

## SECURITY AGREEMENT

This Security Agreement ("the Security Agreement") is dated as of \_\_\_\_\_, 2009 and is entered into by and between BAG LLC, a New York limited liability company (the "Borrower"), and Kelley Enterprises of Muskegon, Inc., a Michigan corporation (the "Lender").

### RECITALS

A. Lender has provided credit to Borrower pursuant to an Asset Purchase Agreement (the "Purchase Agreement") dated as of the \_\_\_\_ day of July, 2009, and Borrower has this date issued a "Promissory Note" to Lender for repayment of the same, the amount of TWO HUNDRED FIFTY THOUSAND DOLLARS AND NO CENTS (\$250,000.00) in lawful money of the United States of America (the "Loan Proceeds"), and they hereby enter into this "Security Agreement" together with a real estate mortgage in favor of Lender giving it a security interest in the Studio Real Estate ("Mortgage") (the Purchase Agreement, Security Agreement, Mortgage and Promissory Note are collectively referred to as the "Loan Documents").

B. Borrower has this date purchased from Lender and has become the licensee, owner and operator of Class A Television Station WMKG-CA, Channel 38, Muskegon, Michigan, Federal Communications Commission ("FCC") facility ID number 33869 (the "Station"), together with a construction permit for a digital Class A television station on "companion digital channel" 49 at Muskegon, Michigan, WMKG-LD, Channel 49, FCC Facility ID # 168800 File No. BDCCDTL-20061018ABV, granted January 12, 2007, to expire on January 12, 2010 (the "CP").

C. To induce Lender to accept the Promissory Note, the Borrower has granted to the Lender a security interest in all of the Secured Assets comprising the broadcasting equipment assets of the Station as listed on Schedule A hereto together with the general intangibles of the Station, including the proceeds from the sale of the Station's FCC license and CP (the "Secured Assets"), to secure punctual payment of the Promissory Note in accordance with the terms of the Loan Documents and the full and faithful performance by the Borrower of its obligations under the Promissory Note. This security

3. Borrower's Covenants. To protect the security afforded by this Agreement, the Borrower agrees that upon Lender's delivery to Borrower of the Loan Proceeds:

2. Collateral Assignment. This Security Agreement is executed only as security for the Promissory Note and, therefore, the execution and delivery of this Security Agreement shall not subject the Lender, or transfer or pass to the Lender (except to the extent of the Lender's gross negligence or willful misconduct), or in any way affect or modify, the liability of the Borrower under any or all of its business relationships with any and all third parties.

1. Security Interest in Secured Assets. Subject to the provisions hereof, to secure the repayment of the Promissory Note, and in order to secure any and all other indebtedness from Borrower to Lender, the Borrower hereby grants and continues to mortgage to the Lender a security interest in all of its Secured Assets.

NOW, THEREFORE, to induce, and in consideration for, the agreement of the Lender to make a loan to the Borrower, and in consideration of the premises, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

WITNESSETH:

D. In compliance with the Promissory Note, in order to provide security to the Lender and as an inducement for the Lender to accept the Promissory Note from Borrower, the Borrower has agreed to grant to Lender a security interest, whether now owned or hereafter acquired and wherever located, and all products and proceeds thereof, in the Secured Assets, and all products and proceeds (including but not limited to insurance proceeds) of the Station and the CP. This is hereinafter sometimes referred to as the "Collateral".

Interest shall be senior to any and all other security agreements, liens and obligations of the Borrower.

(i) The Borrower will faithfully abide by, perform and discharge each and every material obligation, covenant, condition, duty and agreement under this Security Agreement.

(ii) At the Borrower's sole cost and expense, the Borrower will appear in and defend any action or proceeding arising under or growing out of the obligations, covenants, conditions, duties, agreements or liabilities of the Borrower under this Security Agreement.

(iii) The Borrower will be responsible for any loss of or damage to the Secured Assets owned by it and will maintain and keep the same in good repair and condition and make all necessary property repairs, renewals and replacements so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

(iv) The Borrower will promptly notify the Lender upon any change in its places of business or change of its name with respect to the Station and the CP only and upon the use of any additional place of business or any additional name.

