

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") is made effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2005, by Krol Communications Inc. of 103 N. Washington Street, Owosso, Michigan 48867 ("Debtor"), in favor of Curwood Broadcasting Co., Inc., c/o Suzanne L. Gaylord, of 121 Bella Vista, Apt. 21, Grand Blanc, Michigan, 48439 and in c/o Arthur Grutter, of 9877 Coldale Court, White Lake, Michigan 48386 ("Creditor").

1. Grant of Security Interest. Debtor hereby grants to Creditor a continuing security interest in and lien upon all Debtor's right, title and interest in all of Debtor's tangible and intangible assets (specifically excluding: accounts receivable; and FCC licenses), but including:

- (a) All items of equipment and fixtures (as such terms are defined in the Uniform Commercial Code (the "Code") and including all equipment, machinery, furnishings, fixtures, tools, supplies, furniture, and other equipment of any kind and nature together with all replacements, substitutions, modifications, additions, improvements and upgrades upon such items of equipment and fixtures ("Equipment");
- (b) All intangible assets relating to the business including the name, customer lists, good will, trade names, corporate or business records, contracts, program contracts and program rights, trademarks, trade names, copy rights, registrations, licenses, (not including the FCC licenses unless such interest is hereafter permitted by law, but including the right to receive all proceeds derived or arising from or in connection with the sale, assignment or transfer of such FCC licenses), leases with respect to personal property, franchises, tax refund claims, or tax refunds ("General Intangibles").

All of the foregoing assets of Debtor are referred to collectively in this Agreement as the Collateral.

The Debtor is allowed to remove and dispose of items of Collateral so long as such items are replaced with Collateral of equal or greater value. Creditor agrees to provide a Discharge of the Security Interest upon Debtor's acknowledgment that it has acquired collateral of equal or greater value as replacement Collateral for the disposed Collateral.

2. Indebtedness Secured. This Agreement secures payment and performance of all obligations and indebtedness of Debtor now, and hereafter owing to Creditor including, but not limited to, all obligations and indebtedness of Debtor to Creditor under

~~the Promissory Notes of even date herewith each in the amount of Two Hundred Thousand Dollars (\$200,000.00) for a total of Four Hundred Thousand Dollars (\$400,000.00), one note in the amount of One Hundred Thousand Dollars (\$100,000.00) and a second note in the amount of One Hundred Fifty Thousand Dollars (\$150,000.00) for a total of Two Hundred Fifty Thousand Dollars (A Promissory Note or "Indebtedness").~~

3. Warranties and Representations. Debtor warrants and represents to Creditor as follows with respect to itself and the Collateral:

- (a) Debtor owns the Collateral and none of the Collateral is subject to any lien, security interest, encumbrance, or claim in favor of any third party.
- (b) The execution, delivery and performance of this Agreement by Debtor will not violate or contravene any law, statute, rule, regulation, order, judgment or agreement to which it is a party or by which it is bound;
- (c) The Debtor will not alter, modify or diminish the value of such Collateral to the detriment of the Secured Party;
- (d) The Debtor will maintain the Collateral and keep the Collateral in good repair;
- (e) Debtor will insure the Collateral against damage and destruction in an amount equal to the Collateral's fair market value;

4. Agreements of Debtor. Until the Indebtedness has been paid in full, Debtor agrees it shall, with respect to the Collateral:

- (a) Debtor shall not cause or permit any lien, security interest or encumbrance to be placed on the Collateral, except in favor of Creditor;
- (b) Debtor shall not sell, lease or otherwise dispose of any of the Collateral except in the ordinary course of business; and
- (c) Debtor agrees to pay, before they become delinquent, all taxes, assessments and similar charges levied on or with respect to the Collateral, except for taxes, assessments and charges that Debtor is contesting in good faith.

