

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is made and given as of the \_\_\_\_\_ day of \_\_\_\_\_, 2014, by CENTRO FAMILIAR CRISTIANO, a Washington not-for-profit corporation ("Debtor"), in favor of SUNNYLANDS BROADCASTING L.L.C., a Washington limited liability company ("Secured Party"). The parties hereto shall be known individually as a "Party" and collectively as the "Parties".

### W I T N E S S E T H

A. Pursuant to the terms of that certain Asset Purchase Agreement by and between Debtor and Secured Party dated as of \_\_\_\_\_, 2013, (the "Purchase Agreement"), Debtor has purchased from Secured Party certain assets (the "Purchased Assets") as described therein, used and useable, tangible and intangible, in the operation of radio broadcast station KYXE (FM), licensed by the Federal Communications Commission (the "FCC") to Union Gap, Washington, Facility ID #183328 (the "Station"), including the Station's license and other authorizations from the FCC (the "FCC License").

B. Debtor has executed and delivered to Secured Party a Promissory Note (the "Note") in the total amount of Three Hundred Thousand Dollars (\$300,000.00).

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows.

#### 1. Creation of Security Interest.

Debtor hereby conveys, assigns, and grants to Secured Party a first priority security interest in and to the Purchased Assets and all other tangible and intangible property including without limitation, all furniture, furnishings, fixtures, accessions, receivables, inventory, and equipment now or hereafter owned by it, including all substitutions, additions, renewals, betterments, and modifications thereof and spare parts therefor, located in or on or pertaining to, or used or useful in the operation of, the Station (the "Collateral"). The security interest in the Collateral includes without limitation, those items described in Schedule 1, attached hereto and by this reference incorporated herein and all property of similar type or kind now owned or hereafter acquired by Debtor and includes to the maximum extent permitted by law all rights incident or appurtenant to the FCC License, including without limitation the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of the FCC License, provided, however, that the security interest in the FCC License (and all incident or appurtenant rights, including to receive sale proceeds) is granted to the extent, and only to the extent, that it is lawful to do so. This security interest is granted for the purpose of securing the following (the "Secured Obligations"):

(a) Payment by Debtor to Secured Party of the indebtedness evidenced by the Note executed by Debtor, and delivered to and payable to the order of Secured Party, and any and all modifications, extensions, and renewals thereof;

(b) Performance of all other obligations of Debtor contained in the Note; and

(c) The due and punctual performance of all terms and conditions contained in the Purchase Agreement and this Security Agreement.

2. Warranties, Representations, and Covenants of Debtor.

Debtor hereby warrants, represents, and covenants as follows:

(a) Debtor is, and as to Collateral to be acquired after the date hereof will be, the sole owner of the Collateral, free from any adverse lien, security interest, or adverse claim of any kind whatsoever, except mechanic's liens and liens of broadcast equipment manufacturers in connection with equipment leases incurred in good faith and in the ordinary course of business. Debtor will notify Secured Party of and will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(b) The Collateral shall not be used for personal, family, or household purposes, and shall be used only for the operation of the Station.

(c) Debtor authorizes Secured Party to prepare and file or record one or more financing statements or like documents, and any necessary extensions thereof, in form satisfactory to Secured Party, in all public offices wherever filing or recording is deemed by Secured Party to be necessary or appropriate to perfect and otherwise evidence its security interest hereunder and if needed and requested by Secured Party to execute any such statements or documents where required under applicable law. Debtor hereby agrees to do such further acts and things and to execute and deliver to Secured Party any additional conveyances, assignments, agreements, statements, and instruments or documents as Secured Party may reasonably deem necessary to effectuate this Security Agreement.

(d) Schedule 2(d) hereto sets forth with respect to Debtor, the principal places of business and locations of the Collateral. Debtor will not relocate the Collateral without notice to Secured Party in writing of any change in its place of business or the locations of the Collateral, or the adoption or change of any trade name or fictitious business name and will, upon request of Secured Party, execute any additional financing statements or other documents or instruments necessary to protect, perfect, or otherwise evidence the security interest granted hereby.

(e) Debtor shall not, without the prior written consent of Secured Party, sell, offer to sell, or otherwise transfer, exchange, or dispose of all or any part of the Collateral or any interest therein, except for the disposal of items which are obsolete or are consumed or worn out in ordinary usage (which Debtor shall promptly replace). If the Collateral or any part thereof is sold, transferred, exchanged, or otherwise disposed of (either with or without the written consent of Secured Party), the security interest of Secured Party shall extend to the proceeds of such sale, transfer, exchange, or other disposition. In addition, if such Collateral is replaced by assets of equal or greater value, the replacements shall be subject to this Security Agreement.

