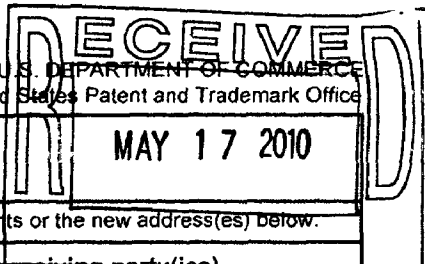


06-09-2010



103599139

U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office



SHEET
-Y
MAY 17 2010

To the Director of the U. S. Patent and Trademark Office, attached documents or the new address(es) below.

6-8-10

1. Name of conveying party(ies):

BBE Sound, Inc.
5381 Production Dr
Huntington Beach, CA 92649

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

Citizenship (see guidelines) _____

Additional names of conveying parties attached? Yes No

3. Nature of conveyance / Execution Date(s) :

Execution Date(s) May 6, 2010

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

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: Austin Financial Services, Inc.

Internal

Address: NA

Street Address: 11111 Santa Monica Blvd. #900

City: Los Angeles

State: California

Country: USA

Zip: 91326

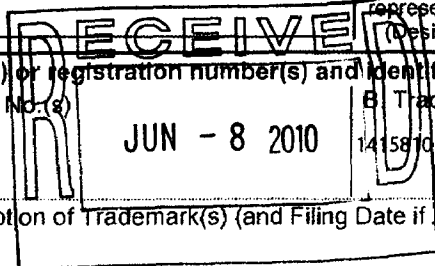
- Association
- General Partnership
- Limited Partnership
- Corporation
- Other _____

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)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No. (s)
78/929181
73/592551

B. Trademark Registration No. (s)
1415810



Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

A.D.D.
ASAT

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

Name: Austin Financial Services, Inc.

Internal Address: NA

Street Address: 11111 Santa Monica Blvd. #900

City: Los Angeles

State: California Zip: 90025

Phone Number: 310-444-7939 x 231

Fax Number: 310-444-7959

Email Address: fred@austinfincial.com

6. Total number of applications and registrations involved:

26

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$665.00

- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

Deposit Account Number _____

Authorized User Name _____

9. Signature:

[Signature]
Signature

5/6/10
Date

FRED DOUGHERTY -SVP
Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 33

Documents to be recorded (including cover sheet) should be faxed to (571) 270-0140, or mailed to: Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

40.00 DP
625.00 GP

ITEM 4

(CONTINUED)

A. Trademark Application #s	B. Trademark/Reg #s	C. Identification/Description
74/511655	1913090	BARCUS-BERRY
75/050173	2035294	BBE
75/050174	2036959	BBE (STYLIZED)
77/138329		BBE DSR
78/918287		BOOSTA GRANDE
73/592552	1414166	COMANCHE
78/918290	3227946	CRUSHER
75/150891	2125129	DISQ
78/918276		FREE FUZZ
73/257672	1190632	G & L DESIGN
78/918282		GREEN SCREAMER
76/373892	2741204	HEADSTOCK DESIGN
75/070035	2081021	HOT DOT
73/437140	1284233	INVADER
76/036638	2840576	MACH3BASS
75/134123	2145379	MATCHMAKER
78/918296		MIND BENDER
78/198682		OPTIMA
78/808164		RAMPAGE
75/318070	2566367	SONIC MAXIMIZER
78/918298		SOUL-VIBE
78/918300		SUPA CHARGER
74/660474	2619187	TRIBUTE
76/333045	2840885	VIVA

TRADEMARK

REEL: 004221 FRAME: 0888

AGREEMENT, made and executed as of this 6th day of May 2010, between **Austin Financial Services, Inc.**, a Delaware corporation ("Secured Party"), located at 11111 Santa Monica Blvd., Suite 900, Los Angeles, California 90025, and **BBE Sound, Inc.**, a California Corporation ("Debtor") having its mailing address and principal place of business at 5381 Production Drive, Huntington Beach, CA 92649, in the County of Orange, State of California, and its chief executive office at 5381 Production Drive, Huntington Beach, CA 92649, in the County of Orange, State of California.

Debtor desires to obtain loans from Secured Party. To secure such loans and other obligations of Debtor, Debtor is willing to grant Secured Party a security interest in its personal property, all under the terms and conditions hereinafter set forth.

