

secured hereby and their respective successors and assigns. This Security Agreement may not be assigned by Debtor without the written consent of the Secured Party.

15. Governing Law. This Security Agreement shall be governed, construed and enforced in accordance with the laws of the State of Montana without reference to that state's conflict of law principles.

16. Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were on the same instrument. Each fully executed set of counterparts shall be deemed to be an original, and all of the signed counterparts together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement, or caused it to be executed on the day and year first above written.

**CHAPARRAL BROADCASTING, INC.**

By: \_\_\_\_\_  
Jerrold T. Lundquist, President

**RADIO WEST, LLC**

By: \_\_\_\_\_  
Richard B. Howe, Manager

With a copy that shall not constitute notice to:

David Tillotson, Esq.  
4606 Charleston Terrace, N.W.  
Washington, DC 20007-1911  
Email: [dtlaw@starpower.net](mailto:dtlaw@starpower.net)

To Buyer: Radio West, LLC  
Attn: Richard B. Howe

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Email: [radiowest@directairnet.com](mailto:radiowest@directairnet.com)

With copy that will not constitute notice to:

[Buyer's Attorney if applicable]

Either party may change its address for notices by written notice to the other given pursuant to this Section. Any notice purportedly given by a means other than as set forth in this Section shall be deemed ineffective.

13. Termination. This Security Agreement (including, without limitation, all remedies provided hereunder) shall terminate at the date on which the Note, including all interest and charges due thereunder and/or under this Security Agreement, has been fully paid. At the time this Security Agreement has been terminated, Secured Party shall re-assign and deliver to Debtor or such person as Debtor shall designate in writing all Collateral in which Secured Party shall have any interest hereunder or which shall then be held by Secured Party or in its possession and, if requested by Debtor, Secured Party shall execute and deliver to Debtor for filing in each office in which any financing statement relative to the Collateral or any part thereof, shall have been filed, a termination statement under the Uniform Commercial Code releasing Secured Parties' interest therein and/or an assignment statement under the Uniform Commercial Code assigning Secured Parties' interest therein to any person designated by Debtor.

14. Binding Agreement; Assignment. This Security Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of Debtor, Secured Party and the holders from time to time of the indebtedness

Secured Party's rights hereunder, including reasonable attorneys' fees and legal expenses, and expenses of any reasonable repairs to any realty or other property to which any of the Collateral may be affixed or be a part.

11. Application of Proceeds of Sale. All proceeds of any sale of Collateral hereunder shall be applied as follows:

FIRST: To the payment of all expenses reasonably incurred by Secured Party in connection with such sale, including, but not limited to, the expenses of taking, advertising, processing, preparing and storing the Collateral to be sold, and all court costs and reasonable fees of counsel to Secured Party in connection with the exercise of any right or remedy hereunder, to the extent that such costs and expenses shall not theretofore have been reimbursed to Secured Party;

SECOND: Then, to the payment accrued interest under the Note;

THIRD: Then, to the payment of the then outstanding principal balances of the Note;

FOURTH: In the case of any surplus remaining after the application of the proceeds of the sale of Collateral as aforesaid, to Debtor, its successors or assigns, or as a court of competent jurisdiction may direct.

12. Notices. Any notice, demand, or request required or permitted to be given under the provisions of the Agreement shall be in writing and shall be deemed to have been duly delivered on the date of personal delivery or on the date of delivery by email with a "read receipt" or other confirmation of delivery, or on the date of receipt if mailed by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been received on the date of personal delivery or on the date set forth on the return receipt, to the following addresses, or to such other address as a party may request. Notice made in accordance with this section shall be deemed delivered upon receipt.

=To Secured Party: Chaparral Broadcasting, Inc.  
Attn: Jerrold T. Lundquist  
Chaparral Broadcasting, Inc.  
14 Cockenoe Dr.  
Westport, CT 06880  
Email: [jerry\\_lundquist@mckinsey.com](mailto:jerry_lundquist@mckinsey.com)

9. Agreement Remains in Effect. The parties agree to each of the following:

(a) This Security Agreement shall remain in effect, without waiver or surrender of any of the parties' rights hereunder, notwithstanding any one or more of the following:

- (i) Extension of time of payment of the whole or any part of the Note;
- (ii) Any change in the terms and conditions of the Note;
- (iii) Substitution or assignment of the Note in whole or in part;
- (iv) Surrender, release, exchange or alteration of any Collateral or other security given, either in whole or in part;
- (v) The release, settlement, discharge, compromise, change or amendment, in whole or in part, of any claim of Secured Party against Debtor.