(f) Debtor shall cause the Collateral at all times to be kept insured, at no expense to Secured Party, to its full insurable value under one or more policies with such companies, for such periods and amount, against such risk and liabilities, with loss payable to Secured Party as its interests may appear.

(g) Debtor shall keep the Collateral free from any adverse lien, security interest or encumbrance and in good condition as repair, and will not misuse, abuse, allow to deteriorate, waste or destroy the Collateral or any part thereof, except for ordinary wear and tear of its normal and expected use. Debtor will not permit the aggregate value of the Collateral to become materially diminished or reduced (except for normal wear and tear and depreciation) and will keep the same up to its present standard quantity, quality, and value.

(h) Debtor will promptly pay, when due, all taxes, charges, rents, royalties, and assessments, including penalties and interest, which are or may become a lien on the Collateral or any part thereof, except to the extent that they may be contested in good faith and by appropriate proceedings.

3. Preservation of Collateral by Secured Party.

Should Debtor fail or refuse to make any payment, perform or observe any other covenant, condition, or obligation, or take any other action which Debtor is obligated hereunder to make, perform, observe, take or do at the time or in the manner herein provided, then Secured Party may, at Secured Party's sole discretion, without notice to or demand upon Debtor and without releasing Debtor from any obligations, covenant, or condition hereof, make, perform, or take any action Secured Party may deem necessary to protect the security interest in or the value of the Collateral. Debtor will reimburse Secured Party for any expenses reasonably incurred by Secured Party within fifteen (15) days after request from Secured Party..

4. Use of Collateral by Debtor.

So long as there is no Event of Default (as hereinafter defined) which has not been cured, Debtor may retain possession of the Collateral and use it in any lawful manner not inconsistent with this Security Agreement and any policy of insurance thereon.

5. Default.

The occurrence of any of the following events, following the giving of any required notice and/or the expiration of any applicable period of grace, shall constitute an event of default ("Event of Default") hereunder.

(a) Debtor shall breach or default in the performance of any of its obligations under this Security Agreement.

(b) The occurrence of a default or Event of Default under the Note.

(c) Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor in this Security Agreement or the Purchase Agreement shall prove to have been false in any material respect when made or furnished.

(d) Any material loss, theft, damage, or destruction of any of the Collateral without prompt replacement thereof by Debtor; provided, that if insurance proceeds covering such loss, theft, damage, or destruction are applied by Secured Party to the reduction of indebtedness secured hereby, then such failure to replace shall not constitute an Event of Default hereunder.

(e) Debtor shall fail to comply with a final order or decree, no longer subject to administrative or judicial review, or any federal, state, municipal, or other governmental authority relating to the Collateral requiring compliance with any applicable statute, requirement, rule, or regulation.

(f) The Collateral shall be 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 it 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 thirty (30) days of filing, or if a general assignment for the benefit of creditors be made by Debtor.

#### 6. Appointment of Attorney-in-Fact.

Upon a finding of an Event of Default by a Court of competent jurisdiction, Debtor 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 and pursuant to Sections 7 and 8 hereinbelow, to exercise the power 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 full and effectually as if Secured Party were the absolute owner thereof.

#### 76. Remedies Upon Default.

Upon the occurrence of an Event of Default hereunder, and after written notice and opportunity to cure, if required, as provided for the respective Secured Obligation, such notice for any arising solely under this Security Agreement being fifteen (15) calendar days, Secured Party may, at its option and subject to the provision of Section 8 hereof, do any one or more of the following:

(a) Declare all obligations secured hereby to be immediately due and payable, whereupon all unpaid principal of said indebtedness and other amounts declared due and payable shall be and become immediately due and payable.

(b) By means of a court-appointed Receiver, who shall thereafter take possession of all or any of the Collateral and exclude therefrom Debtor and all others claiming under Debtor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions, and improvements to and exercise all rights and powers of Debtor with respect to the Collateral or any part thereof to include without limitation the following:

(i) Without notice to or demand upon Debtor, make such payments and do such acts necessary to protect Debtor's security interest in the Collateral, including without limitation, paying, purchasing, contesting, or compromising any encumbrance, charge, or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

(ii) Foreclose this Security Agreement as herein provided or in any manner permitted by law, and exercise any and all of the rights and remedies conferred upon Secured Party by any document executed by Debtor in connection therewith, either simultaneously or in such order as Secured Party may determine; and sell or cause to be sold in such order as Secured Party may determine, as a whole or in such parcels as Secured Party may determine, the Collateral described in this Security Agreement, without affecting in any way the rights or remedies to which Secured Party may be entitled under any other instruments.

(iii) Sell, lease or otherwise dispose of the Collateral at public or private sale, without having the Collateral at the place of sale, and upon terms and in such manner as Secured Party may determine (and Secured Party may be a purchaser at any sale).

