

## **SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT** (this “Agreement”) is made as of November \_\_, 2014, by and between GREGORY COMMUNICATIONS, INC., a North Carolina corporation (“GCI”), and GREGORY COMMUNICATIONS LICENSE, INC., a North Carolina corporation (“GC License” and, together with GCI, “Debtor”), and MAX RADIO OF THE CAROLINAS LLC, a Virginia limited liability company (“MRC”), (“Max License” and, together with MRC, “Secured Party”).

### **RECITALS**

A. Debtor (as Buyer) and Secured Party and Max Radio of the Carolinas License LLC, a Virginia limited liability company (as Seller), are parties to that certain Asset Purchase Agreement, dated as of September 1, 2014 (the “Purchase Agreement”).

B. GCI and GC License (collectively, the “Makers”) are the makers of a Promissory Note in the face amount of [**Ninety-One Thousand Eight Hundred Thirty-Three and 34/100 Dollars (\$91,833.34)**] of even date held by Secured Party (the “Note”).

C. George Gregory and GCI (the “Pledgors”) and MRC are parties to that certain Stock Pledge Agreement of even date (the “Pledge Agreement”).

NOW, THEREFORE, to induce Max to enter into the Note, and for other good and valuable consideration, the parties, intending to be legally bound, stipulate and agree as follows:

### **I. GRANT OF SECURITY INTEREST; DESCRIPTION OF COLLATERAL.**

As collateral security for the Secured Obligations defined below, Debtor hereby grants to Secured Party a lien on and security interest in, and right of set-off against, and acknowledges and agrees that Secured Party has and shall continue to have for the benefit of Secured Party a continuing lien on and security interest in, and right of set-off against, all right, title, and interest of Debtor, whether now owned or existing or hereafter created, acquired or arising, in and to all of the following personal property and fixtures:

- (a) Accounts;
- (b) Chattel Paper;
- (c) Instruments (including Promissory Notes);
- (d) Documents;
- (e) General Intangibles (including Payment Intangibles and Software, patents, trademarks, tradestyles, copyrights, and all other intellectual property rights, including all applications, registration, and licenses therefor, and all goodwill of the business connected therewith or represented thereby);

- (f) Letter-of-Credit Rights;
- (g) Supporting Obligations;
- (h) Deposit Accounts;
- (i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);
- (j) Inventory;
- (k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);
- (l) Fixtures;
- (m) Commercial Tort Claims;
- (n) Rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;
- (o) Monies, personal property, and interests in personal property of Debtor of any kind or description now held by Secured Party or at any time hereafter transferred or delivered to, or coming into the possession, custody or control of, Secured Party, or any Secured Party or affiliate of Secured Party, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;
- (p) Supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;
- (q) Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and
- (r) Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the “Collateral.” All capitalized terms that are used in this Agreement that are defined in the Uniform Commercial Code of the Commonwealth of Virginia as in effect from time to time (“UCC”) shall have the

same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the terms (i) “Receivables” means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise, and (ii) “Subsidiary Interests” means all equity interests held by Debtor or its subsidiaries, whether such equity interests constitute Investment Property or General Intangibles under the UCC; provided, however, notwithstanding the foregoing, Debtor shall not grant Secured Party a security interest in any license issued by the Federal Communications Commission (the “FCC”) to the extent the granting of such a security interest would result in a violation of Communications Act of 1934, as amended, or the rules, regulations, policies and orders promulgated thereunder, as in effect from time to time (the “Communications Act”).

## **II. INDEBTEDNESS SECURED.**

This security interest is granted to Secured Party to secure all of the following (the “Secured Obligations”):

**2.01. Note, Pledge Agreement and Purchase Agreement.** All obligations of Debtor under the Note and under the Purchase Agreement and all obligations of the Pledgors under the Pledge Agreement.

**2.02. Secured Party Expenses.** All reasonable expenditures by Secured Party for taxes, insurance, maintenance and preservation of the Collateral, and all reasonable costs and expenses incurred by Secured Party in the collection and enforcement of the Purchase Agreement, the Pledge Agreement, the Note and of this Agreement (including reasonable attorneys’ fees and expenses).