(b) Secured Party shall be under no duty to select any of the Collateral over any other property securing payment of the Note, but may select, sell and/or foreclose against such property as Secured Party in its sole discretion may determine; provided, however, that the Secured Party may not attempt to foreclose against the FCC licenses or other authorizations for the Station, except in connection with a foreclosure on substantially all of the tangible assets used in the operation of the Station conducted in compliance with the requirements of the Communications Act and the rules and regulations of the FCC.

(c) No delay or failure of Secured Party in the exercise of any power or right shall operate as a waiver or an acquiescence, nor shall any single or partial exercise of any power or right preclude any other future exercise of such power or right, and any rights and remedies of the Secured Party are cumulative.

10. Costs. In the event of a Default by Debtor hereunder, Debtor shall pay all reasonable costs, fees and expenses actually incurred by Secured Party for the enforcement of

(a) Secured Party shall give the Debtor reasonable notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if notice of the sale or other intended disposition is mailed, as provided in Paragraph 12, at least ten (10) days prior to the time of such sale or other intended disposition. Upon any sale of Collateral by the Secured Party hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process, or otherwise), the receipt of the Secured Party or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Secured Party or such officer, or be answerable in any way for the misapplication or nonapplication thereof.

(b) All notices of public or private sale shall specify that the assignment of the broadcast authorizations for the Station is subject to the prior approval of the FCC, and such notice shall be given to all persons attending a public sale. Debtor agrees that it will join and cooperate fully with Secured Party and with the successful bidder or bidders at any public or private sale in the filing of an application or applications with the FCC requesting the FCC's consent to the assignment of the FCC authorizations for the Station to Secured Party or the successful bidder or bidders, and Debtor will furnish any additional information that may be required in connection with such application(s). Debtor will diligently and in good faith take any further actions, or cause any further actions to be taken, that may be necessary or desirable to obtain such FCC consent, and will execute and deliver, or will cause the execution and delivery of, all applications, certificates, instruments and other documents that may be necessary or desirable in connection therewith. The parties agree that the Collateral and FCC authorizations shall not be sold and assigned to separate parties.

8. FCC Consent to the Exercise of Certain Remedies; FCC Application. Notwithstanding any provision herein to the contrary, Secured Party may not, in the event of a default or otherwise, exercise any control over the operation of the Station or take possession of or exercise any rights with respect to the Station's FCC licenses or other authorizations without first obtaining the prior written consent of the FCC as required by Section 310 of the Communications Act and the rules and regulations of the FCC.

(d) If the Collateral is levied upon by virtue of an execution issued upon any judgment or any other legal process, and Debtor is not in good faith diligently defending in proper proceedings against any such judgment, writ, or other proceeding seeking to seize the Collateral; or if Debtor becomes insolvent, if a petition or arrangement in bankruptcy is filed by or against Debtor, provided that it shall not be an event of default in the case of a petition filed against Debtor unless such petition is not dismissed within sixty (60) days of filing, or if a general assignment for the benefit of creditors be made by Debtor;

(f) If Debtor permits the Collateral to be subjected to any mortgage, lien, encumbrance or pledge which is superior to the lien created by this Security Agreement.

6. Remedies on Default. Upon the occurrence of a Default, Secured Party shall give Debtor notice of such Default. If such Default has not been cured, in the case of a monetary default, within five (5) business days after Debtor's receipt of such notice, or, in the case of a non monetary default, within ten (10) business days after Debtor's receipt of such notice, then Secured Party may exercise its rights of enforcement under the Uniform Commercial Code in force in the State of Montana. In conjunction with, addition to, or substitution for those rights, at Secured Party's discretion, it may:

(a) Enter upon the premises of the Station, or any other premises where any portion of the Collateral is located and take possession of, assemble and collect, the Collateral;

(b) Require Debtor to assemble the Collateral and to make it available to Secured Party, to allow Secured Party to take possession or dispose of the Collateral; or

(c) Waive any Default or remedy without waiving any other prior or subsequent Default or any other prior or subsequent exercise of such remedy.

Notwithstanding the foregoing, if a Default results from a default by Debtor under the Note which has not been cured within the cure period specified in the Note, the cure period provided for in this Section shall not be applicable and Secured Party may exercise its rights hereunder immediately upon the occurrence of such Default.

7. Sale of Collateral.

offices as Secured Party may reasonably deem necessary or appropriate and wherever required or permitted by law to perfect and preserve Secured Party's security interest in the Collateral. Debtor hereby authorizes Secured Party to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of Debtor where permitted by law, and agrees to do such further acts and things and to execute and deliver to Secured Party such additional conveyances, assignments, agreements and instruments as Secured Party may reasonably require or deem advisable to effectuate this Security Agreement.

(g) The Collateral will be used in the business of the Station and will remain in Debtor's possession or control at all times, provided that Debtor may sell, lease, transfer or otherwise dispose of portions of the Collateral in the ordinary course of business, provided, however, that if such Collateral is replaced, it will be replaced by assets of comparable value, which replacements shall be subject to this Security Agreement.