(iv) Exercise all the rights and remedies available under this Security Agreement or at law or in equity, including, but not limited to, all rights available under the Washington Uniform Commercial Code and as applicable, all rights and remedies under the Purchase Agreement, and including, but not limited to, a right to seek monetary damages, with or without exercising Secured Party's rights or remedies with respect to the Collateral. These rights and remedies shall be cumulative and may be exercised singly or concurrently with all other rights and remedies Secured Party may have..

(c) Debtor shall be given not less than ten (10) business days' prior written notice of the time and place of any public or private sale of the collateral or other intended disposition thereof to be made. Such notice may be mailed to Debtor at the address set forth in Section 9 hereof. Debtor specifically agrees that any public or private sale held in accordance with the terms of the Security Agreement shall, for all other purposes, be deemed to have been conducted in a commercially reasonable manner and in good faith, and the proceeds of any sale under subparagraph 6(f) herein shall be applied as follows:

(i) To the discharge of all assessments, encumbrances, charges or lien, if any, on the Collateral prior to the liens hereof (except any taxes, assessments, encumbrances, charges, or liens subject to which such sale shall have been made).

(ii) To the payment of the whole amount then due and unpaid of the indebtedness of Debtor to Secured Party (including principal and interest) referred to in Paragraph 1(a) above;

(iii) To the payment of other amounts (including principal) then secured hereby, and

(iv) The surplus, if any, shall be paid to Debtor or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

(d) Secured Party shall have the right to enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to stop or prevent Secured Party from pursuing any further remedy which it may have, and any repossession or retaking or sale of the Collateral, pursuant to the terms hereof, shall not operate to release Debtor until full payment of any deficiency has been made in cash.

7. FCC Approval.

Notwithstanding anything to the contrary contained herein, Secured Party or court-appointed Receiver shall not take any action pursuant to this Security Agreement which would constitute or result in any assignment of a license authorized by the FCC for the operation of the Station or any change of control of the licensee of the Station if such assignment of license or change of control would require under then existing law (including the written rules and regulations promulgated by the FCC), the prior approval of the FCC, without first obtaining such prior approval of the FCC. Debtor agrees to take or cause to be taken, by Debtor, any actions which Secured Party may lawfully request in order to obtain and enjoy the full rights and benefits granted to Secured Party by this Security Agreement and each other agreement, instrument, and document delivered to Secured Party in connection herewith, including specifically, at Debtor's own cost and expense, the use of Debtor's commercially reasonable efforts to assist in obtaining approval of the FCC for any action or transaction contemplated by this Security Agreement which is then required by law.

8. Inspection of Records.

Debtor shall, during normal business hours and upon reasonable advance notice, allow Secured Party, by or through any of its officers, agents, attorneys, or accountants, to examine, inspect, or make extracts from Debtor's books and records with respect to the Collateral and to arrange for verification or inspection of the Collateral. Debtor shall furnish to Secured Party, upon reasonable request, additional statements of any Collateral, together with all notes or other papers evidencing the same and any guaranty, securities, or other documents or information relating thereto.

9. Notices, Demands, and Requests.

All notices, demands, and communications required or permitted to be given under the provisions of this Security Agreement shall be in writing and shall be deemed duly given (i) when given if personally delivered, (ii) as shown on the receipt if mailed by registered or certified mail, return receipt requested, postage prepaid, (iii) on the date sent as shown by a machine-generated delivery confirmation, if sent by facsimile transmission on a regular business day in the State in which the addressee resides or, if not sent on a business day, then on the next business day after the date sent, or (iv) on the delivery date in the records of a nationally recognized courier guaranteeing delivery. The Parties may also communicate with each other informally by telephone or electronic transmission, but such method shall not be used for any notice that has legal significance or consequences. Notices to the Parties may be given as follows:

(a) If to Secured Party:

Mr. Greg Smith  
Sunnylands Broadcasting L.L.C.  
P.O. Box 53248  
Bellevue, WA 98015  
e-fax: 425.671.0888  
206.790.5405  
gsmith0605@msn.com

and to

SEL, Inc.  
1420 Fifth Ave, Suite 3000  
Seattle, WA 98101-2393  
fax 206-464-1496  
Phone 206-626-6000  
william.neal@stokeslaw.com

(b) If to Debtor:

Mr. Arturo Gonzales, President  
Centro Familiar Cristiano  
9834 17th Ave. SW  
Seattle WA, 98106  
(206) 658-3135  
cfcinseattlewa@gmail.com

or any such other address as each Party may from time to time designate for itself in writing.

