

02-03-2000



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To the Honorable Commissioner of P

acted original documents or copy thereof

1. Name of conveying party(ies):

MBI International Corp.

- Individual(s)
- General Partnership
- Corporation-State
- Other
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: July 16, 1999

2. Name and address of receiving party(ies)

Name: LaSalle Bank National Association, as agent

Internal Address:

Street Address: 135 S. LaSalle

City: Chicago State: IL ZIP: 60603

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from assignment)

Additional name(s) & address(es) attached? Yes No

4. Application number(s) or patent number(s):

8-23-99

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Laura Konrath

Internal Address: Winston & Strawn

33rd Floor

Street Address: 35 West Wacker Drive

City: Chicago State: IL ZIP: 60601

6. Total number of applications and registrations involved: 21

7. Total fee (37 CFR 3.41).....\$ 540.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

N/A

(Attach duplicate copy of this page if paying by deposit account)

08/26/1999 MTHA11 00000171 75319575

DO NOT USE THIS SPACE

01 Ff:481 40.00 OR
02 Ff:482 500.00 OR

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Laura Konrath

[Handwritten Signature]

Signature

Date

Total number of pages including cover sheet, attachments, and document:

Mail documents to be recorded with required cover sheet information to: Commissioner of Patents & Trademarks, Box Assignments

Continuation Item 4

TRADEMARKS

TRADEMARK NAME	REGISTRATION/SERIAL NO.	COUNTRY	CO. NAME HELD IN	ISSUE DATE
"Ridgeville"	↳ 2,241,222/75-319, 575	United States	MBT International, Inc.	4/20/99
"Musicorp"	↳ 2,142,439/75-236, 957	United States	MBT International, Inc.	3/10/98
"MBT"	↳ 1,800,643/74-294, 451	United States	MBT International, Inc.	10/26/93
"Musicorp"	↳ 1,896,020/74-513, 052	United States	MBT International, Inc.	5/30/95
"JBP Artist"	↳ 1,935,490/74-604, 546	United States	MBT International, Inc.	11/14/95
"Musicair"	↳ 1,920,251/74-557, 522	United States	MBT International, Inc.	9/19/95
"Rockson"	↳ 1,999,112/74-602, 389	United States	MBT International, Inc.	9/1/96
"Sledgehammer"	↳ 1,935,489/74-604, 489	United States	MBT International, Inc.	11/14/95
"J.B. Player"	↳ 1,974,917/74-674, 750	United States	MBT International, Inc.	5/21/96
"All Star"	↳ 2,115,028/74-714, 668	United States	MBT International, Inc.	11/25/97
"Hondo"	↳ 995,847/72-462, 375	United States	MBT International, Inc.	10/25/74
* "J.B. Player"	↳ 1,513,522/73-541, 756	United States	MBT International, Inc.	11/22/88
- "Adam the Atomic Sound"	↳ 1,382,228/73-544, 720	United States	MBT International, Inc.	2/11/86
"Lauren"	↳ 1,504,813/73-714, 925	United States	MBT International, Inc.	9/20/88
"Rockson"	↳ 1,514,539/73-715, 254	United States	MBT International, Inc.	11/29/88
"LA"	↳ 1,505,797/73-715, 258	United States	MBT International, Inc.	11/27/88
"Professional Series"	↳ 1,512,621/73-717, 155	United States	MBT International, Inc.	11/15/88
"Mr Tambourine"	↳ 1,558,970/73-749, 524	United States	MBT International, Inc.	10/3/89
* "Venom"	↳ 1,544,281/73-762, 590	United States	MBT International, Inc.	6/20/89
"RMS"	↳ 1,697,398/74-092, 806	United States	MBT International, Inc.	6/30/92
"Helmut Gerhart"	↳ 2,154,685/75-200, 670	United States	MBT International, Inc.	5/5/98

COPYRIGHTS

NONE.

COPYRIGHT NAME

COUNTRY

CO. NAME HELD IN

ISSUE DATE

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") dated as of July 16, 1999, is among MBT INTERNATIONAL CORP. (TO BE RENAMED MBT INTERNATIONAL, INC.), a Delaware corporation (the "Company"); the other persons or entities which are listed on the signature pages hereof as debtors or which from time to time become parties hereto as debtors (collectively, including the Company, the "Debtors" and individually each a "Debtor") and LASALLE BANK NATIONAL ASSOCIATION in its capacity as agent for the Lender Parties referred to below (in such capacity, the "Agent").

