

## SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of the 19th day of January, 2009 (this "Agreement"), by and between EAST SIDE BROADCASTING, LLC, a Colorado limited liability company ("Debtor"), and LENDSI RADIO, LLC, a South Dakota limited liability company ("Secured Party").

### WITNESSETH:

WHEREAS, this Agreement is being delivered pursuant to the terms of an Asset Purchase Agreement, dated January 19th, 2009 (the "Purchase Agreement"), by and between Debtor and Secured Party, pursuant to which Secured Party agreed to sell and Debtor agreed to purchase substantially all of the assets used or useful in connection with the operation of radio station KZBR-FM, licensed to La Plata, Colorado (the "Station"); and

WHEREAS, in connection with such purchase and sale, Debtor is indebted to Secured Party and such indebtedness is evidenced by a Promissory Note, dated as of the date hereof (the "Note"), delivered by Debtor to Secured Party pursuant to the terms of the Purchase Agreement; and

WHEREAS, Secured Party is willing to accept the Note from Debtor so long as, inter alia, Debtor grants to Secured Party a security interest in all of Debtor's existing and future equipment, accounts receivable, instruments, contract rights, documents, and all other assets used or useful in the operation of the Station pursuant to the terms hereof; and

WHEREAS, Debtor and certain of its Members have delivered to Secured Party certain other documents, dated the date hereof (collectively, the "Other Security Documents"), to secure Debtor's obligations to Secured Party under the Note, including a UCC-1 Financing Statement;

NOW, THEREFORE, in consideration of these premises, and of the extension of credit by Secured Party to Debtor as recited above, and of the mutual covenants and obligations hereinafter set forth, the parties hereto and agree as follows:

**SECTION 1**                      **Security Interest**

(a) As security for payment of the Note, and any amendments, increases or extensions thereunder, together with interest and costs of enforcement and collection thereof, including all reasonable attorneys' fees and disbursements incurred by Secured Party (collectively, the "Liabilities"), Debtor hereby grants to Secured Party a continuing security interest in, and Debtor hereby assigns to Secured Party, the following of its assets:

(i) All of Debtor's equipment, furniture, fixtures, and other goods, whether now owned or hereafter acquired, including, without limitation, improvements, additions, attachments, replacements and accessories, substitutions thereto or therefor, and the proceeds thereof (collectively, the "Equipment").

(ii) All of Debtor's accounts and rights to payment, and proceeds thereof, arising out of the sale or lease of goods or the rendition of services by Debtor, whether such accounts and rights are now existing or are hereafter acquired or created, (collectively, the "Accounts").

(iii) All of Debtor's general intangibles and other intangible personal property (collectively, the "General Intangibles"), the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of such General Intangibles. The parties acknowledge that the Federal Communications Commission ("FCC") currently does not permit the creation of security interests in FCC licenses and authorizations themselves, but the parties intend that the security interest created hereby shall attach to the proceeds of Debtor's FCC licenses and authorizations, and, if hereafter permitted by law to Debtor's FCC licenses and authorizations.

(iv) All of Debtor's books, records and other property relating to or referring to any of the foregoing, including, without limitation, all books, records, ledger cards and other property and general intangibles at any time evidencing or relating to the Accounts and the General Intangibles, and the proceeds thereof (collectively, the "Instruments").

(v) All insurance policies held by Debtor or naming Debtor as loss payee relating to the operation of the Stations, including, without limitation, casualty insurance, property insurance and business interruption insurance, and all such insurance policies entered into after the date hereof, and the proceeds thereof ("Insurance").

The Equipment, Accounts, General Intangibles, Instruments and Insurance are hereinafter collectively referred to as the "Collateral."

(b) Debtor, at the request of Secured Party, shall execute and file appropriate financing statements.

(c) This Agreement is in addition to and without limitation of any right of Secured Party under any other security agreement, pledge or guaranty granted by Debtor or any third party to Secured Party.

(d) Debtor hereby represents and warrants to Secured Party that: (i) except for the lien granted by the Debtor in favor of Secured Party pursuant to this Agreement, Debtor is, or to the extent that certain of the Collateral is to be acquired after the date hereof, will be, the owner of the Collateral free from any adverse lien, security interest or encumbrance except, with respect to any after-acquired Equipment, purchase money security interests; and (ii) no financing statement covering the Collateral is on file in any public office, other than the financing statements filed pursuant to this Agreement or pertaining to purchase money security interests with respect to after-acquired Equipment.

