

## SECURITY AGREEMENT

This Security Agreement ("Security Agreement") is made as of March 20, 2006, by and between ELY RADIO, LLC, a Nevada limited liability company (hereinafter referred to as "Debtor"), and WP MEDIA LENDING, LLC, a Washington limited liability company (hereinafter referred to as "Secured Party").

### RECITALS

A. Debtor and Secured Party have entered into a Borrowing Agreement of even date herewith pursuant to which Secured Party has agreed to make a secured loan to Debtor.

B. Debtor and Secured Party are entering into this Security Agreement in order to secure Debtor's repayment obligations to Secured Party.

### AGREEMENT

In consideration of the foregoing, Debtor and Secured Parties hereby agree as follows:

1. **Definitions.** Most of the capitalized terms used in this Security Agreement are defined in the Borrowing Agreement or other of the Loan Documents. Other capitalized terms are defined below:

1.1 *Collateral* means all equipment (including accessories and improvements thereto), motor vehicles, furniture, fixtures, inventory, accounts receivable, contract rights, chattel paper, chattels, papers, documents (including customer lists), instruments, licenses, leasehold interests (and the rents, if any, derived therefrom) and general intangibles, as defined in the Washington Uniform Commercial Code or as defined in the Uniform Commercial Code of the state where any such assets are located, owned by the Debtor. Collateral also includes the proceeds and products received from any sale, use, conversion or other disposition of the Collateral, and any replacements, renewals or additions to the Collateral, together with proceeds and products.

1.2 *Debtor* means Ely Radio, LLC, a Nevada limited liability company, and its successors and assigns.

1.3 *Obligations* mean all debts, liabilities and obligations now or hereafter owed by Debtor to Secured Party under the Loan Documents, specifically including the liabilities and obligations evidenced by that certain Promissory Note made by Debtor in favor of Secured Party of even date herewith (the "Note"), plus all costs of collecting the Obligations, including but not limited to attorney's fees and court costs.

1.4 **Secured Party** means WP Media Lending, LLC, a Washington limited liability company. Secured Party shall also mean any successor or assign of WP Media Lending, LLC.

2. **Grant of Security Interest.** As security for the prompt payment and performance of the Obligations, Debtor grants to Secured Party a first priority, present, unconditional, and continuing security interest in the Collateral. The Collateral shall be held by the Debtor, unless and until an Event of Default occurs and any applicable Cure Period expires.

3. **Perfection of Security Interest.** At any time, upon demand of Secured Party, Debtor will execute, file and record any notice, financing statement or other instrument which Secured Party deems to be necessary or appropriate to create, continue or perfect the security interest granted by this Security Agreement or to enable Secured Party to exercise or enforce its rights under this Security Agreement.

4. **Power of Attorney.** Debtor hereby grants to Secured Party the right and power to:

(a) execute, in Debtor's name, one or more financing statements, continuation statements or other documents under the Connecticut Uniform Commercial Code (and the uniform commercial codes of any other state in which Secured Party deems the filing of such documents to be necessary or desirable) covering the Collateral, and naming Debtor as "debtor" and Secured Party as a "secured party";

(b) correct and complete any financing statements, continuation statements or other documents that have been signed by Debtor or Secured Party; and

(c) amend this Security Agreement for the purpose of reflecting any hereafter acquired Collateral.

5. **Warranties and Covenants.** Debtor represents warrants and agrees that:

5.1 **Ownership and Custody of Collateral.** Debtor has good and marketable title to the Collateral, free and clear of all liens, encumbrances, adverse claims and security interests except only such liens, encumbrances, adverse claims and security interests disclosed in Schedule 1 to the Borrowing Agreement, and will defend such title and Secured Party's interest therein. Debtor will indemnify and defend Secured Party, and hold it harmless from any loss or liability incurred by it in the defense of title. Debtor will maintain the Collateral in good condition at all times, in accordance with the highest standards, and will not permit the

Collateral to be used in an unlawful or injurious manner.