WITNESSETH:

WHEREAS, the Company has entered into a Credit Agreement dated as of July 16, 1999 (as amended or otherwise modified from time to time, the "Credit Agreement") with the Agent, pursuant to which such financial institutions have agreed to make loans to, and issue or participate in letters of credit for the account of, the Company;

WHEREAS, the obligations of the Company under the Credit Agreement are to be secured pursuant to this Agreement;

NOW, THEREFORE, for and in consideration of any loan, advance or other financial accommodation heretofore or hereafter made to the Company under or in connection with the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. When used herein, (a) the terms Certificated Security, Chattel Paper, Deposit Account, Document, Equipment, Financial Asset, Fixture, Goods, Inventory, Instrument, Investment Property, Security, Security Entitlement and Uncertificated Security have the respective meanings assigned thereto in the UCC (as defined below); (b) capitalized terms which are not otherwise defined have the respective meanings assigned thereto in the Credit Agreement; and (c) the following terms have the following meanings (such definitions to be applicable to both the singular and plural forms of such terms):

Account Debtor means the party who is obligated on or under any Account Receivable, Contract Right or General Intangible.

Account Receivable means, with respect to any Debtor, any right of such Debtor to payment for goods sold or leased or for services rendered.

Assignee Deposit Account - see Section 4.

Collateral means, with respect to any Debtor, all property and rights of such Debtor in which a security interest is granted hereunder.

Computer Hardware and Software means, with respect to any Debtor, all of such Debtor's rights (including rights as licensee and lessee) with respect to (i) computer and other electronic data processing hardware, including all integrated computer systems, central processing units, memory units, display terminals, printers, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware; (ii) all software programs designed for use on the computers and electronic data processing hardware described in clause (i) above, including all operating system software, utilities and application programs in whatsoever form (source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever); (iii) any firmware associated with any of the foregoing; and (iv) any documentation for hardware, software and firmware described in clauses (i), (ii) and (iii) above, including flow charts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes.

Contract Right means, with respect to any Debtor, any right of such Debtor to payment under a contract for the sale or lease of goods or the rendering of services, which right is at the time not yet earned by performance.

Default means the occurrence of: (a) any Unmatured Event of Default under Section 12.1.1 or 12.1.4 of the Credit Agreement; or (b) any Event of Default.

General Intangibles means, with respect to any Debtor, all of such Debtor's "general intangibles" as defined in the UCC and, in any event, includes (without limitation) all of such Debtor's trademarks, trade names, patents, copyrights, trade secrets, customer lists, inventions, designs, software programs, mask works, goodwill, registrations, licenses, franchises, tax refund claims, guarantee claims, security interests and rights to indemnification.

Intellectual Property means all past, present and future: trade secrets and other proprietary information; trademarks, service marks, business names, designs, logos, indicia and other source and/or business identifiers, and the goodwill of the business relating thereto and all registrations or applications for registrations which have heretofore been or may hereafter be issued thereon throughout the world; copyrights (including copyrights for computer programs) and copyright registrations or applications for registrations which have heretofore been or may hereafter be issued throughout the world and all tangible property embodying the copyrights; unpatented inventions (whether or not patentable); patent applications and patents; industrial designs, industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing.

Lender Party means each Bank under and as defined in the Credit Agreement and any Affiliate of such a Bank which is a party to a Hedging Agreement with the Company.

Liabilities means, as to each Debtor, all obligations (monetary or otherwise) of such Debtor under the Credit Agreement, any Note, the Guaranty, any other Loan Document or any other document or instrument executed in connection therewith and, in the case of the Company, all Hedging Obligations owed to any Lender Party, in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

Non-Tangible Collateral means, with respect to any Debtor, collectively, such Debtor's Accounts Receivable, Contract Rights and General Intangibles.

UCC means the Uniform Commercial Code as in effect in the State of Illinois on the date of this Agreement; provided that, as used in Section 8 hereof, "UCC" shall mean the Uniform Commercial Code as in effect from time to time in any applicable jurisdiction.

2. Grant of Security Interest. As security for the payment of all Liabilities, each Debtor hereby assigns to the Agent for the benefit of the Lender Parties, and grants to the Agent for the benefit of the Lender Parties a continuing security interest in, the following, whether now or hereafter existing or acquired:

All of such Debtor's:

- (i) Accounts Receivable;
- (ii) Certificated Securities;
- (iii) Chattel Paper;
- (iv) Computer Hardware and Software and all rights with respect thereto, including, any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing;
- (v) Contract Rights;
- (vi) Deposit Accounts;
- (vii) Documents;
- (viii) Financial Assets;
- (ix) General Intangibles;

- (x) Goods (including all of its Equipment, Fixtures and Inventory), and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor;
- (xi) Instruments;
- (xii) Intellectual Property;
- (xiii) Investment Property;
- (xiv) money (of every jurisdiction whatsoever);
- (xv) Security Entitlements;
- (xvi) Uncertificated Securities; and
- (xvii) to the extent not included in the foregoing, other personal property of any kind or description;

together with all books, records, writings, data bases, information and other property relating to, used or useful in connection with, or evidencing, embodying, incorporating or referring to any of the foregoing, and all proceeds, products, offspring, rents, issues, profits and returns of and from any of the foregoing; provided that to the extent that the provisions of any lease or license of Computer Hardware and Software or Intellectual Property expressly prohibit (which prohibition is enforceable under applicable law) the assignment thereof, and the grant of a security interest therein, such Debtor's rights in such lease or license shall be excluded from the foregoing assignment and grant for so long as such prohibition continues, it being understood that upon request of the Agent, such Debtor will in good faith use reasonable efforts to obtain consent for the creation of a security interest in favor of the Agent in such Debtor's rights under such lease or license.