(h) Except as may be contested by Debtor in good faith, Debtor will pay all taxes on the Collateral promptly and when due, and should Debtor fail to do so and a tax lien attaches, Secured Party may pay such taxes and add the same to the Note, and such monies so expended will bear simple interest at the rate of ten percent (10%) per annum until repaid.

(i) Debtor will operate the Station in material compliance with the rules and regulations of the FCC and all federal, state and local laws applicable to the ownership and use of the Collateral and the operation of the business of the Station, including health, zoning and police regulations.

5. Events of Default. Any one or more of the following shall constitute a Default hereunder:

(a) If a Default shall occur under the Note and such Default is not cured within the applicable cure period;

(b) If Debtor fails to perform any material covenant, condition or provision of this Security Agreement;

(c) If Debtor shall fail to comply with a Final Order or Decree, no longer subject to administrative or judicial review, of any federal, state, municipal, or other governmental authority relating to the Collateral requiring compliance with any applicable statute, requirement, rule or regulation;

2. Purpose of Secured Interest. The security interest granted hereby is to secure the timely performance by Debtor and its successors and assigns of all obligations of Debtor to Secured Party under the Note, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due.

3. Possession and Use. Until Default (as hereinafter defined), Debtor may have possession of the Collateral and use same in any lawful manner not inconsistent with this Security Agreement or with any policy of insurance on any of the Collateral.

4. Representations and Warranties. Debtor hereby represents, warrants and covenants that:

(a) The Collateral will not be misused or abused, wasted, or allowed to deteriorate except for ordinary wear and tear occasioned by its intended primary use.

(b) The Collateral will be used by Debtor only for the purpose of conducting the operations of the Station.

(c) The Collateral will be insured until this Security Agreement is terminated against all standard risks to which it is exposed in such amounts (which need not exceed the aggregate outstanding balance under the Note from time to time), with such companies, under such policies, and in such form, all as shall be reasonably satisfactory to Secured Party, with benefits payable to Secured Party as its interests may appear. Duplicate policies or certificates thereof shall be deposited with Secured Party at Secured Party's request.

(d) Debtor will pay or cause to be paid when due all rents, royalties, or other amounts payable, and perform or cause to be performed each of its obligations when performable, under all agreements and other instruments affecting the Collateral or any part thereof, and will do all things necessary to keep unimpaired Debtor's rights thereunder.

(e) The Collateral may be inspected by Secured Party at any reasonable time during regular business hours upon reasonable advance notice to Debtor.

(f) Debtor will join Secured Party in executing and, filing and refiling under the Uniform Commercial Code such financing statements, continuation statements, and other documents in such



## SECURITY AGREEMENT

This Security Agreement, made this \_\_\_\_ day of \_\_\_\_\_, 2009, by and between CHAPARRAL BROADCASTING, INC. ("Secured Party") and RADIO WEST, LLC ("Debtor").

### WITNESSETH:

WHEREAS, simultaneously herewith Debtor is acquiring from Secured Party all of the assets, including FCC authorizations, used in the operation of radio Station KWYS, Facility ID 24434, West Yellowstone, Montana (the "Station"), pursuant to an Asset Purchase Agreement dated as of January \_\_, 2009, by and between Secured Party and Debtor (the "Purchase Agreement");

WHEREAS, Debtor has delivered to Secured Party Debtor's Purchase Money Note (the "Note") of even date herewith for the principal sum of One Hundred Fifty Thousand Dollars (\$150,000.00) as payment for the Station's assets.

WHEREAS, Debtor has agreed to execute and deliver this instrument to Secured Party as security for the faithful and timely performance of Debtor's obligations under the Note;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Grant of Security Interest. Debtor hereby grants to Secured Party an interest in all the tangible and intangible personal property of Debtor used or held for use in the operation of the Station, whether now owned or hereafter acquired, including, without limitation, Debtor's right to receive the proceeds from any sale, transfer, assignment or other disposition of any and all authorizations issued to Debtor by the FCC for the operation of the Station ("FCC Licenses"); all transmission and studio equipment, fixtures, physical assets and other equipment acquired by Debtor for use at the Station; all contracts, agreements, rights, privileges, nongovernmental licenses, permits and leases entered into by, or granted to, Debtor in connection with Debtor's ownership or operation of the Station; all slogans, jingles, trademarks, tradenames, service marks, logos, copyrights, and similar materials relating to the Station; and the goodwill and other intangible assets owned by Debtor, or hereafter created or acquired by Debtor, used in the operation of the Station (all of the foregoing hereinafter referred to as the "Collateral").