**5.2 Protection of Collateral.** Debtor will keep the Collateral free and clear of all liens, encumbrances, adverse claims and security interests, excepting only the lien and security interest granted by this Security Agreement and the liens, encumbrances, adverse claims and security interests disclosed in Schedule 1 to the Borrowing Agreement, and shall keep the inventory (other than inventory sold in the ordinary course of business or inventory in transit to a buyer) in one of the counties set forth in Schedule 5.2 to this Security Agreement. Except as disclosed in Schedule 1 to the Borrowing Agreement, no other financing statements, security agreements or other instruments naming the Debtor as "debtor" and affecting the Collateral exist or are on file or are recorded in any public office. Without first obtaining the prior written consent of Secured Party, Debtor will not transfer or further encumber any part of the Collateral or any interest in the Collateral. Debtor will insure the Collateral against risk of damage, loss and destruction in accordance with the standards prescribed in the Borrowing Agreement, in such amounts and with such insurance company or companies as are acceptable to Lender, as provided in Section 8.4 of the Borrowing Agreement. Such insurance policies shall name Secured Party as an insured party, and shall provide that written notice of cancellation be delivered to Secured Party, at a minimum, thirty (30) calendar days before cancellation. Debtor shall deliver to Secured Party evidence of compliance with this provision. Debtor assumes all responsibility and liability arising from the use of the Collateral, and will indemnify and hold Secured Party, its members and managers and such members' and managers' members, shareholders, directors, officers, agents and employees harmless from any and all loss or damage to persons or property resulting from the use of the Collateral.

**5.3 Performance.** Debtor will perform promptly all of its Obligations.

**5.4 Location of Records and Collateral.** Debtor's principal place of business is at 5010 Spencer, Las Vegas, Nevada 89119, which is also Debtor's mailing address. Debtor's records concerning the Collateral are kept at its place of business at such address, and the Collateral is currently located at such addresses and at the additional address(es) specified on Schedule 5.2 hereto, which Schedule may be amended from time-to-time or at any time by Secured Party to reflect the address at which any hereafter acquired Collateral is located. Debtor will promptly notify Secured Party of any change in the location of its place of business, the Collateral or its records concerning the Collateral, and of any hereafter acquired Collateral.

**5.5 Access to Records.** Debtor will maintain full and accurate books of account, ledgers and other written records relating the Collateral. Secured Party shall at all times have the right to inspect any of Debtor's records relating the Collateral and the right to obtain copies of the records. Secured Party understands that such books and records may

contain proprietary or confidential information, and agrees to use all reasonable efforts to maintain the confidentiality of such information.

**5.6 *Litigation.*** No unsatisfied judgments, decrees or orders of any court or governmental body are outstanding against Debtor or against the Collateral. No proceedings are pending, nor has Debtor been threatened with the institution of proceedings, before any court or governmental body which will material and adversely affect the financial condition of Debtor or the status of the Collateral.

**5.7 *Payment of Taxes and Indebtedness.*** Debtor will promptly pay all undisputed liens, taxes, assessments or contributions required by law which may come due and which are lawfully levied or assessed with respect to any of the Collateral, and will promptly give Secured Party Notice of any disputed liens, taxes, assessments or contributions it chooses not to pay. Debtor will execute and deliver to Secured Party, upon demand, certificates attesting to the timely payment or deposit of the sums owed on all such liens, taxes, assessments or contributions. Debtor will promptly perform the Obligations. Debtor will fully comply with all terms and provisions of this Security Agreement and all other security instruments upon which it is obligated.

**5.8 *Power to Undertake Agreement.*** Debtor has the unqualified right to enter into this Security Agreement and to perform its terms.

**5.9 *No Impairment of Obligations.*** Until the Note has been paid in full, Debtor will not make any agreement which is inconsistent with its Obligations, nor sell, lease or otherwise dispose of the Collateral (or any other material assets, if such assets are not also included as Collateral) other than in the ordinary course of business, unless Debtor has obtained the prior written consent of Secured Party, which consent will not be withheld unreasonably. Secured Party may, as a condition of giving consent, require that all or part of the proceeds be applied to the Note as a prepayment. Until the Note has been paid in full, Debtor will not incur, create, assume or permit to exist any debt other than as may be permitted by the Borrowing Agreement.

