

SECURITY AGREEMENT

Eagle Radio Network, Inc., a Mississippi corporation, (hereinafter called "Debtor"); hereby grants to Power Valley Communications, Inc., a Mississippi corporation, Iuka, Mississippi (hereinafter called "Lender"), a security interest in all of Debtor's:

Fixtures, appliances and furniture, microphones, and studio equipment (collectively, the "Equipment"), owned by Debtor and used or useful in the operation of Radio Station WADI(FM), Corinth, Mississippi (the "Station"); including, but not limited to, the items listed on Exhibit A attached hereto and incorporated herein by reference, together with any and all additions thereto and replacements thereof;

Any and all accounts, receivables, stocks, bonds, deposits or other tangible or intangible property of Debtor;

To the maximum extent permitted by law, and subject to the approval of the Federal Communications Commission ("FCC") where necessary: (i) all rights incident or appurtenant to the broadcast licenses for the Station (the "License"); (ii) excluding any security interest not permitted by the rules, regulations and policies of the FCC but (iii) including any proceeds, rents, profits, income or benefits associated with the sale or transfer of control of the License or the right to broadcast program material on the Station;

All whether now in existence or hereafter acquired, entered into or created, together with inventory returned or repossessed, from sale, disposition or otherwise, (herein collectively called "Collateral").

As evidenced by the Note dated the same date as this Security Agreement, Debtor has borrowed a sum of money from Lender, which borrowing is to be secured by the security interests granted hereby.

The indebtedness secured hereby shall include (1) the Note and any subsequent promissory notes payable to Lender by Borrower, which shall be due and payable on maturity dates to be fixed by and satisfactory to Lender, and also any renewals or extension thereof, and notes given in payment of interest, and all attorney's fees, court costs and expenses of whatever kind incident to collection of said indebtedness and the enforcement and protection of the security interest created hereby; (2) all future advances made by Lender for taxes, levies, insurance and preservation of the Collateral, together with interest thereon at the rate stipulated in the note or notes from the date same shall have been paid; (3) all other money heretofore or hereafter advanced by Lender to or for the account of Debtor; and, (4) all other present or future, direct or contingent liabilities or indebtedness of Debtor to Lender of any nature whatsoever and any

extensions or renewals thereof.

Lender reserves the right to decline to handle any particular note offered for discount when the Collateral is deemed inadequate or Debtor is in default. If a loan formula expressed as a percentage of Collateral is agreed upon between Lender and Debtor, Lender reserves the right to amend this formula upon ten (10) days' notice to Debtor. While any indebtedness is outstanding from Debtor to Lender, Debtor shall certify to Lender in writing the amount, condition and existence of Collateral, such certification being made as soon as possible following and as of the last day of each month or at such other times as Lender may reasonably require, and such certifications, including documentation in support thereof, shall be in a form satisfactory to Lender.

The contract rights covered by this agreement may arise under any written, binding contract between Debtor and its customers. Lender shall not be obligated to do and perform any of the acts or things provided in the contracts covered hereby to be done or performed by Debtor, but if there is a default by Debtor in the payment of any amount due on any indebtedness secured hereby, then Lender may, at its election, perform some or all of the obligations provided in said contracts to be performed by Debtor, and if Lender incurs any liability or expenses by reason thereof, same shall be payable by Debtor upon demand and same shall also be secured by this agreement.

DEBTOR REPRESENTS, WARRANTS AND AGREES AS FOLLOWS:

1. Unless Lender notifies Debtor in writing that it dispenses with any one or more of the following requirements, Debtor will: (a) give Lender assignments, in form acceptable to Lender, of specific accounts of monies due and to become due under specific contracts, and of chattel paper; (b) furnish to Lender a copy, with such duplicate copies as Lender may request, of the invoice applicable to each account specifically assigned to Lender or arising out of a contract right, bearing a statement that such account has been assigned to Lender, and such additional statements as Lender may require, and of each chattel paper instrument; (c) inform Lender immediately of the rejection of goods, delay in delivery or performance, or claims made, in regard to any account, contract right or chattel paper specifically assigned to Lender; (d) make no change in any specifically assigned chattel paper or account or in any account arising out of a contract right assigned to Lender, and no material change in the terms of any such contract; (e) furnish to Lender all information received by Debtor affecting the financial standing of any person whose account, contract or chattel paper has been specifically assigned to Lender; (f) pay Lender the amount loaned against any account, contract right or chattel paper specifically assigned to Lender where the goods are returned by Purchaser, or pay Lender where the contract is canceled or terminated; (g) immediately notify Lender if any of its accounts arise out of contracts with the United States or any