1. So long as no event of Default has occurred and is continuing, and subject to the terms and conditions of the Agreement, Secured Party agrees that it will from time to time advance to Debtor a sum up to the lesser of; A.) One Million and 00/100 Dollars (\$1,000,000.00) or B.) up to the sum of i.) Eighty percent (80%) of the net amount of such of Debtor's accounts receivable as are acceptable to Secured Party in its sole discretion, and ii.) a sum up to the lesser of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) or up to Thirty Five percent (35%) of the value (based upon the lower of cost or market value) of Debtor's eligible raw material and finished goods inventory acceptable to Secured Party and as provided in Exhibit "A" attached hereto and made a part hereof. "Net Amount" of accounts receivable means the gross amount of accounts less returns, discounts, credits or offsets of any nature. The balance of the net amount of accounts receivable, less any monies remitted, paid or advanced by Secured Party to or for the account of Debtor, including any amounts which Secured Party may be obligated to pay in the future, and less the interest specified in this Agreement and any other charges due Secured Party, shall be remitted to Debtor when all obligations of Debtor to Secured Party have been satisfied in full or at other times which Secured Party may determine in its sole discretion. Secured Party may from time to time reduce the above advance rate if it determines in its sole discretion that there has been a material adverse change in the circumstances relating to the accounts receivable from the current circumstances. Secured Party may further establish reserves from time to time against its advances as determined in its reasonable credit judgment. Debtor shall pay Secured Party an annual facility fee equal to One percent (1.0%) of the maximum line amount of the advances (as set forth above), as such amount may hereafter be increased or decreased by mutual written agreement of the parties. Such facility fee shall be due and payable in advance on the initial funding and each anniversary of the date of this Agreement. If such maximum line amount is hereafter increased, Debtor shall further pay Secured Party a line increase fee equal to One percent (1.0%) of such increase at the time of the increase.

2. To secure payment and performance of any and all sums advanced by Secured Party to Debtor hereunder and any and all other obligations, indebtedness, liabilities, covenants, guarantees and duties of Debtor to Secured Party of whatever kind, including interest thereon, whenever and however created or arising, whether under this Agreement or any other instruments, obligations, contracts or agreements, whether now existing or hereafter incurred or arising, whether from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred, and whether direct, indirect, primary, secondary, fixed or contingent (hereinafter collectively referred to as "Obligations"), Debtor hereby grants to Secured Party a security interest in the following property of Debtor (hereinafter collectively referred to as "Collateral") however acquired and held, whether now owned or hereafter acquired or arising or in which Debtor now or hereafter acquires any interest, and wherever located and the proceeds and products thereof, including insurance proceeds.

(a) All goods of Debtor, including without limitation, equipment, machinery, furniture, furnishings, fixtures, tools, supplies, molds and motor vehicles of every kind and description including, without limiting the foregoing, the items described on Exhibit A hereto, if attached;

(b) All inventory of Debtor, including but not limited to all merchandise, raw materials, parts, supplies, work in process, finished products intended for sale, rent, or lease, all packaging materials of every kind and description, and all crops, farm products and as-extracted collateral, including any returns upon any accounts and including, without limiting the foregoing, the items described on Exhibit A hereto, if attached;

(c) All documents, instruments and chattel paper (whether tangible or electronic);

(d) All accounts and all other rights to payment of money including, but not limited to, contract rights, credit card receivables, health-care receivables, payment intangibles and letter of credit rights, together with all supporting obligations therefore;

(e) All general intangibles including, but not limited to, software (whether owned or licensed), commercial tort claims, investment property, securities, inventions, designs, patents, trade names, trade marks, trade styles, trade secrets, copyrights, registrations, licenses, goodwill, tax refunds, customer lists, and records of Debtor's business including, but not limited to, all ledger account cards, computer tapes and discs and other computer information;

(f) All cash and deposit accounts;

(g) All replacements, substitutions, renewals, returns, additions, accessions, rents, royalties, issues, documents of ownership and certificates of registration of and receipts for the foregoing; and

(h) All proceeds and products of the foregoing, including without limitation, insurance proceeds.

Without limiting the generality of the foregoing, all goods and inventory of Debtor are located at 5381 Production Drive, Huntington Beach, CA 92649 or 2548 Fender Avenue, Fullerton, CA 92831 or wherever located.

3. Secured Party and Debtor agree to execute the financing statements provided for by the Uniform Commercial Code (hereinafter referred to as the "Code") together with any and all other instruments or documents as may be required to perfect Secured Party's interest in the Collateral. Debtor will take such other action as may, from time to time, be necessary to perfect or continue perfection of security interests granted to Secured Party hereunder, whether or not requested by Secured Party to do so.

4. Debtor hereby guarantees the solvency of its customers and warrants that the customer in each instance has received and will accept the goods sold and/or the rendition of service and will pay the invoice therefore in full at maturity without dispute, claim, or offset whatsoever. If any account is not paid in full within ninety (90) days from the date of invoice or if any dispute or claim arises with respect to any account, or if Secured Party, in its sole discretion, deems the credit of any customer to be unsatisfactory or in excess of any credit limit established by Secured Party in its sole discretion (specific