**5.10 *Inspection of Collateral.*** Debtor grants to Secured Party the right to visit Debtor's premises at reasonable times during regular business hours to inspect the Collateral.

**5.11 *Notification of Account Debtors.*** Secured Party shall be entitled to notify the account debtors or obligors under any receivables held by or due to Debtor of the assignment of such receivables to Secured Party, and to direct such account debtors or obligors to make payment of all amounts due or to become due to Debtor thereunder directly to Secured Party, or to a lockbox designated by Secured Party, and to enforce collection of any

such receivables. After receipt by Debtor of the notice from Secured Party referred to in the preceding sentence, all amounts and proceeds (including instruments) received by Debtor in respect of the receivables shall be received in trust for the benefit of Secured Party, and shall be forthwith paid over to Secured Party, in the same form as so received (with any necessary endorsement) to be held and applied as cash collateral.

**6. Notice of Event of Default and Right to Cure.** Secured Party shall give Notice of any Event of Default to Debtor, and Debtor shall have the right to cure such Event of Default within the applicable Cure Period. If Debtor fails to cure the Event of Default within the applicable Cure Period, then Secured Party may pursue any and all remedies provided in this Security Agreement. Debtor agrees that receipt of Notice shall constitute reasonable advance notice to Debtor of a planned sale or other disposition of the Collateral by Secured Party.

**7. Remedies.** Upon the occurrence of an Event of Default and the expiration of the applicable Cure Period, Secured Party shall have all rights available at law or in equity, including all rights available under the Washington Uniform Commercial Code. Debtor agrees that ten (10) calendar days' prior written notice to Debtor of the time and place of any public sale or the time after which any private sale is to be made or other intended disposition of any of the Collateral shall constitute reasonable notification thereof, except any Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. Debtor agrees that such notice constitutes "reasonable notification" within the meaning of Section 9.50(c) of the Washington Uniform Commercial Code. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. All rights and remedies granted under this Security Agreement shall be deemed cumulative and not exclusive of any other right or remedy available to Secured Party. Secured Party retains the right, upon giving Notice to Debtor, to bring suit on the Note, to take possession of the Collateral and to sell, assign or otherwise dispose of the Collateral as permitted under Washington law. Debtor shall be entitled to any surplus, and shall remain liable for any deficiency remaining after disposition of the Collateral. All rights and remedies granted under this Security Agreement shall be deemed cumulative and not exclusive of any other right or remedy available to Secured Party. Debtor waives all rights to presentment, notice of dishonor, and protest of all instruments evidencing the Obligations or the Collateral.

**8. Termination of Security Agreement.** At such time as Debtor shall completely satisfy all of the Obligations, this Security Agreement shall terminate. At that time, Secured Party shall deliver the Note and any other instruments necessary to release Secured Party's interests in the Collateral to Debtor, including termination statements under

the uniform commercial code.

9. **Further Assurances.** Each party agrees to take any additional actions and to make, execute and deliver any additional written instruments that may be reasonably required to carry out the terms, provisions, intentions and purposes of this Security Agreement.