## SECTION 2                      Covenants of Debtor.

Debtor hereby covenants with Secured Party that:

(a) Debtor shall defend the Collateral against any claims and demands of all other persons at any time claiming the same or an interest therein which would conflict with any claim or interest of Secured Party. Debtor shall not encumber, sell, transfer, assign, abandon or otherwise dispose of the Collateral except for: (i) collection, discharge, discount, compromise or expiration of the Accounts, Instruments or General Intangibles in the ordinary course of business; (ii) cancellation of Insurance (subject to Section 2(b) hereof) in the ordinary course of business; (iii) liens arising from tax assessments, charges, levies or claims that are not yet due or that remain payable without penalty or which are being contested in good faith by appropriate proceedings; (iv) liens arising from legal proceedings, so long as such proceedings are being contested in good faith by appropriate proceedings diligently conducted and so long as execution is stayed on all judgments resulting from any such proceedings; (v) liens created by this Agreement; and (vi) trade-ins, replacements or exchanges of items of Equipment for other items of Equipment having an equal or greater value (in excess of any purchase money liens on such items) and useful in Debtor's business.

(b) Debtor shall have and maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, including without limitation, property and casualty insurance and public liability insurance. Secured Party shall at all times be named as a loss payee on any property and casualty insurance and be named additional insured on any public liability insurance. Each insurance policy shall provide that upon cancellation of such insurance policy or a material change of the coverage of such insurance policy, the insurer shall furnish to Secured Party notice thereof not later than thirty (30) days

(c) This Agreement is in addition to and without limitation of any right of Secured Party under any other security agreement, pledge or guaranty granted by Debtor or any third party to Secured Party.

(d) Debtor hereby represents and warrants to Secured Party that: (i) except for the lien, granted by the Debtor in favor of Secured Party pursuant to this Agreement, Debtor is, or to the extent that certain of the Collateral is to be acquired after the date hereof, will be, the owner of the Collateral free from any adverse lien, security interest or encumbrance except, with respect to any after-acquired Equipment, purchase money security interests; and (ii) no financing statement covering the Collateral is on file in any public office, other than the financing statements filed pursuant to this Agreement or pertaining to purchase money security interests with respect to after-acquired Equipment.

## SECTION 2                      Covenants of Debtor.

Debtor hereby covenants with Secured Party that:

(a) Debtor shall defend the Collateral against any claims and demands of all other persons at any time claiming the same or an interest therein which would conflict with any claim or interest of Secured Party. Debtor shall not encumber, sell, transfer, assign, abandon or otherwise dispose of the Collateral except for: (i) collection, discharge, discount, compromise or expiration of the Accounts, Instruments or General Intangibles in the ordinary course of business; (ii) cancellation of Insurance (subject to Section 2(b) hereof) in the ordinary course of business; (iii) liens arising from tax assessments, charges, levies or claims that are not yet due or that remain payable without penalty or which are being contested in good faith by appropriate proceedings; (iv) liens arising from legal proceedings, so long as such proceedings are being contested in good faith by appropriate proceedings diligently conducted and so long as execution is stayed on all judgments resulting from any such proceedings; (v) liens created by this Agreement; and (vi) trade-ins, replacements or exchanges of items of Equipment for other items of Equipment having an equal or greater value (in excess of any purchase money liens on such items) and useful in Debtor's business.

(b) Debtor shall have and maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, including without limitation, property and casualty insurance and public liability insurance. Secured Party shall at all times be named as a loss payee on any property and casualty insurance and be named additional insured on any public liability insurance. Each insurance policy shall provide that upon cancellation of such insurance policy or a material change of the coverage of such insurance policy, the insurer shall furnish to Secured Party notice thereof not later than thirty (30) days

after such cancellation or material change, during which 30-day period each insurance policy shall remain in full force and effect. Debtor shall deliver certificates evidencing (and, upon Secured Party's request, copies of) each policy of insurance with respect to the Collateral to Secured Party. Debtor shall apply all insurance proceeds to repair and/or replace the Collateral. Otherwise, Secured Party may apply any insurance proceeds received by it to the Liabilities, whether due or not.

(c) Upon reasonable advance notice to Debtor, Secured Party may examine and inspect the Collateral owned by Debtor at any reasonable time and at any reasonable place, wherever located.