department, agency or instrumentality thereof, and execute any instruments and take any steps required by Lender in order that all monies due and to become due under any such contract shall be assigned to Lender and notice thereof given to the Government under the Federal Assignment of Claims Act; (h) keep returned goods segregated from Debtor's other property, and hold such goods as trustee for Lender until it has paid Lender the amount loaned against the related account or chattel paper, and deliver such goods on demand to Lender, which shall have a security interest in goods; (i) keep any goods specified by Lender, including returned merchandise, insured for the benefit of Lender (to whom loss shall be payable) for their full value until the risk of loss has passed to the purchaser, against loss resulting from all risks designated by Lender, and pay the cost of all such insurance; and Debtor assigns to Lender all right to receive proceeds of such insurance, directs any insurer to pay all proceeds directly to Lender, and authorizes Lender to endorse Debtor's name upon any draft for such proceeds; (j) furnish to Lender satisfactory evidence of the shipment and receipt of any goods on accounts assigned, and the performance of any services of obligations covered by contracts in which Lender has a security interest; (k) pay Lender the unpaid portion of any specifically assigned chattel paper, account or contract right (I) if such is not paid promptly after its maturity; (II) if purchaser does not accept the goods or services; or (III) if any petition under the Bankruptcy Act or any similar Federal or State statute, is filed by or against purchaser; and (l) deliver to Lender, with appropriate endorsement or assignment, any instrument or chattel paper representing an account, or contract right. Any permission granted to Debtor by Lender to omit any of the requirements of this paragraph may be revoked by Lender at any time.

2. Lender shall have the right to notify the Account Debtors obligated on any or all of Debtor's accounts, contracts or chattel paper to make payment thereof direct to Lender, and to take control of all proceeds of any such accounts, contracts or chattel paper, which right Lender may exercise at any time as Lender elects to exercise such right by mailing to Debtor written notice thereof, Debtor is authorized, as agent of the Lender, to collect and enforce said accounts, contracts or chattel paper. Debtor will forthwith on receipt of all checks, drafts, cash, and other remittances in payment of Debtor's accounts or in payment of Debtor's chattel paper, or in payment of Debtor's contracts, deposit the same in a special bank account maintained with a Bank selected by lender, over which Lender alone has power of withdrawal. The funds in said account shall be held by Lender as security for all loans made hereunder and all other indebtedness of Debtor to Lender. Said proceeds shall be deposited in precisely the form received, except for the endorsement of Debtor where necessary to permit collection of items which endorsement Debtor agrees to make, and which Lender is also hereby authorized to make on Debtor's behalf. Pending such deposit, Debtor agrees that it will not commingle any such checks, drafts, cash and

other remittances with any of Debtor's other funds or property, but will hold them separately and apart therefrom and in trust for Lender until deposit thereof is made in the special account. Lender will, at least once a week, apply the whole or any part of the collected funds on deposit in the special account against the indebtedness secured hereby, the amount, order and method of such application to be in the discretion of Lender. Any portion of said funds on deposit in the special account which Lender elects not to so apply may be paid over by Lender to Debtor.

3. The Debtor will use a chattel paper contract and an accounts receivable invoice form in his dealings with Account Debtors, which bars the latter from asserting defenses against the Lender. Debtor will notify Lender by the fastest reasonable means when the collateral of any chattel paper used as Collateral is returned to or repossessed by Debtor from the Account Debtor. Debtor will, upon the request of Lender, stamp all contracts, chattel paper and accounts receivable ledger sheets with the notation that they have been assigned to Lender.

4. Debtor will promptly notify Lender, in writing, of any new place or places of business or any change in the location of the Collateral.

5. Debtor is the owner of the Collateral free and clear of all liens and security interests except the security interest granted hereby, and Debtor will defend the Collateral against the claims and demands of all persons. Debtor has no knowledge of any fact which would impair the value or validity of the chattel paper, accounts or contracts. The Account Debtor of the chattel paper, accounts, or contract has no defense, set-off or counter claim effective against the Debtor. Debtor will preserve all rights that he has against his Account Debtor and all prior parties in the chattel paper.