5. Events of Default and Acceleration. After the cure period as set forth below, any part or all of the Indebtedness shall, at the option of Creditor, shall become immediately due and payable, if Debtor shall fail to perform any of its obligations under, or to materially comply with any of the terms, conditions, and covenants contained in the

Promissory Note or this Agreement ("Event of Default"). In the Event of Default and prior to acceleration, the Creditor shall provide written notice of the default to Debtor and allow Debtor a ten (10) day period to cure.

6. Creditor's Rights and Remedies. Creditor shall have all rights and remedies at law or in equity of a secured party under the laws of the State of Michigan. Without limiting these rights and remedies, upon the occurrence of an Event of Default, as defined in Paragraph 6 above:

- (a) Creditor will have the Secured Assets sold and have any FCC licenses sold either in an arms length private sale or a public auction either of which will be conducted in accordance with the provisions of the Uniform Commercial Code;
- (b) Creditor will require Debtor, and Debtor hereby agrees that it will at its own expense and upon request of Creditor assemble all or part of the Collateral owned by it as directed by Creditor and make it available to Creditor at Debtor's place of business;
- (c) Creditor shall have the right and is hereby authorized to take all actions that Creditor considers necessary or desirable to collect upon the Collateral; and
- (d) In the event any or all part of the Promissory Note is not paid at maturity or in the event of default in the payment of the amounts due under the Promissory Note by the Debtor, then the Creditor may sell the Collateral at public or private sale and apply the proceeds first to the cost of the sale, second to payment of costs and actual attorney fees arising out of the Debtor=s default, third to pay the outstanding interest and forth the balance to be applied to principal. Any amount received on the sale in excess of the outstanding Indebtedness owed to Creditor will be paid to Debtor. In the event the amount from the sale is not sufficient to pay all of the amounts owed by Debtor to Creditor then Debtor=s obligations for payment of the deficiency will continue. Any notification required to be given by Creditor to Debtor regarding any sale or other disposition of Collateral shall be considered reasonable if mailed at least ten (10) days before the sale or other disposition.

7. Notices. Any notices or communications required or permitted under this Agreement shall be in writing and shall be deemed given when served either personally or by certified United States mail (postage prepaid), or by overnight express courier, addressed to Debtor at its address set forth below its signature attached hereto, and to Creditor at its address set forth on the first page of this Agreement, or to such other place

as either party shall designate by notice served upon the other party in accordance with this Paragraph.

8. Miscellaneous.

- (a) Law. This Agreement and the parties' rights and obligations under it shall be governed and interpreted in accordance with the laws of the State of Michigan, without giving effect to conflicts of law principles.
- (b) Binding. This Agreement shall be binding upon and inure to the benefit of Creditor, Debtor and their respective successors and assigns. Creditor may assign this Agreement in connection with an assignment of all or any portion of the Indebtedness.
- (c) Mutuality. This Agreement has been negotiated and will be deemed to have been mutually drafted between the parties.
- (d) Non-Exclusive. All rights, remedies and powers of the Secured Party hereunder are irrevocable and accumulative, and not alternative or exclusive, and shall be in addition to all other rights, remedies and powers given hereunder or in or by any other instrument or by the provisions of the Uniform Commercial Code as adopted in Michigan, or any other law now existing or hereinafter enacted.

IN WITNESS WHEREOF, Debtor and Creditor have executed this Security Agreement as of the date first above written.

**WITNESSES:**

**DEBTOR:**  
**Krol Communications Inc.**

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\_\_\_\_\_

\_\_\_\_\_  
By: Rodney A. Krol  
Its: President

STATE OF MICHIGAN            )  
  ) SS  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me a Notary Public, this \_\_\_\_\_ day of \_\_\_\_\_, 2005\_\_\_\_, personally appeared Rodney A. Krol, as President of Krol Communications Inc., who executed the above Security Agreement, and acknowledge the same to be his free act and deed.

Notary Public  
\_\_\_\_\_ County, Michigan  
My commission expires:

