

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is entered into as of _____, 2004, between **TRACK 1 MEDIA OF STERLING, LLC**, an Colorado limited liability company ("Debtor"), and **WILLIAM ARNOLD**, a resident of the State of Colorado ("Secured Party").

RECITALS

WHEREAS, Debtor and Secured Party entered into a Purchase and Sale Agreement dated as of February ___, 2004 (the "Purchase Agreement");

WHEREAS, pursuant to the Purchase Agreement, Debtor and Secured Party have entered in a Non-Competition, Non-Solicitation and Confidentiality Agreement of even date herewith (the "Non-Competition Agreement")

WHEREAS, in connection with the Purchase Agreement and the Non-Competition Agreement, Debtor has executed and delivered a Promissory Note of even date herewith in favor of Secured Party, evidencing Debtor's obligation to pay the principal sum of Eight Hundred Fifty Thousand Dollars (\$850,000.00) (the "Note");

WHEREAS, Debtor, has agreed to secure its timely payment and performance under the Note by conveying to Secured Party a security interest in the Assets (as defined in the Purchase Agreement) to the extent herein described.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, Debtor and Secured Party agree as follows:

1. **GRANT OF SECURITY INTEREST.** In order to secure the prompt payment and full and faithful performance of the liabilities evidenced by the Note, Debtor grants to Secured Party a security interest in the following assets:

(a) All personal property of Debtor used solely in connection with the operation of the Stations and located within 100 miles of the main studio of any of the Stations, whether now owned or hereafter acquired, including all present and future goods, inventory, equipment, merchandise, furniture, fixtures, office supplies, motor vehicles, machinery, amplifiers, transmitters, cables, antennae and towers (the "Goods"), provided that no security is granted in after-acquired personal property which is leased or purchased on an installment sale basis to the extent the grant of such security interest would violate the terms of the applicable equipment lease or installment sale agreement;

(b) All of Debtor's presently existing and hereafter acquired or arising general intangibles and other intangible personal property used in the operation of the Stations, including without limitation, copyrights, trademarks, trade names, choses in actions, proceeds, and all

rights under contracts, and in respect of all present and future authorizations, permits, licenses, franchises, government authorizations, including Debtor's rights (but only to the extent it currently is, or hereafter may become, lawful to grant such a security interest) under all present and future authorizations, permits and licenses issued or granted to Debtor by the Federal Communications Commission (each, an "FCC Authorization") for the ownership and operation of the Stations, and all rights incident or appurtenant to such authorizations, permits and licenses, together with the rights to receive all proceeds derived from or in connection with the sale, assignment or transfer of any FCC License (the "General Intangibles"); and

(c) All insurance policies held by the Debtor or naming the Debtor as loss payee (or naming Debtor as an additional insured as its interest may appear) relating to the operation of the Stations, including without limitation, casualty insurance and property insurance, and the proceeds thereof (the "Insurance").

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

Notwithstanding anything contained herein to the contrary, as used herein the term "Collateral" does not include (a) any personal property of Debtor which is not located within 100 miles of a main studio of any of the Stations, or (b) any intangible property of Debtor which is also used in connection with Debtor's ownership and operation of broadcast stations and facilities other than the Stations.

2. COVENANTS OF DEBTOR. Debtor hereby covenants that:

(a) Debtor will 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 will maintain the tangible property included within the Collateral in good operating condition and repair, ordinary wear and tear excepted, and use it only in connection with the operation of the Stations unless disposed of in the ordinary course of business and replaced with equipment of substantially equivalent or greater value. Debtor will not encumber, sell, transfer, assign, abandon or otherwise dispose of the Collateral except for: (i) sale or transfer of Inventory, and cancellation of Insurance (subject to Section 2(b) hereof) in the ordinary course of business, (ii) liens arising from taxes, 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, (iii) 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, (iv) liens created by this Security Agreement, (v) dispositions of items of Equipment no longer useful to Debtor in the ordinary course of business, (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, and (vii) liens granted to Arnold Broadcasting Co., Inc.

(b) Debtor will 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. Debtor will require its insurers to give Secured Party prompt notice of the termination or non-renewal of any such policy of insurance.

(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 will 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 Secured Party's option, but only after thirty days prior written notice to Debtor, 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 will from time to time upon demand furnish to Secured Party such further information and will execute and deliver to Secured Party such financing statements and assignments and other papers and will 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 Obligations, 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 Security Agreement with respect to the Collateral signed only by Secured Party.

3. WARRANTIES OF DEBTOR. Debtor hereby warrants and represents that:

(a) Debtor is duly organized, validly existing and in good standing under the laws of the State of Colorado, and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Debtor has rights in or the power to transfer the Collateral, and, with respect to the Collateral in which Debtor has rights, (i) except for the lien granted by the Debtor in favor of the Secured Party pursuant to this Security 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; and (ii) no financing statement covering the Collateral is on file in any public office, other than the financing statements filed pursuant to this Security Agreement.

4. EVENTS OF DEFAULT.

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

of Default under the Note; breach of any representation, warranty or covenant of Debtor contained in this Agreement and Debtor's failure to cure such breach within thirty days of receipt of notice thereof from Secured Party, provided that such thirty day period shall be extended if such breach is not reasonably capable of cure within such thirty day period; a sale of substantially all of the Assets, except with the prior written consent of Secured Party; or designation of any of the FCC Authorizations, as defined in the Purchase Agreement, for a license renewal hearing or initiation of any proceeding by the Federal Communications Commission looking toward license revocation of any FCC Authorization.

(b) Upon the occurrence of an Event of Default, Secured Party shall have all of the rights, powers and remedies set forth in the Note and this Agreement, together with the rights and remedies of a secured party under the UCC (as defined in Section 19 hereof), 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 that is reasonably convenient to both parties. 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 will 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 days before the time of the sale or disposition. 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, first, of any outstanding interest on Debtor's Obligations, and then to the payment of outstanding principal on Debtor's Obligations. Any excess shall be paid to Debtor. Debtor shall remain liable for any deficiency.

5. COLLECTION. Upon the occurrence of an Event of Default pursuant to Section 4(a) hereof, Secured Party shall have the following rights and powers in addition to those specified in Section 4 above:

(a) Secured Party shall have the right to notify the contract obligors obligated on any or all of Debtor's Insurance to make payment thereof directly to Secured Party, and Secured Party may take control of all proceeds of any of the Insurance or General Intangibles.

(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 after the occurrence of an Event of Default pursuant to Section 3(a) 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.

6. LIMITATIONS. With respect both to Obligations 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.

7. **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. The assignee or transferee of 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, or transferee were originally named as secured party herein.

8. **EXPENSES.** Debtor agrees that Debtor will pay to Secured Party upon demand the amount of any out-of-pocket expenses, including the reasonable fees and disbursements of counsel, that Secured Party may incur in connection with the enforcement of this Agreement, including expenses incurred to preserve the value of the security interest, the exercise by Secured Party of any of its rights, or any action to enforce its rights under this Agreement.

9. **RELEASE OF COLLATERAL.** The security interest granted to Secured Party hereunder shall not terminate, and Secured Party shall not be required to return the Collateral to Debtor or to terminate its security interest, unless and until the liabilities under the Note have been fully paid and performed. After termination of this security interest, within 5 days after Debtor's request, Secured Party shall terminate or send Debtor appropriate documentation to terminate any financing statements filed by Secured Party with respect to the Collateral.

10. **NOTICES.** All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing (which shall include notice by fax transmission) and shall be deemed to have been duly made and received when personally served, or when delivered by Federal Express or a similar overnight courier service, expenses prepaid, or, if sent by fax communications equipment, delivered by such equipment, addressed as set forth below:

If to Secured Party, then to:

William Arnold
14119 U.S. Highway 50
Lamar, CO 81052
(p) 719-336-9080

with a copy, which shall not constitute notice,
given in the manner prescribed above, to:

George McLachlan
3503 First Street South, P.O. Box 1298
Lamar, CO 81052
(p) 719-336-7772
(f) 719-336-7774

If to Debtor, then to:

Track 1 Media of Sterling, LLC
980 North Michigan Avenue
Suite 1880
Chicago, Illinois 60611
Attention: Larry Levy
(312) 204-9900
(312) 587-9466 (fax)

with a copy, which shall not constitute notice,
given in the manner prescribed above, to:

Michael W. Black, Esq.
Ungaretti & Harris
3500 First National Plaza
Chicago, Illinois 60602-4283
(312) 977-4463
(312) 977-4405 (fax)

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

11. **BEST OF KNOWLEDGE.** Any references in this Agreement to the knowledge of Secured Party or Debtor, or any phrase having similar or equivalent wording, shall mean the actual awareness of facts or other information of such party without implying any duty to make any particular investigation or inquiry.

12. **GOVERNING LAW; CONSTRUCTION.** This Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and

construed in accordance with the laws of the State of Colorado without giving effect to principles of conflicts of laws.

13. **INTERPRETATION.** Both parties have been represented by counsel in the preparation and negotiation of this Agreement. Accordingly, in the event that this Agreement requires interpretation or construction, this Agreement shall not be interpreted or construed more strictly against any one party by reason of any rule of interpretation or construction under which a document is to be construed more strictly against the drafting party.

14. **JURISDICTION AND VENUE.** The parties hereto irrevocably and unconditionally submit to the jurisdiction of Logan County, Colorado, for purposes of any suit, action or proceeding seeking to enforce any provision of this Agreement, or based on any right arising out of this Agreement. Each party hereto hereby agrees that service of any process, summons, notice or document by United States certified mail, addressed to Company in the case of Company, and to Debtor in the case of Debtor, shall be effective service of process for any such action, suit or proceeding. The parties hereto hereby irrevocably and unconditionally waive any objection to the laying of venue of any such suit, action or proceeding brought in any of the courts listed above and hereby further and irrevocably agree not to plead or claim in any such court that any such suit, action or proceeding has been brought in an inconvenient forum.

15. **TIME OF ESSENCE.** Whenever this Agreement shall set forth any time for the performance of an act, such time shall be deemed of the essence of this Agreement.

16. **ENTIRE AGREEMENT.** This Agreement, in conjunction with the Note, constitutes the full and entire understanding and agreement among the parties with regard to the subject matter hereof, and supersedes all prior agreements, understandings, inducements or conditions, express or implied, oral or written, relating to the subject matter hereof, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of trade inconsistent with any of the terms hereof.

17. **EXECUTION; COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. All Schedules attached hereto are a material part of this Agreement.

18. **NO THIRD PARTY BENEFICIARIES.** This Agreement is not intended to and shall not be construed to give any person or entity other than the parties signatory hereto any interest or rights (including any third party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby.

19. **UNIFORM COMMERCIAL CODE.** For purposes of this Agreement, "UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Colorado.

20. FCC APPROVAL. Notwithstanding anything to the contrary contained herein, any 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 as defined in the Purchase Agreement, 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 Federal Communications Commission, 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 will not take any action pursuant hereto that would constitute or result in any assignment or transfer of the FCC Authorizations if such action 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 (to the extent required to do so).

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date and year first above written.

TRACK 1 MEDIA OF STERLING, LLC

By: _____
Larry Levy, Manager

ARNOLD BROADCASTING CO., INC.

By: _____
William Arnold, President