

## SECURITY & MEMBERSHIP PLEDGE AGREEMENT

THIS SECURITY & MEMBERSHIP PLEDGE AGREEMENT is made and entered into this 16th day of August, 2016, by and between **Astrakel International, Ltd. (“Secured Party”)**, **Colonial Media and Entertainment, LLC (“CME”)** and **Colonial Radio Group, Inc. (“CRG”)** (CME and CRG are collectively “Debtor”) and **Jeffrey M. Andrulonis (“Principal”)**.

### WITNESSETH:

**WHEREAS**, Debtor has received a Purchase Price Advance paid by Secured Party in connection with the parties’ Asset Purchase Agreement (“Purchase Agreement”) whereby Debtor purchases from Secured Party the FCC Licenses, assets, real and personal property (the “Assets”) used in connection with the operation of Radio Stations WFAY, WFBX, WMIR, W275AH, W250AQ, W261CX and W238CJ (collectively, the “Stations”), wherein Debtor has further delivered a Promissory Note (the “Note”) to Secured Party in the original principal amount of **Six Hundred Seventy Nine Thousand Five Hundred Sixty Two Dollars and 47/100 (\$679,562.47)**; and

**NOW THEREFORE**, the parties, intending to be legally bound thereby, hereby mutually covenant and agree as follows:

**1. CREATION OF SECURITY INTEREST.** Debtor hereby grants to Secured Party a security interest in all current and future assets of CRG related exclusively to the Stations, including without limitation, machinery, equipment, furniture and fixtures, inventory, accounts receivable, general intangibles, stock, and all proceeds thereof, but excluding the FCC Licenses (hereinafter referred to as the “Collateral”).

### **2. MEMBERSHIP PLEDGE.**

**2.1 Pledge.** In consideration of the sum of money owed by Debtor to the Secured Party, the Principal hereby grant a security interest to the Secured Party in all membership interests in CME.

**2.2 Representations.** The Principal warrants and represents that there are no restrictions upon the transfer of any of the pledged shares, other than may appear on the face of the certificates, and that, subject to the consent of the Federal Communications Commission (“FCC”) as necessary, the Principal has the right to transfer such shares free of any encumbrances.

**2.3 Payment of Note or Cancellation.** Upon payment of the Note or its

cancellation pursuant to the terms of the Purchase Agreement, the Secured Party shall release all liens on Principal's membership interest and the Collateral.

**3. OBLIGATION SECURED.** The security interest in the Collateral granted hereby is to secure the Stations as set forth in Section 1.5(d) of the Purchase Agreement.

**4. REPRESENTATIONS AND WARRANTIES.** Debtor hereby represents and warrants that, on the date hereof and, unless otherwise indicated, at all times during the term of this Security Agreement:

**4.1** Except for the liens granted to Secured Party or otherwise set forth on Schedule 1, Debtor collectively owns each of the Collateral free and clear of any and all liens or claims of others.

**4.2** Upon completion of the filings referenced in Section 6 herein, and with respect to Collateral acquired after the date hereof, the security interest granted pursuant to this Security Agreement, shall constitute a valid, first priority, perfected security interest, pledge or other lien in favor of Secured Party in the Collateral to the extent that a security interest may be perfected by such filings or actions, and such liens shall be prior to all other liens.

**4.3** As of the date hereof, CME is a North Carolina limited liability company and CRG is a North Carolina corporation.

**4.4** No authorization, approval or other action by, and no notice to or filing with, any governmental entity or regulatory body is required for either (i) the pledge or grant by Debtor of the liens purported to be created in favor of Secured Party hereunder, or (ii) the exercise by Secured Party of any rights or remedies in respect of any Collateral (whether specifically granted or created hereunder or created or provided for by applicable law), except for the requirements of the Communications Act of 1934, as amended ("Communications Act").

**5. MAINTENANCE OF COLLATERAL.** Debtor covenants that, without the prior written consent of Secured Party, so long as the secured liability has not been paid in full, the Personal Property will:

**5.1** Not be misused, abused or wasted, except for ordinary wear and tear in the normal course of business; and

**5.2** Be used by Debtor primarily for the purpose of conducting the operations of the Stations.

**5.3** Be covered by insurance policies maintained by Debtor against loss and damage in amounts customarily maintained in accordance with ordinary industry standards, and Debtor will provide Secured Party with copies of all such insurance policies in force; and

**5.4** Be kept in reasonable working order and repair.

**6. ADDITIONAL COVENANTS OF DEBTOR.** Debtor hereby represents, covenants and warrants that:

**6.1** so long as unpaid amounts under the Note remain, Debtor will pay, prior to delinquency, all uncontested claims, bills, taxes, charges, liens and assessments against Debtor or the Collateral, or any part thereof, and upon the failure of Debtor to do so, Secured Party, at its option, may pay the same; provided, however, that Secured Party may not pay or discharge any such claim, tax, charge, lien or assessment so long as the same does not materially adversely affect Secured Party's interest or rights with respect to the Collateral, and Debtor is contesting the validity or amount thereof in good faith;

**6.2** it shall not create or suffer to exist any lien upon or with respect to any of the Collateral without the prior consent of Secured Party, which consent shall not be unreasonably withheld, and it shall defend the Collateral against all persons at any time claiming any interest therein;

**6.3** it shall not change its name, identity, corporate structure, or jurisdiction of organization or establish any trade names, unless it shall have (i) notified Secured Party in writing at least thirty (30) days prior to any such change and providing such other information in connection therewith as Secured Party may reasonably request, and (ii) taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of Secured Party's security interest in the Collateral;

**6.4** it shall promptly notify Secured Party in writing of any event that may adversely affect the value of the Collateral or any portion thereof, the ability of Debtor or Secured Party to dispose of the Collateral or any portion thereof, or the rights and remedies of Secured Party in relation thereto, including, without limitation, the levy of any legal process against the Collateral or any portion thereof;

**6.5** it shall not sell, transfer or assign (by operation of law or otherwise) any Collateral without the prior consent of Secured Party, which consent shall not be unreasonably withheld;

**6.6** it shall cause all filings and other actions in connection with financing statements described in Section 6 herein; and

**6.7** at any time and from time to time, upon the request of Secured Party, and at the sole expense of Debtor, Debtor shall promptly and duly execute and deliver such further instruments and documents and take such further action as Secured Party may reasonably request for the purpose of maintaining, preserving or perfecting the security interests granted to Secured Party pursuant to this Security Agreement.

**7. FINANCING STATEMENTS.** On or prior to the Closing Date (as that term is defined in the Purchase Agreement), CRG shall sign and execute with Secured Party one or more UCC Financing Statements providing Secured Party a valid and duly perfected priority security interest in the Collateral.

**8. SECURED PARTY'S RIGHTS ON DEFAULT.** In an event of a Note default, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein, in the Note or otherwise available to it at law or in equity under the laws of the State of North Carolina, subject to the limitations set forth herein.

**8.1** Debtor acknowledges and agrees that, upon the occurrence and during the continuance of an Event of Default, the primary source of repayment of the obligations under the Note is through the sale of the Collateral, including disposition of the licenses, authorizations and permits issued by the FCC for the operation of the Stations ("FCC Licenses"). Upon the occurrence and during the continuance of an Event of Default described therein, CME and Principal agree to take all actions and do all things requested in connection with an application to the FCC for the grant of an assignment of the FCC Licenses, or the grant of a transfer of control over CME, to a receiver acceptable to Secured Party and appointed by a court of competent jurisdiction, to Secured Party's nominee, or to a purchaser of the Collateral, to facilitate Secured Party's non-judicial foreclosure of the security interests granted by this Security Agreement, provided such receiver, nominee or purchaser is legally qualified to receive an assignment of FCC Licenses. In connection therewith, CME agrees to execute and deliver to Secured Party, the receiver or any person or such entity designated by Secured Party, any documents, instruments,

or agreements requested by Secured Party or the receiver in connection with any such grant of an assignment of the FCC Licenses, or transfer of control over CME, sought by Secured Party from the FCC so long as such assignee is legally qualified to receive an assignment of an FCC License.

**9. APPOINTMENT OF RECEIVER.** In the event that Secured Party seeks the appointment of a receiver for CME such receiver shall be instructed to seek from the FCC consent to an involuntary transfer of control over CME to such receiver, or to an involuntary assignment of the FCC Licenses to such receiver, for the purpose of seeking a bona fide purchaser to whom control over CME ultimately will be transferred, subject to the requirements of the Communications Act, or to whom the FCC Licenses ultimately will be assigned. Neither CME nor Principal shall object to such involuntary transfer of control or assignment of the FCC Licenses to the receiver so appointed. CME and Principal shall cooperate with such receiver in the preparation of such documents necessary to complete such involuntary transfer of control over CME, or such involuntary assignment of the FCC Licenses from CME, to such receiver and from such receiver to the bona fide purchaser designated by the receiver. CME and Principal shall further use its best efforts to assist in obtaining approval of the FCC, if required, and any other governmental entity, for any actions or transactions contemplated by this Security Agreement.

**9.1** To the extent permitted by applicable law and regulations, the receiver shall have the power to dispose of the FCC Licenses and the Collateral in any manner lawful in to jurisdiction in which its appointment is confirmed, including the power to conduct a public or private sale or other disposition of the Collateral; provided, however, that the successful bidder at any such public or private sale shall not be granted any FCC License unless and until the FCC shall first give its consent. Secured Party, or any affiliates of Secured Party, may bid at any such public or private sale.

**9.2 DEBTOR ACKNOWLEDGES THAT THE ASSIGNMENT OF THE FCC LICENSES, OR TRANSFER OF CONTROL OVER DEBTOR, IS INTEGRAL TO SECURED PARTY'S REALIZATION OF THE VALUE OF THE COLLATERAL, THAT THERE IS NO ADEQUATE REMEDY AT LAW FOR FAILURE BY DEBTOR TO COMPLY WITH THE PROVISIONS OF THIS SECTION AND THAT SUCH FAILURE WOULD NOT BE ADEQUATELY COMPENSABLE IN DAMAGES, AND THEREFORE AGREES THAT THE AGREEMENTS CONTAINED IN THIS SECTION 8 MAY BE SPECIFICALLY ENFORCED.**

**10. DISPOSITION OF COLLATERAL.** Subject to the provisions herein, if any notification of intended disposition of the Collateral is required by law, such notification, if mailed, shall be deemed reasonable and properly given if mailed by certified mail at least thirty (30) days before such disposition, postage prepaid, addressed to Debtor in accordance with Paragraph 15 hereof. Debtor further agrees that Secured Party may apply the proceeds of any disposition of the Collateral first to the payment of all reasonable costs and expenses of Secured Party incurred in connection with such sale or other disposition thereof, including the reasonable fees and expenses of its attorneys and counsel, and to the payment of all costs and expenses paid or incurred by Secured Party in connection with the exercise of any right or remedy hereunder; second, to the payment of any accrued interest due under the terms of the Note; third, to the payment or satisfaction of the unpaid principal amounts under the Note; and fourth, to the payment and satisfaction of any indebtedness secured by any subordinate interest in the Collateral. All remaining proceeds, if any, shall be delivered to Debtor. Debtor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the amounts due under the Note and the reasonable costs and expenses incurred by Secured Party in connection with the collection of such deficiency.

**11. LIMITATIONS ON EXERCISE OF SECURED PARTY'S RIGHTS UPON DEFAULT.** Notwithstanding any other provision of this Security Agreement, Secured Party's rights upon Default, are subject to the following terms and conditions:

**11.1** There shall be no reversion or reacquisition of the FCC Licenses to, or in favor of Secured Party, or any third party without the prior approval of the FCC as provided in Section 310(d) of the Communications Act, and the rules and regulations of the FCC. Nothing contained herein shall constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of CME, by Secured Party or its agents, or control, affirmative or negative, direct or indirect, by Secured Party or its agents over the programming, management, or any other aspect of the operation of CME, or any of its FCC Licenses.

**12. TERMINATION.** This Agreement shall terminate and Secured Party shall deliver any of the Collateral in its possession to the owner thereof at such time as all obligations and liabilities of the Debtor under the Note shall have been paid or performed in full.

**13. AGREEMENT TO GOVERN.** The Parties hereto mutually understand and agree that nothing in this Security Agreement shall be deemed to supersede or modify the respective rights and obligations on the parties as set forth in the Purchase Agreement between the parties.

This Security Agreement shall be subject to, and construed in a manner consistent with, the terms and conditions of that Agreement.

**14. PERSONS BENEFITED.** This Security Agreement shall inure to the benefit of Secured Party, its representatives, successors and assigns, specifically including, but not limited to, any member or members of Secured Party as successors in interest by virtue of liquidation of Secured Party, and to any other person who derives from Secured Party title to or an interest in the Note and shall be binding upon Debtor and its successors and assigns.

**15. FCC.** Notwithstanding anything to the contrary contained in this Security Agreement, Secured Party shall not, without first obtaining approval of the FCC, take any action pursuant to this Security Agreement which would constitute or result in any acquisition or transfer of CME or CME's assets, assignment of any FCC License or any change of control of CME or any other person if such assignment, acquisition, transfer or change in control would require, under existing law, including the Communications Act, the prior approval of the FCC. Notwithstanding any other provision of this Security Agreement, the Note or any related agreements to the contrary, any foreclosure on, sale, transfer or other disposition of, or the exercise of any right to vote or consent with respect to the FCC Licenses or any of the Collateral as provided herein or therein or any other action or remedy taken or allowed to be taken by Secured Party or its agents hereunder or thereunder which would affect the operation, voting, or other control of CME, shall be pursuant to the Communications Act and the applicable rules and regulations thereunder and, if and to the extent required thereby, subject to the prior approval of the FCC.

**16. NOTICES.** All notices, requests, demands, payments and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if mailed, certified mail, return receipt requested, postage prepaid, or by Federal Express courier as of the date marked received to the following:

*if to Secured Party:* Gardner H. Altman, Jr., Esq.,  
CRS Radio Holdings, Inc.  
Cumberland A & A Corporation  
Astrakel International, Ltd.  
PO Box 234  
White Oak, NC 28399

*if to Debtor:* Mr. Jeffrey Andrulonis  
Colonial Media and Entertainment, LLC  
2086 Old State Road  
Mainesburg, PA 16932

Any party hereto may substitute another address by written Notice in accordance with the foregoing provisions to the other party or parties hereto.

**17. AMENDMENTS, WAIVER, CUMULATIVE REMEDIES.** None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except in accordance with a written instrument executed by Debtor and Secured Party. Secured Party shall not by any act or delay be deemed to have waived any right or remedy under this Security Agreement or to have acquiesced in any default or in any breach of any of the terms and conditions of this Security Agreement. No failure to exercise, nor any delay in exercising, on the part Secured Party, any right, power or privilege under this Security Agreement shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege under this Security Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by Secured Party of any right or remedy under this Security Agreement on any one occasion shall not be construed as a bar to any right or remedy that Secured Party would otherwise have on any future occasion. The rights and remedies provided to Secured Party in this Security Agreement are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

**18. ASSIGNMENT; SUCCESSORS AND ASSIGNS.** This Security Agreement shall be freely assignable and transferable by Secured Party, including but not limited to any collateral assignment of Secured Party's rights under this Security Agreement for the benefit of its lenders. Debtor may not assign its obligations under this Security Agreement without the prior written consent of Secured Party. Subject to the foregoing, this Security Agreement shall be binding upon the successors and assigns of Debtor and shall inure to the benefit of Debtor, Secured Party and their successors and assigns; provided, however, that Debtor may not assign any of its rights, or delegate any of its duties or obligations, under this Security Agreement without the prior written consent of Secured Party.

**19. SEVERABILITY.** Any provision of this Security Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

prohibition or unenforceability without invalidating the remaining provisions of this Security Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**20. COUNTERPARTS.** This Security Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

**21. CHOICE OF LAW.** This Security Agreement shall be governed by and construed according to the laws of North Carolina.

**22. ATTORNEYS' FEES.** In the event any action be instituted by a party to enforce any of the terms and provisions contained herein, the prevailing party in such action shall be entitled to such reasonable attorneys' fees, costs and expenses as may be fixed by the Court.

**23. MODIFICATIONS, AMENDMENTS AND WAIVERS.** No waiver, amendment, change or modification of this document shall be valid unless in writing and signed by all of the parties hereto. No failure or delay in exercising any right, power or privilege hereunder shall imply or otherwise operate as a waiver of any rights, nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege.

**24. EXHIBITS, SCHEDULES AND OTHER DOCUMENTS.** All exhibits, attachments, and schedules attached hereto and referred to herein are hereby incorporated herein as though set forth at length.

**25. ENTIRE AGREEMENT.** Subject to the provisions of the Purchase Agreement, this document constitutes the entire understanding and agreement of the parties with respect to the subject matter of this Security & Membership Pledge Agreement, and any and all prior agreements, understandings or representations are hereby terminated and canceled in their entirety and are of no further force or effect.

[THE NEXT PAGE IS THE SIGNATURE PAGE ONLY]

[SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals to the Security & Membership Pledge Agreement by their duly authorized officers as of the year and date first above written.

**DEBTOR:**

**Colonial Media and Entertainment, LLC**

By: \_\_\_\_\_  
Jeffrey M. Andrulonis, Manager

**Colonial Radio Group, Inc.**

By: \_\_\_\_\_  
Jeffrey M. Andrulonis, President

**PRINCIPAL:**

By: \_\_\_\_\_  
Jeffrey M. Andrulonis, 100% Member  
of Colonial Media and Entertainment, LLC

**SECURED PARTY:**

**Astrakel International, Ltd,**

By: \_\_\_\_\_  
Gardner H. Altman, Jr., President