10. **Certain FCC Matters.**

10.1 Notwithstanding anything to the contrary contained in this Security Agreement or any other Loan Document, the Lender shall not, without first obtaining the approval of the Federal Communications Commission ("FCC"), take any action pursuant to this Security Agreement or any other Loan Document which would constitute or result in an assignment of any radio station license held by Borrower or any change of control of the Borrower if such assignment or change in control would require, under the Communications Act of 1934, as amended (the "Communications Act"), the prior approval of the FCC, and voting rights in any Collateral representing control of any license, permit or other authorization of the FCC shall remain in the FCC-authorized holder thereof until all such necessary consents shall have been obtained. Debtor agrees to take, upon the occurrence and during the continuance of an Event of Default, any action that Lender may reasonably request in order to obtain from the FCC or any other Governmental Authority such approval as may be necessary to enable the Lender to assign or transfer control of the radio station licenses pursuant to this Security Agreement, the other Loan Documents and each other agreement, instrument and document delivered to the Secured Party in connection herewith and therewith, including specifically, at the expense of the Debtor, the use of Debtor's commercially reasonable efforts, consistent with the rules, regulations and published policies of the FCC, to assist in obtaining approval of the FCC or any other Governmental Authority for any action or transaction contemplated by this Security Agreement for which such approval is or shall be required by law, and specifically, without limitation, upon request, to prepare, sign and file with the FCC or such other Governmental Authority, as the case may be, the assignor's or transferor's portion of any application or applications for consent to the assignment of any radio station license or transfer of control necessary or appropriate under the FCC's rules and regulations and under the Communications Act or other applicable law for approval of any sale or sales by or on behalf of Lender or any assumption by Lender of voting rights relating thereto effected in accordance with the terms of this Security Agreement for purposes of facilitating a public or private arms'-length sale for the benefit of Lender.

10.2 For purposes of facilitating an arms'-length sale to enforce the provisions of this Section 10 and the other provisions of this Security Agreement, after an Event of Default shall have occurred and be continuing, Lender is empowered to request, and the Debtor agrees to authorize, the appointment of a receiver or trustee from any court of competent jurisdiction. Such receiver or trustee shall be instructed to seek from the FCC (and

any other governmental body), its consent to or approval of any assignment of the radio station licenses and assets of, or transfer of control of any or all of the radio station licenses held by Debtor, or any other Collateral that is subject to this Security Agreement, to the extent required for such trustee or receiver to assume such control for the purpose of seeking a bona fide purchaser to whom such radio station licenses ultimately will be assigned or control of such entity ultimately will be transferred. Debtor agrees, at Debtor's own cost and expense, to cooperate with any such purchaser and with Lender in the preparation, execution and filing of any applications and other documents and providing any information that may be necessary or helpful in obtaining the FCC's consent to the assignment or transfer to such purchaser of the Collateral or any of the radio station licenses. To the fullest extent permitted by applicable law, Debtor hereby agrees to consent to and authorize any such transfer of control or assignment upon the request of the Secured Party after and during the continuation of an Event of Default and, without limiting any rights of the Secured Party under this Security Agreement, to authorize Lender to nominate a trustee or receiver to assume control of the Collateral, subject only to any required consents, approvals or orders of courts of competent jurisdiction, the FCC or other governmental body, for the purpose of effectuating the transactions contemplated in this Section 10 and the other provisions of this Security Agreement. Such trustee or receiver shall have all the rights and powers as provided to it by law, court order or the Lender under this Security Agreement. Debtor shall cooperate fully and use its best reasonable efforts in obtaining the consent of the FCC and the approval or consent of each other governmental body required to effectuate the foregoing.

10.3 Debtor hereby acknowledges and agrees that the Collateral is a unique asset and that a violation of Debtor's covenant to cooperate with respect to the obtaining of any regulatory consents would result in irreparable harm to Lender for which monetary damages are not readily ascertainable. Debtor further agrees that, because of the unique nature of Debtor's undertakings in this Section 10 and other provisions of this Security Agreement, the same may be specifically enforced, and Debtor hereby waives, and agrees to waive, any claim or defense that Lender would have an adequate remedy at law for the breach of such undertakings and any requirement for the posting of bond or other security. This Section 10.3 shall not be deemed to limit any other rights of Lender available under applicable law and consistent with the Communications and the FCC Rules.

10.4 Without limiting the obligations of the Debtor hereunder in any respect, Debtor further agrees that if Debtor, upon or after the occurrence of an Event of Default, should fail or refuse to execute any application or other document necessary or appropriate to obtain any governmental consent necessary or appropriate for the exercise of any right of Lender hereunder, then, to the full extent permitted by the Communications Act and the FCC Rules, such application or other document may be executed on Debtor's behalf by the clerk of any court or other forum in any competent jurisdiction without prior notice to any Debtor.