10. No Waiver by Secured Party.

By exercising or failing to exercise any of its rights, options, or elections hereunder, Secured Party shall not be deemed to have waived any breach or Event of Default on the part of Debtor or to have released Debtor from any of the obligations secured hereby, unless such waiver or release is in writing and is signed by Secured Party.

11. Further Security Agreements.

From time to time, Debtor will execute such further instruments as Secured Party may reasonably require, in order to protect, preserve, and maintain the security interest granted hereby. Secured Party shall execute and deliver to Debtor, at Debtor's expense, termination statements at such time that all indebtedness and all obligations to Secured Party have been satisfied in full.

12. Attorneys' Fees.

All charges, expenses, and costs, including but not limited to reasonable attorneys' fees and appellate counsel fees, which may be reasonably incurred in the enforcement of this Security Agreement, shall be paid to the prevailing Party by the other Party hereto.

13. Assignment.

This Agreement may not be assigned or transferred by Debtor without the prior written consent of Secured Party. Secured Party shall have the unconditional right to assign or transfer this Agreement and shall notify Debtor of any such action in writing within thirty (30) days of such assignment or transfer. No such permitted assignment shall, however, release the assigning Party from any of its obligations under this Agreement or related documents, except with the express written consent of the other Party.

14. Binding upon Successors.

All agreements, covenants, conditions, and provisions of this Security Agreement shall inure to the benefit of Secured Party and its successors and assigns and shall apply to and bind the successors and permitted assigns of Debtor hereto, and also the successors in interest to Debtor in substantially all of the Collateral.

15. Captions.

The captions or headings at the beginning of each paragraph hereof are for the convenience of the Parties only and are not a part of this Security Agreement.

16. Governing Law; Jurisdiction, Venue.

This Security Agreement shall be governed by and construed in accordance with the laws of the State of Washington. Any action on this Security Agreement shall be brought in a court of



appropriate jurisdiction in King County, Washington. Each of the parties hereby consents to the personal jurisdiction of such court and stipulates that venue there shall be proper.

17. Counterparts.

This Security Agreement may be executed in multiple counterparts each of which shall be deemed an original and all of which taken together shall be but a single instrument.

18. Amendment.

This Security Agreement can be amended, modified, or rescinded only by a writing expressly referring to this Security Agreement, signed by all of the Parties hereto.

19. Invalidity of Provisions.

Every provision of this Security Agreement is intended to be severable. In the event that any term or provision hereof is declared by a court to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable, then to the extent possible all of the other provisions shall nonetheless remain in full force and effect.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

**IN WITNESS WHEREOF**, the Parties hereto have duly executed or caused this Security Agreement to be executed as of the day and year first above written by the duly authorized officers. This Security Agreement may be executed in counterparts.

DEBTOR  
CENTRO FAMILIAR CRISTIANO

BY: \_\_\_\_\_  
Arturo Gonzales, President

SECURED PARTY  
SUNNYLANDS BROADCASTING L.L.C.

BY: \_\_\_\_\_  
Gregory J. Smith, Manager

## **SCHEDULE 1**

Licenses, approvals, and other authorizations issued by Federal Communications Commission for KYYE-FM Union Gap, WA, Facility ID # 183328 (the "Station").

Communications Site Lease, dated as of October 1, 2013, with Butterfield Broadcasting Corporation as the landlord for space on tower and in building at 2170 Konnowac Pass Road, Moxee, WA 98936 (the "Tower Site").

Letter Agreement, dated September 20, 2013, with The Growing Christian Foundation re use of electrical service at the Tower Site.

The following tangible personal property:

- 1) ERI IC0002-3 High Band Circulator;
- 2) Shively interdigital bandpass filter #2604-3A;
- 3) Nicom NT 1000/LCD 1,000w transmitter SN: T1KJ0112;
- 4) Broadcast Tools WVRC-4 Remote Control;
- 5) EMR 2612- O/C 950mHz Receiver Splitter;
- 6) Shively 6812B-3D-SS-EF ½ SS Low Power Antenna;
- 7) Scala PR -950 microwave antenna;
- 8) Orban 8200 Audio Processor;
- 9) Bext 25w Exciter;
- 10) Nicom TSL 910/RSL 900 Composite Aural STL System;
- 11) Coax + connectors; and
- 12) Sage EAS equipment.

Call letters KYYE-FM and associated good will and going concern value of the Station.

In addition to all other tangible and intangible property including without limitation, all furniture, furnishings, fixtures, accessions, receivables, inventory, and equipment now or hereafter owned by it, including all substitutions, additions, renewals, betterments, and modifications thereof and spare parts therefor, located in or on or pertaining to, or used or useful in the operation of, the Station.

**SCHEDULE 2(d)**

**[to be inserted]**