

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION**

In re:	)	Case No. 10-50494
	)	
FAIR FINANCE COMPANY	)	Chapter 7
	)	
Debtor.	)	Chief Judge Pat E. Morgenstern-Clarren
	)	

**MOTION OF TRUSTEE TO APPROVE COMPROMISE  
WITH NATIONAL LAMPOON, INC.**

Brian A. Bash (the “**Trustee**”), the duly appointed Chapter 7 Trustee for Fair Finance Company (the “**Debtor**” or “**Fair Finance**”) in the above-captioned case, hereby moves for entry of an order, in substantially the form attached hereto as **Exhibit A**, approving the compromise of claims between the Trustee and National Lampoon, Inc. (“**National Lampoon**”) in the action pending before the United States District Court for the Central District of California as *Bash v. National Lampoon*, Case No. 2:11-CV-04999-DSF (AGRx) (the “**California Litigation**”), for the reasons set forth in the attached memorandum of law. A proposed Order is attached as **Exhibit A**. A copy of the Settlement Agreement, executed by National Lampoon, is attached as **Exhibit B**.

Dated: May 29, 2015

Respectfully submitted,

/s/ Kelly S. Burgan

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**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION**

In re:	)	Case No. 10-50494
	)	
FAIR FINANCE COMPANY	)	Chapter 7
	)	
Debtor.	)	Chief Judge Pat E. Morgenstern-Clarren
	)	

**MEMORANDUM IN SUPPORT OF MOTION OF TRUSTEE TO APPROVE  
COMPROMISE WITH NATIONAL LAMPOON, INC.**

In support of the Motion of Trustee to Approve Compromise with National Lampoon, Inc. (the “**Motion**”),<sup>1</sup> the Trustee states as follows:

**PRELIMINARY STATEMENT**

1. On June 13, 2011, the Trustee commenced the California Litigation against National Lampoon, seeking to avoid and recover alleged fraudulent transfers of more than \$9 million, which were made over a period of time when National Lampoon was controlled by Timothy Durham and Daniel Laikin. National Lampoon has agreed to pay the Trustee **\$3 million** to settle the California Litigation, subject to this Court’s approval.

2. After the commencement of the California Litigation, the Trustee conducted discovery, filed two separate motions to appoint a receiver for National Lampoon, and concluded litigation in separate actions against Timothy Durham and Daniel Laikin. As part of the Trustee’s compromise with Timothy Durham (approved by this Court’s Order, entered on Dec. 17, 2014, Dkt. No. 1645), Durham assigned all of his stock in National Lampoon to the Trustee.

3. In addition, National Lampoon has undergone changes in management, and commenced its own action asserting claims against Timothy Durham in the United States

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<sup>1</sup> Terms capitalized but not defined herein shall have the meanings ascribed to them in the Motion.

District Court for the Southern District of Indiana, to which Timothy Durham asserted counterclaims (the “**Indiana Action**”). The Trustee has intervened in the Indiana Action.

4. The Trustee believes that this settlement represents the Trustee’s best possibility for recovery on his claims against National Lampoon and, if approved, will facilitate the dismissal or other expeditious resolution of the Indiana Action and will allow the Trustee to maximize the value of the stock he holds in National Lampoon. For these reasons, and the additional reasons described below, the Trustee respectfully submits that the proposed settlement falls well within the range of a reasonable settlement, is in the best interests of the Fair Finance estate and its beneficiaries, and should be approved.

### **JURISDICTION**

5. This Court has jurisdiction over this proceeding pursuant to 28 U.S.C. §§ 157 and 1334 and Rule 9019 of the Federal Rules of Bankruptcy Procedure. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue in this Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

### **FACTUAL BACKGROUND**

#### **A. The Bankruptcy Case.**

6. On February 8, 2010 (the “**Petition Date**”), creditor-investors (the “**Petitioning Creditors**”) filed a petition for involuntary bankruptcy against the Debtor.

7. On the Petition Date, the Petitioning Creditors also filed an “Emergency Motion to Appoint Interim Trustee” (Bky. Dkt. No. 2)<sup>2</sup> alleging that a trustee was needed to oversee the operations of the Debtor because (i) the Debtor had failed to make timely payments on its debts, including failing to redeem matured certificates and failing to pay interest on unmatured

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<sup>2</sup> References to “Bky. Dkt. No. \_\_\_\_” shall be to materials appearing on the docket of the Fair Finance bankruptcy case.

certificates; (ii) the Debtor and several affiliated companies had been raided by the Federal Bureau of Investigation in November of 2009; (iii) the Debtor has not been open to the public since the raid; and (iv) public records revealed that the Debtor had made “unusually large” loans to insiders.

8. On February 19, 2010, this Court entered an order directing the United States Trustee to appoint an interim trustee (Bky. Dkt. No. 25). On February 24, 2010, the Debtor filed notice that it consented to the entry of an order for relief in this proceeding (Bky. Dkt. No. 35). On March 2, 2010, the Court entered an Order granting the relief sought by the Petitioning Creditors nunc pro tunc as of February 24, 2010 (Bky. Dkt. No. 40). On March 2, 2010, the United States Trustee filed the Notice of Appointment of Interim Chapter 7 Trustee effective February 24, 2010 (Bky. Dkt. No. 41). The Trustee is the duly appointed, qualified and acting Trustee in the within proceedings.

**B. The National Lampoon Settlement.**

9. After initially contentious litigation, followed by lengthy settlement discussions, which included financial disclosures by National Lampoon to the Trustee, the parties have agreed to settle the California Litigation pursuant to the terms set forth in the Settlement Agreement attached hereto as Exhibit B. In summary, the proposed settlement is as follows:<sup>3</sup>

- (i) National will pay \$3,000,000.00 (the “**Settlement Amount**”) to the Trustee in full settlement of all claims against it, pursuant to a Note in favor of the Trustee, secured by National Lampoon’s receivables (the Trustee’s Note and Security Agreement are attached to the Settlement Agreement, Exhibit B hereto);
- (ii) The Settlement Amount will be paid in monthly installments equal to fifteen percent (15%) of the month’s gross income received by National Lampoon;

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<sup>3</sup> This summary of settlement terms set forth herein is intended for the convenience of the Court and interested parties. Nothing contained herein shall be deemed or construed to alter or amend the terms set forth in the Settlement Agreement. In the event of a conflict between the summary set forth in this Motion and the terms of the Settlement Agreement, the terms of the Settlement Agreement shall control.

- (iii) National Lampoon may repay prior advances made by its CEO, Gerald Daigle pursuant to the terms of the Daigle Note (attached to the Settlement Agreement, Exhibit B hereto), so long as payments made to Mr. Daigle do not exceed payments made to the Trustee.
- (iv) In the event that National Lampoon sells substantially all of its stock or assets, the proceeds will be first applied to pay the Settlement Amount and the Daigle Note on a *pro rata* basis.
- (v) An Intercreditor Agreement (attached to the Settlement Agreement, Exhibit B hereto) governs the relationship between the Trustee and Mr. Daigle with respect to the collateral securing their respective security interests, and provides the Trustee with decision-making authority over the collateral in the event of a default.

For the reasons that follow, the Trustee submits that this proposed compromise is fair, reasonable, and in the best interests of the estate.

## **LAW & ARGUMENT**

### **A. The Applicable Standard under Rule 9019.**

10. Rule 9019(a) of the Federal Rules of Bankruptcy Procedure provides that “[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement.”

11. Compromises are favored in bankruptcy cases. *In re Leeway Holding Co.*, 120 B.R. 881, 891 (Bankr. S.D. Ohio 1990); *Magill v. Springfield Marine Bank (In re Heissinger Resources, Ltd.)*, 67 B.R. 378, 383 (C.D. Ill. 1986). The decision to approve a settlement or compromise lies within the discretion of the Court and is warranted where the settlement is found to be reasonable and fair in light of the particular circumstances of the case. *Protective Comm. for Independent Stockholders of TMT Trailer Ferry, Inc. v. Anderson (In re TMT Trailer Ferry, Inc.)*, 390 U.S. 414, 424-25 (1968); *International Distrib. Centers, Inc. v. Talcott, Inc. (In re International Distribution Centers, Inc.)*, 103 B.R. 420, 422 (S.D.N.Y. 1989); *In re Texaco*, 84 B.R. 893, 901 (Bankr. S.D.N.Y. 1988), *appeal dismissed*, 92 B.R. 38 (S.D.N.Y. Sep 28,

1988); *In re Albert-Harris, Inc.*, 313 F.2d 447, 449 (6th Cir. 1963); *In re Parkview Hospital-Osteopathic Medical Center*, 211 B.R. 603 (Bankr. N.D. Ohio 1996); *In re Victoria Alloys, Inc.*, 261 B.R. 918, 920 (Bankr. N.D. Ohio 2001); *In re SIS Corp.*, 108 B.R. 608, 612 (Bankr. N.D. Ohio 1989).

12. In determining whether a settlement is reasonable, a court should consider the following factors:

- a. The probability of success in litigation;
- b. The difficulty in collecting any judgment which may be obtained;
- c. The complexity of the litigation involved, and the expense, inconvenience, and delay necessarily attendant to it; and
- d. The interests of creditors and equity holders and a proper deference to their reasonable views of the settlement.

*See In re MQVP, Inc.*, 477 Fed.Appx. 310, 313 (6th Cir. 2012); *In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996); *In re Drexel Burnham Lambert Group, Inc.*, 960 F.2d 285, 292 (2d Cir. 1992), *cert. denied*, 506 U.S. 1088 (1993); *TMT Trailer*, 390 U.S. at 424-25; *In re A & C Properties*, 784 F.2d 1377, 1381 (9th Cir. 1986), *cert. denied*, 479 U.S. 854 (1986); *In re Swallen's, Inc.*, 210 B.R. 128 (Bankr. S.D. Ohio 1997); *In re McLean Indus., Inc.*, 84 B.R. 340, 344 (Bankr. S.D.N.Y. 1988); *In re Carla Leather, Inc.*, 44 B.R. 457, 466 (Bankr. S.D.N.Y. 1985), *aff'd*, 50 B.R. 764 (S. D. N. Y. 1985).

13. Bankruptcy courts should approve a proposed settlement, after an independent review and evaluation of the applicable principles of bankruptcy law, unless it “fall[s] below the lowest point in the range of reasonableness.” *In re W.T. Grant Co.*, 699 F.2d 599, 608 (2d Cir. 1983), *cert. denied*, 464 U.S. 822 (1983) (citations omitted) (*quoting Newman v. Stein*, 464 F.2d.

689, 693 (2d Cir. 1972), *cert. denied*, 409 U.S. 1039 (1972)); *see also McGraw v. Yelverton (In re Bell v. Beckwith)*, 87 B.R. 476, 478-79 (N.D. Ohio 1988); *In re Tennol Energy Co.*, 127 B.R. 820 (Bankr. E.D. Tenn. 1991); *In the Matter of Energy Coop., Inc.*, 886 F.2d 921 (7th Cir. 1989); *In re Dow Corning Corp.*, 198 B.R. 214 (Bankr. E.D. Mich. 1996). Under *TMT Trailer*, courts should seek to balance the probable benefit and potential cost of pursuing a claim or defense against the costs of the proposed settlement. The Court is not required to conduct a “mini-trial” on the merits of the underlying causes of action being settled. *In re MQVP, Inc.*, 477 Fed.Appx. at 313; *see also In re Blair*, 538 F.2d 849 (9th Cir. 1976); *In re Walsh Construction, Inc.*, 669 F.2d 1325 (9th Cir. 1982).

14. Accordingly, courts generally give considerable deference and weight to a trustee’s recommendation of a proposed compromise and settlement. *See Rivercity v. Herpel (In re Jackson Brewing Co.)*, 624 F.2d 599, 604 (5th Cir. 1980) (affirming district court’s reliance on trustee’s evaluation of merits of claim); *In re Blair*, 538 F.2d at 851, n.1 (affirming district court’s reliance on trustee’s conclusory statements in recommending settlement); *In re MQVP, Inc.*, 477 Fed.Appx. at 313 (“...bankruptcy courts and district courts in this jurisdiction generally accord some deference to the trustee’s decision to settle a claim.”); *see also Internat’l Distrib. Centers, Inc.*, 103 B.R. at 423; and *In re Carla Leather, Inc.*, 44 B.R. at 465.

**B. The Proposed Compromise Satisfies the Rule 9019 Standard.**

15. The Trustee respectfully submits that the compromise to be achieved by the proposed Settlement Agreement satisfies the standards for approval and, therefore, should be approved under Rule 9019.

16. Although the Trustee believes that his claims against National Lampoon have merit, it is unlikely that the Trustee could recover on a judgment of \$9 million. National

Lampoon, a publicly-traded company, has been delisted for several years and trading on the “pink sheets.” National Lampoon has provided financial information to the Trustee, which supports National Lampoon’s contention that it would be unable to pay a judgment and, in fact, requires payment terms in order to pay the Settlement Amount. Under these circumstances, it does not make economic sense to suffer a delay in recovery and incur the substantial additional costs that would be necessary to proceed with litigation, including fact discovery and expert witnesses.

17. The last prong of the inquiry – the paramount interests of creditors – also counsels in favor of the proposed settlement. As stated above, the Trustee also holds a significant equity interest in National Lampoon, which he received by assignment from Timothy Durham. The Trustee has received many expressions of interest over the last few years from parties interested in acquiring National Lampoon’s stock and/or assets. National Lampoon has recently been focusing its efforts on promoting its iconic comedy brand, including exposure through a documentary about the company that was screened at the Cleveland International Film Festival, Sundance International Film Festival and Tribeca Film Festival. The Trustee believes that concluding the California Litigation (and, thus, the risk of a judgment lien on National Lampoon’s assets) will have a positive effect on the marketability and potential value of National Lampoon’s brand and assets. Accordingly, the Trustee believes that the proposed compromise not only represents the best outcome for the California Litigation, but that it may also contribute to maximizing the value of the Trustee’s interests in National Lampoon.

18. This compromise, if approved, will likely facilitate a simple and efficient resolution of the Indiana Action, which will conserve the estate resources that would otherwise be expended if the Trustee must continue to participate in that matter.



19. In sum, the proposed settlement was reached (i) following lengthy settlement discussions, (ii) following several years of litigation between the Trustee and National Lampoon, and (iii) following good faith arms' length bargaining. The Trustee submits that the proposed compromise is reasonable and in the best interests of the estate and creditors. In his capacity as the appointed representative of the Fair Finance bankruptcy estate, the Trustee recommends and requests approval of the compromise on the terms set forth in the Settlement Agreement.