(v) Should Borrower fail to make any payment, do any act or refrain from any act which this Security Agreement requires the Borrower to make, do or refrain from, respectively, then the Lender, after giving five (5) days' written notice to the Borrower may, but shall have no obligation to (and shall not thereby release the Borrower from any obligation hereunder) make, do or prevent the same in such manner and to such extent as the Lender may deem necessary or advisable to protect the Collateral, which rights of the Lender shall specifically include, without limiting the Lender's general powers herein granted, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the Lender hereunder, and also the right to perform and discharge each and every one, or any one or more, of the obligations, covenants, conditions, duties and of the Borrower in the course of Borrower's operation of the Station. In exercising any such powers, the Lender may pay necessary or advisable reasonable costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, and the Borrower will reimburse the Lender for such costs, expenses and fees.

4. Termination. Upon the full discharge and satisfaction in full of the Promissory Note, all rights herein assigned to the Lender shall terminate, and all estate, right, title and interest of the Lender in and to each and every one of the items of Collateral shall revert to the Borrower. Upon request, the Lender shall file all requisite termination statements and do all such other acts as are reasonably required of it to evidence the termination of the security interest granted hereby.

5. Further Assurances. The Borrower will, from time to time, do and perform any other act or acts and will execute, acknowledge, deliver and file, register, record and deposit (and will refile, reregister, rerecord and redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lender in order to confirm, or further assure, the interests of the Lender hereunder, including but not limited to Form UCC-1 financing statements.

6. Rights Prior to Event of Default. The Lender hereby agrees with the Borrower that, so long as no Event of Default shall have occurred under the Promissory Note or the Loan Documents the Lender will not exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits assigned or transferred to the Lender by the Borrower under or pursuant to this Security Agreement and that the Borrower, so long as no Event of Default shall have been declared, may exercise or enforce, or seek to exercise or enforce, such rights, powers, privileges, authorizations or benefits.

7. Location of Collateral. The Borrower represents that the Secured Assets will be located either at the Station's transmitter site and/or the transmitter site specified in the CP or at the Studio Real Estate. The Borrower, without prior written notice to and consent of the Lender, will not (i) remove its Secured Assets from these locations, other than in the ordinary course of business.

8. Assets Not Part of this Agreement. This agreement covers the Secured Assets located within the State of Michigan; for purposes of this Agreement, this includes the general intangibles of the Station and CP. It

11. Right to Inspect. The Lender shall have the right, at any reasonable time and from time to time, to inspect the Collateral and to examine and make copies from the books and records of the Borrower concerning the Collateral.

10. Actions in Good Faith. The Lender agrees that in exercising its rights and remedies under this Security Agreement, it shall act in good faith and in a commercially reasonable manner.

9. Remedies. Upon the declaration of an Event of Default, the Promissory Note, at the option of the Lender, and without further notice or demand by the Lender, shall become at once due and payable. The Lender, thereupon, shall have all the rights and remedies of a secured party under the Uniform Commercial Code and all other legal and equitable rights to which it may be entitled. The Lender may require the Borrower to assemble the Collateral, at the Borrower's expense, and make such Collateral available to the Lender at a place to be designated by the Lender, which is reasonably convenient to the parties. To the extent permitted by law, the Lender shall have the right to take immediate possession of the Collateral and may enter any of the premises of the Borrower or wherever the Collateral shall be located, and keep and store the same on said premises until sold (and if said premises be the property of Borrower, the Borrower agrees not to charge the Lender for storage thereof for a period of at least one hundred eighty (180) days after the sale or disposition of said Collateral). The Borrower and the Lender agree that ten (10) day's notice to the Borrower of any public or private sale or other disposition of all or any portion of the Collateral shall be reasonable notice thereof and such sale shall be at such location(s) as the Lender shall designate in said notice. The Lender shall retain all costs and charges, including reasonable attorneys' fees for advice, counsel, or other legal services or for pursuing, reclaiming, seeking to reclaim, taking, keeping, removing, storing and advertising all or any portion of the collateral for sale, selling any and all other charges and expenses in connection therewith and any prior liens thereon.

does not cover any assets owned by the Borrower or its principals which are located outside the state of Michigan

12. Cumulative Rights. All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of the Borrower contained in the Promissory Note, or in any document referred to therein or contained in any agreement supplementary hereto or contained in any other agreement between the Lender and the Borrower, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of the Borrower herein contained. The failure or delay of the Lender to exercise or enforce any rights, liens, powers, or remedies hereunder or under any of the aforesaid agreements or other documents or security or collateral shall not operate as a waiver of such liens, rights, powers, and remedies, but all such liens, rights, powers and remedies shall continue in full force and effect until the Promissory Note relative to Station WMKG-CA and the CP and any other indebtedness owing from the Borrower to the Lender shall have been fully satisfied, and all liens, rights, powers and remedies herein provided for are cumulative and none are exclusive.

