



## SECURITY AGREEMENT

This Security Agreement (the "Security Agreement") is entered into as of the 15<sup>th</sup> day of September 2001, by and between Mania Entertainment, LLC, a California Limited Liability Company (the "Company"), and Peter Timothy Hayes, an individual ("Secured Party").

### RECITALS

Company has borrowed funds and may borrow through subsequent advances additional funds, from Secured Party pursuant to a \$50,000 Secured Promissory Note of even date herewith (the "Note").

As Security for its repayment obligations under the Note, Company has agreed to grant Secured Party a security interest in all of its assets on the terms set forth in this Security Agreement.

NOW, THEREFORE, to that end and in consideration of the premises, covenants and agreements set forth below, and the mutual benefits to be derived from this Security Agreement, and other good and valuable consideration, the parties hereto agree as follows:

1. **SECURITY INTEREST.** To secure the "Obligation" (as defined below), Company hereby transfers, conveys, assigns and grants to Secured Party a security interest in all of Company's assets, which may include one or more of the following items (hereinafter, collectively, the "Collateral"):
  - (a) **GENERAL INTANGIBLES.** All of Company's General Intangibles, now existing or hereafter arising or acquired, together with the proceeds therefrom. As used herein, the term "General Intangibles" means all personal property other than goods, accounts, chattel paper, documents, instruments, and money, and includes, but is not limited to, business records, deposit accounts, inventions, intellectual property, designs, patents, patent applications, trademarks, trademark applications, trademark registrations, service marks, service mark applications, service mark registrations, trade names, goodwill, technology, know-how, confidential information, trade secrets, customs lists, supplier lists, copyrights, copyright applications, copyright registrations, licenses, permits, franchises, tax refund claims, and any letters of credit, guarantee claims, security interests, or other security held by the Company to secure any "Accounts" (as hereinafter defined).
  - (b) **ACCOUNTS (INCLUDING ACCOUNTS RECEIVABLE).** All of Company's Accounts, whether now existing or hereafter arising or acquired, together with the proceeds therefrom. As used herein, the

term "Accounts" means any right of Company to receive payment from another person or entity, including payment for goods sold or leased or for services rendered, no matter how evidenced or arising, and regardless of whether yet earned by performance. It includes, but is not limited to, accounts, accounts receivable, contract rights, contracts receivable, purchase orders, notes, drafts, acceptances, and other forms of obligations and receivables.

- (c) **INVENTORY.** All of Company's Inventory, whether now owned or hereafter acquired. As used herein, the term "Inventory" means all goods, merchandise, and personal property held for sale or leased or furnished or to be furnished under contracts of service, and all raw materials, work in process, or materials used or consumed in Company's business, wherever located and whether in the possession of Company, a warehouseman, a bailee or any other person.
- (d) **EQUIPMENT.** All of Company's Equipment, now owned or hereafter acquired, together with the products and proceeds therefrom and all substitutes and replacements therefore. As used herein, the term "Equipment" includes all equipment, machinery, tools, office equipment, supplies, furnishings, furniture, or other items used or useful, directly or indirectly, in Company's business.
- (e) **FIXTURES.** All of Company's interest in and to all fixtures and furnishings, now owned or hereafter acquired, all tools, parts and supplies used in connection therewith located or attached to Company's business premises located in Venice, California.

2. **OBLIGATION.** This security interest is given as security for all indebtedness and obligations owed by Company to Secured Party, whether now existing or hereafter incurred, under this Security Agreement or the Note, together with all extensions, modifications, or renewals thereof (hereinafter referred to, collectively, as the "Obligation").
3. **PROCEEDS.** As used in this Security Agreement, the term "proceeds" means all products of the Collateral and all additions and accessions to, replacements of, insurance or condemnation proceeds of, and documents covering any of the Collateral, all property received wholly or partly in trade or exchange for any of the Collateral, all leases of any of the Collateral, and all rents, revenue, issues, profits, and proceeds arising from the sale, lease, license, encumbrance, collection, or any other temporary or permanent disposition, of any of the Collateral or any interest therein.
4. **TITLE; FILING.** Company warrants that, except as previously disclosed in writing to Secured Party, it is the owner of the Collateral free and clear of all liens, claims, and encumbrances of whatever kind or nature. Company covenants that so long as any portion of the Obligation remains unpaid, Company will not execute or file a financing statement or security agreement

covering the Collateral to anyone other than Secured Party, except in the ordinary course of business or as otherwise allowed. Company agrees to sign and deliver one or more financing statements or supplements thereto or other instruments as Secured Party may from time to time require to comply with the Uniform Commercial Code or other applicable law to preserve, protect and enforce the security interest of Secured Party and to pay all costs of filing such statements or instruments. In addition, Company shall file a financing statement to perfect Secured Party's interest in the Collateral.

5. **CARE OF COLLATERAL.** Company will keep in effect all licenses, permits and franchises required by law or contract relating to Company's business, property, or the Collateral; keep the Collateral in good repair; warrant and defend Company's ownership and possession of the Collateral, keep the Collateral free from all liens, claims encumbrances and security interests; pay when due all taxes, license fees and other charges upon the Collateral or upon Company's business; and not misuse, conceal or in any way use or dispose of the Collateral unlawfully or contrary to the provisions of this Security Agreement.
6. **DEFAULT.** A default hereunder will occur if any of the following events occur: (1) Company fails to pay any portion of the Obligation when due; (2) Company fails to perform any undertaking or materially breaches any warranty or covenant in this Security Agreement or the Note; (3) Company makes an assignment for the benefit of creditors or any proceeding is instituted by or against it alleging that it is insolvent or unable to pay its debts as they mature; (4) dissolution of Company; (5) a lien if filed against any property of Company; and (6) Company transfers an interest in any of the Collateral contrary to the provisions of this Security Agreement without the prior written consent of Secured Party other than in the ordinary course of business. Waiver of any default will not constitute a waiver of any other or subsequent default.
7. **REMEDIES.** Upon the occurrence of any default hereunder at any time thereafter, all of the Obligation will, at the election of Secured Party and without notice of such election, or demand for payment, become immediately due and payable and Secured Party will have the remedies of a secured party under the California Uniform Commercial Code or other applicable law.
8. **GENERAL.** The waiver by Secured Party of any breach of any provision of this Security Agreement or warranty or representation herein set forth will not be construed as a waiver of any subsequent breach. The failure to exercise any right hereunder by Secured party will not operate as a waiver of such

right. This Security Agreement may not be altered or amended except by a writing signed by the parties hereto. This Security Agreement will be governed by and construed and interpreted in accordance with the laws of the State of California. Any provision hereof found to be invalid will not invalidate the remainder. This Security Agreement binds Company, its successors and assigns, and inures to the benefit of Secured Party, its successor and assigns.

IN WITNESS WHEREOF, the parties have executed this Security Agreement as of the date first written above.

COMPANY:

MANIA ENTERTAINMENT, LLC,  
a California Limited Liability Company

By: Chip Meyers  
Chip Meyers  
Its: CEO

SECURED PARTY:

PETER TIMOTHY HAYES,  
An individual

By: Peter Hayes  
Peter Timothy Hayes

PTH

TRADEMARK

REEL: 003001 FRAME: 0754

RECORDED: 01/03/2005