### CONCLUSION

WHEREFORE, the Trustee respectfully requests that this Court enter an Order, in substantially the form attached hereto as **Exhibit A**, (i) granting the Motion; (ii) approving the compromise on the terms set forth in the Settlement Agreement; and (iii) authorizing and directing the parties to take all actions necessary or incidental to performance under the Settlement Agreement.

Dated: May 29, 2015

Respectfully submitted,

/s/ Kelly S. Burgan

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*Counsel for the Trustee*

**EXHIBIT A**  
Proposed Order

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION**

In re:	)	Case No. 10-50494
	)	
FAIR FINANCE COMPANY	)	Chapter 7
	)	
Debtor.	)	Chief Judge Pat E. Morgenstern-Clarren
	)	

**ORDER APPROVING COMPROMISE OF CLAIMS BY  
THE TRUSTEE AGAINST NATIONAL LAMPOON, INC.**

This matter having come before the Court upon the Motion of Trustee to Approve Compromise With National Lampoon, Inc. (the “**Motion**”), and upon the Memorandum in Support of the Motion; and the Court having considered the Motion and all materials referenced in or attached to any of the foregoing, and it appearing that the compromise is in the best interest of the Debtor’s estate and creditors, and after due deliberation and consideration of the facts and circumstances therein, it is hereby

**FOUND AND CONCLUDED THAT:**

A. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion and Memorandum in Support of the Motion.

B. The Trustee has represented the proposed settlement with National Lampoon was reached following lengthy, good faith, arms’ length non-collusive negotiations between the

Trustee and National Lampoon. There is no probative evidence in the record before the Court to the contrary.

C. In light of (1) the probability of success in the California Litigation, including considerations of recovery on any judgment, (2) the complexity of the California Litigation, including the expense, inconvenience and delay, and (3) the paramount interests of the Fair Finance estate's creditors, the settlement and compromise of the California Litigation pursuant to the terms of the Settlement Agreement, as set forth in this Order, does not fall below the lowest point of reasonableness, and is in the best interests of the Fair Finance estate, its creditors and all parties-in-interest. The proposed settlement and compromise with Fortress therefore satisfies the applicable standards for approval under Fed. R. Bankr. P. 9019.

E. Notice of the Motion and of the relief requested therein was good and sufficient in all respects, and complied with all applicable orders of this Court, the Federal Rules of Bankruptcy Procedure, the Bankruptcy Code and all applicable Local Rules of this Court. A reasonable opportunity to object or be heard regarding the Motion and the relief requested therein has been afforded to all parties and entities entitled to notice of the Motion.

F. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter constitutes a core proceeding pursuant to 28 U.S.C. § 157.

**ORDERED, ADJUDGED AND DECREED THAT:**

1. The Motion is **GRANTED** in its entirety.
2. The settlement and compromise with National Lampoon, and the terms and conditions set forth in the Settlement Agreement attached to the Motion as Exhibit B, are hereby approved.

3. The parties are hereby authorized and directed, without further order of this Court, to take all actions necessary or incidental to performance under the Settlement Agreement, implement and carry out all transactions contemplated by the Settlement Agreement, and to implement and effectuate this Order.

**IT IS SO ORDERED.**

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Submitted by:

/s/ Kelly S. Burgan

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*Counsel for the Trustee*

**EXHIBIT B**  
Settlement Agreement

## SETTLEMENT AGREEMENT

This Settlement Agreement (the “**Agreement**”) memorializes the terms by which Brian Bash, as Chapter 7 Trustee (the “**Trustee**”) of Fair Finance Company (the **Debtor**), as plaintiff, and National Lampoon, Inc., a Delaware corporation (“**National Lampoon**”), as defendant, have agreed to resolve the disputes between them in the lawsuit now pending before the United States District Court for the Central District of California (the “**District Court**”) as *Bash v. National Lampoon*, District Court Case No.: 2:11-CV-04999-DSF (AGRx) (the “**Litigation**”).

### Recitals

1. The Trustee is the duly appointed Chapter 7 Trustee in the involuntary Chapter 7 bankruptcy case captioned as *In Re: Fair Finance Company*, pending in the United States Bankruptcy Court for the Northern District of Ohio (the “**Bankruptcy Court**”) as Case No. 10-50494.
2. On June 13, 2011, the Trustee initiated the Litigation by filing his Complaint against defendant National Lampoon, seeking to avoid and recover alleged fraudulent transfers.
3. Given the costs, risks and uncertainties inherent in continued litigation, the undersigned parties believe it is in their best interests to settle their disputes in the Litigation pursuant to the terms and conditions set forth below.

### Settlement Terms and Conditions

4. National Lampoon will execute a Promissory Note, in the form attached hereto as **Exhibit A**, in favor of the Trustee in the amount of three million dollars (\$3,000,000.00) (the “**Bash Note**”). To secure the Note, National Lampoon will execute a security agreement, in the form attached hereto as **Exhibit B**, granting the Trustee a security interest in National Lampoon’s accounts (the “**Bash Security Agreement**”).

5. National Lampoon will consent to a judgment (in the form attached hereto as **Exhibit E**, the “**Judgment**,” and collectively with this Settlement Agreement, the Note, the Security Agreement, and any other documents contemplated hereby and thereby, and all valid extensions, amendments, modifications and renewals of any of the foregoing, the “**Transaction Documents**”), in favor of the Trustee and against National Lampoon in the amount of \$3,000,000.00, to be held by the Trustee as further security for the Note.

If National Lampoon fails to make any payment on the Note when at least more than five (5) days past due, or otherwise defaults on the Note or this Settlement Agreement, the Trustee is entitled, in his sole discretion, to file the Judgment. National Lampoon shall receive credit against the Judgment for (i) any payments it makes to the Trustee pursuant to the Note, and (ii) for any proceeds resulting from the Trustee’s enforcement of and execution on the Judgment, which rights are fully reserved.

6. National Lampoon will not remove or replace Gerald J. Daigle, Jr., until the Bash Note is paid in full, except for good cause and/or except with the Trustee’s express written consent. If National Lampoon removes or replaces Gerald J. Daigle, Jr. without the Trustee’s written consent, the Trustee, in his sole discretion, may seek the appointment of a receiver for National Lampoon, and National Lampoon consents to the appointment of a receiver. However, if the Trustee obtains a controlling interest in National Lampoon, and the Trustee causes National Lampoon to remove or replace its current officers, such action by the Trustee shall not be grounds to appoint a receiver in absence of a default or other cause as provided herein.

7. If National Lampoon fails to make any payment on the Note when at least more than five (5) days past due, or otherwise defaults on the Note, the Trustee, in his sole discretion,



may seek the appointment of a receiver for National Lampoon, and National Lampoon consents to the appointment of a receiver.

8. National Lampoon owes \$2 million dollars to its CEO, Gerald J. Daigle, Jr. and/or his affiliate(s). This Agreement does not preclude National Lampoon from making payments on its loans to Mr. Daigle; provided, however, that, until the Note is paid in full, the total amount of payments to Mr. Daigle in any calendar month shall not exceed the total amount of payments to the Trustee for such calendar month pursuant to this Agreement, except with the express written consent of the Trustee. National Lampoon will execute a Promissory Note, in the form attached hereto as **Exhibit C**, in favor of Mr. Daigle in the amount of two million dollars (\$2,000,000.00) (the "**Daigle Note**"). To secure the Note, National Lampoon will execute a security agreement, in the form attached hereto as **Exhibit D**, granting Mr. Daigle a security interest in National Lampoon's accounts (the "**Daigle Security Agreement**")

9. Mutual Release. The following mutual releases shall be effective only upon the entry of the Compromise Order approving this Settlement Agreement and the entry of the Stipulated Dismissal as set forth in Paragraph 10 of this Settlement Agreement:

(a) Release by the Trustee: Except for claims arising out of this Settlement Agreement, the Trustee, on behalf of himself, the Debtor Fair Finance Company, and its estate (the "**Trustee Releasing Parties**"), hereby fully, finally and forever releases, acquits and discharges National Lampoon and its assigns, successors, affiliates, subsidiaries, attorneys, employees, owners, managers, directors, officers, board members, and agents, , (the "**National Lampoon Released Parties**") from any and all claims, demands, obligations, judgments, actions, causes of action and/or liabilities which the Trustee Releasing Parties ever had, now have, or may have against the National

Lampoon Released Parties arising from the Litigation, including but not limited to any and all claims, demands, obligations, judgments, actions, causes of action and/or liabilities assigned to the Trustee which Timothy Durham ever had, now has, or may have against the National Lampoon Released Parties.

(b) Release by National Lampoon: Except for claims arising out of this Settlement Agreement, National Lampoon and its assigns, successors, affiliates, subsidiaries, attorneys, employees, owners, managers and agents (the “**National Lampoon Releasing Parties**”), hereby fully, finally and forever release, acquit and discharge the Trustee and the Trustee’s agents, representatives, attorneys, employees and professionals, and the Debtor Fair Finance Company, and its estate (the “**Trustee Released Parties**”) from any and all claims, demands, obligations, judgments, actions, causes of action and/or liabilities which the National Lampoon Releasing Parties ever had, now have, or may have against the Trustee Released Parties arising from or relating to the Litigation, including any claims that the National Lampoon Releasing Parties may have pursuant to 11 U.S.C. §502(h) arising from National Lampoon’s payment of the Note.

10. Bankruptcy Court Approval and Dismissal of Litigation. Within five business days after this Agreement is fully executed by the parties hereto, the Trustee shall present a motion to the Bankruptcy Court seeking approval of this Agreement. This Settlement Agreement shall become effective only upon entry of an order by the Bankruptcy Court approving the compromise on the terms set forth in this Settlement Agreement (the “**Compromise Order**”). Within five business days after entry of the Compromise Order, the parties shall file a stipulated notice of dismissal of claims in the Litigation for entry by the District Court (the “**Dismissal Order**”).

11. Representations and Warranties. National Lampoon hereby represents and warrants as follows:

(a) Neither the execution nor the delivery of this Settlement Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will violate any law or regulation, or any order or decree of any court or Governmental Authority, or will conflict with, or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, agreement or other instrument to which National Lampoon is a party or by which National Lampoon may be bound, or result in the creation or imposition of any lien, claim or encumbrance upon any property of National Lampoon.

(b) National Lampoon has the power to execute, deliver and perform the provisions of this Settlement Agreement and all instruments and documents delivered or to be delivered pursuant hereto, and has taken or caused to be taken all necessary or appropriate actions to authorize the execution, delivery and performance of this Settlement Agreement and all such instruments and documents.

(c) National Lampoon's exact legal name and place of business is as set forth in this Settlement Agreement.

(d) National Lampoon has not, within the last three years, disposed of any rights or property, including but not limited to copyrights or copyright licenses, out of the ordinary course of business or that previously was the source of licensing fees, except as set out in Schedule III attached hereto.

(e) National Lampoon has not, within the last three years, entered into any transactions with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code, except as set out in Schedule IV attached hereto.

(f) National Lampoon has not, within the last three years, made any loans or engaged in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, except as set out in Schedule V attached hereto.

(g) All representations and warranties of National Lampoon contained herein shall survive the closing of this Settlement Agreement until termination of this Settlement Agreement.

12. Governing Law. This Settlement Agreement shall (irrespective of where it is executed, delivered and/or performed) be construed in accordance with and governed by the laws of the State of Ohio and, where applicable and except as otherwise defined herein or by reference to the Note, terms used herein shall have the meanings given them in the UCC. Without limitation of Payee's rights to commence an action against National Lampoon in any court having jurisdiction, National Lampoon irrevocably and unconditionally submits to the jurisdiction of the federal or bankruptcy courts of the Northern District of Ohio or the state courts of Cuyahoga County Ohio, as Payee may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Settlement Agreement, and National Lampoon waives any objection relating to the basis for personal or in rem jurisdiction or to venue which it may now or hereafter have in any such suit, action or proceeding. National Lampoon agrees that service of process in any such proceeding may be made by registered mail addressed to it in accordance with the notice provisions of the Note, and if an attempt to deliver notice by

registered mail to the address provided by a party pursuant to this Agreement is refused or unclaimed, the notice is deemed properly given.

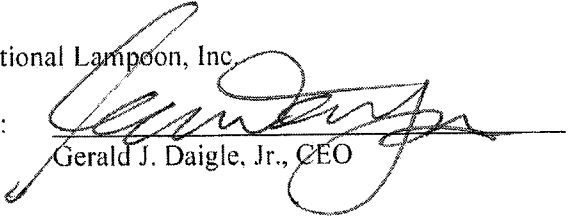
13. Counterparts and electronic signatures. This Agreement may be executed in counterparts, and all counterparts together shall comprise a complete and fully executed Agreement. This Agreement may be executed by facsimile or electronic signatures, which shall be deemed as conclusive and effective as original signatures.

14. Entire Agreement; Severability; Amendment. This Settlement Agreement and each of the other Transaction Documents, taken together, constitute and contain the entire agreement of National Lampoon and the Trustee, and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the Parties, whether written or oral, respecting the subject matter hereof. If any of the provisions of this Settlement Agreement shall be held invalid or unenforceable, this Settlement Agreement shall be construed as if not containing those provisions and the rights and obligations of the Parties hereto shall be construed and enforced accordingly. This Settlement Agreement may not be modified, altered or amended except by a written agreement signed by the Parties hereto.

Chapter 7 Trustee

By: \_\_\_\_\_  
Brian A Bash, Chapter 7 Trustee

National Lampoon, Inc.

By:  \_\_\_\_\_  
Gerald J. Daigle, Jr., CEO

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**EXHIBIT A**  
**BASH NOTE**

## **PROMISSORY NOTE**

**\$3,000,000.00**

**Cleveland, Ohio  
May \_\_, 2015**

**FOR VALUE RECEIVED**, on or before August 30, 2025 (the "**Maturity Date**"), National Lampoon, Inc., a Delaware corporation ("**Maker**"), promises to pay, in lawful money of the United States of America, to the order of Brian A. Bash, chapter 7 trustee for Fair Finance Company, and his successors and assigns ("**Payee**"), the principal sum (the "**Principal Sum**") of three million dollars (\$3,000,000.00), together with interest and other charges herein provided, as set forth in this instrument ("**Note**").