(d) Debtor shall pay promptly when due all taxes and assessments upon the Collateral owned by Debtor or upon its use or sale unless such taxes or assessments are being contested in good faith by Debtor. At its option, Secured Party may discharge taxes, liens or other encumbrances at any time levied against or placed on the Collateral which have not been stayed as to execution and contested with due diligence in appropriate legal proceedings, and Secured Party may pay for insurance on the Collateral if Debtor has failed to comply with such obligation and may pay for maintenance and preservation of the Collateral if Debtor fails to do so. Debtor shall reimburse Secured Party on demand for any such expense incurred by Secured Party pursuant to the foregoing authorization.

(e) Debtor shall at all times keep accurate and complete records of the Collateral. If Secured Party reasonably deems itself to be insecure, upon reasonable advance notice, Secured Party, or any of its agents shall have the right to call at Debtor's place or places of business during normal business hours and without disrupting Debtor's operations, at intervals to be determined by Secured Party, to inspect, audit, make test verifications and otherwise check and make extracts from the books, records, journals, orders, receipts, correspondence and other data relating to the Collateral or to any other transactions between the parties hereto.

(f) Debtor shall from time to time upon demand furnish to Secured Party such further information and shall execute and deliver to Secured Party such financing statements and other papers and shall do all such acts and things as may be necessary or appropriate to establish, perfect and maintain a valid security interest in the Collateral as security for the Liabilities, and Debtor hereby authorizes Secured Party to execute and file at any time and from time to time one or more financing statements or copies thereof or of this Agreement with respect to the Collateral signed only by Secured Party.

**SECTION 3**                      **Events of Default.**

(a) Debtor shall be in default under this Agreement upon the occurrence of any of the following (each an "Event of Default"):

(i) an "Event of Default" shall occur under the Note and Secured Party accelerates the Note, or Secured Party accelerates any other of the Liabilities; or

(ii) any representation or warranty made by Debtor in this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(iii) Debtor shall fail to perform or observe any material term, covenant, or agreement contained in this Agreement, and such failure is not cured to the satisfaction of Secured Party within twenty (20) days after the date on which Secured Party gives Debtor written notice of such failure.

(iv) Debtor (A) voluntarily files a petition in bankruptcy; or institutes insolvency or reorganization proceedings in any state or federal court; (B) is adjudicated as bankrupt or insolvent in any state or federal court; (C) fails to discharge or obtain a stay within thirty (30) days of any court order or decree under which any property of Debtor shall be sequestered; (D) consents to the filing of any bankruptcy petition against it; (E) makes an assignment for the benefit of its creditors; (F) admits in writing its inability to pay its debts generally as they become due; or (G) consents to the appointment of a receiver or trustee of all or any part of its property.

(b) Upon the occurrence of an Event of Default Secured Party shall have all of the rights, powers and remedies set forth in this Agreement, and any other instrument or other evidence of the Liabilities secured hereby, together with the rights and remedies of a secured party under the Uniform Commercial Code of the jurisdictions where the Collateral is located, including without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral, and to take possession of the Collateral. Secured Party may require Debtor to assemble its Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Debtor hereby agrees that its address and the place or places of location of the Collateral are places reasonably convenient to it to assemble the Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party shall send to Debtor reasonable advance notice of the time and place of any public sale or reasonable advance notice of the time after which any private sale or any other disposition thereof is to be made. The requirement of sending reasonable advance notice shall be met if such notice is mailed, postage prepaid, to Debtor at least ten (10) days before the time of the sale or disposition. Insofar as Collateral shall consist of Accounts, Instruments, Insurance, General Intangibles or the like, Secured Party may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose or realize upon the Collateral.

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as Secured Party may determine whether or not Liabilities or Collateral are then due and for the purpose of realizing Secured Party's rights therein, Secured Party may take possession of Debtor's books and records pertaining to the Accounts or any other Collateral, and may endorse notes, checks, drafts, money orders, documents of title or other evidences of payment, shipment or storage of any form of Collateral on behalf of and in the name of Debtor. After deducting all expenses incurred by Secured Party in protecting or enforcing its rights in the Collateral, the residue of any proceeds of collection or sale of the Collateral shall be applied to the payment of principal or interest of the Liabilities in such order as Secured Party may determine, and Debtor shall remain liable for any deficiency. Secured Party may exercise its rights with respect to Collateral without resorting to or regard to other collateral or sources of reimbursement for Liability.

(c) Debtor recognizes that the Collateral may not be readily marketable and may not be marketable at all if an Event of Default has occurred. In order, therefore, to enable Secured Party to use such means as it may determine necessary or advisable to realize upon the Collateral from time to time, Debtor consents that Secured Party may use whatever means it may reasonably consider necessary or advisable to sell any or all of the Collateral at any time or times after default, thereunder, including but not restricted to the giving of an option to purchase any or all of the Collateral to any party and the extending of credit to any purchaser of such Collateral. Secured Party may sell any or all of the Collateral or commit itself to sale without limiting the amount sold to the amount of indebtedness secured thereby, plus costs of collection. Because it would be unlikely that any party would become interested in purchasing the Collateral as a result of the giving of any notice of public sale, Debtor agrees that any such sale or sales may be private and without competitive bidding.

(d) Upon the occurrence of an Event of Default, Secured Party may apply to any court of competent jurisdiction for the appointment of a receiver for the benefit of the creditors of Debtor. In such receivership application, Secured Party shall only need to prove to the court that an Event of Default shall have occurred and be continuing, and Debtor agrees not to object to the appointment of a receiver or otherwise oppose such application. In the event that the court grants the application for receivership, such receiver shall be instructed immediately to seek from the FCC consent to an involuntary transfer of control of Debtor. Subject to the receipt of prior FCC approvals, the receiver shall have the power to dispose of the Stations' FCC licenses, permits and other authorizations (the "FCC Authorizations") and the Collateral in any manner lawful in the jurisdiction in which his or her appointment is confirmed, including the power to conduct a public or private sale of the FCC Authorizations and the Collateral. Secured Party may bid at any such public or private sale.

(e) Upon the occurrence of an Event of Default, upon the request of Secured Party, Debtor shall join with the successful bidder or other purchaser at a foreclosure sale regarding the Collateral in seeking from the FCC all applicable prior approvals of the assignment of the FCC

Authorizations to such bidder or other purchaser. In that regard, Debtor agrees to execute and deliver all applications, certificates, instruments, assignments and other documents and papers that may be required to obtain any necessary FCC consent, approval or authorization. It is expressly understood that such sale shall be subject to all applicable consents and prior approvals of the FCC. Debtor shall not oppose any such FCC application, and acknowledges that its commitments made herein are enforceable through injunctive relief.

#### **SECTION 4                      Collection.**

Upon the occurrence of an Event of Default pursuant to Section 3(a) hereof, Secured Party shall have the following rights and powers in addition to those specified in Section 3 above:

(a) Secured Party shall have the right to notify the contract obligors obligated on any or all of Debtor's Accounts, Instruments, Insurance or General Intangibles to make payment thereof directly to Secured Party, and Secured Party may take control of all proceeds of any of the Accounts, Instruments, or General Intangibles. The costs of collection and enforcement, including reasonable attorney's fees and out-of-pocket expenses, shall be borne solely by Debtor, whether the same are incurred by Secured Party or Debtor. Debtor shall not thereafter without Secured Party's written consent extend, compromise, compound or settle any of the Accounts, Insurance, Instruments or General Intangibles, or release, wholly or partially, any person liable for payment thereof, or allow any credit or discount thereon which is not customarily allowed by Debtor in the ordinary conduct of its business.

(b) Debtor hereby irrevocably appoints Secured Party to be Debtor's true and lawful attorney-in-fact, with full power of substitution, in Secured Party's name or Debtor's name or otherwise for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise at any time all or any of the following powers with respect to all or any of the Collateral, but only after the occurrence of an Event of Default pursuant to Section 3(a):

(i) to demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon or by virtue thereof;

(ii) to receive, take, endorse, assign and deliver any and all checks, notes, drafts and other negotiable and non-negotiable instruments taken or received by Secured Party in connection therewith:

(iii) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto:

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(iv) to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof and to apply for and obtain any required consents of any governmental authority for any such sale or other disposition, as fully and effectually as if Secured Party were the absolute owner thereof; and

(v) to make any reasonable allowances and other reasonable adjustments with reference thereto.

(c) Upon the occurrence of an Event of Default pursuant to Section 3(a), Debtor shall within thirty (30) days of Secured Party's written request deliver to Secured Party all proceeds of the Collateral and all original evidence of Accounts, Instruments, Insurance, or General Intangibles, including without limitation all notes, or other instruments or contracts for the payment of money, appropriately endorsed to Secured Party's order and, regardless of the form of such endorsement, Debtor hereby waives presentment demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto; and Debtor hereby appoints Secured Party as Debtor's agent and attorney-in-fact to make such endorsement on behalf of and in the name of Debtor.

(d) The exercise by Secured Party of or failure to so exercise any authority granted hereinabove shall in no manner affect any liability of Debtor to Secured Party, and provided, further, that Secured Party shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and it shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under any of the Collateral.

**SECTION 5**

**Waivers.**

Debtor waives demand, notice, protest notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description except as hereinbefore provided. With respect both to Liabilities and Collateral, Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person, primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromising or adjusting of any thereof all in such time or times as Secured Party may deem advisable. Secured Party shall have no duty as to the collection or protection of Collateral not in Secured Party's possession, and Secured Party's duty with reference to Collateral in its possession shall be to use reasonable care in the custody and preservation of such Collateral, but such duty shall not require Secured Party to engage in:

(i) the collection of income thereon;

(ii) the collection of debt; or

(iii) the taking of steps necessary to preserve rights against prior parties, although Secured Party is authorized to reasonably undertake any such action if deemed appropriate by Secured Party.

**SECTION 6**                      **Successors and Assigns.**

The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its legal representatives, successors and assigns, as joint and several obligations, and shall inure to the benefit of Secured Party, its successors and assigns. The purchaser, assignee, transferee or pledgee of any evidence of the Liabilities and Secured Party's security interest hereunder shall forthwith become vested with and entitled to exercise all the powers and rights given by this Agreement to Secured Party, as if said purchaser, assignee, transferee or pledgee were originally named as secured party herein.

**SECTION 7**                      **Miscellaneous.**

(a) No delay or omission by Secured Party in exercising any of its rights hereunder shall be deemed to constitute a waiver thereof. All rights and remedies of Secured Party hereunder shall be cumulative and may be exercised singularly or concurrently.

(b) This Agreement shall be governed by and construed under the laws of the State of Colorado without regard to its principles of conflict of laws.

(c) None of the terms or provisions of this Agreement may be waived, altered, modified, or amended except by an agreement in writing signed by Secured Party and Debtor.

(d) All notices, requests, demands, and other communications required or permitted under this Contract shall be in writing and shall be deemed to have been duly given when delivered personally (which shall include delivery by Federal Express or other recognized overnight courier service that issues a receipt or other confirmation of delivery) to the party for whom such communication is intended, or five (5) business days after the date mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows (or at such other address for a party as shall be specified by like notice):

**If to Secured Party, to:**

Lendsi Radio, LLC  
1102 Newit Vick Dr.  
Vicksburg, Mississippi 39183

**With a copy (which shall not constitute notice) to:**

Marcus D. Jones  
Owensville Communications, LLC  
1102 Newit Vick Dr.  
Vicksburg, Mississippi 39183

**If to Debtor, to:**

East Side Broadcasting, LLC  
702 S. 10<sup>th</sup> St.  
PO Box 780  
Pagosa Springs, CO 81147-0780

**With a copy (which shall not constitute notice) to:**

J. Richard Carr, Esq.  
5528 Trent Street  
Chevy Chase, MD 20815

**and**

Jerry F. Veml  
PO Box 246  
Pagosa Springs, CO 81174

(e) This Agreement may be signed in counterpart originals, which collectively shall have the same legal effect as if all signatures had appeared on the same physical document.

**SECTION 8                      FCC Approval.**

Notwithstanding anything to the contrary contained herein, any foreclosure on, sale, transfer or other disposition of any Collateral or any other action taken or proposed to be taken hereunder that would affect the operational, voting, or other control of Debtor or affect the ownership of the FCC Authorizations, shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended (the "Communications Act"), and to the applicable rules and regulations of the FCC and, if and to the extent required thereby, subject to the prior consent of the FCC and any other applicable governmental authority. Notwithstanding anything to the contrary contained herein, Secured Party shall not take any action pursuant hereto that would constitute or result in any assignment of the FCC Authorizations or transfer of control of

Debtor if such assignment or transfer of control would require under then existing law (including the Communications Act), the prior approval of the FCC, without first obtaining such approval of the FCC and notifying the FCC of the consummation of such assignment or transfer of control (to the extent required to do so).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

**LENSI RADIO, LLC**

By *Lina H. Jones*

Lina H. Jones  
Managing Member  
Secured Party

**EAST SIDE BROADCASTING, LLC**

By *W. G. Spears, Jr.*

William G. Spears, Jr.  
Managing Member  
Debtor