6. Debtor will pay Lender all amounts secured hereby as and when the same shall be due and payable, whether at maturity, by acceleration or otherwise, or when Lender deems itself insecure for any reason.

7. Debtor will pay and discharge all taxes, levies and other impositions levied thereon as well as any and all costs of filing financing, continuation and termination statements with respect to the security interest created hereby, and Lender is authorized to do all things which it deems necessary to perfect and continue perfected the security interest created hereby and to protect the Collateral.

8. Debtor has no undisclosed or contingent liabilities which are not reflected in a financial statement on file with Lender at the execution of this agreement. During the continuation of this agreement, Debtor will employ accountants acceptable to Lender and will furnish to Lender as soon as practicable after the close of each of its fiscal years a copy of

its annual report prepared by such accountants and will also furnish Lender a balance sheet and operating statement prepared by accountants acceptable to Lender and certified by Debtor as soon as possible after the end of each year. The lender shall have the right, at any time, by its own auditors, accountants, or other agents to examine or audit any of the books and records of Debtor, or the Collateral, which will be made available upon request. Such accountants or other representatives of Lender will be permitted to make any verification of the existence of the Collateral or accuracy of the records which the Lender deems necessary or proper. Any reasonable expenses incurred by Lender in making such examination, inspection, verification or audit shall be paid by Debtor promptly on demand and shall be secured by the security interest granted hereby.

9. So long as any liability to Lender is outstanding, Debtor will not without the prior written consent of Lender borrow from anyone except Lender or pledge or grant any security interest in any contract right, account or chattel paper, or other property to anyone except Lender or pledge or grant any security interest in any contract right, account or chattel paper, or other property to anyone except Lender, or permit any lien or encumbrance to attach to any of the foregoing, or any levy to be made thereon, or any financing statement (except Lender's statement) to be on file with respect thereto.

10. Debtor shall be in default under this agreement: (a) when it has made any misstatement in connection with or has failed to pay or perform any of its obligations, agreements or affirmations under this or any other security agreement with Lender; (b) when any event occurs which results in acceleration of the maturity of the indebtedness of Debtor under any agreement with any person; (c) upon the death, dissolution, termination of existence or business failure of Debtor, or the appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding in bankruptcy or insolvency by or against Debtor or any surety for Debtor; (d) default under that certain Commercial Lease entered into of even date herewith between Borrower and Biddle and Sons Communications, Inc., a Mississippi Corporation; or default under any guaranty of Borrower's Commercial Lease obligations of Southern Community Services, Inc.; or (e) when Lender in good faith deems itself insecure and its prospect of payment impaired.

UPON DEFAULT, all sums secured hereby shall immediately become due and payable at Lender's option without notice to Debtor, and Lender may proceed to enforce payment of same and to exercise any or all rights and remedies provided by the Uniform Commercial Code of Mississippi or other applicable law, as well as all other rights and remedies possessed by Lender, all of which shall be cumulative. Whenever Debtor is in default hereunder, and upon demand by Lender, Debtor shall assemble the Collateral and make it available to Lender, at a place reasonably

convenient to Lender and Debtor. Any notice required to be given under the Uniform Commercial Code of Mississippi for sale, lease or other intended disposition of the Collateral by Lender sent to Debtor at the address specified above, or at such other address of Debtor as may be shown on Lender's records, at least five (5) days prior to such action, shall constitute reasonable notice to Debtor.

In the event of default, it is agreed that the Lender shall have the right to set off the balance due on any notes executed pursuant to this agreement in whole or in part against any deposits or moneys credited or owing by the lender to the Debtor or any party to such notes.

Debtor waives protest of all commercial paper at any time held by Lender on which Debtor is in any way liable, notice of nonpayment at maturity of any and all accounts, and except where required hereby, notice of action taken by Lender.

WITNESS THE EXECUTION OF THIS SECURITY AGREEMENT BY THE SIGNATURE OF THE DULY AUTHORIZED OFFICERS OF THE DEBTOR PURSUANT TO RESOLUTION OF THE SHAREHOLDERS OF DEBTOR DATED _____.

Eagle Radio Network, Inc.
A Mississippi corporation

By: Larry Melton, President

Attest:

Larry Hill, Secretary

EXHIBIT A

One (1) 1985 Chevrolet Van VIN#2GBHG31M7F4169823 and
all equipment attached thereto or located therein.