concentration's generally limited to a maximum of 15% of gross accounts receivable) or if more than 25% of the total accounts owing from a single customer violate any of the provisions in this paragraph 4 or if a petition in bankruptcy or application for relief under any provisions of any state or federal bankruptcy, insolvency or debtor-relief act is filed by or against any customer, or if a receiver is appointed for the assets of the customer or if the customer shall make a general assignment for the benefit of creditors, the amount unpaid at the time by said customer may immediately be charged back to Debtor who will pay Secured Party immediately the amount therefor. If Debtor fails in any case to pay Secured Party promptly as provided, Secured Party has the right, without affecting its other rights, to settle or adjust all disputes and/or claims directly with the customer and to compromise same, and to charge the deficiencies, costs and expenses therefor, including attorney's fees, to Debtor. The charge back of any accounts shall not be deemed as reassignment therefor and all of Secured Party's rights shall remain unaffected until all Obligations due Secured Party are fully reimbursed. If an account includes a charge for any tax payable to any taxing authority, Secured Party shall have the right to pay the same, but shall not be required to do so. Any sums so paid shall constitute an advance under this Agreement. Secured Party shall further have all rights of Debtor with respect to the customers including, without limitation, the right of reclamation and those rights under Division 2 of the Code. Debtor shall within three days notify Secured Party in writing of all discounts, allowances, returns, credits, disputes and claims by customers and Secured Party may charge the amount of the account represented thereby to the account of Debtor.

5. To expedite collection of accounts, contract rights and general intangibles, Debtor shall endeavor (unless otherwise instructed by Secured Party) in the first instance to make collection of same for Secured Party. All remittances received by Debtor shall be held as Secured Party's property by Debtor as trustee of an express trust for Secured Party's benefit. Debtor will immediately deposit into Secured Party's collection account at Union Bank, or if specifically requested, deliver to Secured Party, upon receipt, in such manner as Secured Party directs, all collections in kind in whatever form received including, without limitation, checks, drafts, cash and wire transfers.

6. To the extent permitted by law, Debtor hereby authorizes Secured Party to execute and file any financing statement on Debtor's behalf, and constitutes Secured Party as its attorney-in-fact to endorse Debtor's name on any and all documents or instruments (including all forms of payment), to send verification requests to any customer, and after the occurrence of an Event of Default, to notify any customer and direct the payment of all obligations to be made directly to Secured Party and to charge the collection costs and expenses, of whatever kind and nature, including attorney's fees to Debtor and to do all other acts and things necessary to carry out this Agreement and to perfect and protect Secured Party's security interest. Additionally, Secured Party may, as such attorney-in-fact, receive, open and dispose of all mail addressed to Debtor and notify the Post Office authorities to change the address for the delivery of mail addressed to Debtor to such address as Secured Party may designate. This power, being coupled with an interest, is irrevocable.

7. Debtor represents, warrants and covenants to Secured Party that the Collateral is now and, so long as Debtor is obligated to Secured Party, will be owned by Debtor and that no other person, firm or corporation has any right, title, interest, claim or lien therein and thereto and that said Collateral is free and clear of all encumbrances, liens and prior security interests, and that said Collateral, including the accounts and proceeds resulting from the collection thereof, will remain free and clear of any and all encumbrances, liens and security interests excepting the lien and security interest hereby given to Secured Party and that Debtor shall promptly notify Secured Party in writing and duly account to Secured Party for the sale or other disposition of said Collateral or any part thereof, or the collection of any accounts therefrom; provided Debtor may not sell or transfer any Collateral (except sales of inventory in the ordinary course of business and sales of obsolete or unusable equipment) without the express written consent of Secured Party. Debtor shall promptly notify Secured Party in writing of its acquisition of any after-acquired property of the type included in the Collateral. Debtor represents, warrants and covenants that it has not, during the last five years, used, operated or generated an account under any trade name, trade style or other fictitious name, and will not use, operate or generate an account under any such name, other than G&L Musical Instruments and that Debtor has and will continue to have good and marketable title to all such names, all accounts generated thereunder, and all collections thereon, free and clear of all right, title, interest, claim, lien or other charge of any third party.

8. If the Collateral constitutes chattel paper, documents or instruments, Debtor shall deliver the same to Secured Party with any necessary endorsements, and Debtor represents that any goods evidenced thereby are owned by Debtor and that the same are free and clear of any prior lien, encumbrance or prior security interest. Debtor shall keep the Collateral free from all liens, encumbrances and security interests and shall pay and discharge when due all taxes, levies and other charges upon it and upon the goods evidenced by any documents constituting Collateral and shall defend it against all claims of any person other than Secured Party. Secured Party shall not be required to take any steps to collect or realize upon the Collateral or any distribution of interest or principal, nor shall loss of or damage to the Collateral release any of Debtor's Obligations.

9. It is expressly understood that the Collateral and all books and records are to remain, at all times, at the premises in which they are now located and that Debtor may not transfer the Collateral, books or records from such premises without the prior written approval of Secured Party, except for sales of inventory in the ordinary course of Debtor's business. If now or at any time hereafter during the term of this Agreement, Debtor's records are prepared or retained by a computer service company or any accountant or accounting service, Debtor grants Secured Party the absolute and irrevocable right to inspect said records, receive duplicate copies of all information furnished to Debtor and prepared by such company or individual, and agrees to furnish such consents as may be necessary to effectuate same. Debtor further agrees to promptly notify Secured Party of the name and address of any such company or individual and of any change of such company or individual.

10. Debtor agrees to maintain and pay for insurance upon all Collateral while in its premises, in storage or in transit, including goods evidenced by documents, covering such risk and in such amounts and with such insurance companies as shall be satisfactory to Secured Party and to deliver such policies to Secured Party with a Lender's Loss Payable Endorsement naming Secured Party in a form satisfactory to Secured Party. Each policy of insurance shall contain a clause requiring the insurer to give not less than ten days' written notice to Secured Party in the event of cancellation of the policy for any reason whatsoever and a clause that the interest of the Secured Party shall not be impaired or invalidated by any act or omission of Debtor or the owner of the property nor by the occupation of the premises wherein such property is located for purposes more hazardous than are permitted by said policy. If Debtor fails to provide and pay for such insurance, Secured Party may procure the same at Debtor's expense, but shall not be required to do so. Debtor agrees to deliver to Secured Party, promptly as rendered, true copies of all monthly reports made to insurance companies. Debtor will maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against such casualties and contingencies of such types (including public liability, larceny, business interruption insurance, embezzlement, or other criminal misappropriation insurance) and in such amounts as is customary in the case of persons in the same or similar business.

11. All expenses of protecting, storing, warehousing, insuring, handling and shipping the Collateral, any and all excise, property, sales and use taxes imposed by any state, federal or local authority on any of the Collateral or in respect of the sale thereof, shall be borne and paid by Debtor, and if Debtor fails to promptly pay any thereof when due, Secured Party may, as



its option, but shall not be required to, pay the same and charge Debtor's account thereof, and Debtor agrees promptly to reimburse Secured Party therefore with interest accruing thereon daily at the rate provided herein.

12. All sums so paid by Secured Party for any of the foregoing and any and all other sums for which Debtor may become liable hereunder and all costs and expenses (including also reasonable attorney's fees and court costs) which Secured Party may incur in enforcing or protecting its lien on or rights and interest in the Collateral or any of its rights or remedies under this or any other agreement between the parties hereto or in respect of any of the transactions to be had thereunder, shall constitute additional advances until paid by Debtor to Secured Party with interest at the rate provided herein. Secured Party shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency or other person whomsoever, but the same shall be at Debtor's sole risk.

13. If interest is not pre-computed in any Promissory Note(s), Letter Agreement(s) or Exhibit(s), executed in connection herewith or subsequent hereto, Debtor agrees to pay Secured Party interest to be calculated as set forth below. Interest shall be payable in arrears on the first day of each month for the actual number of days elapsed over a year of 360 days, and if interest is not so paid on said due date, it will be charged as an advance and shall bear interest based on the Average Daily Balance as set forth below:

(a) Debtor will pay an interest charge on the Average Daily Balance due Secured Party at the close of business each day, at a rate equal to Four and One Quarter percent (4.25%) per annum over the highest of the prime rates in effect from time to time (presently at 3.25%), charged by Citibank, N.A., and Bank of America National Trust and Saving Association. Debtor acknowledges and agrees that such prime rates may not be the lowest rates of interest charged by those banks to their most favored customers. The rate of interest so determined shall be rounded to the closest 1/4th of 1% with no adjustments to be made in the rate for changes of less than 1/4th of 1%. All adjustments will be made on the last day of each month based on the highest prime rate charged at any time during that month. In addition to the interest charge as defined above, Debtor agrees to pay a monthly collateral management fee based on fifteen basis points (0.15% per month) of the aggregate average monthly loan balances. Said fee shall be due in arrears on the first day of each month.

(b) In no event however shall the rate of interest paid to Secured Party be less than Six and One Half percent (6.50%) per annum at any time.

(c) Debtor agrees that the interest charges under this paragraph will not be less than Two Thousand dollars (\$2,000.00) per calendar month during the term of this Agreement and Debtor will pay any deficiency upon demand. Notwithstanding any default by Debtor hereunder or termination by Secured Party because of said default, this minimum charge shall continue to be paid by Debtor for any unexpired term of this Agreement. Nothing herein shall affect Secured Party's right to accelerate the minimum charge otherwise owing in the event of such default or termination.

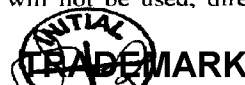
(d) Upon the occurrence of an Event of Default (as defined below), the interest rate chargeable hereunder shall be increased to the greater of (i) three percent (3%) per annum over the rate chargeable under paragraph (a) above.

