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100979127

To the Honorable Commissioner of Patents and Trademarks

and original documents or copy thereof.

1. Name of conveying party(ies):
PARDUCCI WINE ESTATES LLC
501 Parducci Road
Ukiah, CA 95482

02-19-1999
 U.S. Patent & TMO/TM Mail Rcpt Dt. #57

Individuals(s)
 General Partnership
 Corporation-State
 Other **a California limited liability company**

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

2. Name and address of receiving party(ies)
 Name: **FOOTHILL CAPITAL CORPORATION**
 Internal Address:
 Street Address: **11111 Santa Monica Blvd. Suite 1500**
 City: **Santa Monica** State: **CA** ZIP: **90025**

Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State **California**
 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

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: **February 5, 1999**

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

A. Trademark Application No.(s)
Sketchbook (Serial No. 75-558,681)

Additional numbers attached? Yes No

B. Trademark Registration No.(s)
Parducci and Design (Reg. No. 2,013,518)

5. Name and address of party to whom correspondence concerning document should be mailed:
Mr. Sigi Hinojosa
 Name: **Buchalter, Nemer, Fields & Younger**
 Internal Address: _____

03/02/1999 JSHABAZZ 00000222 200052 75558681

01 FC:401 40.00 CH
 02 FC:402 275.00 CH

Street Address: **601 South Figueroa Street, 24th Floor**
 City: **Los Angeles** State: **California** ZIP: **90017**

6. Total number of applications and registrations involved: 12

7. Total fee (37 CFR 3.41) \$ 315

Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
20-0052

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

RECEIVED
 TRADEMARK OFFICE
 FEB 19 9 02 AM '99
 TRADEMARK OFFICE

DO NOT USE THIS SPACE

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.

MR. SIGI HINOJOSA
 Name of Person Signing
Christine E Wilson

Signature

February 17, 1999
 Date

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

SCHEDULE "A"

REGISTERED TRADEMARKS AND SERVICE MARKS

<u>Trademark of Service Mark</u>	<u>Registration Date</u>	<u>Registration No.</u>
PARDUCCI AND DESIGN	11-5-96	2,013,518
BONO-SIRAH (GOOD-SIRAH)	1-23-96	1,952,030
PARDUCCI	3-8-88	1,479,878
CARNEROS BIGHORN RANCH	3-10-96	2,143,241
CLOS FONTAINE DU MONT (Domain Fountain of the Mountain)	4-1-97	2,048,898
VAN DUZER	10-6-92	1,723,065

PENDING TRADEMARKS AND SERVICE MARKS

<u>Trademark and Service Mark</u>	<u>Filing Date</u>	<u>Serial No.</u>
SKETCHBOOK	9-24-98	75-558,681
TRUHART	8-11-98	75-534,569
TRUE HEART	8-11-98	75-534,262
ZINGARO	6-1-98	75-494,334
URSA	6-1-98	75-494,333
BRASSERIE	6-1-98	75-494,219

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This **INTELLECTUAL PROPERTY SECURITY AGREEMENT** ("Agreement"), dated as of February 5, 1999, is entered into between **PARDUCCI WINE ESTATES, L.L.C.**, a California limited liability company, formerly known as Hill & Thoma Wines, LLC, a California limited liability company ("Debtor") and **FOOTHILL CAPITAL CORPORATION**, a California corporation ("Foothill"), in light of the following:

A. Debtor and Foothill are, contemporaneously herewith, entering into that certain Loan and Security Agreement ("Loan Agreement") and other instruments, documents and agreements contemplated thereby or related thereto (collectively, together with the Loan Agreement, the "Loan Documents"); and

B. Debtor is the owner of certain intellectual property, identified below, in which Debtor is granting a security interest to Foothill.

C. Debtor has previously granted a security interest in some or all of the Collateral (defined below) to The Prudential Insurance Company of America ("Prudential"). The respective rights of Foothill and Prudential to the Collateral are set forth in that certain Intercreditor Agreement (the "Intercreditor Agreement"), between Foothill and Prudential, of even date herewith.

D. Debtor has previously granted a security interest in some or all of the Collateral to Carl Thoma ("Thoma"). The respective rights of Foothill and Thoma to the Collateral are set forth in that certain Subordination Agreement (the "Subordination Agreement"), between Foothill and Thoma, of even date herewith.

NOW THEREFORE, in consideration of the mutual promises, covenants, conditions, representations, and warranties hereinafter set forth and for other good and valuable consideration, the parties hereto mutually agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. The following terms, as used in this Agreement, have the following meanings:

"Code" means the California Uniform Commercial Code, as amended and supplemented from time to time, and any successor statute.