3. Warranties. Each Debtor warrants that: (i) no financing statement (other than any which may have been filed on behalf of the Agent or in connection with liens expressly permitted by the Credit Agreement ("Permitted Liens")) covering any of the Collateral is on file in any public office; (ii) such Debtor is and will be the lawful owner of all Collateral, free of all liens and claims whatsoever, other than the security interest hereunder and Permitted Liens, with full power and authority to execute this Agreement and perform such Debtor's obligations hereunder, and to subject the Collateral to the security interest hereunder; (iii) all information with respect to Collateral and Account Debtors set forth in any schedule, certificate or other writing at any time heretofore or hereafter furnished by such Debtor to the Agent or any Lender Party is and will be true and correct in all material respects as of the date furnished; (iv) such Debtor's chief executive office and principal place of business are as set forth on Schedule I hereto (and such Debtor has not maintained its chief executive office and principal place of business at any other location at any time after January 1, 1999); (v) each other location where such Debtor maintains a place of business is set forth

on Schedule II hereto; (vi) except as set forth on Schedule III hereto, such Debtor is not now known and during the five years preceding the date hereof has not previously been known by any trade name; (vii) except as set forth on Schedule III hereto, during the five years preceding the date hereof such Debtor has not been known by any legal name different from the one set forth on the signature pages of this Agreement nor has such Debtor been the subject of any merger or other corporate reorganization; (viii) Schedule IV hereto contains a complete listing of all of such Debtor's Intellectual Property which is subject to registration statutes; (ix) such Debtor is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation; (x) the execution and delivery of this Agreement and the performance by such Debtor of its obligations hereunder are within such Debtor's corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental approval (if any shall be required), and do not and will not contravene or conflict with any provision of law or of the charter or by-laws of such Debtor or of any material agreement, indenture, instrument or other document, or any material judgment, order or decree, which is binding upon such Debtor; (xi) this Agreement is a legal, valid and binding obligation of such Debtor, enforceable in accordance with its terms, except that the enforceability of this Agreement may be limited by bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and (xii) such Debtor is in compliance with the requirements of all applicable laws (including the provisions of the Fair Labor Standards Act), rules, regulations and orders of every governmental authority, the non-compliance with which would reasonably be expected to result in a Material Adverse Effect.

4. Collections, etc. Until such time during the existence of a Default as the Agent shall notify such Debtor of the revocation of such power and authority, each Debtor (a) may, in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the Inventory normally held by such Debtor for such purpose, use and consume, in the ordinary course of its business, any raw materials, work in process or materials normally held by such Debtor for such purpose, and use, in the ordinary course of its business (but subject to the terms of the Credit Agreement), the cash proceeds of Collateral and other money which constitutes Collateral, (b) will, at its own expense, endeavor to collect, as and when due, all amounts due under any of the Non-Tangible Collateral, including the taking of such action with respect to such collection as the Agent may reasonably request or, in the absence of such request, as such Debtor may deem advisable, and (c) may grant, in the ordinary course of business, to any party obligated on any of the Non-Tangible Collateral, any rebate, refund or allowance to which such party may be lawfully entitled, and may accept, in connection therewith, the return of Goods, the sale or lease of which shall have given rise to such Non-Tangible Collateral. The Agent, however, may, at any time that a Default exists, whether before or after any revocation of such power and authority or the maturity of any of the Liabilities, notify any parties obligated on any of the Non-Tangible Collateral to make payment to the Agent of any amounts due or to become due thereunder and enforce collection of any of the Non-Tangible Collateral by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon the request of the Agent during the existence of a Default, each Debtor will, at its own expense, notify any or

all parties obligated on any of the Non-Tangible Collateral to make payment to the Agent of any amounts due or to become due thereunder.

Upon request by the Agent during the existence of a Default, each Debtor will forthwith, upon receipt, transmit and deliver to the Agent, in the form received, all cash, checks, drafts and other instruments or writings for the payment of money (properly endorsed, where required, so that such items may be collected by the Agent) which may be received by such Debtor at any time in full or partial payment or otherwise as proceeds of any of the Collateral. Except as the Agent may otherwise consent in writing, any such items which may be so received by any Debtor will not be commingled with any other of its funds or property, but will be held separate and apart from its own funds or property and upon express trust for the Agent until delivery is made to the Agent. Each Debtor will comply with the terms and conditions of any consent given by the Agent pursuant to the foregoing sentence.

During the existence of a Default, all items or amounts which are delivered by any Debtor to the Agent on account of partial or full payment or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (each an "Assignee Deposit Account") of such Debtor with LaSalle (or another financial institution selected by the Agent) over which the Agent has sole dominion and control, as security for payment of the Liabilities. No Debtor shall have any right to withdraw any funds deposited in the applicable Assignee Deposit Account. The Agent may, from time to time, in its discretion, and shall upon request of the applicable Debtor made not more than once in any week, apply all or any of the then balance, representing collected funds, in the Assignee Deposit Account toward payment of the Liabilities, whether or not then due, in such order of application as the Agent may determine, and the Agent may, from time to time, in its discretion, release all or any of such balance to the applicable Debtor.