14. Debtor at all times hereafter shall: furnish Secured Party with inventory reports in such form and at such times as Secured Party may reasonably require; maintain a standard and modern system of accounting with all books and records currently posted in accordance with generally accepted accounting principals consistently applied with ledger and account cards and/or computer tapes and computer discs, computer printouts and computer records pertaining to the accounts which contain information as may from time to time be requested by Secured Party; not modify or change its method of accounting or enter into, modify or terminate any agreement presently existing, or at any time hereafter entered into with any accounting firm and/or service bureau for the preparation and/or storage of Debtor's accounting records without the written consent of Secured Party; permit Secured Party and any of its employees, officers or agents, upon demand and without prior notice, during Debtor's usual business hours, or the usual business hours of third persons having control thereof, to have access to and examine all of Debtor's books and records in connection therewith, permit Secured Party and any of its agents, employees or officers to copy and make extracts therefrom and discuss Debtor's books and affairs with Debtor's employees and accountants; deliver to Secured Party all financial and operating statements as may be requested from time to time by Secured Party. If requested by Secured Party, such financial and operating statements must be prepared and Certified by a Certified Public Accountant chosen by Debtor but acceptable to Secured Party (it being understood that such financial and operating statements other than for any fiscal year end will be prepared internally by Debtor). Debtor will deliver to Secured Party at such times as Secured Party may request, all information and documentation relating to the Collateral certified by an authorized employee as to its accuracy, as Secured Party may request.

If Debtor shall have a pension or profit sharing plan subject to the requirements of Employee Retirement Income Security Act of 1974, Debtor warrants that it will: fund said plan in accordance with its terms; meet all requirements of the Act; furnish Secured Party with a copy of the annual information report furnished to the Internal Revenue Service; and direct its Plan Administrator to give notice to Secured Party of all information disseminated to Plan Participants.

15. All amounts received by Secured Party in payment of accounts assigned to it, for purpose of computing interest charges, will be credited to the account of Debtor Three (3) business days after the first business day following the deposit of such amounts to Secured Party's account. For all other purposes, such amount will be credited to the account of Debtor the first business day following the deposit of such amount to Secured Party's account. Secured Party will account to Debtor monthly for all amounts received by Secured Party and credited to Debtor's account. Each such accounting shall be binding on Debtor unless Debtor provides Secured Party with a written statement of exceptions within thirty days after mailing of the accounting to Debtor.

16. As an inducement to Secured Party to make advances hereunder, Debtor represents, warrants, and covenants to Secured Party: that its balance sheet and income statements, which have been delivered to Secured Party, properly state Debtor's financial condition; there has been no material adverse change in the financial condition of Debtor as reflected in the statements since the date thereof; the statements do not fail to disclose any fact or facts which might materially and adversely affect Debtor's financial condition; there is no litigation threatened or pending which, taken in the aggregate and if adversely determined, might have a material adverse effect on its financial condition; there does not now exist and after giving effect to the advances contemplated hereby, there will not exist any default by it in any loan document, corporate or partnership instrument or other instrument, statute, law or regulation to which it is subject; it is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, has duly qualified and is authorized to do business and is in good standing as a foreign corporation in any jurisdiction where its activities make such qualification necessary; it has all requisite power and authority and necessary licenses to own and operate its properties and carry on its business; the transactions contemplated by this Agreement are within its corporate powers; the proceeds of the advances contemplated hereby will not be used, directly or



indirectly, to purchase traded securities or to repay indebtedness incurred to purchase such securities; it will maintain its existence as required by the laws of any jurisdiction in which it is organized or does business, including the payment of all applicable taxes and will not merge with any other entity; it will not engage in any transaction with any shareholder, affiliate, subsidiary or principal on terms less advantageous than terms available from unaffiliated third parties; it will not sell, assign, lease, transfer, mortgage, pledge, encumber or otherwise dispose of the Collateral or any other of its properties, or any part thereof or any interest therein, or attempt so to do (except for sale of inventory in the ordinary course of business). Sales of inventory in the ordinary course of business shall not include sales to any affiliated companies, subsidiaries, shareholders, spouses or relatives without the prior written consent of Secured Party. Debtor covenants and agrees to pay all advances, debts, accounts and interest when due and that it will make no loans, investments, distribution, redemption or repurchase of stock or dividends to any shareholder, affiliate, subsidiary or principal.

17. Debtor shall: comply with all environmental laws; not suffer, cause, or permit the disposal of hazardous substances at any property owned, leased, or operated by it; promptly notify Secured Party in the event of the disposal of any hazardous substance at any property owned, leased, or operated by Debtor, or in the event of any release or threatened release, of a hazardous substance, from any such property; deliver promptly to Secured Party (i) copies of any documents received from the United States Environmental Protection Agency or any state, county, or municipal environmental or health agency concerning Debtor's violation of any environmental law; and (ii) copies of any documents submitted by Debtor to the United States Environmental Protection Agency or any state, county, or municipal environmental or health agency concerning its violation of any environmental law; and conduct its operations in compliance with the provisions of all federal, state, and local laws, ordinances, rules, regulations, and orders applicable to any natural or environmental resource or media located on, above, within, or in the vicinity of, related to, or affected by, any real property.

