

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this “Agreement”) is made as of _____, 2020 by and between Schlesinger Communications, Inc., a Pennsylvania corporation (“Debtor”) and Clifford E. Mack, an individual resident of Pennsylvania (“Secured Party”).

RECITALS

A. On the date hereof, pursuant to an Asset Purchase Agreement dated as of May 19, 2020, by and between Debtor, as purchaser, and Magnum Broadcasting, Inc., as seller (“Magnum”), Debtor has purchased from Magnum certain assets used and useful in the business and operation of FM radio station WQCK and Booster Station WQCK-FM1, Phillipsburg, Pennsylvania (the “Stations”); and

B. In consideration for the purchase of the Stations, on the date hereof, and with the consent of the Secured Party, Debtor has assumed from Magnum, and Magnum has assigned to Debtor, Magnum’s obligations under that certain Amended and Restated Promissory Note, dated February 4, 2020, among Magnum, as debtor, the Secured Party, as holder, and the Estate of Laura S. Mack, as lender (the “Note”); and

C. To induce the Secured Party to consent to the assignment of the Note by Magnum to Debtor, Debtor has agreed to grant Secured Party a security interest in certain assets of Debtor, as more particularly described herein, as security for Debtor’s payment obligations under the Note.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereby agree as follows:

Section 1. The Security Interest

(a) In order to secure the due and punctual payment in full (and not merely the collectibility) of the Note, regardless of the extent allowed as a claim in any proceeding in respect of the bankruptcy, reorganization or insolvency of the Debtor (a “Reorganization”), when due and payable, according to the terms of the Note, whether at stated maturity, by reason of acceleration or otherwise, the Debtor hereby grants to the Secured Party a continuing security interest in the personal property identified in **Schedule 1(a)** hereto, in each case to the extent, and only to the extent it is lawful to grant a security interest in such property (hereinafter collectively called the “Collateral”). The parties hereto acknowledge and agree that the Collateral does not include the licenses issued by the Federal Communications Commission (“FCC”) for the operation of the Stations or any other FCC license or authorization held by Debtor, as FCC policy prohibits the granting of a security interest in a broadcast station authorization issued by the FCC.

(b) **Security Interest.** The security interest granted pursuant to this **Section 1** (the “Security Interest”) is granted as security only and shall not subject the Secured Party to, or

transfer or in any way affect or modify, any obligation or liability of Debtor under any of the Collateral or any transaction which gave rise thereto.

Section 2. Filing; Further Assurances. Debtor will, at its expense, execute, deliver, file and record (in such manner and form as the Secured Party may require), or permit the Secured Party to file and record any financing statements or this Agreement (which shall be sufficient as a financing statement hereunder), any specific assignments or other paper that may be necessary or desirable, or that the Secured Party may request, in order to create, preserve, perfect or validate any Security Interest or to enable the Secured Party to exercise and enforce its rights with respect to any of the Collateral. Debtor hereby irrevocably appoints Secured Party as such Debtor's attorneys-in-fact solely as to this Section 2 and authorizes the Secured Party, at any time and from time to time, without Debtor's further signature or authorization, to execute and file in the name and on behalf of Debtor such additional financing statements as the Secured Party may request. In addition, Debtor shall, from time to time upon the request of the Secured Party, make, execute and deliver such further instruments and take such further acts as the Secured Party may deem necessary or appropriate to enable the Secured Party to exercise fully its rights hereunder, and to ratify and confirm any sale hereunder.

Section 3. Representations and Warranties of Debtor. Debtor hereby represents and warrants to the Secured Party that (a) Debtor has all requisite power and authority to grant the Security Interest to the Secured Party as provided herein; (b) Debtor is, or to the extent that certain of the Collateral is to be acquired after the date hereof, will be, the sole legal and beneficial owner of the Collateral free from any lien, security interest, encumbrance or restrictions on transfer except as permitted hereunder; and (c) all additional information, representations and warranties contained in **Exhibit A** hereto as to the Debtor and made a part hereof are true, accurate and complete on the date hereof.

Section 4. Covenants of Debtor. Debtor hereby covenants and agrees with the Secured Party that Debtor shall:

(a) 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;

(b) provide the Secured Party with prompt written notice of (i) any change in Debtor's principal office, and (ii) the movement or location of any Collateral to or at any address other than as set forth in **Exhibit A** or **Schedule 1(a)** with respect to such Debtor;

(c) promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date penalties are attached thereto;

(d) immediately notify the Secured Party of any event causing a substantial loss or diminution in the value of all or any material part of the Collateral and the amount or an estimate of the amount of such loss or diminution;

(e) have and maintain insurance with a financially sound and reputable insurance company covering the full replacement cost of the Collateral;

(f) not encumber, sell, transfer, assign, pledge, abandon or otherwise dispose of any of the Collateral without the prior written consent of the Secured Party, provided however, that items of Collateral may be sold, leased, transferred or otherwise disposed of in the ordinary

course of business in exchange for other assets of comparable value, which replacements shall automatically become Collateral and be subject to this Security Agreement;

(g) keep the Collateral free from any adverse lien, security interest (whether subordinate or otherwise), or encumbrance other than the security interest granted to Secured Party under this Security Agreement;

(h) keep the Collateral in good order and repair, reasonable wear and tear excepted, and shall not waste, destroy or dispose of the Collateral or any part thereof;

(i) not use the Collateral in violation of any statute or ordinance; and,

(j) if Debtor at any time acquires assets constituting Collateral, execute and deliver to the Secured Party any and all financing statements under the Uniform Commercial Code requested by the Secured Party with respect to such assets.

Section 5. Records Relating to Collateral. The Debtor will keep its records concerning the Collateral at one or more of the locations designated in **Exhibit A** or at such other place or places of business in Nevada, of which the Secured Party shall have been notified in writing upon no less than twenty (20) days in advance. The Debtor will hold and preserve such records and will permit representatives of the Secured Party at any time during normal business hours to examine and inspect the Collateral, and will furnish to the Secured Party such information and reports regarding the Collateral as the Secured Party may from time to time request; provided however, that no notice shall be required of the Secured Party if an Event of Default, as defined in Section 6, has occurred and is continuing.

Section 6. Events of Default. Debtor shall be in default under this Agreement upon the occurrence of any of the following (each, an "Event of Default"):

(a) the failure to pay a monetary obligation under the Note, and continuance of such default for a period of thirty (30) consecutive days after notice thereof is given by the Secured Party to Debtor;

(b) any failure of Debtor to perform or observe any term, covenant, or agreement contained in this Agreement, and continuance of such default for a period of thirty (30) consecutive days after notice thereof is given by Secured Party to Debtor; or

(c) the Debtor (i) voluntarily files a petition in bankruptcy, or institutes insolvency or reorganization proceedings in any state or federal court; (ii) is adjudicated as bankrupt or insolvent in any state or federal court; (iii) fails to discharge or obtain a stay within sixty (60) days of any court order or decree under which any property of Debtor shall be sequestered; (iv) consents to the filing of any bankruptcy petition against it; (v) makes an assignment for the benefit of its creditors; or (vi) admits in writing its inability to pay its debts generally as they become due.

Section 7. Remedies Upon Event of Default.

(a) If any Event of Default shall occur and be continuing, the Secured Party may exercise all the rights and remedies of a secured party under the Uniform Commercial Code (herein the "UCC") (whether or not the UCC is in effect in the jurisdiction where such rights and remedies are exercised). Without limitation of the foregoing, the Secured Party may,

without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, sell the Collateral, or any part or component thereof, at one or more public or private sales for cash, upon credit or for future delivery, and at such price or prices as the Secured Party may deem satisfactory.

(b) The Secured Party may require the Debtor to assemble all or any part of the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient. The Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (and, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale) and thereafter hold the same absolutely, free from any right or claim of whatsoever kind. Upon any such sale, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely, free from any claim or right of whatsoever kind, including any equity or right of redemption of the Debtor.

(c) The Secured Party shall give the Debtor at least fifteen (15) days' prior written notice of its intention to make any such public or private sale. The Secured Party and the Debtor agree that such notice is reasonable. Such notice, in case of a public sale shall state the time and place fixed for such sale. Such notice in the case of a private sale or disposition shall state the time after which any private sale or other intended disposition is to be made.

(d) Any such public sale shall be held at such time or times within ordinary business hours and at public or private place or places as the Secured Party may fix in the notice of such sale. At any public or private sale, the Collateral may be sold in one lot as an entirety or in separate parcels, as the Secured Party may determine. The Secured Party shall not be obligated to make such sale pursuant to any such notice. The Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Secured Party until the selling price is paid by the purchaser thereof, but the Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice.

(e) The Secured Party, instead of exercising the power of sale herein conferred upon them, may proceed by a suit or suits at law or equity to foreclose the Security Interest and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(f) If an Event of Default occurs and continues, the Secured Party is empowered to request from any court of competent jurisdiction the appointment of a receiver to sell the assets of the Station, including the Collateral. Such receiver shall be instructed to seek from the FCC consent to an involuntary assignment, or transfer of control of the FCC Licenses for the purposes of seeking a bona fide purchaser to whom control will ultimately be transferred. Debtor hereby agrees to authorize such involuntary assignment or transfer of control upon the request of the receiver so appointed and, if Debtor shall refuse to authorize the transfer, that Debtor's approval may be ordered or required by the court. Upon the occurrence and

continuance of an Event of Default, Debtor shall further use best efforts to assist in obtaining approval of the FCC, if required, for any actions or transactions contemplated by this Security Agreement and any related agreements, including, without limitation, the preparation, execution and filing with the FCC of the assignor's or transferor's portion of any application or applications for consent to the assignment of the FCC Licenses, or transfer of control necessary or appropriate under the FCC's Rules and Regulations to obtain approval of the transfer or assignment of any portion of the Collateral, together with the FCC Licenses.

(g) The receiver shall have the power to dispose of the FCC Licenses and the Collateral in any manner lawful in Pennsylvania, including the power to conduct a public or private sale of the FCC Licenses and Collateral; provided however, that the successful bidder at any such public or private sale shall not acquire any FCC License unless and until the FCC shall first have granted its consent to such acquisition. The Secured Party may bid at any such public or private sale.

(h) THE DEBTOR ACKNOWLEDGES THAT THE ASSIGNMENT OR TRANSFER OF THE FCC LICENSES IS INTEGRAL TO THE SECURED PARTY'S REALIZATION OF THE VALUE OF THE COLLATERAL, THAT THERE IS NO ADEQUATE REMEDY AT LAW FOR FAILURE BY THE DEBTOR TO COMPLY WITH THE PROVISIONS OF THIS SECTION AND THAT SUCH FAILURE WOULD NOT BE ADEQUATELY COMPENSABLE IN DAMAGES, AND THEREFORE AGREES THAT THE AGREEMENTS CONTAINED IN THIS SECTION MAY BE SPECIFICALLY ENFORCED.

(i) Notwithstanding anything herein contained to the contrary, the Debtor's execution and delivery of this Security Agreement and any related agreements (i) do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of the Debtor or the Stations by the Secured Party, or control, affirmative or negative, direct or indirect, by the Secured Party over the programming, management, or any other aspect of the operation of the Stations, which ownership and control will remain exclusively in the Debtor; and (ii) do not and will not constitute the transfer, assignment, or disposition in any manner, voluntarily or involuntarily, directly or indirectly, of any FCC License or any other license, permit or authorization at any time issued by the FCC to the Debtor or the transfer of control of the Debtor within the meaning of Section 310(d) of the Communications Act of 1934, as amended. The foregoing provisions of this Section 7(i) shall not in any way prevent the sale of the Collateral or the assignment or transfer of control of the FCC Licenses pursuant to FCC approval in accordance with the other provisions of this Agreement.

(j) All rights and remedies contained herein shall be separate and cumulative and in addition to all other rights and remedies available to the Secured Party under applicable law, and the exercise of one shall not in any way limit or prejudice the exercise of any other such rights or remedies.

(k) The Debtor shall, if requested by the Secured Party, promptly ratify and confirm any sale or sales of the Collateral by executing and delivering to the Secured Party, or to such purchaser or purchasers, all such instruments as may, in the judgment of the Secured Party, be advisable for such purpose.

Section 8. Application of Collateral and Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priority:

(a) first, to the payment of the Debtor's payment obligation under the Note in such order of priority as the Secured Party, in his sole discretion, shall determine;

(b) second, to the payment of the costs and expenses of such sale or other realization, including without limitation reasonable attorneys' fees and disbursements, and all expenses, liabilities and advances incurred or made by the Secured Party in connection therewith;

and

(c) finally, to pay to the Debtor, or its successors and assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

Section 9. Survival of Obligations; Termination of Security Interest; Release of Collateral. This Agreement and the warranties, representations, agreements and covenants contained herein and in any certificates or instruments delivered pursuant hereto shall survive the execution and delivery of the Note, and shall continue for so long as the payment obligations under the Note shall remain outstanding. Upon the Debtor's repayment and performance in full of the obligations under the Note, the Security Interest shall terminate and all rights to the Collateral shall revert to the Debtor. Upon such termination of the Security Interest or release of Collateral, the Secured Party will promptly execute and deliver to the Debtor such documents as reasonably necessary or as the Debtor shall reasonably request to evidence the termination of the Security Interest or the release of such Collateral, as the case may be.

Section 10. FCC Approvals. The Secured Party's rights hereunder are subject to all applicable rules and regulations of the FCC. Notwithstanding anything to the contrary contained herein, the Secured Party will not take any action pursuant to this Agreement which would constitute or result in any assignment of any FCC License or any transfer of control of the Debtor or any FCC License, whether *de jure* or *de facto*, if such assignment of license or transfer of control would require under then existing law (including the written rules and regulations promulgated by the FCC), the prior approval of the FCC, without first obtaining such approval. The Debtor agrees to take any action, at the Debtor's sole cost and expense, which the Secured Party may request in order to obtain and enjoy the full rights and benefits granted to the Secured Party by this Agreement and any other agreement, instrument and document delivered to the Secured Party in connection herewith or in any document evidencing or securing the Collateral, including specifically, the use of its commercially reasonable best efforts to assist in obtaining approval of the FCC for any action or transaction contemplated by, and consistent with the terms of, this Agreement which is then required by law, and specifically, without limitation, upon request after an Event of Default, to prepare and file (or cause to be filed) with the FCC the assignor's or transferor's portion of any application or applications for consent to the assignment of any FCC License or the transfer of control of the licensee thereof.

Section 11. Nonwaiver of Rights. All rights and remedies afforded to the Secured Party by reason of this Agreement or by law are separate and cumulative and the exercise of one shall not in any way limit or prejudice the exercise of any other such rights or remedies. No delay or omission by the Secured Party in exercising any such right or remedy shall operate as a waiver thereof. No waiver of any rights and remedies hereunder, and no modification or amendment hereof, shall be deemed made by the Secured Party unless in writing and duly executed. Any such written waiver shall apply only to the particular instance specified therein and shall not impair the further exercise of such right or remedy or of any other right or remedy of the Secured Party, and no single or partial exercise of any right or remedy hereunder shall preclude further exercise of any other right or remedy.

Section 12. Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing (which shall include notice by facsimile transmission) and shall be deemed to have been duly made and received when (a) personally served, (b) delivered by certified U.S. mail, return receipt requested, or (c) delivered by Federal Express or a similar overnight courier service, expenses prepaid, addressed as set forth below:

(a) if to Debtor, then to: Schlesinger Communications, Inc.
21 East Main Street
Lock Haven, PA 17745

(b) if to Secured Party, then to: Clifford Mack

Section 13. CONSENT TO JURISDICTION AND VENUE. EACH OF THE DEBTOR AND SECURED PARTY HEREBY CONSENTS TO THE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA (THE "DESIGNATED JURISDICTION"), AS WELL AS TO THE JURISDICTION OF ALL COURTS TO WHICH AN APPEAL MAY BE TAKEN FROM THE DESIGNATED JURISDICTION FOR ANY PROCEEDING ARISING OUT OF ANY OF ITS OBLIGATIONS HEREUNDER OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY, AND EXPRESSLY WAIVES ANY AND ALL OBJECTIONS IT MAY HAVE AS TO VENUE, INCLUDING, WITHOUT LIMITATION, THE INCONVENIENCE OF SUCH FORUM. IN ADDITION, THE DEBTOR CONSENTS TO THE SERVICE OF PROCESS BY PERSONAL SERVICE OR U.S. CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO THE DEBTOR AT THE ADDRESS PROVIDED HEREIN. TO THE EXTENT THAT DEBTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE DEBTOR HEREBY

IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT TO THE MAXIMUM EXTENT PERMITTED BY LAW.

Section 14. WAIVER OF JURY TRIAL. THE DEBTOR HEREBY, AND THE SECURED PARTY BY ITS ACCEPTANCE OF THIS SECURITY AGREEMENT, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT ANY ONE MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY ONE OF THE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE SECURED PARTY ACCEPTING THIS SECURITY AGREEMENT AND ENTERING INTO THE ASSET PURCHASE AGREEMENTS REFERENCED IN RECITAL PARAGRAPHS A AND B ABOVE.

Section 15. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania applicable to contracts made and performed in said state.

Section 16. Successors and Assignment. This Agreement shall inure to the benefit of, and be enforceable by, the Secured Party and its successors and assigns, and shall be binding upon, and enforceable against, the Debtor and its successors. This Agreement may not be assigned by Debtor without the prior written consent of the Secured Party.

Section 17. Severability. If any one or more provision in this Agreement should be found invalid, illegal or unenforceable, in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. Any illegal or unenforceable term shall be deemed to be void and of no force and effect only to the minimum extent necessary to bring such term within the provisions of applicable law and such term, as so modified, and the balance of this Agreement shall then be fully enforceable.

Section 18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as an in-hand delivery of an original executed counterpart thereof.

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

DEBTOR:

SCHLESINGER COMMUNICATIONS, INC.

By: _____
Jeffry O. Schlesinger
President

SECURED PARTY:

CLIFFORD MACK

EXHIBIT A

ADDITIONAL REPRESENTATIONS AND WARRANTIES OF DEBTOR

1. The exact name of the Debtor is set forth below in 2.
2. The Debtor's Federal Tax Identification Number is as follows:

<u>Name:</u>	<u>Federal Tax ID #:</u>
Schlesinger Communications, Inc.	272773200

3. The Debtor does no business under any other names.
4. The Debtor is qualified to do business in Pennsylvania.
5. Debtor's principal office is 21 East Main Street, Lock Haven, PA 17745.
6. Each item of the Collateral identified in Schedule 1(a) hereto is located at the address set forth in Schedule 1(a).

SCHEDULE 1(a)
Collateral

Equipment Item

Description

Location