1. **Related Documents**. This Note is executed and delivered in conjunction with the Settlement Agreement between Maker and Payee dated May \_\_\_\_, 2015 ("**Settlement Agreement**"); the Security Agreement between Maker and Payee dated May \_\_, 2015 ("**Security Agreement**"); and the consent judgment in favor of Payee ("**Judgment**"). Reference is hereby made to the related documents for a statement of the respective rights and obligations of Maker and Payee in relation to such instruments. Neither this reference to the related documents nor any provisions thereof shall in any way affect or impair the absolute and unconditional obligation of Maker to pay the Principal Sum (and all interest thereon) of this Note when due.

2. **Interest Accrual**. Interest shall not accrue on the unpaid balance of the Principal Sum so long as no default occurs under this Note. Should Maker default in its obligations under this Note, default interest shall accrue on the outstanding Principal Sum until the date full payment is made at a fixed rate equal to the federal funds rate on the date of default. For the purposes of default, interest is defined as a 6% interest rate per annum.

3. **Payment of Principal and Interest**. Monthly principal payments in an amount equal to 15% of Maker's collected gross revenue for the prior month shall be due and payable on the 7th day of each calendar month beginning on the first month after entry of an order of the United States Bankruptcy Court for the Northern District of Ohio approving the compromise between Maker and Payee pursuant to the Settlement Agreement. For example, if the order approving this compromise is entered on September 29<sup>th</sup>, the first monthly payment would be due on October 7th, in an amount equal to 15% of Maker's collected gross revenue for the immediately preceding month of September.

The monthly principal payments shall be accompanied by financial documentation sufficient, in Payee's sole discretion, to verify Maker's collected gross revenue.

Maker shall pay the Principal Sum, plus any interest accrued thereon under the terms and conditions of the Note, immediately upon a default by Maker of its obligations under the Settlement Agreement, and Maker's receipt of written notice from Payee of such default.

Upon the sale of substantially all the assets, including but not limited to the stock, of National Lampoon, the sale proceeds shall first be distributed to Payee and Gerald J. Daigle, Jr. on a pro rata basis, notwithstanding any priorities granted in the Settlement Agreement, Notes and Security Agreements in favor of Payee and Gerald J. Daigle, Jr., and the Intercreditor Agreement between Payee and Gerald J. Daigle, Jr., until all of the sale proceeds are used to satisfy the respective debts of the Trustee and Gerald J. Daigle, Jr. as described and denoted in the Settlement Agreement.

This Note is secured by liens on and security interests in certain property of Maker that have been granted for the benefit of Payee pursuant to the Security Agreement.

4. **Form and Place of Payment.** Until such time as Maker shall receive written notice from Payee to the contrary, payment under this Note shall be made by check payable to Payee and delivered to Payee at the following address: PNC Center, 1900 E. 9<sup>th</sup> Street, Suite 3200, Cleveland, Ohio 44114, Attention: Brian A. Bash.

5. **Affirmative Covenants.** Maker covenants with, and represents and warrants to, Payee that:

(a) **Access to Business Information.** Maker shall maintain proper books of accounts and records and enter therein complete and accurate entries and records of all of its transactions and give representatives of Payee access thereto at all reasonable times, including permission to: (1) examine, copy and make abstracts from any such books and records and such other information which might be helpful to Payee in verifying Maker's collected gross revenue as it may reasonably request from time to time, and (2) communicate directly with any of Maker's officers, employees, agents, accountants or other financial advisors with respect to the business, financial conditions and other affairs of Maker.

(b) **Inspection of Collateral.** Maker shall give Payee reasonable access to the records relating to the accounts granted as collateral pursuant to the Security Agreement for the purpose of performing examinations thereof and to verify their condition or existence.

(c) **Tax Returns.** Upon request of Payee, Maker shall provide copies of all federal, state and local income tax returns and such other information as Payee may reasonably request.

(d) **Costs.** Maker shall reimburse Payee for any and all fees, costs and expenses including, without limitation, reasonable attorneys' fees and other professionals' fees, court costs, recording fees, litigation and other expenses (collectively, the "**Costs**") incurred or paid by Payee or any of its officers, employees or agents in connection with: (a) the enforcement of this Note, the Settlement Agreement, Security Agreement and Judgment (or any amendment, modification or extension to, or any replacement or substitution for, any of the foregoing), and (b) the defense, preservation and protection of Payee's rights and remedies thereunder, including without limitation, his security interest in all property pledged to secure the Note, in either case whether such Costs are incurred in bankruptcy, insolvency, foreclosure or other litigation or proceedings or otherwise. The Costs shall be due and payable upon demand by Payee. If Maker fails to pay the Costs upon such demand, the Costs shall be added to the Principal Sum of the Note and shall



bear interest from the date incurred or disbursed at the rate set forth in the Note. This provision shall survive the termination of this Agreement and/or the repayment of any amounts due or the performance of the Note.

(e) Maker will not change its state, its business address, or its form of organization without advance notice to and the express written consent of Payee.

(f) Maker will maintain exclusive ownership of all Copyrights and all Copyright Licenses in connection with which it has within the past five years held any rights.

(g) Maker will not make any loans or engage in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, without the express written consent of the Payee.

(h) Without prior disclosure to, and written consent of, the Payee, Maker will not enter into any agreements or engage in any transactions that are either outside of the ordinary course of business or are not for commercially reasonable compensation.

(i) Maker will not allow its intellectual property or other assets to be transferred or used without commercially reasonable compensation.

(j) Maker will not, without prior disclosure to, and written consent of, Payee, enter into any agreements or engage in any transactions outside the ordinary course of business with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code.

6. **Events of Default.** Any of the following shall constitute events of default under this Note:

(a) default in the timely payment of the amounts due under this Note, wherein a payment is at least five (5) days late, or the failure of Maker to timely perform or discharge any other liability or obligation of Maker to Payee under the Transaction Documents.

(b) a commencement by Maker of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the entry of a decree or order for relief in respect of Maker in a case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, or that appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of Maker, or for any substantial part of the property of Maker, or ordering the wind-up or liquidation of the affairs of Maker;

(c) the filing and pendency for 30 days without dismissal, or stay, of a petition initiating an involuntary case under any such bankruptcy, insolvency or similar law against Maker or any substantial part of the property of Maker; or

(d) the making by Maker of any general assignment for the benefit of creditors or any writing admitting it is unable to pay its debts as they become due.

(e) the removal or replacement of any of Gerald J. Daigle, Jr. without the written consent of Payee.

(f) the failure by Maker to timely provide adequate evidence of the collected gross revenues necessary to calculate the payments due under the Note.

(g) the determination that any representation or warranty now or hereafter made by Maker to Payee in any Transaction Document was not true or accurate when given or a substantial change in any fact warranted or represented to Payee.

(h) the entry of any judgment against Maker, which judgment is not satisfied or appealed from (with execution or similar process stayed) within ninety (90) days of such judgment's entry.

(i) a breach of any of the covenants of Maker under any of the Transaction Documents.

7. **Force Majeure.** A Party shall not be deemed in default of this Agreement, nor shall it hold the other Party responsible for, any cessation, interruption or delay in the performance of its obligations (excluding payment obligations) due to earthquake, flood, fire, storm, natural disaster, act of God, war, terrorism, armed conflict, labor strike, lockout, boycott or other similar events beyond the reasonable control of the Party, provided that the Party relying upon this provision:

(a) gives prompt written notice thereof, and

(b) takes all steps reasonably necessary to mitigate the effects of the force majeure event.

8. **Remedies.** Upon the occurrence of an Event of Default, in addition to any other remedy permitted by law, Payee may, at his option, at any time, without notice or demand on Maker, declare the Obligations immediately due and payable, and Payee shall have all the default rights and remedies of a secured party hereunder and under applicable law, and Payee may, at his option, proceed to enforce and protect his rights by an action at law or in equity or by any other appropriate proceedings.

In addition to any other remedy available at law or in equity, if Maker defaults on any payment when due hereunder or fails to timely provide adequate evidence of its collected gross revenues, Payee shall be entitled, in his sole discretion, to file and enforce the Judgment and to seek the appointment of a receiver for Maker, and Maker hereby consents to the appointment of a receiver at Payee's election upon Maker's default in making any payment when due under this Note.

Payee's rights and remedies hereunder are cumulative, and may be exercised together, separately, and in any order. No delay on the part of Payee in the exercise of any such right or remedy shall operate as a waiver. No single or partial exercise by Payee of any right or remedy shall preclude any other further exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Payee of any Event of Default shall be effective unless in writing and signed by Payee, nor shall a waiver on one occasion be construed as a waiver of any other occurrence in the future.

9. **Waiver.** Except as set forth in this instrument, Maker (a) waives presentment, demand, notice, protest and diligence in collection or bringing any action, (b) waives any and all

other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and (c) assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral by Payee.

10. **Severability.** The declaration of invalidity of any provision of this Note shall not affect any part of the remainder of the provisions.

11. **Governing Law.** This Note is to be construed and enforced in accordance with, and governed by, the laws of the State of Ohio.

12. **Modification; Waiver of Payee.** The modification or waiver of any of Maker's obligations or Payee's rights under this Note must be contained in a writing signed by Payee. Payee may delay or fail to exercise any of its rights or remedies, without causing a waiver of those obligations or rights. A waiver on one occasion shall not constitute a waiver on another occasion.

13. **Notices.** Any written notice, consent or other communication provided for in this Note shall be given and deemed received by delivering or by mailing it by registered first class mail as follows:

If to Maker:  
National Lampoon, Inc.  
1438 N. Gower Street, Bldg 2,  
Room 22, Box 8  
Los Angeles, CA 90028

If to Payee:  
Brian A. Bash  
Baker & Hostetler, LLP  
PNC Center  
1900 E. 9<sup>th</sup> St., Suite 3200  
Cleveland, OH 44114

14. **Waiver of Jury Trial.** Maker, and any endorser or guarantor hereof, waive the right to a trial by jury in any actions, proceedings, or any other matters arising out of or relating to this Note or the transactions contemplated hereby.

IN WITNESS WHEREOF, this Note has been duly executed and delivered in Cleveland, Ohio as of the date first set forth above.

National Lampoon, Inc.

By: 

STATE OF ~~CALIFORNIA~~ LOUISIANA }  
PARISH ORLEANS } SS.  
COUNTY OF ORLEANS }

The foregoing instrument was executed and acknowledged before me this 19th day of May, 2014 by Alan G. Donnes, the President of National Lampoon, Inc., a Delaware corporation, on behalf of said company.

[SEAL]

  
Notary Public, State of ~~California~~ Louisiana  
My Commission Expires: at death

Gerald J. Daigle, Jr.  
Notary Public  
Bar No. 01810  
Parish of Orleans, State of Louisiana  
My commission is for life

**EXHIBIT B**  
**BASH SECURITY AGREEMENT**

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## **SECURITY AGREEMENT**

THIS SECURITY AGREEMENT (as amended, modified or otherwise supplemented from time to time, the "**Security Agreement**"), is entered into as of \_\_\_\_\_, 2015 by National Lampoon, Inc., a Delaware Corporation (the "**Company**"), with a principal place of business at 1438 N. Gower Street, Building 2, Room 22, Box 8, Los Angeles, CA 90028 and Brian Bash, as chapter 7 Trustee of Fair Finance Company (the "**Trustee**" or the "**Secured Party**," and together with the **Company**, the "**Parties**").

## **RECITALS**

WHEREAS, the Company and Secured Party concurrently herewith have entered into a Settlement Agreement ("**Settlement Agreement**") and Company has concurrently provided the Secured Party with a Note (the "**Note**") in the principal amount of three million dollars (\$3,000,00.00), and a consent judgment in the principal amount of three million dollars (\$3,000,00.00) (the "**Judgment**") to be filed only under the circumstances set out in the Settlement Agreement;

WHEREAS, pursuant to the Note, the Company has agreed to enter into this Security Agreement and to grant to the Secured Party a first priority lien and security interest in the Collateral, as defined infra at section 3, subject to the terms and conditions set forth below; and

WHEREAS, capitalized terms, unless otherwise defined herein, shall have the meanings assigned to them in the Note.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Secured Party agree as follows:

1. **Definitions.** All terms used herein which are not defined in the Note and which are otherwise defined in Article 1 or Article 9 of the UCC (as defined below) shall have the meanings given therein unless otherwise defined below in this Security Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to the Secured Party and the Company, or to any other Person herein, shall include their respective heirs, executors, administrators, personal representatives, successors and permitted assigns. In addition to those capitalized terms defined elsewhere in this Security Agreement, the following terms shall have the following meanings:
  - 1.1 "Accounts" shall have such meaning as such term is defined in Article 9 of the UCC.
  - 1.2 "Copyrights" shall mean all of the following: (a) all copyrights, works protectable by copyright, copyright registrations, and copyright applications of any Company, if any; (b) all renewals, extensions, and modifications thereof; (c) all income,

royalties, damages, profits, and payments relating to or payable under any of the foregoing; (d) the right to sue for past, present, or future infringements of any of the foregoing; (e) all other rights and benefits relating to any of the foregoing throughout the world; and (f) all goodwill associated with and symbolized by any of the foregoing; in each case, whether now owned or hereafter acquired by any Company.

- 1.3 "Copyright License" shall mean any agreement, written or oral, providing for a grant to any Company of any right in any Copyright.
- 1.4 "Documents" shall have such meaning as such term is defined in Article 9 of the UCC. "Deposit Accounts" shall have such meaning as such term is defined in Article 9 of the UCC.
- 1.5 "Person" shall mean an individual, partnership, corporation, limited liability company, limited liability partnership, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.
- 1.6 "Proceeds" shall have such meaning as such term is defined in Article 9 of the UCC.
- 1.7 "Transaction Documents" shall mean this Security Agreement, the Settlement Agreement, the Note, the Judgment, and any other documents contemplated hereby and thereby, and all valid extensions, amendments, modifications and renewals of any of the foregoing.
- 1.8 "UCC" means the Uniform Commercial Code as in effect in the State of Ohio; provided, however, that if by mandatory provisions of law, the perfection or effect of perfection or non-perfection of the security interest in any Collateral to which this Financing Statement relates is governed by the Uniform Commercial Code as in effect on or after the date hereof in any other jurisdiction, UCC means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection.