The Agent (or any designee of the Agent) is authorized to endorse, in the name of the applicable Debtor, any item, howsoever received by the Agent, representing any payment on or other proceeds of any of the Collateral.

5. Certificates, Schedules and Reports. Each Debtor will from time to time, as the Agent may request, deliver to the Agent such schedules, certificates and reports respecting all or any of the Collateral at the time subject to the security interest hereunder, and the items or amounts received by such Debtor in full or partial payment of any of the Collateral, as the Agent may reasonably request. Any such schedule, certificate or report shall be executed by a duly authorized officer of such Debtor and shall be in such form and detail as the Agent may specify. Each Debtor shall immediately notify the Agent of the occurrence of any event causing any loss or depreciation in the value of its Inventory or other Goods which is material to the Company and its Subsidiaries taken as a whole, and such notice shall specify the amount of such loss or depreciation.

6. Agreements of the Debtors. Each Debtor (a) will, upon request of the Agent, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices reasonably deemed appropriate by the Agent) and do such other acts and things (including, delivery to the Agent of any Instruments or Certificated Securities which constitute Collateral), all as the Agent may from time to time reasonably request, to establish and maintain a

valid security interest in the Collateral (free of all other liens, claims and rights of third parties whatsoever, other than Permitted Liens) to secure the payment of the Liabilities; (b) will keep all its Inventory at, and will not maintain any place of business at any location other than, its address(es) shown on Schedules I and II hereto or at such other addresses of which such Debtor shall have given the Agent not less than 10 days' prior written notice, (c) will keep its records concerning the Non-Tangible Collateral in such a manner as will enable the Agent or its designees to determine at any time the status of the Non-Tangible Collateral; (d) will furnish the Agent such information concerning such Debtor, the Collateral and the Account Debtors as the Agent may from time to time reasonably request; (e) will permit the Agent and its designees, from time to time, on reasonable notice and at reasonable times and intervals during normal business hours (or at any time without notice during the existence of a Default) to inspect such Debtor's Inventory and other Goods, and to inspect, audit and make copies of and extracts from all records and other papers in the possession of such Debtor pertaining to the Collateral and the Account Debtors, and will, upon request of the Agent during the existence of a Default, deliver to the Agent all of such records and papers; (f) will, upon request of the Agent, stamp on its records concerning the Collateral, and add on all Chattel Paper constituting a portion of the Collateral, a notation, in form satisfactory to the Agent, of the security interest of the Agent hereunder; (g) except for the sale or lease of Inventory in the ordinary course of its business and sales of Equipment which is no longer useful in its business or which is being replaced by similar Equipment, will not sell, lease, assign or create or permit to exist any Lien on any Collateral other than Permitted Liens; (h) without limiting the provisions of Section 10.3(b) of the Credit Agreement, will at all times keep all of its Inventory and other Goods insured under policies maintained with reputable, financially sound insurance companies against loss, damage, theft and other risks to such extent as is customarily maintained by companies similarly situated, and cause all such policies to provide that loss thereunder shall be payable to the Agent as its interest may appear (it being understood that (A) so long as no Default shall be existing, the Agent shall deliver any proceeds of such insurance which may be received by it to such Debtor and (B) whenever a Default shall be existing, the Agent may apply any proceeds of such insurance which may be received by it toward payment of the Liabilities, whether or not due, in such order of application as the Agent may determine), and such policies or certificates thereof shall, if the Agent so requests, be deposited with or furnished to the Agent; (i) will take such actions as are reasonably necessary to keep its Inventory in good repair and condition; (j) will take such actions as are reasonably necessary to keep its Equipment in good repair and condition and in good working order, ordinary wear and tear excepted; (k) will promptly pay when due all license fees, registration fees, taxes, assessments and other charges which may be levied upon or assessed against the ownership, operation, possession, maintenance or use of its Equipment and other Goods; (l) will, upon request of the Agent, (i) cause to be noted on the applicable certificate, in the event any of its Equipment is covered by a certificate of title, the security interest of the Agent in the Equipment covered thereby, and (ii) deliver all such certificates to the Agent or its designees; (m) will take all steps reasonably necessary to protect, preserve and maintain all of its rights in the Collateral; (n) except as listed on Schedule V, will keep all of the tangible Collateral in the United States; and (o) will reimburse the Agent for all expenses, including reasonable attorney's fees and charges (including time charges of attorneys who are employees of the Agent), incurred by the Agent in seeking to collect or enforce any rights in respect of such Debtor's Collateral.