18. Debtor will furnish Secured Party with proof satisfactory of Debtor's making payment or deposit of F.I.C.A. and withholding taxes required of it by applicable law. Such proof shall be furnished within five days after due date for each such payment or deposit. Whether or not Debtor fails to make any such payment or deposit or furnish such proof, Secured Party may, in its sole discretion, and without notice to Debtor (a) make payment of same or any part thereof, or (b) set up such additional reserves in Debtor's account as may be necessary to satisfy the liability therefor. Each amount so paid or deposited by Secured Party shall constitute an advance under this Agreement. The setting up of a reserve for making payment shall not constitute a waiver of any default under the terms of this Agreement nor shall Secured Party be obligated to make such payments or set up reserves in the future.

19. Debtor hereby covenants, agrees and acknowledges that an Event of Default shall occur and it shall be in default under this Agreement upon the happening of any of the following events or conditions: default in the payment of any sum due or obligation to be performed under this Agreement or any other agreement between Secured Party and Debtor, whether now in existence or hereafter executed; any warranty, representation, statement or covenant made or furnished to Secured Party by or on behalf of Debtor or any guarantor of Debtor's Obligations which proves to have been false in any material respect when made or furnished or is breached, violated or not complied with; loss, theft, substantial damage, destruction, not fully covered by insurance; sale (except sale of inventory in the ordinary course of business), lease or encumbrance of any of the Collateral or the making of any levy, seizure or attachment thereof or thereon; entry of any judgment against Debtor which is not paid or dismissed within thirty (30) days; any misappropriation, conversion, diversion or fraud as to Secured Party or its interests; any material adverse change in the financial condition of Debtor or any guarantor of Debtor's obligation; death or insolvency of a guarantor, or attempted revocation of guaranty by any guarantor or any other default under any Guaranty Agreement between any guarantor and Secured Party; removal of any of the Collateral without the express written consent of Secured Party (except sales of inventory in the usual course of business); dissolution, termination of existence, insolvency (failure to pay its debts as they mature or the failure to maintain the fair saleable value of its assets in an amount greater than its liabilities), business failure, appointment of a receiver, assignment for the benefit of creditors; the commencement of any proceeding under any bankruptcy or insolvency law by or against Debtor or any guarantor or any offer of settlement, extension or composition with their respective unsecured creditors generally; the issuance or filing against Debtor or any guarantor of an attachment, injunction, execution, tax lien, or judgment; Secured Party shall, at any time, deem itself insecure or unsafe or shall fear diminution, removal or waste of the Collateral; failure on the part of the Debtor to pay all taxes or assessments when due, levied or assessed against the Collateral or any goods evidenced by chattel paper or documents or failure to pay when due state or federal, personal property, sales, business, income, withholding, or social security taxes; the default in, or termination due to the default or any other action by the Debtor under any agreement, now existing or hereafter entered into between Debtor and Secured Party; if there shall be a sale or sales in the aggregate of more than 49% of the issued and outstanding shares of Debtor; if the execution or performance of this Agreement by Debtor shall violate the terms of any existing agreement between Debtor and any third party; default in the payment of any sum due under any indebtedness or security of Debtor or any other default under such indebtedness or security which permits such indebtedness to become due or permits the holders of such security to elect a majority of the board of directors of the Debtor; or payment of Debtor of annual executive salaries or other compensation to its officers and executives, directly or indirectly in excess of an aggregate equal to 110 percent of the executive salaries or other compensation paid during the last preceding 12 month period. The determination of Secured Party not to make an advance shall not be dependent upon the occurrence of an Event of Default or a termination of this Agreement. Notwithstanding the foregoing, with respect to non-monetary defaults only, Debtor shall have three (3) days from the occurrence of such non-monetary defaults to cure such non-monetary defaults in a manner satisfactory to Secured Party. The determination of Secured Party not to make an advance shall not be dependent upon the occurrence of an Event of Default or a termination of the Agreement.

20. Debtor covenants to give Secured Party immediate notice of the existence of any of the events or conditions set forth in the preceding paragraph and of any material adverse change in its financial condition.

21. In the event of any default as above provided, all or any portion of the Obligations due or become due from Debtor to Secured Party whether under this Agreement or otherwise, shall, at the option of Secured Party, become at once due and payable, and without limiting the rights of Secured Party under the Code. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties, and Secured Party shall have the right to take immediate possession of the Collateral and may enter any of the premises of Debtor or wherever the Collateral shall be located with or without process of law wherever the said Collateral may be and to keep and store the same on said premises until sold, and if said premises be the property of Debtor, Debtor agrees not to charge Secured Party for storage thereof for a period of at least ninety days during the sale or disposition of said Collateral. Debtor and Secured Party agree that five days' notice to Debtor of any public or private sale or other disposition of Collateral shall be reasonable notice thereof, and any such public sale shall be at such location(s) as Secured Party shall designate in said notice. Secured Party shall have the right to bid at any such public sale on its own behalf. Out of money arising from such sale, Secured Party shall retain all costs and charges, including attorney's fees for advice, counsel or other legal services or for pursuing, reclaiming, seeking to reclaim, taking, keeping, removing, storing and advertising the Collateral for sale, selling and any and all other charges and expenses in connection therewith and any prior liens thereon, and any balance shall be applied upon the Obligations of Debtor to Secured Party. In the event of any deficiency, Debtor shall remain liable to Secured Party. In the event of any surplus, such surplus shall be paid to Debtor, if permitted by law.