13. FCC Matters. The parties agree and understand that, as a matter of law, the Borrower may not pledge, lien, hypothecate or otherwise give a collateral interest in a license granted by the FCC as security for a loan. No "reversionary interest" as described by 47 C.F.R. §73.1150(c) is created by the execution of this instrument. Borrower does, however, grant to Lender a security interest in the general intangibles of the Station and the CP, including but not limited to a security interest in the proceeds accruing from any sale of the Station's license and/or the CP.

14. Counterparts. This Security Agreement may be executed in as many counterparts as shall be convenient and by the different parties hereto on separate counterparts, each of which when executed by the Borrower and the Lender shall be regarded as an original. This Security Agreement shall be effective when the Lender has executed at least one counterpart executed by the Borrower and all such counterparts shall constitute but one and the same instrument.

15. Notices. All notices required to be sent to the Lender or the Borrower pursuant to this Security Agreement

shall be delivered to the addresses and in the manner set forth in the Purchase Agreement.

16. Governing Law. This Security Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Michigan.

17. Forum. The parties hereto agree that any action or proceeding arising out of this Security Agreement may be commenced either in the courts of Muskegon County, Michigan.

18. Captions. Captions contained in this Agreement are inserted only as a matter of convenience of for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of its provision.

19. Exhibits and Schedules. Any information furnished in the Exhibits and Schedules to this Agreement shall be deemed to be incorporated into this Agreement.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed by their respective representatives as of the date first above written with the intent to be legally bound hereby.

BAG LLC

By \_\_\_\_\_  
Name:  
Title:

KELLEY ENTERPRISES OF  
MUSKEGON, INC.

By \_\_\_\_\_  
Name:  
Title:



**SCHEDULE A**  
**SECURED ASSETS**

A. All fixtures and all tangible and unsecured Assets of Borrower whether now owned or hereafter acquired by Borrower, or in which Borrower may now or hereafter acquire an interest, relative to the Station and the CP, including, without limitation, the following:

(a) all machinery equipment, radio/television transmitting towers, antennas, broadcasting studio equipment, program libraries, radio/television transmitters, furnishings, microphones, audio equipment, video equipment, tape recorders, tools, goods, connectors, and broadcasting and receiving equipment;

(b) all of Borrower's rights under all present and future authorizations, permits, licenses and franchises heretofore or hereafter granted to Borrower for the operation and ownership of the Station (excluding licenses and permits issued by the FCC to the extent, and only to the extent, it is unlawful to grant a security interest in such licenses and permits, but including, to the maximum extent permitted by law, all rights incident or appurtenant to such licenses and permits, including, without limitation to the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of such licenses and permits), whether now owned or hereafter acquired by the Borrower, or in which the Borrower may now have or hereafter acquire an interest;

(c) all general intangibles of the Borrower (including, without limitation, goodwill, patents, trademarks, trade names, call signs, blueprints, product lines and research and development, and the proceeds from the sale of the license of the Station and/or CP), whether now owned or hereafter acquired by Borrower or in which Borrower may now have or hereafter acquire an interest, but specifically excluding accounts and notes receivable of the Borrower;

(d) all instruments, documents of title, policies and certificates of insurance securities, bank deposits, checking accounts and cash now or hereafter owned by Borrower or in which Borrower may now have or hereafter acquire an interest;

(e) all causes of action, rights of action, claims for damages and similar rights to recover damages or obtain relief;

(f) all inventory, including all merchandise, raw materials, work in process, finished goods, and supplies, now or hereafter owned by Borrower or in which Borrower may now have or hereafter acquire an interest;

(g) all accessions, addition or improvements to and all proceeds and products of the foregoing; and

(h) all books, records and documents relating to all of the foregoing.

B. All Collateral consisting of accounts, accounts receivable, contract rights, chattel paper, other receivables and general intangibles of Borrower, whether now existing or hereafter acquired, arising from the sale, delivery or provision of goods and/or services.

C. Any and all proceeds arising from the sale of the FCC license for the Station and/or the CP to any third party (other than a pro forma transaction consented to by the Lender).