"Collateral" means:

(i) Each of the trademarks and rights and interest which are capable of being protected as trademarks (including trademarks, service marks, designs,

logos, indicia, tradenames, corporate names, company names, business names, fictitious business names, trade styles, and all elements of package of trade dress and other source or business identifiers, and applications pertaining thereto), which are presently, or in the future may be, owned, created, acquired, or used (whether pursuant to a license or otherwise) by Debtor, in whole or in part, and all trademark rights with respect thereto throughout the world, including all proceeds thereof (including license royalties and proceeds of infringement suits), and rights to renew and extend such trademarks and trademark rights, and all of the Goodwill associated with such trademarks and trademark rights;

(ii) Each of the secrets and formulae, processes, recipes, know how and methods relating to the manufacture of Inventory (as defined in the Loan Agreement");

(iii) Each of the copyrights and rights and interests capable of being protected as copyrights, which are presently, or in the future may be, owned authored, acquired, or used (whether pursuant to a license or otherwise) by Debtor, in whole or in part, and all copyright rights with respect thereto throughout the world, including all proceeds thereof (including license royalties and proceeds of infringement suits), and all tangible property embodying the copyrights (including books, records, films, computer tapes or disks, photographs, specification sheets, source codes, object codes, and other physical manifestations of the foregoing);

(iv) All of Debtor's right, title, and interest in and to the trademarks, intent to use applications, and trademark registrations listed on Schedule A, attached hereto, as the same may be updated hereafter from time to time;

(v) All of Debtor's right, title, and interest, in and to the copyrights and copyright registrations listed on Schedule B, attached hereto, as the same may be updated hereafter from time to time;

(vi) All of Debtor's rights to register trademark claims under any state or federal trademark law or regulation of any foreign country and to apply for, renew, and extend the trademark registrations and trademark rights, the right (without obligation) to sue or bring opposition or cancellation proceedings in the name of Debtor or in the name of Foothill for past, present, and future infringements of the trademarks, registrations, or trademark rights and all rights (but not obligations) corresponding thereto in the United States and any foreign country, and the associated goodwill;

(vii) All of Debtor's rights to register copyright claims under any federal copyright law or regulation of any foreign country and to apply for registrations on original works, compilations, derivative works, collective works, and works for hire, the right (without obligation) to sue in the name of Debtor or in the

name of Foothill for past, present, and future infringements of the copyrights, and all rights (but not obligations) corresponding thereto in the United States and any foreign country;

(viii) All general intangibles relating to the foregoing; and

(ix) All proceeds of any and all of the foregoing (including, without limitation, license royalties and proceeds of infringement suits) and, to the extent not otherwise included, all payments under insurance, or any indemnity, warranty, or guaranty payable by reason of loss or damage to or otherwise with respect to the Collateral.

"Obligations" means all obligations, liabilities, and indebtedness of Debtor to Foothill, whether direct, indirect, liquidated, or contingent, and whether arising under this Agreement, the Loan Agreement, any other of the Loan Documents, or otherwise, including all costs and expenses described in Section 11.8 hereof.

1.2 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and the term "including" is not limiting. The words "hereof," "herein," "hereby," "hereunder," and other similar terms refer to this Agreement as a whole and not to any particular provision of this Agreement. Any initially capitalized terms used but not defined herein shall have the meaning set forth in the Loan Agreement. Any reference herein to any of the Loan Documents includes any and all alterations, amendments, extensions, modifications, renewals, or supplements thereto or thereof, as applicable. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Foothill or Debtor, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by Debtor, Foothill, and their respective counsel, and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of Foothill and Debtor.

2. GRANT OF SECURITY INTEREST.

Debtor hereby grants to Foothill a security interest in all of Debtor's right, title, and interest in and to the Collateral to secure the Obligations, subject and subordinate to the interest of Prudential (as set forth in the Intercreditor Agreement).

3. REPRESENTATIONS, WARRANTIES AND COVENANTS.

Debtor hereby represents, warrants, and covenants that:

3.1 Copyrights; Trademarks; Service Marks.

(i) A true and complete schedule setting forth all federal and state trademark and service mark registrations owned or controlled by Debtor or licensed to Debtor, together with a summary description and full information in respect of the filing or issuance thereof and expiration dates is set forth on Schedule A; and

(ii) A true and complete schedule setting forth all federal copyright registrations owned or controlled by Debtor or licensed to Debtor, together with a summary description and full information in respect of the filing or issuance thereof and expiration dates is set forth on Schedule B.

3.2 Validity; Enforceability. Each of Debtor's copyrights, service marks and trademarks is valid and enforceable, and Debtor is not presently aware of any past, present, or prospective claim by any third party that any of its copyrights, service marks, or trademarks are invalid or unenforceable, or that its use of any copyrights, service marks, or trademarks violates the rights of any third person, or of any basis for any such claims;

3.3 Title. Except for the interests of Prudential (as modified by the Intercreditor Agreement) and Thoma (as modified by the Subordination Agreement), Debtor is the sole and exclusive owner of the entire and unencumbered right, title, and interest in and to each of the copyrights, copyright registrations, service marks, service mark registrations, trademarks, intent to use, and trademark registrations set forth on Schedules A and B, free and clear of any liens, charges, and encumbrances, including pledges, assignments, licenses, shop rights, and covenants by Debtor not to sue third persons;

3.4 Notice. Debtor has used and will continue to use proper statutory notice in connection with its use of each of its copyrights, service marks, and trademarks;

3.5 Quality. Debtor has used and will continue to use consistent standards of high quality (which may be consistent with Debtor's past practices) in the manufacture, sale, and delivery of products and services sold or delivered under or in connection with its service marks and trademarks, including, to the extent applicable, in the operation and maintenance of its merchandising operations, and will continue to maintain the validity of its service marks and trademarks;

3.6 Perfection of Security Interest. Except for the filing of a financing statement with the Secretary of State of California and filings with the United States Patent and Trademark Office and the United States Copyright Office necessary to perfect the security interests created hereunder, no authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either for the grant by Debtor of the security interest hereunder or for the execution, delivery, or performance of this Agreement by Debtor or for the perfection of or the exercise by Foothill of its rights hereunder to the Collateral in the United States.

4. AFTER-ACQUIRED COPYRIGHT, SERVICE MARK, OR TRADEMARK RIGHTS.

If Debtor shall obtain rights to any new copyright, service marks, trademarks, the provisions of this Agreement shall automatically apply thereto. Debtor shall give prompt notice in writing to Foothill with respect to any such new service marks or trademarks, or renewal or extension of any service mark or trademark registration. Debtor shall bear any expenses incurred in connection with future service mark or trademark registrations.

5. LITIGATION AND PROCEEDINGS.

Debtor shall commence and diligently prosecute in its own name, as the real party in interest, for its own benefit, and its own expense, such suits, administrative proceedings, or other action for infringement or other damages as are in its reasonable business judgment necessary to protect the Collateral. Debtor shall provide to Foothill any information with respect thereto requested by Foothill. Foothill shall provide at Debtor's expense all necessary cooperation in connection with any such suits, proceedings, or action, including, without limitation, joining as a necessary party. Following Debtor's becoming aware thereof, Debtor shall notify Foothill of the institution of, or any adverse determination in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office, or any United States, state, or foreign court regarding Debtor's claim of ownership in any of the copyrights, service marks or trademarks, its right to apply for the same, or its right to keep and maintain such copyright, service mark or trademark rights.

6. POWER OF ATTORNEY.

Debtor grants Foothill power of attorney, having the full authority, and in the place of Debtor and in the name of Debtor, from time to time following an Event of Default in Foothill's discretion, but subject to the provisions of the Intercreditor Agreement, to take any action and to execute any instrument which Foothill may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, as may be subject to the provisions of this Agreement: to endorse Debtor's name on all applications, documents, papers, and instruments necessary for Foothill to use or maintain the Collateral; to ask, demand, collect, sue for, recover, impound, receive, and give acquittance and receipts for money due or to become due under or in respect of any of the Collateral; to file any claims or take any action or institute any proceedings that Foothill may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce Foothill's rights with respect to any of the Collateral and to assign, pledge, convey, or otherwise transfer title in or dispose of the Collateral to any person.

7. RIGHT TO INSPECT.

Debtor grants to Foothill and its employees and agents the right to visit Debtor's plants and facilities which manufacture, inspect, or store products sold under any

of the trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours.

8. EVENTS OF DEFAULT.

Any of the following events shall be an Event of Default:

8.1 Loan Agreement. An Event of Default shall occur as defined in the Loan Agreement;

8.2 Misrepresentation. Any representation or warranty made herein by Debtor or in any document furnished to Foothill by Debtor under this Agreement is incorrect in any material respect when made or when reaffirmed; and

8.3 Breach. Debtor fails to observe or perform any covenant, condition, or agreement to be observed or performed pursuant to the terms hereof which materially and adversely affects Foothill.

9. SPECIFIC REMEDIES.

Subject to the provisions of the Intercreditor Agreement and the Subordination Agreement, upon the occurrence of any Event of Default, Foothill shall have, in addition to, other rights given by law or in this Agreement, the Loan Agreement, or in any other Loan Document, all of the rights and remedies with respect to the Collateral of a secured party under the Code, including the following:

9.1 Notification. Foothill may notify licensees to make royalty payments on license agreements directly to Foothill;

9.2 Sale. Foothill may sell or assign the Collateral and associated goodwill at public or private sale for such amounts, and at such time or times as Foothill deems advisable. Any requirement of reasonable notice of any disposition of the Collateral shall be satisfied if such notice is sent to Debtor five days prior to such disposition. Debtor shall be credited with the net proceeds of such sale only when they are actually received by Foothill, and Debtor shall continue to be liable for any deficiency remaining after the Collateral is sold or collected. If the sale is to be a public sale, Foothill shall also give notice of the time and place by publishing a notice one time at least five days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held. To the maximum extent permitted by applicable law, Foothill may be the purchaser of any or all of the Collateral and associated goodwill at any public sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any public sale, to use and apply all or any part of the Obligations as a credit on account of the purchase price of any collateral payable by Foothill at such sale.

10. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ITS CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA OR, AT THE SOLE OPTION OF Foothill, IN ANY OTHER COURT IN WHICH Foothill SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF DEBTOR AND Foothill WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 10. DEBTOR AND Foothill HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. DEBTOR AND Foothill REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

11. GENERAL PROVISIONS.

11.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by Debtor and Foothill.

11.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Debtor may not assign this Agreement or any rights or duties hereunder without Foothill's prior written consent and any prohibited assignment shall be absolutely void. Foothill may assign this Agreement and its rights and duties hereunder and no consent or approval by Debtor is required in connection with any such assignment.

11.3 Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each section applies equally to this entire Agreement.

11.4 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Foothill or Debtor, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

11.5 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

11.6 Amendments in Writing. This Agreement can only be amended by a writing signed by both Foothill and Debtor.

11.7 Counterparts; Telefacsimile Execution. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver a manually executed counterpart of this Agreement but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

11.8 Fees and Expenses. Debtor shall pay to Foothill on demand all costs and expenses that Foothill pays or incurs in connection with the negotiation, preparation, consummation, administration, enforcement, and termination of this Agreement, including: (a) reasonable attorneys' and paralegals' fees and disbursements of counsel to Foothill; (b) costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) for any amendment, supplement, waiver, consent, or subsequent closing in connection with this Agreement and the transactions contemplated hereby; (c) costs and expenses of lien and title searches; (d) taxes, fees, and other charges for filing this Agreement at the United States Patent and Trademark Office, or for filing financing statements, and continuations, and other actions to perfect, protect, and continue the security interest created hereunder; (e) sums paid or incurred to pay any amount or take any action required of Debtor under this Agreement that Debtor fails to pay or take; (f) costs and expenses of preserving and protecting the Collateral; and (g) costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) paid or incurred to enforce the security interest created hereunder, sell or otherwise realize upon the Collateral, and otherwise enforce the provisions of this Agreement, or to defend any claims made or threatened against Foothill arising out of the transactions contemplated hereby (including preparations for the consultations

concerning any such matters). The foregoing shall not be construed to limit any other provisions of this Agreement or the Loan Documents regarding costs and expenses to be paid by Debtor. The parties agree that reasonable attorneys' and paralegals' fees and costs incurred in enforcing any judgment are recoverable as a separate item in addition to fees and costs incurred in obtaining the judgment and that the recovery of such attorneys' and paralegals' fees and costs is intended to survive any judgment, and is not to be deemed merged into any judgment.

11.9 Notices. Except as otherwise provided herein, all notices, demands, and requests that either party is required or elects to give to the other shall be in writing and shall be governed by the provisions of Section 12 of the Loan Agreement.

11.10 Termination By Foothill. After termination of the Loan Agreement and when Foothill has received payment and performance, in full, of all Obligations, Foothill shall execute and deliver to Debtor a termination of all of the security interests granted by Debtor hereunder.

11.11 Integration. This Agreement, together with the other Loan Documents, reflect the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written above.

FOOTHILL CAPITAL CORPORATION,
a California corporation

By: James V. Cousins
Title: Vice President

PARDUCCI WINE ESTATES, L.L.C.,
a California limited liability company

By: Carl D. Thomas
Title: Managing Member

SCHEDULE "A"

REGISTERED TRADEMARKS AND SERVICE MARKS

<u>Trademark of Service Mark</u>	<u>Registration Date</u>	<u>Registration No.</u>
PARDUCCI AND DESIGN	11-5-96	2,013,518
BONO-SIRAH (GOOD-SIRAH)	1-23-96	1,952,030
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URSA	6-1-98	75-494,333
BRASSERIE	6-1-98	75-494,219

SCHEDULE "B"

REGISTERED COPYRIGHTS

Copyright

Registration Date

Registration No.

None