22. On the occurrence of an Event of Default, Secured Party, without notice, may terminate further performance under this Agreement and any other agreement between Secured Party and Debtor, and may also, at any time, appropriate and apply on said Obligations owing by Debtor to Secured Party any and all Collateral in the possession of Secured Party, and all balances, credits, deposits, accounts, reserve, indebtedness, or other monies due or owing to Debtor or held by Secured Party hereunder or under any agreement or otherwise, whether accrued or not. Neither such termination, nor the termination of the Agreement by lapse of time or otherwise, shall absolve, release or otherwise affect the liability of Debtor in respect to transactions had prior to such termination, nor affect any of the liens, security interest, rights, powers and remedies of Secured Party, but they shall, in all events continue until all Obligations of Debtor to Secured Party are satisfied. Secured Party shall not, in any manner, be liable to Debtor for any failure to make or continue to make any loans or advances to Debtor hereunder.

23. All covenants, conditions, provisions, warranties, guarantees, indemnities and other undertakings of the Debtor contained in this Agreement, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule, guaranty agreement given to Secured Party or contained in any other agreement between Secured Party and the Debtor, heretofore, concurrently or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, agreements of Debtor herein contained. The failure or delay of Secured Party to exercise or enforce any rights, liens, powers or remedies hereunder or under any of the aforesaid agreements or other document or security or collateral shall not operate as a waiver of such liens, powers and remedies, but all such liens, rights, powers and remedies shall continue in full force and effect until all loans and advances and all other obligations owing or to become owing from Debtor to Secured Party shall have been fully satisfied, and all liens, rights, powers and remedies herein provided are cumulative and none is exclusive. All acts by Secured Party or its designee are hereby ratified and approved, and neither Secured Party nor its designee shall be liable for any acts or omissions, nor for any error of judgment or mistake of fact or law.

24. Except as provided in paragraph 22, this Agreement shall continue in full force and effect until 12:00 P.M. Pacific Time, one year from the date of this Agreement, and from year to year thereafter unless terminated at the end of such period or any yearly anniversary thereafter ("Expiration Date"). Termination shall be effected by the mailing of a notice by certified letter, return receipt requested, addressed by either party to the other and the termination shall be effective on the Expiration Date, provided at least sixty days' prior written notice shall have been given. Upon the Expiration Date so fixed, all Obligations created under this Agreement and, at Secured Party's option, all Obligations under any other agreement between Debtor and Secured Party, shall be due and payable. Until such Obligations are satisfied in full, such termination shall not affect the security interest granted hereby and the duties, covenants and liabilities of Debtor hereunder, and all the terms, conditions and provisions hereof relating thereto shall continue to be fully operative until all transactions entered into and Obligations incurred hereunder prior to the termination have been disposed of, concluded and/or liquidated. Debtor further agrees that to the extent either Debtor or guarantor makes a payment or payments to Secured Party, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continue in full force and effect as if said payment had not been made.

25. (a) Notwithstanding the foregoing of this Agreement, after this Agreement has been in effect for a period of six months, Debtor or Secured Party may terminate this Agreement upon thirty days' prior written notice, subject to the following: In the event of such termination by Debtor, or in the event this Agreement is terminated in accordance with paragraph 24 but Debtor fails to pay the Obligations in full on the Expiration Date, it is agreed that the actual damages suffered by Secured Party as a result thereof would be impractical or extremely difficult to fix. The parties therefore agree that Debtor shall pay as a prepayment charge, whether or not Debtor is in default at the time of termination, in addition to the then principal and accrued interest, which amount is a reasonable estimation of such damages, the greater of (i) the amount of minimum charges, required by paragraph 13 from the date of termination to the then applicable Expiration Date of this Agreement; or (ii) an amount equal to 3% of the highest average combined monthly loan balances, anytime during the previous twelve month period. However, should Debtor obtain alternate financing from Union Bank anytime after this Agreement has been in effect for a period of six months, Secured Party will waive any required prepayment charge pursuant to this paragraph.

(b) Default by Debtor, or termination by Secured Party because of such default, shall entitle Secured Party to the amount set forth in paragraph (a) as a prepayment charge.

26. Debtor agrees to pay, indemnify, and hold Secured Party harmless, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, counsel and special counsel fees and disbursements in connection with any litigation, investigation, hearing or other proceeding) with respect or in any way related to the existence, execution, delivery, enforcement, performance and administration of this Agreement. This indemnity shall survive repayment of the Obligations.

27. It is the intention of the parties hereto that this Agreement is entered into pursuant to the provisions of the Code. All terms used herein are intended to have the meaning, if any, set forth by the Code, which provisions are specifically incorporated herein as though set forth in full.