**2.03. Secured Party Bankruptcy Expenses.** All reasonable expenses of Secured Party, including reasonable fees and expenses of Secured Party’s counsel, incident to the enforcement of payment of all obligations of Debtor under the Note and the Purchase Agreement and of the Pledgors under the Pledge Agreement by any action or participation in, or in connection with a case or proceeding under, Chapters 7 or 11 of the Bankruptcy Code, or any successor statute thereto.

**2.04. Related Indebtedness.** All sums advanced by Secured Party or that otherwise may become due pursuant to the Note, the Purchase Agreement, the Pledge Agreement or this Agreement.

## **III. REPRESENTATIONS AND WARRANTIES.**

Debtor represents and warrants to Secured Party as follows:

**3.01. Binding Agreement.** This Agreement constitutes the valid and legally binding obligation of Debtor, enforceable in accordance with its terms (except as enforcement may be subject to any applicable bankruptcy, insolvency or similar laws and principles of equity and fair dealing generally affecting the enforcement of creditors’ rights).

**3.02. Ownership of Collateral.** Debtor now owns or will purchase the Collateral with the proceeds of the loan to be made by Secured Party to Debtor to be evidenced by the Note and has the right to grant to Secured Party a security interest in such Collateral.

**3.03. Location and Protection of Records.** The records relating to the Collateral are or will be kept at the address at which Notices are or will be provided to Debtor at 444 Backwoods Road, Moyock, NC 27968.

**3.04. Location of Collateral.** The Collateral is or will be located at 444 Backwoods Road, Moyock, NC 27968. Debtor will not change the location of any material part of the Collateral without the prior written consent of Secured Party, which consent shall not be unreasonably withheld.

**3.05. Collateral Free of Encumbrances.** The Collateral is not subject to a prior security interest or lien except in favor of Secured Party. Debtor will defend the Collateral against all claims and demands of all persons at any time claiming any interest therein, except Debtor shall have no obligation to defend claims and demands of any person relating to or arising out of an established breach of Secured Party's representations and warranties under the Purchase Agreement.

**3.06. Financing Statements.** No financing statement describing the Collateral or any part thereof, or covering any proceeds of the Collateral, is on file in any public office, except those in favor of Secured Party.

**3.07. No Violations.** Debtor is not, and will not be, in violation of any statute, rule, regulation or ordinance of any governmental entity that materially and adversely affects the Collateral or Debtor's business, property, assets, operations or condition, financial or otherwise.

#### **IV. COVENANTS AND AGREEMENTS.**

Debtor covenants and agrees that, so long as any Secured Obligations remain outstanding:

**4.01. Financing Statements.** Secured Party may file all financing statements and continuation statements in form satisfactory to Secured Party and Debtor will reimburse Secured Party for all reasonable expenses incurred in the filing of financing statements, continuation statements and termination statements.

**4.02. Maintenance of Records.** Debtor will keep and maintain, at its own cost and expense, satisfactory, complete and current records of the Collateral. Debtor will not change the location of such records other than in the ordinary course of its business without giving Secured Party at least thirty (30) days' prior written notice. Debtor will take commercially reasonable steps to protect and preserve such records.

**4.03. Maintenance of Collateral.** Debtor will maintain the Collateral in its current condition, normal wear and tear excepted, and free from all liens and other security interests other than those in favor of Secured Party or as permitted by Secured Party. Further, Debtor will not use the Collateral illegally or, except as permitted by Secured Party, sell or offer to sell (except in the ordinary course of business) or otherwise transfer or encumber the Collateral, or permit it to be affixed to real or personal property, without the prior written consent of Secured Party, which consent will not be unreasonably withheld provided; however, if Secured Party sells any Collateral, it will apply the net proceeds from such sale to pay its obligations on the Note.

**4.04. Taxes.** Debtor will pay promptly when due all taxes, charges and assessments, including penalties and interest, that are or may become a lien on the Collateral or any part thereof, except to the extent that they may be contested in good faith and by appropriate proceedings.

**4.05. Documents.** In the event that any Collateral purchased by or to be delivered to Debtor shall be evidenced by a manufacturers' certificate or statement of origin, or document of title, on the occurrence and continuation of an Event of Default under Section V of this Agreement, Debtor will immediately notify Secured Party and on request by Secured Party will promptly deliver such document to Secured Party.

**4.06. Change of Name, Structure or Place of Business.** Debtor will not change its name, operate under any assumed name or change its corporate structure or principal place of business without the prior written consent of Secured Party.

**4.07. Inspection and Delivery of Collateral and Records.** Secured Party, or its agents, may at any time, and from time to time, inspect the Collateral, and the records of Debtor pertaining to the Collateral, so long as such inspection shall not unreasonably interfere with Debtor's business. For the further security of Secured Party, Secured Party shall have a special property interest in all records of Debtor pertaining to the Collateral. On the occurrence and continuation of any Event of Default, Debtor shall, at its own expense and cost, deliver any such Collateral, including books, records and tangible personal property of the Station, to Secured Party, or any designated agent of Secured Party, at such time and place as Secured Party may reasonably request.

**4.08. Expenses.** Debtor shall be liable for, and agrees to pay to Secured Party, all reasonable expenses incurred or paid by Secured Party in protecting or enforcing its rights under this Agreement, including reasonable attorneys' fees and legal expenses. On the occurrence and continuation of an Event of Default, Secured Party at its option may discharge taxes, liens, security interests or other encumbrances on the Collateral and may pay for any necessary repairs to the Collateral, reasonable maintenance and preservation of the Collateral, and for reasonable insurance on the Collateral. Debtor agrees to reimburse Secured Party on demand for any reasonable payments so made, and until such reimbursement, the amount of any such payment, with interest at the then applicable rate as set forth in the Note (including a default rate, if applicable) from date of payment until reimbursement, shall be added to the Secured Obligations owed by Debtor and shall be secured by this Agreement.

**4.09. Insurance.** Debtor will continually maintain or cause to be maintained hazard insurance coverage (all risk form), with extended coverage, on the Collateral with a generally recognized, responsible company or companies authorized to write such insurance in North Carolina, in such amounts as are customarily carried by businesses of the type and size of Debtor's business. All such insurance policy or policies shall contain a standard loss payable clause, without contribution, in favor of Secured Party, as its interest may appear, and shall otherwise be in form reasonably acceptable to Secured Party, and will provide that such policy or policies may not be cancelled without thirty (30) days' prior written notice to Secured Party. On the occurrence and continuation of an Event of Default, Debtor will deliver the policy or policies, properly endorsed, as additional security, and where a renewal policy is necessary in the performance of this covenant, Debtor will deliver it, as security, at least thirty (30) days before the expiration of the existing insurance. Debtor hereby assigns to Secured Party any return of unearned premiums that may be due on cancellation of any such policy or policies for any reason whatsoever and directs the insurer(s) to pay to Secured Party any amounts so due. Debtor hereby irrevocably appoints Secured Party as its attorney-in-fact, with full power of substitution, with regard to such insurance policy or policies. Secured Party shall have the power to execute loss claims and other applications for payment of benefits under any insurance policy in the name of either Debtor or Secured Party, receive all monies and endorse drafts, checks and other instruments for the payment of any proceeds of any insurance or to collect any return of unearned premiums. This appointment shall be deemed a power coupled with an interest and shall not be terminable by Debtor so long as Debtor remains indebted to Secured Party, and shall not terminate on the insolvency of Debtor.

**4.10. Other Security Interests.** Debtor will not mortgage, pledge, sell, transfer, convey, hypothecate or otherwise grant a security interest in any Collateral to anyone other than Secured Party.

**4.11. Qualification to do Business.** Debtor will, at the request of Secured Party, qualify to do business and obtain all requisite licenses and permits in each state in which such action may be necessary to maintain any action to collect any material debt.

**4.12. Indemnity.** Debtor agrees to indemnify Secured Party, each legal entity, if any, that controls, is controlled by or is under common control with Secured Party and each of their respective directors, officers, employees and agents (the "*Indemnified Parties*"), and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) that any Indemnified Party may incur, or that may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of Debtor), in connection with or arising out of or relating to the matters referred to in this Agreement, the Purchase Agreement, the Pledge Agreement or the Note, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by Debtor, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and

expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this section shall survive the termination of this Agreement, payment of the Secured Obligations and assignment of any rights hereunder.

## **V. DEFAULT AND REMEDIES.**

**5.01. Event of Default.** The occurrence of any of the following shall constitute an Event of Default (an "*Event of Default*"):

- a. Any "Event of Default" as defined in the Note.
- b. Other than noncompliance addressed by other paragraphs of this section, Debtor's failure to cure its noncompliance with any of the provisions of this Agreement, the Purchase Agreement, the Pledge Agreement or the Note within thirty (30) days after notice being given by Secured Party to Debtor of Debtor's noncompliance.
- c. Transfer or disposition of any of the Collateral, except as expressly permitted by this Agreement.
- d. Attachment, execution or levy on any of the Collateral.
- e. Any assignment for the benefit of creditors, or any garnishment, attachment or similar proceedings instituted against Debtor or any of the Collateral that is not dismissed or stayed within sixty (60) days of institution.
- f. Debtor voluntarily becoming subject to any proceeding under (i) the Bankruptcy Code or (ii) any similar remedy under state statutory or common law.
- g. Debtor involuntarily becoming subject to any proceeding under (i) the Bankruptcy Code or (ii) any similar remedy under state statutory or common law, and any such proceeding described in clauses (i) or (ii) is not dismissed within sixty (60) days.
- h. Entry of a final judgment against Debtor in an amount of more than \$25,000.00, the liability for which is not covered by insurance, and failure to discharge such judgment within sixty (60) days of the entry thereof.
- i. Debtor ceases doing business as a going concern.
- j. Any representation or warranty made by Debtor to Secured Party in the Note, Purchase Agreement or this Agreement or of the Pledgors in the Pledge Agreement is false, erroneous or misleading in any material respect.
- k. The dissolution or termination of existence of Debtor.

**5.02. Default Expenses.** Should an Event of Default occur, Debtor will pay to Secured Party all costs incurred by Secured Party, including all reasonable legal fees and expenses, for the purpose of enforcing its rights hereunder, including:

- a. Costs of foreclosure.
- b. Costs of obtaining money damages.
- c. A reasonable fee for the service of attorneys employed by Secured Party for any purpose related to this Agreement or the Secured Obligations, including, without limitation, consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration.

**5.03. Remedies.** On any Event of Default, Secured Party may pursue any remedy provided under this Agreement available at law (including those available under the provisions of the UCC) or in equity to collect, enforce or satisfy any Secured Obligations then owing, whether by acceleration or otherwise.

**5.04. Concurrent Remedies.** On any Event of Default, Secured Party shall have the right to pursue any of the following remedies separately, successively or concurrently:

- a. File suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies provided by law or in equity, including levy of attachment and garnishment.
- b. Take possession of any Collateral, if not already in its possession, without demand and without legal process. On Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as it directs. Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where Collateral may be located.
- c. With or without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.

## **VI. MISCELLANEOUS.**

**6.01. Additional Rights and Remedies.** The security interest, rights and remedies granted by Debtor to Secured Party in this Agreement are in addition to any other rights, collateral or other remedies that Debtor or any other person has granted or may hereafter grant to Secured Party by any other instrument including, without limitation, the Note, the Purchase Agreement and the Pledge Agreement, or through the delivery of any other collateral.

**6.02. Headings.** The titles and section headings in this Agreement are included for convenience only and shall not be deemed to be a part of this Agreement.

**6.03. Rights and Remedies Cumulative; Waiver; Survival.** Every right granted to Secured Party under this Agreement or under any other document delivered under this



Agreement or in connection with this Agreement or allowed it by law or equity shall be cumulative and may be exercised from time to time. No failure on the part of Secured Party to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by Secured Party of any right preclude any other or future exercise thereof or the exercise of any other right. The terms of this Agreement shall survive the closing of the loan evidenced by the Note and shall be binding on the heirs, personal representatives, successors and assigns of the parties to this Agreement.

**6.04. Governing Law; Interpretation.** This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Virginia. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

**6.05. Release of Security Agreement.** On full payment of all sums due under the Note, Secured Party shall, on the request of and at the cost of Debtor, promptly execute a full release of this Agreement that shall state that this Agreement shall remain effective as to, and Debtor shall be liable to Secured Party for, any Secured Obligations that have been paid by Debtor to Secured Party and that Secured Party is subsequently required to return to Debtor or a trustee for Debtor in any bankruptcy or insolvency proceeding.

**6.06. Certain Waivers.** Debtor hereby waives and releases all benefits that might accrue to Debtor by virtue of any present or future law exempting the Collateral, or any part of the proceeds arising from any sale thereof, from attachment, levy or sale on execution, or providing for any stay of execution, exemption from civil process or extension of time for payment or any rights of marshalling in the event of any sale hereunder of the Collateral, and, unless specifically required herein, all notices of Debtor's default or of Secured Party's election to exercise, or Secured Party's actual exercise, of any option under this Agreement, the Purchase Agreement, the Pledge Agreement or the Note.

**6.07. Notices.** All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("Notices") must be in writing and will be effective on receipt. Notices may be given in any manner to which the parties may separately agree. Without limiting the foregoing, first-class mail and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section.

**6.08. Further Acts.** Debtor hereby irrevocably authorizes Secured Party to execute (on behalf of Debtor) and file against Debtor one or more financing, continuation or amendment statements pursuant to the UCC in form satisfactory to Secured Party, and Debtor will pay the cost of preparing and filing the same in all jurisdictions in which such filing is deemed by Secured Party to be necessary or desirable to perfect, preserve and protect its security interests. If required by Secured Party, Debtor will execute all documentation necessary for Secured Party

to obtain and maintain perfection of its security interests in the Collateral. Debtor will, at the cost of Debtor, and without expense to Secured Party, do, execute, acknowledge and deliver all and every such further acts, conveyances, assignments, notices of assignment, transfers and assurances as Secured Party shall, from time to time, require for the better assuring, conveying, assigning, transferring or confirming unto Secured Party the Collateral and rights hereby assigned and secured, or that Debtor may be or may hereafter become bound to convey or assign to Secured Party, or for carrying out the intent of or facilitating the performance of the terms of this Agreement or for filing, registering or recording the security interests granted hereby. Debtor grants to Secured Party an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting all rights and remedies available to Secured Party under the Note, this Agreement, the Pledge Agreement or the Purchase Agreement, at law or in equity, including, without limitation, the rights and remedies described in this Agreement.

**6.09. Illegality.** If any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

**6.10. Changes in Writing.** No modification, amendment or waiver of, or consent to any departure by Debtor from, any provision of this Agreement will be effective unless made in a writing signed by Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on Debtor will entitle Debtor to any other or further notice or demand in the same, similar or other circumstance.

**6.11. Entire Agreement.** This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof; provided, however, nothing in this Agreement will affect the rights and obligations of Debtor and Secured Party under the Purchase Agreement.

**6.12. Change in Name or Locations.** Debtor hereby agrees that if the location of any of the Collateral changes from its chief executive office, or if Debtor changes its name, its type of organization, its state of organization, its chief executive office or establishes a name in which it may do business that is not the current name of Debtor, Debtor will immediately notify Secured Party in writing of the additions or changes.

**6.13. Waiver of Jury Trial. DEBTOR IRREVOCABLY WAIVES ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. DEBTOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.**

[THE NEXT PAGE IS THE SIGNATURE PAGE]



IN WITNESS WHEREOF, the parties to this Security Agreement have caused it to be executed and sealed by their duly authorized representatives as of the day and year first written above.

GREGORY COMMUNICATIONS, INC.

By: \_\_\_\_\_  
\_\_\_\_\_, President

GREGORY COMMUNICATIONS LICENSE,  
INC.

By: \_\_\_\_\_  
\_\_\_\_\_, President

MAX RADIO OF THE CAROLINAS LLC

By: \_\_\_\_\_  
David J. Wilhelm, Treasurer