## 2. Pledge of Collateral and Delivery of Pledged Collateral.

- 2.1 The Company hereby pledges and assigns to the Secured Party and grants to the Secured Party, for the benefit of itself, a continuing lien and security interest in all of the Collateral described in Section 3 below, whether now owned or hereafter acquired, whether or not now or at any time hereafter in the possession, custody or control of the Secured Party or its agents, whether or not held for safekeeping, in a safe deposit box, or otherwise, to secure prompt payment and full performance of the obligations described in Section 4 below (all such obligations, collectively the "**Obligations**"). The pledge of the Collateral pursuant to this Security Agreement creates a valid and perfected first priority security interest in the Collateral securing the Obligations.

2.2 The Company shall, at its expense, execute, file, record and deliver to the Secured Party (in such manner and form as the Secured Party shall require) any financing statements and any other documents, necessary or appropriate to preserve, perfect, validate or protect the security interest granted to the Secured Party hereunder against the claims of third parties, and shall cooperate with the Secured Party to cause the same to be duly filed in all places necessary to perfect the security interest of the Secured Party in the Collateral. This shall include (a) all financing statements, (b) all carbon, photographic or other reproductions of financing statements or this Security Agreement (which shall be sufficient as a financing statement hereunder), (c) all endorsements to title to any Collateral as may be required in order to perfect the security interest therein, and (d) all specific assignments or other papers that may be necessary, or that the Secured Party may reasonably request, in order to create, preserve, perfect or validate any security interest or to enable the Secured Party to exercise and enforce its rights hereunder with respect to any of the Collateral. In the event that any recording or re-filing thereof (or filing of any statements of continuation or assignment of any financing statement) is required to protect and preserve such security interest, the Company, at its own cost and expense, shall cause the same to be re-recorded and/or re-filed at the time and in the manner requested by the Secured Party. The Company hereby authorizes the Secured Party to file or re-file any financing statements, continuation statements, and/or amended statements with respect to the security interest granted pursuant to this Security Agreement which at any time may be required or appropriate, although the same may have been executed only by Secured Party, and to execute such financing statement on behalf of the Company. In addition, in the event and to the extent that any of Collateral consists of or is represented by stock certificates, instruments or other evidences of ownership such as would require physical possession of same in order to perfect the security interest therein or have "control" (within the meaning of the UCC) thereof, the Company will promptly, at its expense, deliver same to the Secured Party, with any necessary endorsements thereon or powers annexed thereto. Secured Party has the right, at any time, after the occurrence and during the continuance of an Event of Default (as defined herein) in its sole discretion, to transfer to or to register in the name Secured Party or any of its nominees any or all of the Collateral.

3. Collateral. The collateral consists of the following (collectively, the "**Collateral**"):
- 3.1 all Accounts of the Company, whether now owned or hereafter acquired;
  - 3.2 all royalties, payments and income streams now or hereinafter owing.
4. Obligations. The Obligations secured under this Security Agreement are (i) the obligations of the Company under this Security Agreement; (ii) the obligations of the Company under the Note; (iii) the obligations of the Company under the Judgment, (iv) the obligations of the Company under any other Transaction Documents, and (v) the obligations of the Company under all extensions, amendments, modifications and renewals of any of the foregoing.



5. Covenants of the Company. Until the Obligations are indefeasibly paid in full, the Company covenants that it will:
- 5.1 Promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date that penalties may attach thereto or same become a lien on any of the Collateral, except to the extent that such taxes, assessments and charges shall be contested by the Company in good faith and through appropriate proceedings;
  - 5.2 Not sell, exchange, assign, encumber, or otherwise dispose of or transfer any Collateral, or any right or interest therein, except as permitted by Section 10;
  - 5.3 Appear in and defend, at the Company's own expense, any action or proceeding which may affect the Company's title to or the Secured Party's interest in the Collateral;
  - 5.4 Procure or execute and deliver, from time to time, in form and substance satisfactory to the Secured Party in its discretion reasonably exercised, any stock powers, bond powers, endorsements, assignments, financing statements, estoppel certificates, control agreements or other writings reasonably deemed necessary or appropriate by the Secured Party to perfect, maintain or protect the Secured Party's security interest in the Collateral and the priority thereof, and take such other action and deliver such other documents, instruments and agreements pertaining to the Collateral as the Secured Party may request to effectuate the intent of this Security Agreement; and
  - 5.5 Provide the Secured Party with such other information pertaining to the Collateral or to the Obligation as the Secured Party may reasonably request from time to time in order to preserve and protect the security interest provided for herein and to enforce the provisions of this Security Agreement.
  - 5.6 Not change its state, its business address, or its form of organization without advance notice to and the express written consent of Secured Party.
  - 5.7 Maintain exclusive ownership of all Copyrights and all Copyright Licenses in connection with which it has within the past five years held any rights.
  - 5.8 Make any loans or engage in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, without the express written consent of the Secured Party.
  - 5.9 Without prior disclosure to, and written consent of, the Secured Party, enter into no agreements and engage in no transactions that are either outside of the ordinary course of business or are not for commercially reasonable compensation.
  - 5.10 Allow its intellectual property or other assets to be transferred or used without commercially reasonable compensation.

5.11 Without prior disclosure to, and written consent of, the Secured Party, enter into no agreements and engage in no transactions outside the ordinary course of business with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code.

6. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:

- 6.1 Neither the execution nor the delivery of this Security Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will violate any law or regulation, or any order or decree of any court or Governmental Authority, or will conflict with, or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which the Company may be bound, or result in the creation or imposition of any lien, claim or encumbrance upon any property of the Company.
- 6.2 The Company has the power to execute, deliver and perform the provisions of this Security Agreement and all instruments and documents delivered or to be delivered pursuant hereto, and has taken or caused to be taken all necessary or appropriate actions to authorize the execution, delivery and performance of this Security Agreement and all such instruments and documents.
- 6.3 The Company is the legal and equitable owner of the Collateral, subject to the interest therein granted to the Secured Party. Except as set forth on Schedule I attached hereto, the ownership by the Company of the Collateral is free and clear of all security interests, liens, claims and encumbrances of every kind and nature, except for security deposits, statutory liens securing obligations that are not yet due or delinquent, bankers' liens and other immaterial encumbrances not securing indebtedness for borrowed money.
- 6.4 No material default exists, and no event which with notice or the passage of time or both, would constitute a default under the Collateral by any party thereto, and there are no material offsets, claims or defenses against the obligations evidenced by the Collateral.
- 6.5 The security interest in the Collateral constitutes a valid and, upon delivery and filing of documents necessary to perfect the Secured Party's security interest in the Collateral, perfected security interest in the Collateral securing the payment and performance of the Obligations, in each case prior to all other liens and rights of others (except for permitted liens as described in Section 6.3 above).
- 6.6 Except as set forth on Schedule II attached hereto, no financing statement covering the Collateral is on file in any public office, other than financing statements filed pursuant to this Security Agreement.
- 6.7 Debtor's exact legal name, Debtor's state of organization, and the Debtor's place of business are all as set forth in this Security Agreement.

- 6.8 The Company has not, within the last three years, disposed of any rights or property, including but not limited to Copyrights or Copyright Licenses, out of the ordinary course of business or that previously was the source of licensing fees, except as set out in Schedule III attached hereto.
- ~~6.9 The Company has not, within the last three years, entered into any transactions outside the ordinary course of business with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code, except as set out in Schedule IV attached hereto.~~
- 6.10 The Company has not, within the last three years, made any loans or engaged in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, except as set out in Schedule V attached hereto.

All representations and warranties of the Company contained herein shall survive the closing of this Security Agreement until termination of this Security Agreement.

7. Authorized Action by Secured Party.

- 7.1 The Company hereby irrevocably appoints the Secured Party as its attorney-in-fact to do (but the Secured Party shall not be obligated to and shall not incur any liability to the Company or any third party for failure so to do), upon an Event of Default and while such Event of Default is continuing, any act which the Company is obligated by this Security Agreement to do, and to exercise such rights and powers as the Company might exercise with respect to the Collateral, including, without limitation, the right to:
- (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all payments, proceeds and other sums and property now or hereafter payable on or in respect of proceeds and other sums and property now or hereafter payable on or in respect of the Collateral, including dividends, profits and interest payments;
  - (b) receive, take, endorse, assign and deliver any and all checks, drafts, documents and other negotiable and non-negotiable instruments and chattel paper taken or received by the Secured Party in connection therewith;
  - (c) settle, compromise, discharge, extend, compound, prosecute or defend any action or proceeding with respect thereto; and
  - (d) extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;
  - (e) discharge any taxes, liens, security interests or other encumbrances at any time placed thereon;

- (f) enter into any extension, reorganization, deposit, merger or consolidation agreement or other agreement pertaining to the Collateral, and in connection therewith may deposit or surrender control of the Collateral thereunder, accept other property in exchange therefor, and do and perform such acts and things as it may deem proper, and any money or property secured in exchange therefor shall be applied to the Obligations or held by the Secured Party pursuant to the provisions of the Transaction Documents;
  - (g) protect and preserve the Collateral;
  - (h) transfer the Collateral to its own or its nominee's name; and
  - (i) take any and all such other actions as shall be authorized in the Transaction Documents.
- 7.2 All the foregoing powers authorized herein, being coupled with an interest, are irrevocable so long as any Obligations are outstanding.

8. Default and Remedies.

- 8.1 Event of Default. The occurrence of any Event of Default under and as defined in the Note shall constitute an Event of Default of this Security Agreement (herein "**Event of Default**").
- 8.2 Remedies upon Default. Upon the occurrence of any Event of Default, in addition to any other remedy permitted by law, Secured Party may, at its option, without notice to or demand on the Company, declare all Obligations immediately due and payable, and Secured Party shall have all the default rights and remedies of a secured party hereunder and under applicable law. Such rights shall include, without limitation the following:
- (a) Without limiting Secured Party's obligations under Article 9 of the UCC, the right to have the Collateral, or any part thereof, transferred to Secured Party's own name or to the name of its nominee and/or to cause a certificate or certificates representing the Collateral consisting investment property to be issued in the name of, and to be delivered to and held by or for the account of, the Secured Party, whereupon the Secured Party shall have all of the rights, privileges, powers and remedies appurtenant to and arising from the ownership of the Collateral; and
  - (b) The right to sell, transfer, assign or deliver the Collateral or any portion thereof, at public or private sale, as Secured Party may elect, either for cash or on credit, without assumption of any credit risk thereof and without demand or advertisement (unless otherwise required by law). In the event of any sale hereunder, Secured Party shall apply the proceeds in the order set forth below in Section 8.3 hereof. Secured Party may have resort to the Collateral or any portion thereof with no requirement on the

part of Secured Party to proceed first against any other Person or property. The Company hereby agrees, without limitation, that if the Secured Party gives the Company twenty (20) days prior written notice of the time and place of any sale or other intended disposition of any of the Collateral, such notice will constitute "reasonable notification" within the meaning of Article 9 of the UCC, but that the definition of "reasonable notification" is not so limited, for example and without limitation, in the case of Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

8.3 Application of Sale Proceeds. Proceeds from the sale of the Collateral or any part thereof and all sums received or collected by Secured Party from or on account of any Collateral shall be applied by the Secured Party in the following order:

- (a) First, to the payment of the costs and expenses incurred by the Secured Party in connection with the collection, sale, transfer, preservation or delivery of the Collateral;
- (b) Second, to the reasonable attorneys' fees and expenses incurred by the Secured Party with respect to the enforcement of its rights under this Security Agreement;
- (c) Third, to the payment to the Secured Party of the amount then owing and unpaid for principal, interest, and other sums and charges under the Note (to be applied first to accrued interest and second to outstanding principal);
- (d) Fourth, to the payment to the Secured Party of the other amounts then owing and unpaid under the other Transaction Documents; and
- (e) Fifth, to the payment of the surplus, if any, to the Company as applicable, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

9. Continued Security Interest. The Company shall not sell, transfer, license or otherwise dispose of the Collateral, or any part thereof or any interest therein, except as otherwise provided in the Second Amendment or the Note. If the Collateral, or any part thereof, is sold or otherwise disposed of in violation of these provisions, the security interest of the Secured Party shall continue in such Collateral or any part thereof (and in the Proceeds thereof) notwithstanding such sale or other disposition, and the Company will deliver any Proceeds thereof to the Secured Party to be, at the option of the Secured Party, held as Collateral hereunder, and/or be applied to the Obligations.

10. Termination of Security Interests. Upon the indefeasible payment in full of all Obligations (other than indemnity obligations as to which no claim has theretofore been asserted), the security interest in the Collateral shall terminate and all rights in the Collateral shall revert to the Company as applicable. Upon any such termination of the security interests or release of Collateral, the Secured Party will, at the Company's

expense, execute and deliver to the Company such termination statements and other documents as the Company shall reasonably request to evidence and give effect to the termination of the security interests in or the release of such Collateral, as the case may be.

11. Cumulative Rights. The rights, powers and remedies of the Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to the Secured Party under any statute or rule of law or any other agreement (including the other Transaction Documents), all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently.
12. Waiver. Any forbearance, failure or delay by Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. The Company waives any right to require Secured Party to proceed against any Person or to exhaust any Collateral or to pursue any remedy in Secured Party's power prior to pursuing such Company in respect of the Obligations.
13. Binding Upon Successors and Assigns; Joint and Several Liability. All rights of the Secured Party under this Security Agreement shall inure to the benefit of the Secured Party's successors and assigns, and all obligations of the Company shall bind the representatives, executors, administrators, heirs, successors and assigns of the Company. The Company may not assign this Security Agreement. The Secured Party may assign this Security Agreement, and if assigned, the assignee shall be entitled, upon notifying the Company, to the payment and performance of all of the agreements of the Company hereunder and to all of the rights and remedies of Secured Party hereunder. It is agreed that the liability of the Company hereunder is independent of any guarantees or other obligations at any time in effect with respect to the Obligations or any part thereof and that the Company's liability hereunder may be enforced regardless of the existence, validity, enforcement or non-enforcement of any such other guarantees or other obligations.
14. Continuing Security Interest; Assignments. This Security Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until termination as provided herein, (ii) be binding upon the Company, the Secured Party and their respective successors and assigns, and (iii) inure, together with the rights, powers and remedies of the Company and the Secured Party hereunder, to the benefit of the Company, the Secured Party and their respective successors, transferees and permitted assigns, as the case may be.
15. Entire Agreement; Severability; Amendment. This Security Agreement and each of the other Transaction Documents, taken together, constitute and contain the entire agreement of the Company and Secured Party, and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the Parties, whether written or oral, respecting the subject matter hereof. If any of the provisions of this Security Agreement shall be held invalid or unenforceable, this Security Agreement

shall be construed as if not containing those provisions and the rights and obligations of the Parties hereto shall be construed and enforced accordingly. This Security Agreement may not be modified, altered or amended except by a written agreement signed by the Parties hereto.

16. Headings. The captions or titles of the sections of this Security Agreement are for convenience of reference only and shall not define or limit the provisions hereof.
17. Choice of Law. This Security Agreement shall (irrespective of where it is executed, delivered and/or performed) be construed in accordance with and governed by the laws of the State of Ohio and, where applicable and except as otherwise defined herein or by reference to the Second Amendment or the Note, terms used herein shall have the meanings given them in the UCC. Without limitation of Secured Party's rights to commence an action against the Company in any court having jurisdiction, the Company irrevocably and unconditionally submits to the jurisdiction of the federal and bankruptcy courts of the Northern District of Ohio or the state courts of Cuyahoga County Ohio or Summit County Ohio, as Secured Party may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Security Agreement, and the Company waives any objection relating to the basis for personal or in rem jurisdiction or to venue which it may now or hereafter have in any such suit, action or proceeding. The Company agrees that service of process in any such proceeding may be made by registered mail addressed to it in accordance with the notice provisions of the Note, and if an attempt to deliver notice by registered mail to the address provided by a party pursuant to this Agreement is refused or unclaimed, the notice is deemed properly given.
18. Attorneys' Fees. If any attorney is engaged by Secured Party to enforce or defend any provision of this Security Agreement, or as a consequence of the occurrence of any Event of Default under this Security Agreement, with or without the filing of any legal action or proceeding, and including, without limitation, any fees and expenses incurred in any bankruptcy proceeding of the Company, then the Company shall immediately pay to Secured Party, upon demand, the amount of all attorneys' fees and expenses and all costs incurred by Secured Party in connection therewith, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance of Note as specified therein.
19. Specific Performance. Each of the Parties acknowledge and agree that the Secured Party would be irreparably damaged if any of the provisions of this Security Agreement are not performed in accordance with their specific terms and that any breach of this Security Agreement could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which the parties may be entitled, at law or in equity, the Secured Party shall be entitled to enforce any provision of this Security Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief, without posting any bond or other undertaking.
20. Notice. Any written notice, consent or other communication provided for in this Security Agreement shall be given and deemed received as provided in the Note.

21. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.
22. Construction. Each of this Security Agreement and the other Transaction Documents is the result of negotiations among, and has been reviewed by, the Company, the Secured Party, and their respective counsel. Accordingly, this Security Agreement and the other Transaction Documents shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against the Company or the Secured Party.
23. Controlling Instrument. The respective provisions of the Security Agreement and the Note shall be interpreted wherever possible in such a way as to avoid any conflict between the two, but in the event that the two documents cannot otherwise be reconciled, to the extent any provision of this Security Agreement conflicts with any provision of the Note, the Note shall be controlling.
24. Waiver of Jury Trial. The Company hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Security Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement as of the date first written above.

COMPANY:

National Lampoon, Inc.  
a Delaware corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

*[Signature]*  
Alan G. Donner  
president

SECURED PARTY:

Brian A. Bash, Chapter 7 Trustee of  
Fair Finance Company

By: \_\_\_\_\_



EXHIBIT C  
DAIGLE NOTE

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## PROMISSORY NOTE

**\$2,000,000.00**

**Los Angeles, CA  
May \_\_, 2015**

**FOR VALUE RECEIVED**, on or before August 30, 2025, (the "**Maturity Date**"), National Lampoon, Inc., a Delaware corporation ("**Maker**"), promises to pay, in lawful money of the United States of America, to the order of Gerald J. Daigle, Jr., and his successors and assigns ("**Payee**"), the principal sum (the "**Principal Sum**") of two million dollars (\$2,000,000.00), together with interest and other charges herein provided, as set forth in this instrument ("**Note**").

1. **Related Documents.** This Note is executed and delivered in conjunction with the Settlement Agreement between Maker and Brian A. Bash, chapter 7 Trustee for Fair Finance Company (the "**Trustee**") dated May \_\_, 2015 ("**Settlement Agreement**"); the Security Agreement by Maker in favor of Trustee dated May \_\_, 2015 ("**Security Agreement**"); the consent judgment in favor of Trustee ("**Judgment**"); the Security Agreement by Maker in favor of Payee (the "**Daigle Security Agreement**"); and the Intercreditor Agreement between Payee and the Trustee (the "**Intercreditor Agreement**"). Reference is hereby made to the related documents for a statement of the respective rights and obligations of Maker, Payee and the Trustee in relation to such instruments. Neither this reference to the related documents nor any provisions thereof shall in any way affect or impair the absolute and unconditional obligation of Maker to pay the Principal Sum (and all interest thereon) of this Note when due.

2. **Interest Accrual.** Interest shall not accrue on the unpaid balance of the Principal Sum so long as no default occurs under this Note. Should Maker default in its obligations under this Note, default interest shall accrue on the outstanding Principal Sum until the date full payment is made at a fixed rate equal to the federal funds rate on the date of default. For the purposes of default, interest is defined as a 6% interest rate per annum.

3. **Payment of Principal and Interest.** Monthly principal payments in an amount equal to 15% of Maker's collected gross revenue for the prior month shall be due and payable on the 7th day of each calendar month beginning on the first month after entry of an order of the United States Bankruptcy Court for the Northern District of Ohio approving the compromise between Maker and the Trustee pursuant to the Settlement Agreement. For example, if the order approving this compromise is entered on September 29<sup>th</sup>, the first monthly payment would be due on October 7th, in an amount equal to 15% of Maker's collected gross revenue for the immediately preceding month of September.

The monthly principal payments shall be accompanied by financial documentation sufficient, in Payee's sole discretion, to verify Maker's collected gross revenue.

Maker shall pay the Principal Sum, plus any interest accrued thereon under the terms and conditions of the Note, immediately upon a default by Maker of its obligations under the Settlement Agreement, and Maker's receipt of written notice from Payee of such default.

Upon the sale of substantially all the assets, including but not limited to the stock, of National Lampoon, the sale proceeds shall first be distributed to the Trustee and Gerald J. Daigle, Jr. on a pro rata basis, notwithstanding any priorities granted in the Settlement Agreement, Notes and Security Agreements in favor of Payee and Gerald J. Daigle, Jr., and the Intercreditor Agreement between Payee and Gerald J. Daigle, Jr., until all of the sale proceeds are used to satisfy the respective debts of the Trustee and Gerald J. Daigle, Jr. as described and denoted in the Settlement Agreement.

This Note is secured by liens on and security interests in certain property of Maker that have been granted for the benefit of Payee pursuant to the Security Agreement.

4. **Form and Place of Payment.** Until such time as Maker shall receive written notice from Payee to the contrary, payment under this Note shall be made by check payable to Payee and delivered to Payee at the following address: PNC Center, 1900 E. 9<sup>th</sup> Street, Suite 3200, Cleveland, Ohio 44114, Attention: Brian A. Bash.

5. **Affirmative Covenants.** Maker covenants with, and represents and warrants to, Payee that:

(a) **Access to Business Information.** Maker shall maintain proper books of accounts and records and enter therein complete and accurate entries and records of all of its transactions and give representatives of Payee access thereto at all reasonable times, including permission to: (1) examine, copy and make abstracts from any such books and records and such other information which might be helpful to Payee in verifying Maker's collected gross revenue as it may reasonably request from time to time, and (2) communicate directly with any of Maker's officers, employees, agents, accountants or other financial advisors with respect to the business, financial conditions and other affairs of Maker.

(b) **Inspection of Collateral.** Maker shall give Payee reasonable access to the records relating to the accounts granted as collateral pursuant to the Security Agreement for the purpose of performing examinations thereof and to verify their condition or existence.

(c) **Tax Returns.** Upon request of Payee, Maker shall provide copies of all federal, state and local income tax returns and such other information as Payee may reasonably request.

(d) **Costs.** Maker shall reimburse Payee for any and all fees, costs and expenses including, without limitation, reasonable attorneys' fees and other professionals' fees, court costs, recording fees, litigation and other expenses (collectively, the "**Costs**") incurred or paid by Payee or any of its officers, employees or agents in connection with: (a) the enforcement of this Note, the Settlement Agreement, Security Agreement and Judgment (or any amendment, modification or extension to, or any replacement or substitution for, any of the foregoing), and (b) the defense, preservation and protection of Payee's rights and remedies thereunder, including without limitation, his security interest in all property pledged to secure the Note, in either case whether such Costs are incurred in bankruptcy, insolvency, foreclosure or other litigation or proceedings or otherwise. The Costs shall be due and payable upon demand by Payee. If Maker fails to pay the Costs upon such demand, the Costs shall be added to the Principal Sum of the Note and shall

bear interest from the date incurred or disbursed at the rate set forth in the Note. This provision shall survive the termination of this Agreement and/or the repayment of any amounts due or the performance of the Note.

(e) Maker will not change its state, its business address, or its form of organization ~~without advance notice to and the express written consent of Payee.~~

(f) Maker will maintain exclusive ownership of all Copyrights and all Copyright Licenses in connection with which it has within the past five years held any rights.

(g) Maker will not make any loans or engage in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, without the express written consent of the Payee.

(h) Without prior disclosure to, and written consent of, the Payee, Maker will not enter into any agreements or engage in any transactions that are either outside of the ordinary course of business or are not for commercially reasonable compensation.

(i) Maker will not allow its intellectual property or other assets to be transferred or used without commercially reasonable compensation.

(j) Maker will not, without prior disclosure to, and written consent of, Payee, enter into any agreements or engage in any transactions outside the ordinary course of business with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code.

6. **Events of Default.** Any of the following shall constitute events of default under this Note:

(a) default in the timely payment of the amounts due under this Note, wherein a payment is at least five (5) days late, or the failure of Maker to timely perform or discharge any other liability or obligation of Maker to Payee under the Transaction Documents.

(b) a commencement by Maker of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the entry of a decree or order for relief in respect of Maker in a case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, or that appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of Maker, or for any substantial part of the property of Maker, or ordering the wind-up or liquidation of the affairs of Maker;

(c) the filing and pendency for 30 days without dismissal, or stay, of a petition initiating an involuntary case under any such bankruptcy, insolvency or similar law against Maker or any substantial part of the property of Maker; or

(d) the making by Maker of any general assignment for the benefit of creditors or any writing admitting it is unable to pay its debts as they become due.

(e) the removal or replacement of any of Gerald J. Daigle, Jr. without the written consent of Payee.

(f) the failure by Maker to timely provide adequate evidence of the collected gross revenues necessary to calculate the payments due under the Note.

(g) the determination that any representation or warranty now or hereafter made by Maker to Payee in any Transaction Document was not true or accurate when given or a substantial change in any fact warranted or represented to Payee.

(h) the entry of any judgment against Maker, which judgment is not satisfied or appealed from (with execution or similar process stayed) within ninety (90) days of such judgment's entry.

(i) a breach of any of the covenants of Maker under any of the Transaction Documents.

7. **Force Majeure.** A Party shall not be deemed in default of this Agreement, nor shall it hold the other Party responsible for, any cessation, interruption or delay in the performance of its obligations (excluding payment obligations) due to earthquake, flood, fire, storm, natural disaster, act of God, war, terrorism, armed conflict, labor strike, lockout, boycott or other similar events beyond the reasonable control of the Party, provided that the Party relying upon this provision:

(a) gives prompt written notice thereof, and

(b) takes all steps reasonably necessary to mitigate the effects of the force majeure event.

8. **Remedies.** Upon the occurrence of an Event of Default, in addition to any other remedy permitted by law, Payee may, only with the express written consent of Trustee Brian A. Bash, without notice or demand on Maker, declare the Obligations immediately due and payable, and Payee shall have all the default rights and remedies of a secured party hereunder and under applicable law, and Payee may, at his option, proceed to enforce and protect his rights by an action at law or in equity or by any other appropriate proceedings.

In addition to any other remedy available at law or in equity, if Maker defaults on any payment when due hereunder or fails to timely provide adequate evidence of its collected gross revenues, Payee shall be entitled, only with the express written consent of Trustee Brian A. Bash, to file and enforce the Judgment and to seek the appointment of a receiver for Maker, and Maker hereby consents to the appointment of a receiver at Payee and Trustee Brian A. Bash's election upon Maker's default in making any payment when due under this Note.

Payee's rights and remedies hereunder are cumulative, and may be exercised together, separately, and in any order. No delay on the part of Payee in the exercise of any such right or remedy shall operate as a waiver. No single or partial exercise by Payee of any right or remedy shall preclude any other further exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Payee of any Event of Default shall be effective unless in writing and signed by Payee, nor shall a waiver on one occasion be construed as a waiver of any other occurrence in the future.

9. **Waiver.** Except as set forth in this instrument, Maker (a) waives presentment, demand, notice, protest and diligence in collection or bringing any action, (b) waives any and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and (c) assents to any extension or postponement of the time of ~~payment or any other indulgence, to any substitution, exchange or release of collateral by Payee.~~

10. **Severability.** The declaration of invalidity of any provision of this Note shall not affect any part of the remainder of the provisions.

11. **Governing Law.** This Note is to be construed and enforced in accordance with, and governed by, the laws of the State of Ohio.

12. **Modification; Waiver of Payee.** The modification or waiver of any of Maker's obligations or Payee's rights under this Note must be contained in a writing signed by Payee. Payee may delay or fail to exercise any of its rights or remedies, without causing a waiver of those obligations or rights. A waiver on one occasion shall not constitute a waiver on another occasion.

13. **Notices.** Any written notice, consent or other communication provided for in this Note shall be given and deemed received by delivering or by mailing it by registered first class mail as follows:

If to Maker:  
National Lampoon, Inc.  
1438 N. Gower Street, Bldg 2,  
Room 22, Box 8  
Los Angeles, CA 90028

If to Payee:  
Gerald J. Daigle, Jr.  
909 Poydras Street  
Suite 2230  
New Orleans, LA 70112

14. **Waiver of Jury Trial.** Maker, and any endorser or guarantor hereof, waive the right to a trial by jury in any actions, proceedings, or any other matters arising out of or relating to this Note or the transactions contemplated hereby.

IN WITNESS WHEREOF, this Note has been duly executed and delivered in Cleveland, Ohio as of the date first set forth above.


National Lampoon, Inc.