## **11. Miscellaneous Provisions.**

**11.1 Modifications.** This Security Agreement may not be changed orally. For a modification of this Security Agreement to be effective, it must be in writing and have been signed by each party. Every right or remedy granted by this Security Agreement may be exercised as often as shall be deemed expedient by Secured Party.

**11.2 Assignability and Binding Effect.** Debtor may not transfer or assign its rights, duties or obligations under this Security Agreement without the prior written consent of Secured Party. This Security Agreement and the duties set forth herein shall bind Debtor and its successors and assigns. All rights and powers established in this Security Agreement shall benefit Secured Party and its successors and assigns.

**11.3 Governing Law and Venue; Waiver of Jury Trial.** This Security Agreement will be construed, and the rights, duties, and obligations of the parties will be determined in accordance with, the laws of the State of Washington, including the Washington Uniform Commercial Code, and the federal laws of the United States of America. If any action or other proceeding shall be brought in connection with this Security Agreement, the venue of such action may, in the discretion of Secured Party, be in King County, Washington. Debtor hereby consents to the exclusive personal jurisdiction of the Superior Court of King County and the United States District Court for the Western District of Washington. **DEBTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY AS TO ANY ISSUE ARISING OUT OF THIS SECURITY AGREEMENT OR THE DEBT WHICH IT SECURES.**

**11.4 Headings.** Headings used in this Security Agreement have been included for convenience and ease of reference only, and will not influence the construction or interpretation of any provision of this Security Agreement.

**11.5 Waiver.** No right or obligation under this Security Agreement will be deemed to have been waived unless evidenced by a writing signed by the party against whom the waiver is asserted, or by the party's duly authorized representative. Any waiver will be effective only with respect to the specific instance involved, and will not impair or limit the right of the waiving party to insist upon strict performance or the right or obligation in any other instance in any other respect or at any other time. No failure on the part of Secured Party to exercise, and no delay in exercising, any right or obligation under this Security Agreement shall operate as a waiver thereof.

**11.6 Severability.** The parties intend that this Security Agreement be enforced to the greatest extent permitted by applicable law. Therefore, if any provision of this Security Agreement, on its face or as applied to any person or circumstance, is or becomes



unenforceable to any extent, the remainder of this Security Agreement and the application of that provision to other persons, circumstances, or extent, will not be impaired.

**11.7 References.** Except as otherwise specifically indicated, all references to numbered or lettered sections or subsections refer to sections or subsections of this Security Agreement, and all references to this Security Agreement include any subsequent amendments to this Security Agreement.

**11.8 Attorneys' Fees.** If any litigation or other dispute resolution proceeding is commenced between parties to this Security Agreement to enforce or determine the rights or responsibilities of the parties, the prevailing party or parties in the proceeding will be entitled to receive, in addition to any other relief granted, its reasonable attorneys' fees, expenses and costs. Such fees, expenses and costs shall include all statutory costs and disbursements, all costs associated with discovery depositions and expert witness fees, and all out-of-pocket costs incurred by the prevailing party in the prosecution or defense of the action. For purposes of this section, the phrase "litigation or other dispute resolution" shall be deemed to include any proceeding commenced in any court of general or limited jurisdiction, any arbitration or mediation, any proceeding commenced in the bankruptcy courts of the United States, and any appeal from any of the foregoing.


*[Remainder of Page is Blank; Signature Page Follows.]*

*[Signature Page]*

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

DEBTOR:

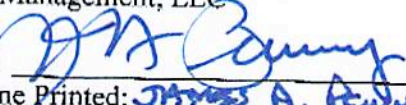
ELY RADIO, LLC

By:   
Name Printed: Felix W. Valencia  
Title: Manager

SECURED PARTY:

WP MEDIA LENDING, LLC

By: WP Management, LLC

By:   
Name Printed: Thomas A. Pedraza  
Title: Manager

**Schedule 5.2**  
**to**  
**Security Agreement**

**Additional Locations of Collateral**  
**(Sections 5.2 and 5.4)**

KELY-AM  
Georgetown Ranch Road  
Ely, Nevada 89310-2423