Any expenses incurred in protecting, preserving or maintaining any Collateral shall be borne by the applicable Debtor. Whenever a Default shall be existing, the Agent shall have the right to bring suit to enforce any or all of the Intellectual Property or licenses thereunder, in which event the applicable Debtor shall at the request of the Agent do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement and such Debtor shall promptly, upon demand, reimburse and indemnify the Agent for all costs and expenses incurred by the Agent in the exercise of its rights under this Section 6. Notwithstanding the foregoing, the Agent shall have no obligation or liability regarding the Collateral or any thereof by reason of, or arising out of, this Agreement.

7. Default. Whenever a Default shall be existing, the Agent may exercise from time to time any right or remedy available to it under applicable law. Each Debtor agrees, in case of Default, (i) to assemble, at its expense, all its Inventory and other Goods (other than Fixtures) at a convenient place or places acceptable to the Agent, and (ii) at the Agent's request, to execute all such documents and do all such other things which may be necessary or desirable in order to enable the Agent or its nominee to be registered as owner of the Intellectual Property with any competent registration authority. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if given at least ten days before such disposition. Any proceeds of any disposition by the Agent of any of the Collateral may be applied by the Agent to payment of expenses in connection with the Collateral, including reasonable attorney's fees and charges (including time charges of attorneys who are employees of the Agent), and any balance of such proceeds may be applied by the Agent toward the payment of such of the Liabilities, and in such order of application, as the Agent may from time to time elect.

8. General. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as any applicable Debtor requests in writing, but failure of the Agent to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Agent to preserve or protect any right with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by any Debtor, shall be deemed of itself a failure to exercise reasonable care in the custody or preservation of such Collateral.

Any notice from the Agent to any Debtor, if mailed, shall be deemed given five days after the date mailed, postage prepaid, addressed to such Debtor either at such Debtor's address shown on Schedule J hereto or at such other address as such Debtor shall have specified in writing to the Agent as its address for notices hereunder.

Each of the Debtors agrees to pay all expenses, including reasonable attorney's fees and charges (including time charges of attorneys who are employees of the Agent or any Lender Party) paid or incurred by the Agent or any Lender Party in endeavoring to collect the Liabilities of such Debtor, or any part thereof, and in enforcing this Agreement against such Debtor, and such obligations will themselves be Liabilities.

No delay on the part of the Agent in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Agent of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

This Security Agreement shall remain in full force and effect until all Liabilities have been paid in full and all Commitments have terminated. If at any time all or any part of any payment theretofore applied by the Agent or any Lender Party to any of the Liabilities is or must be rescinded or returned by the Agent or such Lender Party for any reason whatsoever (including the insolvency, bankruptcy or reorganization of any Debtor), such Liabilities shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Agent or such Lender Party, and this Agreement shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by the Agent or such Lender Party had not been made.

This Agreement shall be construed in accordance with and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State, subject, however, to the applicability of the UCC of any jurisdiction in which any Goods of any Debtor may be located at any given time. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

The rights and privileges of the Agent hereunder shall inure to the benefit of its successors and assigns.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement. At any time after the date of this Agreement, one or more additional Persons may become parties hereto by executing and delivering to the Agent a counterpart of this Agreement together with supplements to the Schedules hereto setting forth all relevant information with respect to such party as of the date of such delivery. Immediately upon such execution and delivery (and without any further action), each such additional Person will become a party to, and will be bound by all the terms of, this Agreement.

ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH DEBTOR HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED

STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. EACH DEBTOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, TO THE ADDRESS SET FORTH ON SCHEDULE I HERETO (OR SUCH OTHER ADDRESS AS IT SHALL HAVE SPECIFIED IN WRITING TO THE AGENT AS ITS ADDRESS FOR NOTICES HEREUNDER) OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. EACH DEBTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

EACH OF EACH DEBTOR, THE AGENT AND (BY ACCEPTING THE BENEFITS HEREOF) EACH LENDER PARTY HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY FINANCING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