By: 

LOUISIANA  
STATE OF ~~CALIFORNIA~~ }  
~~PARISH~~ } ss.  
COUNTY OF ORLEANS }

The foregoing instrument was executed and acknowledged before me this 19<sup>th</sup> day of May, 2014 by Alan G. Donnes, the President of National Lampoon, Inc., a Delaware corporation, on behalf of said company.

[SEAL]

  
Notary Public, State of ~~California~~ Louisiana  
My Commission Expires: at death

Gerald J. Daigle, Jr.  
Notary Public  
Bar No. 01810  
Parish of Orleans, State of Louisiana  
My commission is for life

EXHIBIT D

DAIGLE SECURITY AGREEMENT

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## **SECURITY AGREEMENT**

THIS SECURITY AGREEMENT (as amended, modified or otherwise supplemented from time to time, the "**Security Agreement**"), is entered into as of \_\_\_\_\_, 2015 by National Lampoon, Inc., a Delaware Corporation (the "**Company**"), with a principal place of business at 1438 N. Gower Street, Building 2, Room 22, Box 8, Los Angeles, CA 90028 and Gerald J. Daigle, Jr. (the "**Secured Party**," and together with the **Company**, the "**Parties**").

### **RECITALS**

WHEREAS, the Company and Brian A. Bash, chapter 7 trustee for Fair Finance Company (the "**Trustee**") concurrently herewith have entered into a Settlement Agreement ("**Settlement Agreement**") and Company has concurrently provided Secured Party with a Note (the "**Note**") in the principal amount of two million dollars (\$2,000,00.00);

WHEREAS, pursuant to the Settlement Agreement, the Company granted a note in favor of the Trustee in the principal amount of three million dollars (\$3,000,000.00) (the "**Priority Note**"), a security agreement in favor of the Trustee securing the Note (the "**Priority Security Agreement**"), and a consent judgment in favor of the Trustee in the principal amount of three million dollars (\$3,000,000.00) to be filed only under the circumstances set out in the Settlement Agreement;

WHEREAS, pursuant to the Note, the Company has agreed to enter into this Security Agreement and to grant to the Secured Party a second priority lien and security interest in the Collateral, as defined infra at section 3, subject to the terms and conditions set forth below, and subject to the Intercreditor Agreement between Secured Party and the Trustee (the "**Intercreditor Agreement**"); and

WHEREAS, capitalized terms, unless otherwise defined herein, shall have the meanings assigned to them in the Note.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Secured Party agree as follows:

1. **Definitions.** All terms used herein which are not defined in the Note and which are otherwise defined in Article 1 or Article 9 of the UCC (as defined below) shall have the meanings given therein unless otherwise defined below in this Security Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to the Secured Party and the Company, or to any other Person herein, shall include their respective heirs, executors, administrators, personal representatives, successors and permitted assigns. In addition to those capitalized terms defined elsewhere in this Security Agreement, the following terms shall have the following meanings:

- 1.1 "Accounts" shall have such meaning as such term is defined in Article 9 of the UCC.
- 1.2 "Copyrights" shall mean all of the following: (a) all copyrights, works protectable by copyright, copyright registrations, and copyright applications of any Company, if any; (b) all renewals, extensions, and modifications thereof; (c) all income, royalties, damages, profits, and payments relating to or payable under any of the foregoing; (d) the right to sue for past, present, or future infringements of any of the foregoing; (e) all other rights and benefits relating to any of the foregoing throughout the world; and (f) all goodwill associated with and symbolized by any of the foregoing; in each case, whether now owned or hereafter acquired by any Company.
- 1.3 "Copyright License" shall mean any agreement, written or oral, providing for a grant to any Company of any right in any Copyright.
- 1.4 "Documents" shall have such meaning as such term is defined in Article 9 of the UCC. "Deposit Accounts" shall have such meaning as such term is defined in Article 9 of the UCC.
- 1.5 "Person" shall mean an individual, partnership, corporation, limited liability company, limited liability partnership, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.
- 1.6 "Proceeds" shall have such meaning as such term is defined in Article 9 of the UCC.
- 1.7 "Transaction Documents" shall mean this Security Agreement, the Settlement Agreement, the Note, the Judgment, and any other documents contemplated hereby and thereby, and all valid extensions, amendments, modifications and renewals of any of the foregoing.
- 1.8 "UCC" means the Uniform Commercial Code as in effect in the State of Ohio; provided, however, that if by mandatory provisions of law, the perfection or effect of perfection or non-perfection of the security interest in any Collateral to which this Financing Statement relates is governed by the Uniform Commercial Code as in effect on or after the date hereof in any other jurisdiction, UCC means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection.

2. Pledge of Collateral and Delivery of Pledged Collateral.

- 2.1 The Company hereby pledges and assigns to the Secured Party and grants to the Secured Party, for the benefit of itself, a continuing lien and security interest in all of the Collateral described in Section 3 below, whether now owned or hereafter acquired, whether or not now or at any time hereafter in the possession,

custody or control of the Secured Party or its agents, whether or not held for safekeeping, in a safe deposit box, or otherwise, to secure prompt payment and full performance of the obligations described in Section 4 below (all such obligations, collectively the “**Obligations**”). The pledge of the Collateral pursuant to this Security Agreement creates a valid and perfected second priority security interest in the Collateral securing the Obligations, subordinate to the security interest granted to the Trustee pursuant to the Senior Security Agreement and subject to the terms of the Intercreditor Agreement.

- 2.2 The Company shall, at its expense, execute, file, record and deliver to the Secured Party (in such manner and form as the Secured Party shall require) any financing statements and any other documents, necessary or appropriate to preserve, perfect, validate or protect the security interest granted to the Secured Party hereunder against the claims of third parties, and shall cooperate with the Secured Party to cause the same to be duly filed in all places necessary to perfect the security interest of the Secured Party in the Collateral. This shall include (a) all financing statements, (b) all carbon, photographic or other reproductions of financing statements or this Security Agreement (which shall be sufficient as a financing statement hereunder), (c) all endorsements to title to any Collateral as may be required in order to perfect the security interest therein, and (d) all specific assignments or other papers that may be necessary, or that the Secured Party may reasonably request, in order to create, preserve, perfect or validate any security interest or to enable the Secured Party to exercise and enforce its rights hereunder with respect to any of the Collateral. In the event that any recording or re-filing thereof (or filing of any statements of continuation or assignment of any financing statement) is required to protect and preserve such security interest, the Company, at its own cost and expense, shall cause the same to be re-recorded and/or re-filed at the time and in the manner requested by the Secured Party. The Company hereby authorizes the Secured Party to file or re-file any financing statements, continuation statements, and/or amended statements with respect to the security interest granted pursuant to this Security Agreement which at any time may be required or appropriate, although the same may have been executed only by Secured Party, and to execute such financing statement on behalf of the Company. In addition, in the event and to the extent that any of Collateral consists of or is represented by stock certificates, instruments or other evidences of ownership such as would require physical possession of same in order to perfect the security interest therein or have “control” (within the meaning of the UCC) thereof, the Company will promptly, at its expense, deliver same to the Secured Party, with any necessary endorsements thereon or powers annexed thereto. Secured Party has the right, at any time, after the occurrence and during the continuance of an Event of Default (as defined herein) in its sole discretion, to transfer to or to register in the name Secured Party or any of its nominees any or all of the Collateral.

3. Collateral. The collateral consists of the following (collectively, the “**Collateral**”):

- 3.1 all Accounts of the Company, whether now owned or hereafter acquired;

- 3.2 all royalties payments and income streams now or hereinafter owing.
4. Obligations. The Obligations secured under this Security Agreement are (i) the obligations of the Company under this Security Agreement; (ii) the obligations of the Company under the Note; (iii) the obligations of the Company to Secured Party under ~~any other Transaction Documents~~, and (iv) the obligations of the Company under all extensions, amendments, modifications and renewals of any of the foregoing.
5. Covenants of the Company. Until the Obligations are indefeasibly paid in full, the Company covenants that it will:
- 5.1 Promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date that penalties may attach thereto or same become a lien on any of the Collateral, except to the extent that such taxes, assessments and charges shall be contested by the Company in good faith and through appropriate proceedings;
- 5.2 Not sell, exchange, assign, encumber, or otherwise dispose of or transfer any Collateral, or any right or interest therein, except as permitted by Section 10;
- 5.3 Appear in and defend, at the Company's own expense, any action or proceeding which may affect the Company's title to or the Secured Party's interest in the Collateral;
- 5.4 Procure or execute and deliver, from time to time, in form and substance satisfactory to the Secured Party in its discretion reasonably exercised, any stock powers, bond powers, endorsements, assignments, financing statements, estoppel certificates, control agreements or other writings reasonably deemed necessary or appropriate by the Secured Party to perfect, maintain or protect the Secured Party's security interest in the Collateral and the priority thereof, and take such other action and deliver such other documents, instruments and agreements pertaining to the Collateral as the Secured Party may request to effectuate the intent of this Security Agreement; and
- 5.5 Provide the Secured Party with such other information pertaining to the Collateral or to the Obligation as the Secured Party may reasonably request from time to time in order to preserve and protect the security interest provided for herein and to enforce the provisions of this Security Agreement.
- 5.6 Not change its state, its business address, or its form of organization without advance notice to and the express written consent of Secured Party.
- 5.7 Maintain exclusive ownership of all Copyrights and all Copyright Licenses in connection with which it has within the past five years held any rights.
- 5.8 Make any loans or engage in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, without the express written consent of the Secured Party.

- 5.9 Without prior disclosure to, and written consent of, the Secured Party, enter into no agreements and engage in no transactions that are either outside of the ordinary course of business or are not for commercially reasonable compensation.
- 5.10 Allow its intellectual property or other assets to be transferred or used without commercially reasonable compensation.
- 5.11 Without prior disclosure to, and written consent of, the Secured Party, enter into no agreements and engage in no transactions outside the ordinary course of business with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code.
6. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:
- 6.1 Neither the execution nor the delivery of this Security Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will violate any law or regulation, or any order or decree of any court or Governmental Authority, or will conflict with, or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which the Company may be bound, or result in the creation or imposition of any lien, claim or encumbrance upon any property of the Company.
- 6.2 The Company has the power to execute, deliver and perform the provisions of this Security Agreement and all instruments and documents delivered or to be delivered pursuant hereto, and has taken or caused to be taken all necessary or appropriate actions to authorize the execution, delivery and performance of this Security Agreement and all such instruments and documents.
- 6.3 The Company is the legal and equitable owner of the Collateral, subject to the interest therein granted to the Secured Party. Except as set forth on Schedule I attached hereto, the ownership by the Company of the Collateral is free and clear of all security interests, liens, claims and encumbrances of every kind and nature, except for security deposits, statutory liens securing obligations that are not yet due or delinquent, bankers' liens and other immaterial encumbrances not securing indebtedness for borrowed money.
- 6.4 No material default exists, and no event which with notice or the passage of time or both, would constitute a default under the Collateral by any party thereto, and there are no material offsets, claims or defenses against the obligations evidenced by the Collateral.
- 6.5 The security interest in the Collateral constitutes a valid and, upon delivery and filing of documents necessary to perfect the Secured Party's security interest in the Collateral, perfected security interest in the Collateral securing the payment and performance of the Obligations, subordinate to the security interest granted to the Trustee and subject to the terms of the Intercreditor Agreement, but prior to

all other liens and rights of others (except for permitted liens as described in Section 6.3 above).

- 6.6 Except as set forth on Schedule II attached hereto, no financing statement covering the Collateral is on file in any public office, other than financing statements filed pursuant to this Security Agreement.
- 6.7 Debtor's exact legal name, Debtor's state of organization, and the Debtor's place of business are all as set forth in this Security Agreement.
- 6.8 The Company has not, within the last three years, disposed of any rights or property, including but not limited to Copyrights or Copyright Licenses, out of the ordinary course of business or that previously was the source of licensing fees, except as set out in Schedule III attached hereto.
- 6.9 The Company has not, within the last three years, entered into any transactions outside the ordinary course of business with or for the benefit of insiders, as such term ("insider") is defined in the Bankruptcy Code, except as set out in Schedule IV attached hereto.
- 6.10 The Company has not, within the last three years, made any loans or engaged in any other activities to provide financing to another, such as (by way of example and without limitation) sale leaseback arrangements, except as set out in Schedule V attached hereto.

All representations and warranties of the Company contained herein shall survive the closing of this Security Agreement until termination of this Security Agreement.

7. Authorized Action by Secured Party.

- 7.1 Subject to the terms of the Intercreditor Agreement, the Company hereby irrevocably appoints the Secured Party as an attorney-in-fact, second in priority to the Priority Secured Party Trustee Bash, (but the Secured Party shall not be obligated to and shall not incur any liability to the Company or any third party for failure so to do), upon an Event of Default and while such Event of Default is continuing, to do any act which the Company is obligated by this Security Agreement to do, and to exercise such rights and powers as the Company might exercise with respect to the Collateral, including, without limitation, the right to:
  - (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all payments, proceeds and other sums and property now or hereafter payable on or in respect of proceeds and other sums and property now or hereafter payable on or in respect of the Collateral, including dividends, profits and interest payments;
  - (b) receive, take, endorse, assign and deliver any and all checks, drafts, documents and other negotiable and non-negotiable instruments and

chattel paper taken or received by the Secured Party in connection therewith;

- (c) settle, compromise, discharge, extend, compound, prosecute or defend any action or proceeding with respect thereto; and
- (d) extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;
- (e) discharge any taxes, liens, security interests or other encumbrances at any time placed thereon;
- (f) enter into any extension, reorganization, deposit, merger or consolidation agreement or other agreement pertaining to the Collateral, and in connection therewith may deposit or surrender control of the Collateral thereunder, accept other property in exchange therefor, and do and perform such acts and things as it may deem proper, and any money or property secured in exchange therefor shall be applied to the Obligations or held by the Secured Party pursuant to the provisions of the Transaction Documents;
- (g) protect and preserve the Collateral;
- (h) transfer the Collateral to its own or its nominee's name; and
- (i) take any and all such other actions as shall be authorized in the Transaction Documents.

7.2 All the foregoing powers authorized herein, being coupled with an interest, are irrevocable so long as any Obligations are outstanding.

## 8. Default and Remedies.

8.1 Event of Default. The occurrence of any Event of Default under and as defined in the Note shall constitute an Event of Default of this Security Agreement (herein "**Event of Default**").

