only in connection with the operation of the Station unless disposed of in the ordinary course of business and replaced with equipment of substantially equivalent value. Debtor will not encumber, sell, transfer, assign, abandon or otherwise dispose of the Collateral except for: (i) sale or transfer of Inventory, and cancellation of Insurance (subject to Section 2(b) hereof) in the ordinary course of business, (ii) liens arising from taxes, assessments, charges, levies or claims that are not yet due or that remain payable without penalty or which are being contested in good faith by appropriate proceedings, (iii) liens arising from legal proceedings, so long as such proceedings are being contested in good faith by appropriate proceedings diligently conducted and so long as execution is stayed on all judgments resulting from any such proceedings, (iv) liens created by this Security Agreement and liens subordinate thereto, (v) dispositions of items of Equipment no longer useful to Debtor in the ordinary course of business, and (vi) trade-ins, replacements or exchanges of items of Equipment for other items of Equipment having an equal or greater value (in excess of any purchase money liens on such items) and useful in Debtor's business.

(b) Debtor will have and maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, including without limitation, property and casualty insurance and public liability insurance.

(c) Upon reasonable advance notice to Debtor, Secured Party may examine and inspect the Collateral owned by Debtor at any reasonable time and at any reasonable place, wherever located.

(d) Debtor will pay promptly when due all taxes and assessments upon the Collateral owned by Debtor or upon its use or sale unless such taxes or assessments are being contested in good faith by Debtor. Secured Party may, at its option, discharge taxes, liens or other encumbrances at any time levied against or placed on the Collateral which have not been stayed as to execution and contested with due diligence in appropriate legal proceedings, and Secured Party may pay for insurance on the Collateral if Debtor has failed to comply with such obligation and may pay for maintenance and preservation of the Collateral if Debtor fails to do so. Debtor shall reimburse Secured Party on demand for any such expense incurred by Secured Party pursuant to the foregoing authorization.

(e) Debtor will from time to time upon demand furnish to Secured Party such further information and will execute and deliver to Secured Party such assignments and other papers and will do all such acts and things as may be necessary or appropriate to establish,

perfect and maintain a valid security interest in the Collateral as security for the Obligations. Debtor hereby authorizes Secured Party to execute and file at any time and from time to time one or more Financing Statements or copies or renewals thereof or of this Security Agreement with respect to the Collateral, signed only by Secured Party.

(f) Within thirty days after the close of each calendar quarter, beginning with the quarter ending September 30, 2017 and throughout the term of the Note, Debtor shall submit a report or reports to Secured Party showing: (i) proof of payment of payroll taxes for the quarter just ended; (ii) proof of payment of the real estate taxes on the studio real estate at 2100 Lee Street, Evanston (for any quarter in which such a tax payment is due); (iii) proof of payment of rent charged by the Metropolitan Water Reclamation District of Greater Chicago for such quarter; and (iv) simple revenue statements for WCGO and for the GAB operation with respect to such quarter.

### **SECTION 3. Events of Default.**

(a) Debtor shall be in default under this Agreement upon the occurrence of any of following events or conditions (each, an “*Event of Default*”):

(i) an “Event of Default” shall occur under the Note and shall not be cured within the cured period provided for herein; or

(ii) any representation or warranty made by Debtor in this Security Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made, and such inaccuracy is not cured to the satisfaction of Secured Party within fifteen days after the date on which Secured Party gives Debtor written notice of such failure; or

(iii) Debtor shall fail to perform or observe any material term, covenant or agreement contained in the Note or this Security Agreement, and such failure is not cured to the reasonable satisfaction of Secured Party within fifteen days after the date on which Secured Party gives Debtor written notice of such failure.

(iv) One or more of the owners of Debtor shall fail to perform or observe any material term, covenant or agreement contained in the Pledge Agreement or the Guaranty Agreement, and such failure is not cured to the reasonable satisfaction of Secured Party within fifteen days after the date on which Secured Party gives such Pledgors or Guarantor written notice of such failure.

(b) Upon the occurrence of an Event of Default, Secured Party shall have all of the rights, powers and remedies set forth in the Note and this Agreement, together with the rights and remedies of a secured party under the applicable Uniform Commercial Code, including without limitation the right to sell, lease or otherwise dispose of any or all of the Collateral and to take possession of the Collateral. Secured Party will send to Debtor reasonable advance notice of the time and place of any public sale or reasonable advance notice of the time after which any private sale or any other disposition thereof is to be made. The requirement of sending reasonable advance notice shall be met if such notice is mailed, postage prepaid, to

Debtor at least fifteen business days before the time of the sale or disposition. The proceeds of any sale of the Collateral under foreclosure shall be applied first to discharge of or reimbursement for all expenses incurred by Secured Party in protecting or enforcing its rights in the Collateral, second to pay all amounts of principal, first, and then interest of Debtor's Obligations, and then the residue of any proceeds of collection or sale of the Collateral shall be distributed to the Debtor (or, if the Debtor has ceased existence by such time, then to Pledgors under the Pledge Agreement, pro rata according to their ownership interests as shown on the most recent FCC Ownership Report on file for the Station).

**SECTION 4. Collection.**

Upon the occurrence of an Event of Default pursuant to Section 3(a) hereof, Secured Party shall have the following rights and powers in addition to those specified in Section 3 above:

(a) Secured Party shall have the right to notify the contract obligors obligated on any or all of Debtor's Insurance to make payment thereof directly to Secured Party, and Secured Party may take control of all proceeds of any of the Insurance or General Intangibles.