MBT INTERNATIONAL CORP. (TO BE
RENAMED MBT INTERNATIONAL, INC.),
as Debtor

By: *Eri Aho*
Title: *president*

LASALLE BANK NATIONAL
ASSOCIATION, as Agent

By: _____
Title: _____

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

MBT INTERNATIONAL CORP. (TO BE
RENAMED MBT INTERNATIONAL, INC.),
as Debtor

By: _____
Title: _____

LASALLE BANK NATIONAL
ASSOCIATION, as Agent

By: Ad Y
Title: Officer

M. B. T DISTRIBUTORS INC., TAIWAN BRANCH
BALANCE SHEET (Unaudited)
APR. 30, 1999.
(Expressed in New Taiwan Dollars)

ASSETS	
CURRENT ASSETS	
Taiwan-cash on hand	\$ 250,122.00
Shanghai Co. & SA. Bank	14,091,025.00
Funds-Farmers Bank of China	805.00
Bank of Taiwan	310,087.00
Funds-Chang Hwa Commercial Bank	<u>43,163.00</u>
Total Cash	\$ 14,695,202.00
Accounts receivable	22,581,604.00
Other receivable	-
Notes Receivables	-
Inventories	1,930,319.70
Inventory of supply	-
Prepaid income tax	-
Taiwan-VAT refundable	678,832.00
Prepaid merchandisc	1,145,417.00
Prepaid expenses	2,434.00
VAT on purchases	942,891.00
Temporary payments	<u>6,530,339.00</u>
TOTAL CURRENT ASSETS	<u>\$ 48,507,038.70</u>
PROPERTY AND EQUIPMENT	
Taiwan-F & F & Office equipments	\$ 654,064.00
Transportation equipments	40,057.00
Taiwan-miscellaneous equipments	<u>768,953.00</u>
Total cost	\$ 1,463,074.00
Less accumulated depreciation	<u>960,379.00</u>
Property and Equipment-Net	<u>\$ 502,695.00</u>
OTHER ASSETS	
Refundable deposits-Taiwan	\$ 37,800.00
Telephone installation charges-Taiwan	-
Leasehold improvements	<u>41,983.00</u>
TOTAL OTHER ASSETS	<u>\$ 79,783.00</u>
TOTAL ASSETS	<u>\$ 49,089,516.70</u>
LIABILITIES AND HEAD OFFICE ACCOUNTS	
CURRENT LIABILITIES	
Notes payable	-
Accounts payable	17,360,450.00
Accrued income tax	-
Accrued expenses-Taiwan	787,722.00
Temporary collections	49,040.00
W/H Tax payable	-
Vat on sales	1,137.00
Order pre-payment	702,684.00
Income Received in advance	-
A/P-TWN TO HOME OFFICE	-
Total Current Liabilities	<u>\$ 18,901,033.00</u>
HEAD OFFICE ACCOUNTS	
Registered operating capital	\$ 5,000,000.00
Accumulated Income-beginning balance	24,592,528.70
Net GAIN for FOUR MONTH ended APR. 30, 1999.	<u>595,955.00</u>
Net Head Office Accounts	<u>\$ 30,188,483.70</u>
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNTS	<u>\$ 49,089,516.70</u>

(Together with GEORGE-CHEN & ASSOCIATES, CPAS.)

M. B. T DISTRIBUTORS INC., TAIWAN BRANCH

STATEMENT OF INCOME (Unaudited)

For APRIL 1999 and the FOUR MONTH Ended APRIL 30, 1999.

(Expressed in New Taiwan Dollars)

	Current Month	Year to Date
REVENUE		
Domestic Sale	\$ 22,740.00	\$ 55,760.00
Taiwan Inter-Company Sales	17,784,290.00	29,027,416.00
Other Export/International Sales	2,377,980.00	9,605,869.00
TOTAL TAIWAN SALES:	20,185,010.00	38,689,045.00
China Inter-Company Sales	3,700,770.00	8,842,904.00
China Export/International Sales	3,032,590.00	5,494,141.00
TOTAL CHINA SALES:	6,733,360.00	14,337,045.00
TOTAL ALL SALES (TAIWAN & CHINA)	\$ 26,918,370.00	\$ 53,026,090.00
Commission income	137,070.00	270,190.00
Exchange gain	88,750.00	292,786.00
Interest revenue	0.00	0.00
Other income	8,680.00	52,135.00
Net revenue	\$ 27,152,890.00	\$ 53,641,201.00
COST AND EXPENSES		
Cost of sales	24,608,860.00	48,156,128.00
Bank charges	25,690.00	60,497.00
Depreciation	14,840.00	59,388.00
Amortization	5,240.00	20,992.00
Entertainment-Taiwan	3,560.00	51,096.00
Exchange loss	114,950.00	390,673.00
Export expenses	174,770.00	418,595.00
Management fee-building	3,180.00	12,740.00
Sundry purchases	0.00	2,790.00
Packaging expenses	3,000.00	103,638.00
Professional fees	12,000.00	128,000.00
Rent	80,000.00	320,000.00
Repairs and maintenance	1,890.00	14,382.00
Sample expenses	19,860.00	70,380.00
Other expense	20.00	22.00
Subscription	750.00	7,540.00
Taiwan-freight out	43,670.00	320,871.00
Taiwan-misc. expenses	9,310.00	39,878.00
Taiwan-salaries and allowance	443,520.00	1,714,813.00
Taiwan-stationery & forms	10,570.00	35,950.00
Taiwan-telephone/telex/postage	86,360.00	481,396.00
Taiwan-utilities	2,870.00	8,907.00
Taiwan-travel	97,070.00	566,779.00
Employee welfare	550.00	1,633.00
Insurance	19,380.00	58,158.00
Total cost and expenses	\$ 25,782,000.00	\$ 53,045,246.00
NET Income (Loss)	\$1,370,887.00	\$595,955.00

(Together with GEORGE-CHEN & ASSOCIATE CPAS.
compilation report dated JUN. 8, 1999)

TRADEMARK
REEL: 002015 FRAME: 0806

M. B. T DISTRIBUTORS INC., TAIWAN BRANCH
TRIAL BALANCE
APR. 30, 1999.
(Expressed in New Taiwan Dollars)

Name OF Account	Debit	Credit
Taiwan-cash on hand	\$ 250,172.00	
Shanghai Co. & SA. Bank	14,091,025.00	
Funds-Farmers Bank of China	865.00	
Funds-Chang Hwa Commercial Bank	43,163.00	
Bank of Taiwan	310,017.00	
Accounts receivable	22,581,604.00	
Notes receivables	-	
Other receivable	0.00	
Inventories	1,930,319.70	
Inventory of supply	-	
Prepaid income tax	-	
Taiwan-VAT refundable	678,822.00	
Temporary payments	6,530,319.00	
Prepaid merchandise	1,145,470.00	
Prepaid expenses	2,414.00	
VAT on purchases	942,811.00	
Receivable from Head Office	-	
Taiwan-F & F & office equipments	654,014.00	
Accum. dep.-F & F & Office equip.		\$ 487,710.00
Transportation equipments	40,017.00	
Accum. dep.-transportation equip.		36,719.00
Taiwan-miscellaneous equipments	768,913.00	
Accum. dep.-Taiwan miscellaneous equip.		435,950.00
Leasehold improvements	41,913.00	
Refundable deposits-Taiwan	37,810.00	
Telephone installation charges-Taiwan	-	
Notes payable		-
Accounts payable		17,360,450.00
Accrued income tax		-
Accrued expenses-Taiwan		787,722.00
W/H Tax payable		-
Temporary collections		49,040.00
VAT on sales		1,137.00
Order pre-payments		702,684.00
Income Received in advance		-
A/P-TWN TO HOME OFFICE		-
Registered operating capital		5,000,000.00
Accumulated income-beginning balance		24,592,528.70
Sales		54,654,704.00
Sales returns & Discount	1,628,614.00	
Exchange gain		292,786.00
Interest revenue		-
Other Income		52,135.00
Commission Income		270,190.00
Cost of sales	48,156,118.00	
Purchases Returns		-
Purchases discount		-

(forward)

Bank charges	60,457.00	
Management fee-building	12,740.00	
Depreciation	59,318.00	
Amortization	20,992.00	
Entertainment-Taiwan	51,016.00	
Training & education	—	
Taxes & licenses	—	
Exchange loss	390,613.00	
Export expenses	418,515.00	
Insurance	58,118.00	
Interest expenses	—	
Sundry purchases	2,710.00	
Donations	—	
Packaging expenses	103,618.00	
Professional fees	128,010.00	
Rent	320,010.00	
Repairs and maintenance	14,312.00	
Sample expenses	70,310.00	
Subscription expense	7,510.00	
Taiwan-freight out	320,811.00	
Taiwan-misc. expenses	39,878.00	
Taiwan-salaries and allowance	1,714,813.00	
Taiwan-stationery & forms	35,950.00	
Taiwan-telephone/telex/postage	481,396.00	
Taiwan-utilities	8,517.00	
Taiwan-travel	566,779.00	
Employee welfare	1,633.00	
Other expense	22.00	
Advertising	—	
Commissions paid	—	
Loss of assets sale	—	
Income tax	—	
TOTAL	<u>\$ 104,723,155.70</u>	<u>\$ 104,723,755.70</u>

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M. B. T DISTRIBUTORS INC., TAIWAN BRANCH
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND CASH BALANCES
 (Unaudited)
 For APR. 30, 1999.
 (Expressed in New Taiwan Dollars)

CASH RECEIPTS		
Sales from MUSICORP		\$ 3,700,775.00
Sales from customers	14,416,332.00	
Other receivable	472,263.00	
Notes receivable	—	
Rent income	—	
Commission income from MUSICORP	137,072.00	
Commission income from customers	—	
Taiwan-VAT refundable	—	
VAT on sales	—	
Interest income	—	
Exchange gain	88,747.00	
Other income	—	
Order pre-payment	201,520.00	
Prepaid merchandise	—	
Temp. collections	22,140.00	
Temporary payments	38,700.00	
Prepaid expenses	—	
Refundable deposits	—	
VAT REFUNDABLE	—	
Total Cash receipts		<u>\$ 19,097,517.00</u>
CASH DISBURSEMENTS		
Expenses	122,784.00	
Taiwan-salaries and allowance	15,820.00	
Taiwan-stationery & forms	18,377.00	
Taiwan-travel	263,828.00	
Taiwan-freight out	36,428.00	
Taiwan-telephones/telex/postage	86,361.00	
Rent	80,000.00	
Sample expenses	27,691.00	
Insurance	19,386.00	
Professional fees	—	
Export expenses	—	
Entertainment	1,916.00	
Subscription	730.00	
Management fee-building	3,185.00	
Bank charges	26,858.00	
Taiwan-misc. expenses	183,318.00	
Advertising	—	
Exchange loss	114,931.00	
Repair/maintenance	—	
Utilities	2,873.00	
Commission Paid	—	
Training & education	—	
Employee welfare	530.00	
Taxes & Licenses	—	
Other expense	22.00	
Packaging expenses	36,060.00	
Sundry Purchases	—	
		<u>1,041,118.00</u>
Capital expenditures, advances, and others	—	
Temporary payment	—	
ORDER PRE-PAYMENT	—	
Accounts payable	13,196,066.00	
Accrued expenses	369,080.00	
Notes payable	—	
Prepaid expenses	534.00	
Prepaid merchandise	1,145,417.00	
Prepaid Income Tax	—	
Payment received in advance	—	
Temp. collections	—	
VAT on purchases	11,344.00	
Inventory	—	
ACCRUED INCOME TAX	—	
Office equipments	—	
Refundable deposits	—	
Sales discounts	—	
ACCUM. DEPR	<u>2,260,964.00</u>	<u>16,983,215.00</u>
Total Cash disbursements		\$ 18,024,113.00
DISBURSMENTS OF CASH EXCESS OVER RECEIPTS		<u>1,073,116.00</u>
CASH BALANCE-MAR. 31, 1999		13,622,116.00
CASH BALANCE-APR. 30, 1999		<u>\$ 14,695,212.00</u>