8.2 Remedies upon Default. Subject to the terms of the Intercreditor Agreement, upon the occurrence of any Event of Default, in addition to any other remedy permitted by law, Secured Party may, at its option, without notice to or demand on the Company, declare all Obligations immediately due and payable, and Secured Party shall have all the default rights and remedies of a secured party hereunder and under applicable law. Such rights shall include, without limitation the following:

- (a) Without limiting Secured Party's obligations under Article 9 of the UCC, the right to have the Collateral, or any part thereof, transferred to Secured Party's own name or to the name of its nominee and/or to cause a

certificate or certificates representing the Collateral consisting investment property to be issued in the name of, and to be delivered to and held by or for the account of, the Secured Party, whereupon the Secured Party shall have all of the rights, privileges, powers and remedies appurtenant to and arising from the ownership of the Collateral; and

- (b) The right to sell, transfer, assign or deliver the Collateral or any portion thereof, at public or private sale, as Secured Party may elect, either for cash or on credit, without assumption of any credit risk thereof and without demand or advertisement (unless otherwise required by law). In the event of any sale hereunder, Secured Party shall apply the proceeds in the order set forth below in Section 8.3 hereof. Secured Party may have resort to the Collateral or any portion thereof with no requirement on the part of Secured Party to proceed first against any other Person or property. The Company hereby agrees, without limitation, that if the Secured Party gives the Company twenty (20) days prior written notice of the time and place of any sale or other intended disposition of any of the Collateral, such notice will constitute "reasonable notification" within the meaning of Article 9 of the UCC, but that the definition of "reasonable notification" is not so limited, for example and without limitation, in the case of Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

8.3 Application of Sale Proceeds. Subject to the terms of the Intercreditor Agreement, proceeds from the sale of the Collateral or any part thereof and all sums received or collected by Secured Party from or on account of any Collateral shall be applied by the Secured Party in the following order:

- (a) First, to the payment of the costs and expenses incurred by the Secured Party in connection with the collection, sale, transfer, preservation or delivery of the Collateral;
- (b) Second, to the reasonable attorneys' fees and expenses incurred by the Secured Party with respect to the enforcement of its rights under this Security Agreement;
- (c) Third, to the payment to the Secured Party of the amount then owing and unpaid for principal, interest, and other sums and charges under the Note (to be applied first to accrued interest and second to outstanding principal);
- (d) Fourth, to the payment to the Secured Party of the other amounts then owing and unpaid under the other Transaction Documents; and
- (e) Fifth, to the payment of the surplus, if any, to the Company as applicable, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.



9. Continued Security Interest. The Company shall not sell, transfer, license or otherwise dispose of the Collateral, or any part thereof or any interest therein, except as otherwise provided in the Second Amendment or the Note. If the Collateral, or any part thereof, is sold or otherwise disposed of in violation of these provisions, the security interest of the Secured Party shall continue in such Collateral or any part thereof (and in the Proceeds thereof) notwithstanding such sale or other disposition, and the Company will deliver any Proceeds thereof to the Secured Party to be, at the option of the Secured Party, held as Collateral hereunder, and/or be applied to the Obligations.
10. Termination of Security Interests. Upon the indefeasible payment in full of all Obligations (other than indemnity obligations as to which no claim has theretofore been asserted), the security interest in the Collateral shall terminate and all rights in the Collateral shall revert to the Company as applicable. Upon any such termination of the security interests or release of Collateral, the Secured Party will, at the Company's expense, execute and deliver to the Company such termination statements and other documents as the Company shall reasonably request to evidence and give effect to the termination of the security interests in or the release of such Collateral, as the case may be.
11. Cumulative Rights. Subject to the terms of the Intercreditor Agreement, the rights, powers and remedies of the Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to the Secured Party under any statute or rule of law or any other agreement (including the other Transaction Documents), all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently.
12. Waiver. Subject to the terms of the Intercreditor Agreement, any forbearance, failure or delay by Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. The Company waives any right to require Secured Party to proceed against any Person or to exhaust any Collateral or to pursue any remedy in Secured Party's power prior to pursuing such Company in respect of the Obligations.
13. Binding Upon Successors and Assigns; Joint and Several Liability. Subject to the terms of the Intercreditor Agreement, all rights of the Secured Party under this Security Agreement shall inure to the benefit of the Secured Party's successors and assigns, and all obligations of the Company shall bind the representatives, executors, administrators, heirs, successors and assigns of the Company. The Company may not assign this Security Agreement. The Secured Party may assign this Security Agreement, and if assigned, the assignee shall be entitled, upon notifying the Company, to the payment and performance of all of the agreements of the Company hereunder and to all of the rights and remedies of Secured Party hereunder. It is agreed that the liability of the Company hereunder is independent of any guarantees or other obligations at any time in effect with respect to the Obligations or any part thereof and that the Company's liability hereunder may be enforced regardless of the existence, validity, enforcement or non-enforcement of any such other guarantees or other obligations.

14. Continuing Security Interest; Assignments. Subject to the terms of the Intercreditor Agreement, this Security Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until termination as provided herein, (ii) be binding upon the Company, the Secured Party and their respective successors and assigns, and (iii) inure, together with the rights, powers and remedies of the Company and the Secured Party hereunder, to the benefit of the Company, the Secured Party and their respective successors, transferees and permitted assigns, as the case may be.
15. Entire Agreement; Severability; Amendment. This Security Agreement and each of the other Transaction Documents, taken together, constitute and contain the entire agreement of the Company and Secured Party, and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the Parties, whether written or oral, respecting the subject matter hereof. If any of the provisions of this Security Agreement shall be held invalid or unenforceable, this Security Agreement shall be construed as if not containing those provisions and the rights and obligations of the Parties hereto shall be construed and enforced accordingly. This Security Agreement may not be modified, altered or amended except by a written agreement signed by the Parties hereto.
16. Headings. The captions or titles of the sections of this Security Agreement are for convenience of reference only and shall not define or limit the provisions hereof.
17. Choice of Law. This Security Agreement shall (irrespective of where it is executed, delivered and/or performed) be construed in accordance with and governed by the laws of the State of Ohio and, where applicable and except as otherwise defined herein or by reference to the Second Amendment or the Note, terms used herein shall have the meanings given them in the UCC. Without limitation of Secured Party's rights to commence an action against the Company in any court having jurisdiction, the Company irrevocably and unconditionally submits to the jurisdiction of the federal and bankruptcy courts of the Northern District of Ohio or the state courts of Cuyahoga County Ohio or Summit County Ohio, as Secured Party may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Security Agreement, and the Company waives any objection relating to the basis for personal or in rem jurisdiction or to venue which it may now or hereafter have in any such suit, action or proceeding. The Company agrees that service of process in any such proceeding may be made by registered mail addressed to it in accordance with the notice provisions of the Note, and if an attempt to deliver notice by registered mail to the address provided by a party pursuant to this Agreement is refused or unclaimed, the notice is deemed properly given.
18. Attorneys' Fees. Subject to the terms of the Intercreditor Agreement, if any attorney is engaged by Secured Party to enforce or defend any provision of this Security Agreement, or as a consequence of the occurrence of any Event of Default under this Security Agreement, with or without the filing of any legal action or proceeding, and including, without limitation, any fees and expenses incurred in any bankruptcy proceeding of the Company, then the Company shall immediately pay to Secured Party, upon demand, the amount of all attorneys' fees and expenses and all costs incurred by Secured Party in

connection therewith, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance of Note as specified therein.

19. Specific Performance. Subject to the terms of the Intercreditor Agreement, each of the Parties acknowledge and agree that the Secured Party would be irreparably damaged if ~~any of the provisions of this Security Agreement are not performed in accordance with~~ their specific terms and that any breach of this Security Agreement could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which the parties may be entitled, at law or in equity, the Secured Party shall be entitled to enforce any provision of this Security Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief, without posting any bond or other undertaking.
20. Notice. Any written notice, consent or other communication provided for in this Security Agreement shall be given and deemed received as provided in the Note.
21. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.
22. Construction. Each of this Security Agreement and the other Transaction Documents is the result of negotiations among, and has been reviewed by, the Company, the Secured Party, and their respective counsel. Accordingly, this Security Agreement and the other Transaction Documents shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against the Company or the Secured Party.
23. Controlling Instrument. The respective provisions of the Security Agreement and the Note shall be interpreted wherever possible in such a way as to avoid any conflict between the two, but in the event that the two documents cannot otherwise be reconciled, to the extent any provision of this Security Agreement conflicts with any provision of the Note, the Note shall be controlling.
24. Waiver of Jury Trial. **The Company hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Security Agreement or the transactions contemplated hereby.**

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement as of the date first written above.

COMPANY:

**National Lampoon, Inc.**

a Delaware corporation

By: 

Name: Alan G. Donner

Its: president

SECURED PARTY:

Gerald J. Daigle, Jr.

By: 

### SCHEDULE I to Bash and Daigle Security Agreements

<u>Filing Number</u>	<u>Filing Date</u>	<u>Lapse Date</u>	<u>Organization Name</u>
09-7211072847	10/08/2009	10/08/2014	<u>Bonnie J. Chermak*</u>
10-7248637634	10/15/2010	10/15/2015	<u>Richardson &amp; Patel LLP</u>
12-7310765416	04/18/2012	05/18/2022	<u>IRS</u>
12-7322823232	07/27/2012	07/27/2017	<u>Reno Rollé*</u>
14-7404499416	03/24/2014	04/23/2024	<u>IRS</u>
14-7411434877	05/09/2014	06/08/2024	<u>IRS</u>
15-7453556960	03/05/2015	03/05/2020	<u>Paramount Pictures Corporation</u>

\*Lien has been terminated.

## SCHEDULE II to Bash and Daigle Security Agreements

<u>Filing Number</u>	<u>Filing Date</u>	<u>Lapse Date</u>	<u>Organization Name</u>
09-7211072847	10/08/2009	10/08/2014	<u>Bonnie J. Chermak*</u>
10-7248637634	10/15/2010	10/15/2015	<u>Richardson &amp; Patel LLP</u>
12-7310765416	04/18/2012	05/18/2022	<u>IRS</u>
12-7322823232	07/27/2012	07/27/2017	<u>Reno Rollé*</u>
14-7404499416	03/24/2014	04/23/2024	<u>IRS</u>
14-7411434877	05/09/2014	06/08/2024	<u>IRS</u>
15-7453556960	03/05/2015	03/05/2020	<u>Paramount Pictures Corporation</u>

\*Lien has been terminated.

### **SCHEDULE III to Bash and Daigle Security Agreements**

That certain Purchase Agreement and Release dated April 8, 2013 between National Lampoon, Inc., Matty Simmons Productions, Inc. and Matty Simmons, on the one hand, and Warner Bros. Entertainment Inc. and New Line Cinema LLC, on the other hand

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That certain Assignment of Distributions Rights dated April 25, 2012 between National Lampoon, Inc. and Rolle Wiseman LLC

#### **SCHEDULE IV to Bash and Daigle Security Agreements**

Agreement to sell equity representing a twenty percent (20%) fully-diluted equity interest in National Lampoon, Inc., at a price to be determined, either in the form of convertible preferred shares, or at purchaser's option, common shares, to Gerald J. Daigle, Jr.

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**SCHEDULE V to Bash and Daigle Security Agreements**

**Not Applicable.**

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EXHIBIT E  
JUDGMENT

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**UNITED STATES DISTRICT COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**

BRIAN A. BASH, Chapter 7 Trustee for Fair Finance Company,	)	Case No.: 2:11-CV-04999-DSF (AGRx)
	)	
Plaintiff,	)	
	)	
vs.	)	
	)	
NATIONAL LAMPOON, INC.,	)	
	)	
Defendant.	)	

**JUDGMENT**

The above-captioned matter comes before the Court on the Complaint filed by Brian Bash, Chapter 7 Trustee for Fair Finance Company (the “**Trustee**”) against defendant National Lampoon, Inc. (“**National Lampoon**”). National Lampoon has consented to the entry of judgment in favor of the Trustee and against National Lampoon in the amount of \$3,000,000.00 (the “**Judgment**”). Consequently, the Court now finds that judgment should be entered in favor of the Trustee and against National Lampoon in the amount of \$3,000,000.00, with post-judgment interest on said judgment as specified in 28 U.S.C. § 1961. The Clerk of this Court is ordered to enter final judgment accordingly.

# # #

Submitted by:

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*Counsel for Defendant*

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Exhibit F  
INTERCREDITOR AGREEMENT

This Intercreditor Agreement (this "**Agreement**") is made and entered into as of May \_\_\_\_\_, 2015, by the undersigned, Gerald J. Daigle, Jr. (the "**Daigle Creditor**"), for the benefit of Brian A. Bash, chapter 7 trustee for Fair Finance Company, and his successors and assigns (the "**Fair Finance Creditor**").

WITNESSETH:

WHEREAS, Fair Finance Creditor and National Lampoon, Inc., a Delaware corporation (the "**Company**") concurrently herewith have entered into a Settlement Agreement (the "**Settlement Agreement**") and the Company has concurrently provided Fair Finance Creditor with a Note in the principal amount of three million dollars (\$3,000,000.00) (the "**Note**"), a Security Agreement in the amount of three million dollars (\$3,000,000.00) granting a valid, first priority lien and security interest in the Collateral as defined therein in favor of Fair Finance Creditor (the "**Security Agreement**"), and a consent judgment in favor of Fair Finance Creditor in the principal amount of three million dollars (\$3,000,000.00) to be filed only under the circumstances set forth in the Settlement Agreement (the "**Judgment**"), and as all of the foregoing may have been, or may be, amended, revised, restated, renewed, supplemented, or modified from time to time, the "**Fair Finance Security Documents.**" The obligations secured by the Fair Finance Security Documents shall be referred to as the "**Liabilities**"; and

WHEREAS, concurrently with the Settlement Agreement, the Company provided Daigle Creditor with a Note in the principal amount of two million dollars (\$2,000,000.00) (the "**Daigle Note**"), and the Company desires to grant a security interest and lien in the principal amount of two million dollars (\$2,000,000.00) on the Collateral in favor of Daigle Creditor (the "**Daigle Security Agreement,**" and together with the Daigle Note, the "**Daigle Security Documents.**" The obligations secured by the Daigle Security Documents shall be referred to as the "**Indebtedness.**"; and

WHEREAS, the Fair Finance Creditor and the Daigle Creditor wish to set forth the priorities for repayment of their respective debts and to assign authority for decisions involving the collateral in the circumstances set forth herein.

NOW, THEREFORE, for good and valuable consideration, receipt and sufficiency of which is hereby acknowledged by the parties, and in order to induce the parties to enter into and perform the various obligations contemplated by the Settlement Agreement, the parties hereby agree as follows:

1. **Superceding Agreement.**

The parties acknowledge and agree that, to the extent the terms and provisions of this Agreement are inconsistent with the Security Documents, the Security Documents shall be deemed to have been superseded.

2. Indebtedness Owed Only to Daigle Creditor. The Daigle Creditor represents and warrants that it has not previously assigned any of its right, title, or interest in or to the Indebtedness, that no party other than his affiliate(s) owns an interest in the Indebtedness on its own behalf (whether as a joint holder of the Indebtedness, a participant or otherwise) and that the entire Indebtedness is owing only to the Daigle Creditor or his affiliate(s) on their respective behalves. The Daigle Creditor agrees that he and his affiliate(s) will not, and will not allow any other person to, amend, supplement, amend and restate, renew, alter or otherwise modify the terms of any of the Daigle Security Documents without the prior written consent of the Fair Finance Creditor, which consent shall not be unreasonably withheld or delayed.

3. Pro-Rata Payments. In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Company or the proceeds thereof, to the creditors of the Company, or readjustment of the obligations and indebtedness of the Company, whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding involving the readjustment of all or substantially all of the assets of the Company, or upon the dissolution or other winding up of the Company's business, or upon the sale of all or substantially all of the Company's assets, payment shall first be distributed to the Fair Finance Creditor and Daigle Creditor on a pro rata basis of any and all of their respective Liabilities and Indebtedness then owing.

4. Grant of Authority to Fair Finance Creditor. In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Company or the proceeds thereof, to the creditors of the Company, or readjustment of the obligations and indebtedness of the Company, whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding involving the readjustment of all or substantially all of the assets of the Company, or upon the dissolution or other winding up of the Company's business, or upon the sale of all or substantially all of the Company's assets, then, and in any such event, any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any or all of the Indebtedness or Liabilities owing to the Parties shall be paid or delivered directly to the Parties on a pro rata basis. The Daigle Creditor irrevocably authorizes and empowers the Fair Finance Creditor to demand, sue for, collect and receive every such payment or distribution and give acquittance therefor on behalf of Fair Finance Creditor and Daigle Creditor; and the Daigle Creditor will execute and deliver to the Fair Finance Creditor such powers of attorney, assignments or other instruments or documents as may be requested by the Fair Finance Creditor in order to enable the Fair Finance Creditor to enforce any and all claims upon or with respect to any or all of the Indebtedness and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or with respect to the Indebtedness. Notwithstanding anything to the contrary set forth in this Section, under no circumstances shall Fair Finance Creditor be deemed obligated to enforce any such claims upon or with respect to any or all of the Indebtedness; in such event the Daigle creditor retains the

power to enforce claims related to the Indebtedness, provided, however, that any recovery from / proceeds of the Collateral shall be distributed pro rata between the Fair Finance Creditor and the Daigle Creditor pursuant to this Agreement.

5. Payments Received by the Parties. Should either party receive any payment or distribution or security or instrument or proceeds thereof which is payable to the other party pursuant to this Agreement or their respective Security Documents, then such party shall receive and hold the same in trust, as trustee, for the benefit of the other party, and shall forthwith deliver the same to the other party in precisely the form received (except for any necessary endorsement or assignment), for application on any of its Liabilities or Indebtedness, as applicable, due or not due, and, until so delivered, the same shall be held in trust as the joint property of the parties. In the event of the failure of a party to make any such endorsement or assignment to the other party pursuant to this paragraph, such other party, or any of its officers or employees, is hereby irrevocably authorized to make the same.

6. Assignment of Claims; Payments and Collateral. The parties agree that they will not assign or transfer to others any claims that it has or may have against the Company or any affiliate thereof with respect to the Security Documents, unless such assignment or transfer is made expressly subject to this Agreement, and the assignee or transferee expressly agrees in writing to be subject to the terms and provisions of this Agreement. By the execution of this Agreement, the Company agrees not to pay either party any sum on account of any of the Indebtedness or to give either party any collateral as security therefor at any time when the same would be in breach of any of the terms of this Agreement.

7. Continuing Nature of Agreement. This Agreement shall continue in effect until the Liabilities and Indebtedness have been fully and finally paid, satisfied, and discharged.

8. Notice of Company's Default. The parties agree that in the event that either learns, after the effective date of this Agreement, of the occurrence of a default under the terms of their respective Security Documents, such party shall promptly notify the other party in writing of the fact of the default and any subsequent cure or waiver of said default or any remedies taken or which may be taken.

9. Waivers by the Daigle Creditor. The Daigle Creditor expressly waives all notice of the acceptance by the Fair Finance Creditor of the priority and other provisions of this Agreement and all other notices whatsoever not expressly required hereunder. The Daigle Creditor agrees the Fair Finance Creditor has made no warranties or representations with respect to the due execution, legality, validity, completeness or enforceability of this Agreement, or the collectability of the Liabilities, that the Fair Finance Creditor shall be entitled to manage and supervise the Liabilities in accordance with its respective usual practices, modified from time to time as the Fair Finance Creditor deems appropriate under the circumstances, without regard to the existence of any rights that the Daigle Creditor may now or hereafter have in or to any of the assets securing the

Indebtedness. The Daigle Creditor Agrees that, except as otherwise provided herein, the Fair Finance Creditor shall not have any liability to the Daigle Creditor for, and the Daigle Creditor waives any claim and objections which it may now or hereafter have against the Fair Finance Creditor arising out of, (i) any and all actions which the Fair Finance Creditor, in good faith, takes or omits to take including, without limitation, actions with respect to the creation, perfection or continuation of liens or security interests in the collateral securing the Liabilities, actions with respect to the occurrence of a default under the Fair Finance Security Documents, actions with respect to the foreclosure upon, sale, release of, depreciation of or failure to realize upon, any of the collateral securing the Liabilities and actions with respect to the collection of any claim for all or any part of the Liabilities from any account debtor, guarantor or any other party with respect to the Fair Finance Security Documents or any other agreement related thereto or to the collection of the Liabilities or the valuation, use, protection or release of the collateral securing the Liabilities, (ii) the Fair Finance Creditor's election in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. § 101 *et seq.*) (the "**Bankruptcy Code**"), or the application of 11 U.S.C. § 1111(b)(2), and/or (iii) any borrowing, grant of a security interest, or consent to use cash collateral pursuant to 11 U.S.C. §§ 363, 364, and pursuant to other applicable laws and court rules.

10. Bankruptcy Issue. The Daigle Creditor agrees that, after the filing with respect to the Company of a petition under the Bankruptcy Code, the Fair Finance Creditor may consent to the use of cash collateral or provide financing to the Company on such terms and conditions and in such amounts as such Fair Finance Creditor, in its sole discretion, may decide and that, in connection with such cash collateral usage or such financing, the Company (or a trustee appointed for the estate of the Company) may grant to the Fair Finance Creditor, liens and security interests which shall secure payment of the Liabilities and Indebtedness (whether any portion of the Liabilities or Indebtedness arose prior to the filing of the petition for relief or arises thereafter). All allocations of payments between the Fair Finance Creditor and the Daigle Creditor shall, subject to any court order, continue to be made after the filing of a petition under the Bankruptcy Code on the same basis that the payments were to be allocated prior to the date of such filing. The Daigle Creditor agrees that it will not object to or oppose a sale or other disposition of any assets securing any portion of the Liabilities free and clear of security interests, liens or other claims of the Daigle Creditor under Section 363 of the Bankruptcy Code or any other provision of the Bankruptcy Code if the Fair Finance Creditor has consented to such sale or disposition of assets and the Indebtedness is not impaired thereby. In the event that the Daigle Creditor has or at any time acquires any security for the Indebtedness, the Daigle Creditor agrees not to assert any right they may have to "adequate protection" of their interest in such security in any bankruptcy proceeding and agree that they will not seek to have the automatic stay lifted with respect to such security, without the prior written consent of the Fair Finance Creditor, which consent shall not be unreasonably withheld or delayed. The Daigle Creditor agrees not to initiate or prosecute any claim, action or other proceeding (i) challenging the enforceability of any claim of the Fair Finance Creditor, (ii) challenging the enforceability of any of the liens or security interests in assets securing all or any part of the Liabilities or (iii) asserting any claim which the Company may hold with respect to the Fair Finance Creditor. To the extent the Fair Finance Creditor receives



payments on, or proceeds of collateral for, the Liabilities which are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law, or equitable cause, then, to the extent of such payment or proceeds received, the Liabilities, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if such payments or proceeds had not been received by the Fair Finance Creditor. Nothing herein shall prohibit Daigle Creditor from filing its own proof of claim, in any proceeding by the Company under the Bankruptcy Code.

11. Waivers. No waiver shall be deemed to be made by the Fair Finance Creditor or Daigle Creditor of any of their respective rights hereunder, unless the same shall be in writing signed on behalf of the Fair Finance Creditor or Daigle Creditor, as the case may be, and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the Fair Finance Creditor or Daigle Creditor, as the case may be, or the obligations of the Daigle Creditor to the Fair Finance Creditor, or the Fair Finance Creditor to the Daigle Creditor, as the case may be, in any other respect at any other time.

12. The Daigle Creditor and the Fair Finance Creditor hereby assent to any extension or postponement of the time of payment of their respective Indebtedness or Liabilities or to any other indulgence with respect thereto, to any substitution, exchange or release of collateral which may at any time secure their respective Indebtedness or Liabilities and/or to the addition or release of any other party or person primarily or secondarily liable therefor.

13. Application of Payments. The parties hereby agrees that all payments received by the Fair Finance Creditor and Daigle Creditor in repayment of their respective Indebtedness and Liabilities may be applied and reapplied, in whole or in part, to any of their respective Indebtedness and Liabilities, as the Fair Finance Creditor and Daigle Creditor, as applicable, in their sole discretion, deem appropriate.

14. WAIVER OF PERSONAL SERVICE. THE DAIGLE CREDITOR AND THE FAIR FINANCE CREDITOR WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS UPON THEM, AND CONSENT THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL DIRECTED TO THE DAIGLE CREDITOR AND FAIR FINANCE CREDITOR AT THEIR RESPECTIVE ADDRESSES STATED HEREIN AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED THREE (3) BUSINESS DAYS AFTER THE SAME SHALL HAVE BEEN POSTED AS AFORESAID. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), EACH OF DAIGLE CREDITOR AND THE FAIR FINANCE CREDITOR IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN OHIO AND WAIVES ANY OBJECTION IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY.

15. Governing Law. This Agreement has been delivered and accepted at and shall be deemed to have been made at Cleveland, Ohio, and shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the laws and decision of the State of Ohio, shall be immediately binding upon the Daigle Creditor and its respective successors and assigns and shall inure to the benefit of the successors and assigns of the Fair Finance Creditor.

16. Section Titles. The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

17. Defined Terms. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Settlement Agreement and Security Documents.

18. Notices. All notices required or permitted to be given under or pursuant to this Agreement shall be in writing and shall be deemed to have been fully given upon personal delivery, or the next business day if sent via a nationally recognized overnight courier service, or three (3) days after being sent by certified mail, postage prepaid, via the United States Postal Service. The notices and communications shall be addressed as follows:

To Fair Finance Creditor:                      Brian A. Bash  
Baker & Hostetler, LLP  
PNC Center  
1900 E. 9<sup>th</sup> Street, Suite 3200  
Cleveland, Ohio 44114

With a copy to:                                      Kelly S. Burgan, Esq.  
Baker & Hostetler, LLP  
PNC Center  
1900 E. 9<sup>th</sup> Street, Suite 3200  
Cleveland, Ohio 44114

To Daigle Creditor:                                Gerald J. Daigle, Jr.  
909 Poydras Street  
Suite 2230  
New Orleans, LA 70112

To the Company:                                    National Lampoon, Inc.  
1438 N. Gower St., Bldg 2  
Room 22, Box 8  
Los Angeles, CA 90028  
Attention: Chief Executive Officer

With a copy to:

Andrea S. Loveless, Esq.  
Loveless Law Firm, LLP  
30 Corporate Park, Suite 314  
Irvine, CA 92606

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Any party may, by written notice to the other, change the address for notices to be sent to such party.

19. Consent of the Company. By their signatures below, the Company consents to the execution of this Agreement and the provisions hereof, and further acknowledges and agrees that the execution, delivery, and performance of this Agreement shall not act to impair, modify, terminate, or release its obligations to either the Fair Finance Creditor or to the Daigle Creditor to repay the Indebtedness and Liabilities pursuant to the terms and conditions of the respective Security Documents and applicable law.

20. Counterparts; Facsimile. This Agreement may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission or in .pdf or other electronic form shall be deemed to be an original signature hereto.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Subordination Agreement has been duly executed and delivered this \_\_\_\_ day of May, 2015.

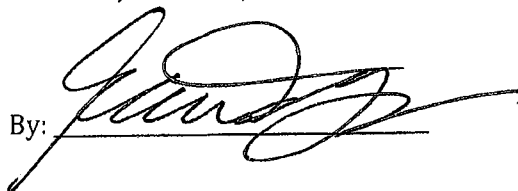
**FAIR FINANCE CREDITOR:**

BRIAN A. BASH,  
Chapter 7 trustee for Fair Finance Co.,

By: \_\_\_\_\_

**DAIGLE CREDITOR:**


GERALD J. DAIGLE, JR.,

By:  \_\_\_\_\_

Acknowledged by:

**THE COMPANY:**

NATIONAL LAMPOON, INC.,  
a Delaware corporation

By:  \_\_\_\_\_  
Name: Alan G. Donney  
Title: president

**CERTIFICATE OF SERVICE**

A copy of the foregoing has been served via ECF or regular U.S. Mail, on May 29, 2015,  
on the attached service list.

/s/ Kelly S. Burgan  
Kelly S. Burgan (0073649)

*Counsel for the Trustee*

## SERVICE LIST

### Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive e-mail notice/service for this case.

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- Lindsey Baker lbaker@fbtlaw.com
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- Carl E. Black ceblack@jonesday.com
- John B. Blanton jblanton@bakerlaw.com
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## Manual Notice List

The following is the list of **parties** who are **not** on the list to receive e-mail notice/service for this case (who therefore require manual noticing/service).

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Carl A. Aveni  
H. Ritchey Hollenbaugh  
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