(b) Debtor hereby irrevocably appoints Secured Party to be Debtor's true and lawful attorney-in-fact, with full power of substitution, in Secured Party's name or Debtor's name or otherwise for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise at any time after the occurrence and continuing existence of an Event of Default pursuant to Section 3(a), but subject to the provisions of Section 8 hereof, the power to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof and to apply for and obtain any required consents of any governmental authority for any such sale or other disposition, as full and effectually as if Secured Party were the absolute owner thereof.

**SECTION 5. Limitations.**

With respect both to Obligations and Collateral, Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromising or adjusting of any thereof, all in such time or times as Secured Party may deem advisable. Secured Party shall have no duty as to the collection or protection of Collateral not in Secured Party's possession, and Secured Party's duty with reference to Collateral in its possession shall be to use reasonable care in the custody and preservation of such Collateral, but such duty shall not require Secured Party to engage in:

- (i) the collection of income thereon;
- (ii) the collection of debt;
- (iii) the taking of steps necessary to preserve rights against third

parties, although Secured Party is authorized to reasonably undertake any such action if deemed appropriate by Secured Party.

**SECTION 6. Successors and Assigns.**

The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its legal representatives, successors and assigns, as joint and several obligations, and shall inure to the benefit of Secured Party, its successors and assigns.

**SECTION 7. Miscellaneous.**

(a) No delay or omission by Secured Party in exercising any of its rights hereunder shall be deemed to constitute a waiver thereof. All rights and remedies of Secured Party hereunder shall be cumulative and may be exercised singularly or concurrently.

(b) This Agreement shall be governed by and construed under the laws of the State of Illinois, without regard to its principles of conflict of laws. None of the terms or provisions of this Agreement may be waived, altered, modified, or amended except by an agreement in writing signed by Secured Party and Debtor.

(c) All capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Note.

(d) Each party has been represented by its own counsel in connection with the negotiation and preparation of this Agreement and, consequently, each party hereby waives the application of any rule of law to the effect that this Agreement or any provision of this Agreement should be interpreted or construed against the party who (or whose counsel) may be deemed to have principally drafted this Agreement or that provision.

(e) All notices, statements, requests and demands herein provided for shall be in writing and shall be deemed effectively given or delivered upon personal delivery, or delivery by a courier service, or by certified mail, and, in the case of courier or mail delivery, addressed as follows (or at such other address for a party as shall be specified by like notice):

If to Secured Party, to:

Kovas Family GST Trust, Joseph W. Walburn, Trustee  
14413 Illinois Road, Suite A  
Ft. Wayne, Indiana 46814  
Attn: Joseph H. Walburn  
(tel): 260-459-2240  
(fax): 260-432-0986  
(email) jww@fortmail.com

with a copy, given in the manner prescribed above, to:

Steven R. Shine  
Shine & Hardin LLP  
2810 Beaver Road at Broadway  
Fort Wayne, Indiana 46807  
(tel) 260-745-1970  
(fax) 260-744-5411  
(email) sshine@shineandhardin.com

If to Debtor, to:

William H. Pollack  
Evanston Broadcasting LLC  
c/o Pollack Companies  
5500 Poplar Ave, #1  
Memphis, TN 38119  
(tel) 901-685-3993  
(fax) 901-685-3995  
(email) whpollack@gmail.com

with a copy, given in the manner prescribed above, to:

Barry D. Wood  
Wood, Martin & Hardy, PC  
3300 Fairfax Drive, Suite 202  
Arlington, VA 22201  
(tel): 703-465-2361  
(fax): 703-465-2365  
(email) wood@legalcompass.com

**SECTION 8. FCC Approval.**

(a) Notwithstanding anything to the contrary contained herein, any foreclosure on, sale, transfer or other disposition of any Collateral or any other action taken or proposed to be taken hereunder that would affect the operational, voting, or other control of Debtor or affect the ownership of the FCC Licenses, shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended (the “*Communications Act*”), and to the applicable rules and regulations of the FCC and, if and to the extent required thereby, subject to the prior consent to the FCC and any other applicable governmental authority. Notwithstanding anything to the contrary contained herein, Secured Party will not take any action pursuant hereto that would constitute or result in any assignment of the FCC Licenses if such assignment of license would require under then existing law (including the Communications Act), the prior approval of the FCC, without first obtaining such approval of the FCC and notifying the FCC of the consummation of such assignment (to the extent required to do so).

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed by their duly authorized officers as of the date and year first above written.

**Secured Party:**

**KOVAS FAMILY GST TRUST**

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Joseph W. Walburn, Trustee

**Debtor:**

**EVANSTON BROADCASTING, LLC**

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William H. Pollack, Manager

## SCHEDULE 1

The following assets used or useful in the operation of the Station are collectively referred to as the “Collateral”:

(a) All personal property of Debtor used in connection with the operation of the Station, as well as any replacements for such property and the proceeds or products from the sale of such property (the “Equipment”).

(b) All of Debtor’s presently existing and hereafter acquired or arising general intangibles and other intangible personal property used in the operation of the Station, including without limitation rights under all contract rights and all present and future authorizations, permits, licenses, franchises, government authorizations (the “General Intangibles”); except for Debtor’s rights under present and future authorizations, permits and licenses issued or granted to Debtor by the Federal Communications Commission (each, an “FCC License”) for the ownership and operation of the Station; and

(c) All insurance policies held by the Debtor or naming the Debtor as loss payee (or naming Debtor as an additional insured as its interest may appear) relating to the operation of the Station, including without limitation, casualty insurance and property insurance, and the proceeds thereof (the “Insurance”).