Schedule I

The chief executive office of the Company is located at:

620 Dobbin Road
Charleston, SC 29414

Schedule II

1. 9910 North by Northeast Blvd.
Fishers, Indiana 46038
2. Golden Valley Industrial Park
Building 5, Suite 504
Reno, Nevada
3. 3102 Adams Street
Santa Ana, California
4. Suite 4, 3rd Floor NR 163 SEC 5
Nanking E. Rd. Taipei, Taiwan, R.O.C.

Schedule III

MBT International
MBT Distributors
Musicorp
MBT
Adam International
Adam Import Company
J.B. Player
The Hondo Guitar Company
The Barcus Berry Company
Stage Gear
Hardcase
BBE Sound, Inc.
Music Centre
MBT Lighting & Sound

Note: Each name has also been used with "East", "West",
or "Mid-West" as the last word thereof.

Schedule IV

See attached

TRADEMARKS

TRADEMARK NAME	REGISTRATION/SERIAL NO.	COUNTRY	CO. NAME HELD IN	ISSUE DATE
"Ridgeville"	2,241,222/75-319, 575	United States	MBT International, Inc.	4/20/99
"Musicorp"	2,142,439/75-236, 957	United States	MBT International, Inc.	3/10/98
"MBT"	1,800,643/74-294, 451	United States	MBT International, Inc.	10/26/93
"Musicorp"	1,896,020/74-513, 052	United States	MBT International, Inc.	5/30/95
"JBP Artist"	1,935,490/74-604, 546	United States	MBT International, Inc.	11/14/95
"Musicair"	1,920,251/74-557, 522	United States	MBT International, Inc.	9/19/95
"Rockson"	1,999,112/74-602, 389	United States	MBT International, Inc.	9/1/96
"Sledgehammer"	1,935,489/74-604, 489	United States	MBT International, Inc.	11/14/95
"J.B. Player"	1,974,917/74-674, 750	United States	MBT International, Inc.	5/21/96
"All Star"	2,115,028/74-714, 668	United States	MBT International, Inc.	11/25/97
"Hondo"	995,847/72-462, 375	United States	MBT International, Inc.	10/25/74
"J.B. Player"	1,513,522/73-541, 756	United States	MBT International, Inc.	11/22/88
"Adam the Atomic Sound"	1,382,225/73-544, 720	United States	MBT International, Inc.	2/11/86
"Lauren"	1,504,813/73-714, 925	United States	MBT International, Inc.	9/20/88
"Rockson"	1,514,539/73-715, 254	United States	MBT International, Inc.	11/29/88
"LA"	1,505,797/73-715, 258	United States	MBT International, Inc.	11/27/88
"Professional Series"	1,512,621/73-717, 155	United States	MBT International, Inc.	11/15/88
"Mr Tambourine"	1,558,970/73-749, 524	United States	MBT International, Inc.	10/3/89
"Venom"	1,544,281/73-762, 590	United States	MBT International, Inc.	6/20/89
"RMS"	1,697,398/74-092, 806	United States	MBT International, Inc.	6/30/92
"Helmuth Gerhart"	2,154,685/75-200, 670	United States	MBT International, Inc.	5/5/98

COPYRIGHTS

NONE.

COPYRIGHT NAME

COUNTRY

CO. NAME HELD IN

ISSUE DATE

Attachment 1 to Schedule IV to Security Agreement

PATENTS

PATENT

Guitar Amplifier

PATENT/SERIAL NO.

DES. 400,533

COUNTRY

United States

CO. NAME HELD IN

MBT International, Inc.

**ISSUE
DATE
11/3/98**

535077.4

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Schedule V

Tangible Collateral not in the United States:

**Not available beyond MBT Distributors, Inc., Taiwan Branch
April 30, 1999 financial statements (attached) and inventory in transit valued at
\$712,480.59 USD as of July 15, 1999**