28. Any documents, schedules, invoices or other papers delivered to Secured Party by Debtor, may be destroyed or otherwise disposed of by Secured Party six months after they are delivered to or received by Secured Party, unless Debtor requests their return prior to delivery, in writing, and makes arrangements, at Debtor's expense, for their delivery to Debtor.

29. This Agreement is entered into for the benefit of the parties hereto and their respective successors and assigns.

30. All notices or demands by either party on the other relating to this Agreement shall, except as otherwise provided herein, be in writing and sent by certified mail return receipt requested. Notices shall be deemed received when deposited in a United States post office box, postage prepaid, properly addressed to Debtor or to Secured Party at the addresses stated on page 1, or such other addresses as the parties may from time to time specify in writing. Debtor will not change its address, name, identity, or if a corporation, its corporate structure, without giving Secured Party written notice thereof at least sixty days prior to such change.

31. It being the intent of the parties that the rate of interest and all other charges to Debtor be lawful, if for any reason the payment of a portion of interest or charges as required by this Agreement would exceed the limit established by applicable law, then the obligation to pay interest or charges shall automatically be reduced to such limit and if any amounts in excess of such limit shall have been paid, then such amounts shall be applied to the unpaid principal amount of loans by Secured



Party or refunded so that under no circumstances shall interest or charges required hereunder exceed the maximum rate allowed by law.

32. This Agreement, including the Exhibits and other agreements referred to herein, is the entire agreement between the parties, incorporates and/or rescinds all prior agreements relating to the subject matter hereof, cannot be changed or terminated orally, and shall be deemed effective as of the date it is accepted by Secured Party in writing at its office as above set forth.

33. This Agreement shall be governed by the internal laws of the State of California.

34. Debtor will reimburse Secured Party for all commercially reasonable out-of-pocket expenses incurred by Secured Party arising out of this transaction including without limitation, charges for returned checks, wire transfers, costs of preparing and sending notification letters or statements, etc. at such rates as reasonably determined by Secured Party, appraisals, on-site collateral examinations at a cost of \$750.00 per day, accounting fees, searches, title policies, recording fees and reasonable attorneys' fees. If legal action is necessary to enforce any provisions of this Agreement, the prevailing party to said action shall be entitled to payment of its costs and attorneys' fees by the other party.

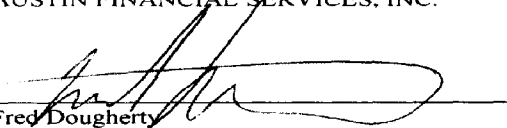
35. DEBTOR AND SECURED PARTY AGREE THAT ANY ACTION OR PROCEEDING TO ENFORCE OR ARISING OUT OF THIS AGREEMENT MAY BE COMMENCED IN ANY COURT OF THE STATE OF CALIFORNIA IN LOS ANGELES COUNTY, OR IN THE DISTRICT COURT OF THE UNITED STATES IN LOS ANGELES COUNTY, AND DEBTOR WAIVES PERSONAL SERVICE OF PROCESS AND AGREES THAT A SUMMONS AND COMPLAINT COMMENCING AN ACTION OR PROCEEDING IN ANY SUCH COURT SHALL BE PROPERLY SERVED AND SHALL CONFER PERSONAL JURISDICTION IF SERVED BY REGISTERED OR CERTIFIED MAIL TO DEBTOR, OR AS OTHERWISE PROVIDED BY THE LAWS OF THE STATE OF CALIFORNIA OR THE UNITED STATES.

36. DEBTOR AND SECURED PARTY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY DEBTOR OR SECURED PARTY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS RELATED THERETO. DEBTOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF SECURED PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SECURED PARTY WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. DEBTOR ACKNOWLEDGES THAT SECURED PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

37. IF ANY ACTION OR PROCEEDING IS FILED IN A COURT OF THE STATE OF CALIFORNIA BY OR AGAINST ANY PARTY HERETO IN CONNECTION WITH ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO, (A) THE COURT SHALL, AND IS HEREBY DIRECTED TO, MAKE A GENERAL REFERENCE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 TO A REFEREE OR REFEREES TO HEAR AND DETERMINE ALL OF THE ISSUES IN SUCH ACTION OR PROCEEDING (WHETHER OF FACT OR OF LAW) AND TO REPORT A STATEMENT OF DECISION, PROVIDED THAT AT THE OPTION OF SECURED PARTY, ANY SUCH ISSUES PERTAINING TO A "PROVISIONAL REMEDY" AS DEFINED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8 SHALL BE HEARD AND DETERMINED BY THE COURT, AND (B) DEBTOR SHALL BE SOLELY RESPONSIBLE TO PAY ALL FEES AND EXPENSES OF ANY REFEREE APPOINTED IN SUCH ACTION OR PROCEEDING.

AUSTIN FINANCIAL SERVICES, INC.

By:


Fred Dougherty
Senior Vice President

Its:

BBE SOUND, INC. (Debtor)

By:


John C. McLaren
Chairman/CEO

Its: