

07-25-2001

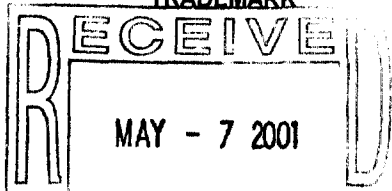
FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027



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U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

5-701
RE



RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID # _____
- Correction of PTO Error
Reel # _____ Frame # _____
- Corrective Document
Reel # _____ Frame # _____

Conveyance Type

- Assignment
- License
- Security Agreement
- Nunc Pro Tunc Assignment
Effective Date
Month Day Year _____
- Merger
- Change of Name
- Other _____

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year _____

Name Napa Valley Kitchens, Inc.

Formerly _____

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association

Other _____

Citizenship/State of Incorporation/Organization California

Receiving Party

Mark if additional names of receiving parties attached

Name Libra Mezzanine Partners, II, L.P.

DBA/AKA/TA _____

Composed of _____

Address (line 1) 11766 Wilshire Boulevard

Address (line 2) Suite 850

Address (line 3) Los Angeles

California

90025

City

State/Country

Zip Code

- Individual
- General Partnership
- Limited Partnership

- Corporation
- Association

Other _____

Citizenship/State of Incorporation/Organization Delaware

Refund Ref: _____

05/11/2001 GTON11 00000166 75975673

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05/11/2001 GTON11 0000105099

01 FD:481 40.00 OP
02 FD:482 1750.00 OP

CHECK Refund Total: \$360.00

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Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK
REEL: 002330 FRAME: 0443

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name Michael Holman, Dickenson, Peatman & Fogarty

Address (line 1) 809 Coombs Street

Address (line 2) Napa, CA 94559

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

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. Charges to deposit account are authorized, as indicated herein.

MARK WAGNER

[Signature]

1/23/01

Name of Person Signing

Signature

Date Signed

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached (Designation must be a separate document from the Assignment.)

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

**RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY**

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U.S. Department of Commerce
Patent and Trademark Office
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Month Day Year

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Trademark Application Number(s)

Registration Number(s)

75551308	75551167	75519049
75514800	75455273	75454884
75357316	75340508	75334334
75251094	75241515	75214895
75197199	75117957	75114571
74730720	74730719	74730718
74604850	74587161	74587160

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Mark if additional numbers attached

Trademark Application Number(s)

Registration Number(s)

74560510	74557376	74538772
74485626	74485473	74312914
74312525	74075573	73692548
73674490	73652795	73619578
73417791	73388231	73388230
73388228	73388225	73387780
73295866	73177533	

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TRADEMARK

REEL: 002330 FRAME: 0448

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "*Agreement*") is made as of the 6th day of October, 2000 by (i) FANTASTIC FOODS, INC., a California corporation ("*Fantastic Foods*"), (ii) NAPA VALLEY KITCHENS, INC., a California corporation ("*NVK*" and together with Fantastic Foods, "*Borrowers*"), (iii) HOMEGROWN NATURAL FOODS, INC., a California corporation ("*Parent*," and collectively together with the Borrowers, "*Credit Parties*," and each individually a "*Credit Party*"), and (iv) LIBRA MEZZANINE PARTNERS II, L.P., a Delaware partnership ("*Holder*").

RECITALS:

A. Credit Parties and Holder have entered into an Investment Agreement of even date herewith (the "*Investment Agreement*"), whereby Borrowers will issue and sell, and Holder will purchase, senior subordinated notes (the "*Senior Subordinated Notes*") in the initial aggregate face amount of \$8,750,000. Parent has guaranteed the obligations of Borrowers under the Investment Agreement.

B. The execution of this Agreement is a condition to the obligations of Holder under the Investment Agreement, and the parties hereto are willing to execute this Agreement and to be bound by the provisions hereof.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Credit Parties hereby agree in favor of Holder as follows:

ARTICLE I: INVESTMENT AGREEMENT; DEFINITIONS

Section 1.01 Incorporation by Reference. This Agreement is entered into pursuant to the terms and conditions of the Investment Agreement, and each term and condition of the Investment Agreement is hereby incorporated by reference. Any capitalized term used herein and not defined in Section 1.02 hereof or otherwise defined herein shall have the meaning given to it in the Investment Agreement.

Section 1.02 Definitions. As used in this Agreement, the following terms have the meanings specified below:

"*Accounts*" shall mean all of Credit Parties' now owned and hereafter acquired rights to payment for goods sold or leased or for services rendered.

"*Applicable UCC*" shall mean the Uniform Commercial Code, as enacted in the State of California, as amended through the date hereof.

“*Chattel Paper*” shall mean, collectively, all of the Credit Parties’ now owned and hereafter acquired “chattel paper,” as that term is defined in Section 9-105(1)(b) of the Applicable UCC.

“*Collateral*” shall mean, collectively, all of the now-owned and hereafter acquired tangible and intangible property of the Credit Parties, including all of the following: (i) all Accounts; (ii) all *Chattel Paper*; (iii) all Equipment; (iv) all Goods; (v) all Instruments; (vi) all Inventory; (vii) all General Intangibles; (viii) all Proceeds; (ix) all books and records of the Credit Parties, including those relating to any of the foregoing; (x) all monies, deposit accounts, and rights to money of any kind; (xi) all additions or accessions to any of the foregoing; (xii) all substitutions for any of the foregoing; and (xiii) all replacements, products, and proceeds of the foregoing.

“*Equipment*” shall mean all now owned and hereafter acquired equipment and fixtures of the Credit Parties, and all replacements and substitutions therefor and thereof, and all accessions thereto, including, without limitation, every item which is or may be necessary or convenient in relation to the operation of the Credit Parties’ Business.

“*General Intangibles*” shall mean, collectively, all of the Credit Parties’ now owned and hereafter acquired general intangibles, including without limitation, all rights, licenses, permits and authorizations held by the Credit Parties; all rights under governmental ordinances or agreements with governmental authorities; things in action; contractual rights; goodwill; literary rights; rights to performance; rights in curriculum design, structure and content, and all of the Intellectual Property.

“*Goods*” shall mean, collectively, all of the Credit Parties’ now owned and hereafter acquired “goods,” as that term is defined in Section 9-105(1)(h) of the Applicable UCC.

“*Instruments*” shall mean, collectively, all of the Credit Parties’ now owned or hereafter acquired instruments, notes, items of payment, negotiable documents, and documents of title.

“*Proceeds*” shall mean all cash and noncash proceeds (including insurance proceeds) resulting from any complete or partial Transfer of the Collateral or any portion thereof or otherwise relating to or generated by any of the Collateral.

ARTICLE II: GRANT OF SECURITY INTEREST

Section 2.01 Grant. As security for the payment and performance of each of the Obligations, Credit Parties hereby grant to Holder a continuing security interest in all of the Collateral.

Section 2.02 Rights of Holder as Secured Party. In addition to the rights and remedies granted to Holder herein and in the other Investment Documents, and subject to the Subordination Agreement, Holder shall have all of the rights and remedies of a secured party under the Applicable UCC with respect to all of the Collateral.

ARTICLE III: REPRESENTATIONS AND WARRANTIES

To induce Holder to enter into the transactions contemplated by the Investment Documents, Credit Parties jointly and severally represent and warrant to Holder as follows (which representations and warranties shall survive the execution and delivery of this Agreement and the funding of the Investment):

Section 3.01 Title to Collateral; Priority of Security Interest. Each Credit Party has full, complete, indefeasible, and marketable title to all of the Collateral it purports to own absolutely free and clear of any claims, defects, liens, security interests, pledges, title retention agreements, or other encumbrances other than the Permitted Liens. Except as set forth on Schedule 3.01 hereto, no Uniform Commercial Code ("UCC") Financing Statement that names any Credit Party as a debtor or that lists any of the Collateral as collateral (other than those naming the Holder as the secured party) has been filed in any place, and no Credit Party has signed any financing statement or any security agreement authorizing any other secured party thereunder to file any such financing statement. The liens and security interests granted to Holder under this Agreement have the priority indicated in the Subordination Agreement.

Section 3.02 Mailing Address; Chief Executive Office; Principal Place of Business. The mailing address for each Credit Party, address of each Credit Party's chief executive office, and the address of each Credit Party's principal place of business is as set forth in the perfection certificate attached hereto as Exhibit A (the "*Perfection Certificate*"). Except as set forth in the Perfection Certificate, there is not another address at which any Credit Party has ever had a chief executive office or principal place of business.

Section 3.03 Other Names. Except as set forth in the Perfection Certificate, no Credit Party has changed its name or used any other name or any trade name within the 12 years immediately preceding the date of this Agreement.

Section 3.04 Location of Goods and Inventory. Except as set forth in the Perfection Certificate, all of the Goods and Inventory are located only at the Real Property, and none of the Goods or Inventory is stored with, or in the possession of, any bailee, warehouseman, subcontractor, or other similar Person.

Section 3.05 Perfection Certificate. The information contained in the Perfection Certificate is true, accurate, and complete in all respects.

Section 3.06 Intellectual Property. As of the date of this Agreement, no Credit Party has any Intellectual Property other than that listed in the Perfection Certificate, and no Credit Party has any patents or trademarks issued by, or the subject of pending applications in, the United States Patent and Trademark Office (the "*PTO*") or any similar office or agency in the United States or any other country, other than those described in the Perfection Certificate. No Credit Party has abandoned any pending patent or trademark application.

ARTICLE IV: COVENANTS

Until the Senior Subordinated Notes are repaid in full and each of the other Obligations has been satisfied in full and discharged, Credit Parties jointly and severally covenant and agree with Holder as follows:

Section 4.01 Offices. Each Credit Party shall maintain its chief executive office and principal place of business at the address for such Credit Party set out in Section 3.02 hereof and shall not change the location of its chief executive office or principal place of business without providing Holder with 30 days prior written notice thereof.

Section 4.02 Books and Records.

(a) Each Credit Party will keep and maintain, at its own cost and expense, satisfactory and complete books and records of and with respect to the Collateral owned by such Credit Party, including records of the status of any pending applications for Intellectual Property;

(b) Each Credit Party shall keep all books and records relating to the Collateral owned by such Credit Party at its principal place of business or at the Real Property owned or occupied by such Credit Party.

(c) Holder shall at all reasonable times upon reasonable prior written notice during regular business hours, at intervals to be determined by Holder, before or after the occurrence of an Event of Default, and without hindrance or delay, have full and free access to the above-referenced books and records and any other data relating to the Collateral and the right at all reasonable times to examine the same and to audit, inspect, verify, check, and make extracts or photocopies therefrom;

(d) Holder shall have the right, at the reasonable cost and expense of Credit Parties, to audit the books and records of Credit Parties concerning the Collateral and to require Credit Parties to procure and, following the occurrence of an Event of Default, deliver to Holder, at Credit Parties' own cost and expense, all reports and information pertaining to the Collateral and to such portion of the financial condition and business operations of Credit Parties as Holder may reasonably deem necessary; and

(e) Subject to the Subordination Agreement, Holder shall have a property interest in all books and records of Credit Parties pertaining to the Collateral and, at any time, upon the reasonable request of Holder following the occurrence of an Event of Default, Credit Parties shall, at their own cost and expense, deliver to Holder or its designated representative true and complete copies of all such books or records and all original and other documents evidencing and relating to the Collateral.

Section 4.03 Equipment. Credit Parties shall use the Equipment solely in the conduct of their business and in a careful and proper manner. Credit Parties shall keep all of the Equipment at their principal place of business or at the Real Property and shall not change the

location of any material portion of the Equipment without providing Holder with 30 days prior written notice thereof.

Section 4.04 Goods and Inventory. Credit Parties shall store all of the Goods and all of the Inventory in a careful, secure, and proper manner at their principal place of business or at the Real Property and shall not change the location of any material amount of the Goods or Inventory without providing Holder with 30 days prior written notice thereof.

Section 4.05 No Transfers of Collateral. Notwithstanding that Proceeds are included within the definition of "*Collateral*" (and therefore subject to Holder's security interest hereby granted), no Credit Party shall Transfer the Collateral or any portion thereof or any interest therein without the prior written consent of Holder, except to the extent expressly permitted by the terms and conditions of the Investment Agreement.

Section 4.06 Liens, Claims, and Attachments. Credit Parties shall maintain the Collateral free from all claims, liens, encumbrances, and legal processes (other than Permitted Liens), and shall notify Holder within two business days after receipt of notice of any lien, attachment, or judicial proceeding affecting the Collateral in whole or in part.

Section 4.07 Payment of Taxes, Assessments and Fees. Credit Parties shall pay all taxes, assessments, and fees relating to the ownership or use of the Collateral or any portion thereof as and when the same shall be due and payable, unless such tax, assessment, or fee is being contested in good faith by proceedings being diligently conducted.

Section 4.08 Maintenance, Repairs, and Replacements. Credit Parties shall keep and maintain, or cause to be kept and maintained, all of the tangible Collateral in good condition, shall provide all reasonable maintenance and service, and make all repairs and replacements reasonably necessary for such purpose. If any parts or accessories forming part of the tangible Collateral become worn out, lost, destroyed, damaged beyond repair, or otherwise permanently rendered unfit for use, Credit Parties, at their own reasonable expense, shall to the extent necessary for them to conduct their business within a reasonable time replace such parts or accessories or cause the same to be replaced by replacement parts or accessories that have a value and utility at least equal to the parts or accessories replaced. All accessories, parts, and replacements for or which are added to or become attached to any of the tangible Collateral shall immediately be deemed incorporated in the tangible Collateral and subject to the security interest granted by Credit Parties under the Investment Documents.

Section 4.09 Right to Inspect. Holder shall have the right to inspect all of the tangible Collateral and all maintenance and repair records relating thereto upon reasonable prior written notice and at all reasonable times. If Holder desires to inspect the tangible Collateral or any such records during other than Credit Parties' normal hours of operation, then Holder shall provide Credit Parties with a minimum of 72 hours prior written notice of such inspection.

Section 4.10 Insurance. At their own reasonable expense, Credit Parties shall obtain and maintain "all-risk" insurance covering the tangible Collateral for the full replacement value thereof. The insurance shall be in form and substance, and provided by companies,

reasonably satisfactory to Holder. All insurance for loss or damage shall provide that losses, if any, shall be payable jointly to Holder and the appropriate Credit Party, subject to the Subordination Agreement. Credit Parties shall pay the premiums for all insurance and deliver to Holder the policies of insurance or duplicates thereof, or other evidence reasonably satisfactory to Holder of such insurance coverage. Each insurer shall agree, by endorsement upon the policy or policies issued by it, or by independent instrument furnished to Holder, that: (i) it will give Holder 30 days prior written notice of the effective date of any material alteration or cancellation of such policy; and (ii) the coverage of Holder shall not be terminated, reduced, or affected in any manner regardless of any breach or violation by Credit Parties of any warranties, declarations, or conditions of such insurance policy or policies.

Section 4.11 Application of Insurance Proceeds. The proceeds of the insurance maintained by Credit Parties and payable as a result of loss of or damage to any of the tangible Collateral may be applied, subject to the Subordination Agreement, at Credit Parties' option: (a) toward the replacement, restoration, or repair of the tangible Collateral which may be lost, stolen, destroyed, or damaged; or (b) toward payment of any of the Obligations. Subject to the Subordination Agreement, each Credit Party irrevocably appoints Holder as its attorney-in-fact to make claim for, receive payment of, and execute and endorse all documents, checks, or drafts received in payment for loss or damage under any of these insurance policies.

Section 4.12 Financing Statements; Recording Costs; Possession of Collateral. Credit Parties shall promptly execute and deliver to Holder any UCC financing or continuation statement or other documents reasonably required, or procure any documents reasonably required (including the "*Worldwide Grant of Security Interest in Trademarks*," attached hereto as Exhibit B, and UCC termination statements, as necessary), to carry out the transactions contemplated by the Investment Documents and to maintain Holder's perfected security interest in all of the Collateral with the lien priority indicated in the Subordination Agreement. Credit Parties shall pay all state and local stamp or documentary taxes, recordation and transfer taxes, clerks' fees and filing fees, and all other reasonable costs to record such documents and to perfect and maintain Holder's perfected security interest in all of the Collateral with the lien priority indicated in the Subordination Agreement. If any portion of the Collateral is of a type as to which it is necessary or desirable for Holder to take possession of the Collateral in order to perfect, or maintain the priority of, Holder's security interest, then at or prior to Closing, Credit Parties shall deliver all such Collateral to Holder, subject to the Subordination Agreement, and, with respect to any such Collateral acquired by Credit Parties after Closing, Credit Parties shall promptly deliver same to Holder, subject to the Subordination Agreement. A carbon, photographic, photocopy, or other reproduction of a security agreement (including this Agreement) or financing statement shall be sufficient as a financing statement.

Section 4.13 Supporting Materials. Credit Parties, upon the reasonable request of Holder, shall provide Holder from time to time with: (a) written statements or schedules identifying and describing the Collateral, and all additions, substitutions, and replacements thereof, in such detail as Holder may require; (b) copies of customers' invoices or billing statements; (c) proof of the sale or lease of goods or evidence of the satisfactory performance of services which gave rise to any Accounts; and (d) such other schedules and information as Holder reasonably may require. The items to be provided under this Section 4.13 shall be in

form reasonably satisfactory to Holder and are to be executed and delivered to Holder from time to time solely for Holder's convenience in maintaining records of the Collateral. Credit Parties' failure to give any of such items to Holder shall not affect, terminate, modify, or otherwise limit Holder's security interest in any of the Collateral.

Section 4.14 No Material Changes. Credit Parties shall not make any material change outside the ordinary course of business to the terms of any General Intangible, Chattel Paper, Instrument, or Account (if the Account has a book value equal to or greater than 10% of Credit Parties' consolidated annual gross revenues), without the prior written permission of Holder.

Section 4.15 Additional Covenants Relating to Accounts and Chattel Paper.

(a) Upon the request of Holder, Credit Parties shall deliver to Holder within 15 calendar days after the last day of each month, a listing and aging report for the Accounts, in form and substance reasonably satisfactory to Holder, together with such other information and financial reports as Holder may request in Holder's reasonable discretion from time to time; and

(b) Upon the reasonable request of Holder, subject to the Subordination Agreement, at any time after the occurrence of an Event of Default, Credit Parties shall deposit, or cause to be deposited, all checks, drafts, cash, and other remittances in payment of, or on account of payment of, any and all Accounts and Chattel Paper (all of the foregoing herein collectively referred to as "*Items of Payment*") to an account designated by Holder at a bank or other financial institution designated by Holder (the "*Collateral Account*"). Holder shall not be responsible for the solvency of any such bank or other financial institution or the management and administration of the Collateral Account. Holder alone shall have the power to access and make withdrawals from the Collateral Account. Credit Parties shall deposit such Items of Payment for credit to the Collateral Account within one banking day of the receipt thereof and in precisely the form received, except for the endorsement of any Credit Party where necessary to permit the collection of such Items of Payment, which endorsement Credit Parties hereby agree to make. Pending such deposit, no Credit Party will commingle any such Items of Payment with any of its other funds or property or with the funds or property of the other Credit Parties, but will hold them separate and apart. Holder shall be entitled, from time to time in Holder's discretion, to apply the funds in the Collateral Account against any of the Obligations.

Section 4.16 Additional Covenants Relating to Intellectual Property.

(a) Except in the ordinary course of its business, Credit Parties will not Transfer or grant an exclusive or nonexclusive license relating to or otherwise dispose of any of the Intellectual Property without the prior written consent of Holder, which may not be unreasonably withheld by Holder;

(b) No Credit Party shall file any application for the issuance of a patent or trademark with the PTO or any similar office or agency in the United States or any other country, unless such Credit Party has by prior written notice informed Holder of such

action , and, upon request of Holder, such Credit Party shall execute and deliver to Holder, subject to the Subordination Agreement, any and all assignments, agreements, instruments, documents, and such other papers as may be requested by Holder to effect an assignment of such application to Holder;

(c) No Credit Party will do any act or omit to do any act, whereby any such patents or trademarks, once granted, may become abandoned or unenforceable, and each Credit Party shall notify Holder as soon as reasonably possible if it knows or has reason to know of any reason why any application may become abandoned, invalidated, or the subject of any suit; and

(d) Credit Parties will render any assistance reasonably necessary to Holder without cost in any proceeding before the PTO or any similar office or agency in the United States or any other country to maintain each application for any patents, copyrights, trademarks, or other Intellectual Property, including, without limitation, the filing of all renewals and paying all annuities.

Section 4.17 Notice to Holder; Joinder by Credit Parties. Credit Parties will promptly notify Holder if any Credit Party learns of any unauthorized use or infringement by any Person with respect to any material portion of the Collateral. If requested by Holder, Credit Parties, at their expense, shall join with Holder in such action as Holder may reasonably deem advisable for the protection of the perfected security interest of Holder in and to all of the Collateral.

ARTICLE V: INDEMNIFICATION

Section 5.01 Indemnification. Credit Parties hereby agree to indemnify, defend, and hold Holder harmless jointly and severally from and against any claim, suit, loss, liability, damage, or expense (including attorneys' fees and expenses) resulting from or arising out of this Agreement, except for any such claims resulting from the gross negligence or willful misconduct of Holder (each an "*Indemnified Claim*"). Any actual or threatened Indemnified Claim may be defended, compromised, settled, or pursued by Holder, subject to the Subordination Agreement, with counsel of Holder's selection, but at the reasonable expense of Credit Parties. The obligations contained in this Section 5.01 shall terminate only upon the expiration of the applicable statute of limitations relating to third-party claims indemnified and shall survive payment of the Obligations and shall survive any termination, or discharge executed by Holder in favor of Credit Parties.

ARTICLE VI: DEFAULT AND REMEDIES

The occurrence of any Event of Default shall constitute an immediate breach of, and default under, this Agreement, entitling Holder to exercise, in addition to those available at law or in equity, all of the following rights and remedies, subject only to the Subordination Agreement:

Section 6.01 Assemble Collateral. Holder may require Credit Parties (at their sole expense) to assemble and to forward promptly any or all of the Goods, Equipment, Chattel Paper, and Inventory to Holder at such location(s) as shall be reasonably required by Holder.

Section 6.02 Take Possession. Without breaching the peace, Holder may enter upon the premises where any Goods, Equipment, Chattel Paper or Inventory is located and take immediate possession thereof, by summary proceedings or otherwise, and Holder may remove the Goods, Equipment, Chattel Paper or Inventory, all without liability of Holder to Credit Parties for or by reason of such entry, taking of possession or removal, whether for the restoration of damage to property caused by such taking or otherwise.

Section 6.03 Appointment of Receiver. Holder shall be entitled to appointment of a receiver to take possession of and to manage all or any portion of the Collateral. Holder may obtain such appointment without notice to, or demand of any Credit Party, on an ex parte basis before any court of competent jurisdiction, and without regard to the adequacy of the Collateral as security for the Obligations.

Section 6.04 Sale of Collateral. Holder may sell, assign, and deliver or otherwise dispose of or cause to be sold or otherwise disposed of, the whole or any part of the Collateral, at one or more commercially reasonable public or private sales, without demand or advertisement of the time or place of sale or of any adjournment thereof, each of which is hereby expressly waived. The sale or other disposition may be made for such price and upon such terms and conditions as Holder may deem best in the exercise of its commercially reasonable discretion. Holder may apply the proceeds from such sale or sales or such other disposition or dispositions: first, to the settlement of all liens or claims on the Collateral with a lien priority greater than that of Holder; second, to the payment of all reasonable expenses connected with the assembly, preservation, preparation, and sale or other disposition of the Collateral, including any trustees' or auctioneers' fees, commissions or other expenses; third, to the payment of all amounts due under the Senior Subordinated Notes and all other monetary Obligations; and fourth, returning the excess, if any, to Credit Parties. Credit Parties hereby expressly waive all rights of appraisal, whether before or after the sale or other disposition, and any right of redemption after the sale or other disposition. Credit Parties shall have the right to redeem any of the Collateral up to the time of the sale or other disposition by paying to Holder the aggregate indebtedness under the Senior Subordinated Notes and this Agreement, together with all reasonable costs incurred by Holder in collecting such amounts or in enforcing its rights and remedies hereunder, and any other monetary Obligations then due and owing.

Section 6.05 Attorney-in-Fact. Each Credit Party hereby irrevocably appoints Holder as its attorney-in-fact, with power of substitution, to do each of the following in the name of such Credit Party or in the name of Holder or otherwise, for the use and benefit of Holder, but at the cost and expense of such Credit Party:

(a) notify the debtors or other party or parties obligated under any of the Accounts, Chattel Paper, or General Intangibles to make payments thereon directly to Holder, and to take control of the cash and noncash proceeds of any Collateral;

(b) compromise, extend, or renew any of the Collateral or deal with the same as it may deem advisable;

(c) release, make exchanges of or substitutions for, or surrender all or any part of the Collateral;

(d) remove from Credit Parties' place(s) of business all books, records, ledger sheets, correspondence, invoices, and documents, relating to or evidencing any of the Collateral or without cost or expense to Holder, make such use of Credit Parties' place(s) of business as may be reasonably necessary to administer, control, and collect the Collateral;

(e) repair, alter, or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any account debtor;

(f) demand, collect, receipt for, and give renewals, extensions, discharges, and releases of any of the Collateral;

(g) institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, any of the Collateral;

(h) settle, renew, extend, compromise, compound, exchange, or adjust claims with respect to any of the Collateral or any legal proceedings brought with respect thereto;

(i) endorse the name of any Credit Party upon any items of payment relating to the Collateral or upon any proof of claim in bankruptcy against an account debtor;

(j) institute and prosecute legal and equitable proceedings to reclaim any of the goods sold to any debtor obligated on an Account, Chattel Paper, or General Intangible at a time when such debtor was insolvent;

(k) receive and open all mail addressed to any Credit Party and notify the postal authorities to change the address for the delivery of mail to any Credit Party to such address as Holder may designate; and

(l) execute and deliver on behalf of any Credit Party one or more instruments of assignment of the Intellectual Property (or application, letters patent, or recording relating thereto), in form suitable for filing, recording, or registration.

Section 6.06 Right to Make Payments or Otherwise Cure. Whether or not such failure shall constitute an Event of Default, Holder may, in its sole discretion, pay any amount or do any act that any Credit Party fails to do or to pay as required by the terms of this Agreement or any of the other Investment Documents. Holder may also take any actions, make any payments, or incur any reasonable expenses (including, without limitation, the payment of filing fees, court costs, travel expenses, and attorneys' fees) as may be reasonably necessary or appropriate to preserve, defend, protect, maintain, record or enforce the Obligations, the Collateral, or the assignment granted hereunder.

Section 6.07 Right to Defend. Whether or not such failure shall constitute an Event of Default, if any of the Collateral is or becomes the subject of any litigation or other proceeding and Credit Parties fail to defend such litigation or other proceeding and to protect Credit Parties' and Holder's rights in such Collateral in good faith, then Holder may, at its sole option, elect to defend and control the defense of such litigation or other proceeding, including the right to: (a) select and retain counsel; (b) determine whether settlement shall be offered or accepted; and (c) determine and negotiate all settlement terms. If Holder so chooses, Holder shall be fully indemnified by Credit Parties and shall be reimbursed for all costs of litigation and settlement, including, without limitation, all costs, expenses, and reasonable attorneys' fees. Any payments made pursuant to the authority granted in Section 6.06 hereof or this Section 6.07 shall be deemed added to the principal amounts outstanding under the Senior Subordinated Notes and shall accrue interest as provided in the Senior Subordinated Notes.

Section 6.08 Intellectual Property Remedies. In addition to all other rights and remedies, and subject to the Subordination Agreement, Holder, following the occurrence of an Event of Default shall have the following rights and remedies with respect to the Intellectual Property, each of which may be exercised without notice to, or consent by, Credit Parties except as expressly provided for herein:

(a) Holder may require that Credit Parties and all Affiliates thereof immediately discontinue any existing use of the Intellectual Property and that neither Credit Parties nor any Affiliate thereof make any further use of the Intellectual Property for any purpose whatsoever;

(b) Upon 10 days prior written notice to Credit Parties, Holder may grant one or more exclusive or nonexclusive license or licenses relating to any of the Intellectual Property for such term or terms, on such conditions, and in such manner, as Holder shall in its sole discretion deem appropriate. Such license or licenses may be general, special, or otherwise, and may be granted on an exclusive or nonexclusive basis throughout the United States of America, its territories and possessions, and all foreign countries;

(c) Upon 10 days prior written notice to Credit Parties, Holder may assign, sell, or otherwise dispose of the Intellectual Property or any part thereof, either with or without special conditions or stipulations. Holder shall have the power to: (i) purchase the Intellectual Property or any part thereof; (ii) execute all assurances; and (iii) perform all other acts which Holder may, in Holder's sole discretion, deem appropriate or proper to complete such assignment, sale, or disposition;

(d) Holder may first apply the proceeds actually received from any such license, assignment, sale or other disposition of Intellectual Property to the reasonable costs and expenses thereof, including, without limitation to, reasonable attorneys' fees and all legal, travel and other expenses which may be incurred by Holder. Thereafter, Holder may apply any remaining proceeds to such of the Obligations as Holder may in its sole discretion determine. Credit Parties shall remain liable to Holder for any Obligations or reasonable expenses remaining unpaid after the application of such proceeds, and Credit Parties will pay Holder on demand any

such unpaid amount, together with interest at the default rate of interest specified in the Senior Subordinated Notes; and

(e) If any such license, assignment, sale, or other disposition of the Intellectual Property (or any part thereof) is made after the occurrence of an Event of Default under any of the Investment Documents, Credit Parties shall supply to Holder or Holder's designee Credit Parties' knowledge and expertise relating to the processing or manufacture and sale of the products according to the patented inventions, Credit Parties' customer lists, and other records relating to the distribution of any products related thereto.

ARTICLE VII: ADDITIONAL PROVISIONS

Section 7.01 Deficiency. Credit Parties shall be liable for all Obligations remaining after crediting to Credit Parties any net proceeds received by Holder following exercise of any of its rights and remedies hereunder.

Section 7.02 No Duty to Act. Nothing contained in this Agreement or any of the other Investment Documents shall be construed as requiring Holder to take any particular enforcement or remedial action or combination of enforcement or remedial actions at any time.

Section 7.03 Remedies Not Limited; Partial Exercise. All of Holder's rights and remedies, whether provided under this Agreement, the other Investment Documents, at law, in equity, or otherwise shall be cumulative and none is exclusive. Such rights and remedies may, subject to the Subordination Agreement, be enforced alternatively, successively, or concurrently, and Credit Parties hereby agree that Holder may enforce its rights hereunder with respect to individual items or classes of Collateral without waiving or prejudicing in any respect Holder's rights hereunder with respect to any other items or classes of Collateral. Holder may exercise any other right or remedy which may be available to it under this Agreement, the Investment Documents or Applicable Law, including, without limitation, the remedies set forth in Article VIII of the Investment Agreement, or may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Agreement in whole or in part.

Section 7.04 Costs of Enforcement. Credit Parties shall be liable for all costs incurred by Holder in collecting any sums owed to Holder under the Investment Documents or in otherwise enforcing any of the Obligations (whether or not suit is brought), including, but not limited to, all reasonable attorneys' fees and expenses, court costs, and costs of consultants, appraisers, and other advisors retained by Holder.

Section 7.05 Mitigation of Damages. To the extent permitted by Applicable Law, each Credit Party hereby waives any notice or other mandatory requirements of Applicable Law, now or hereafter in effect, that might require Holder to sell, lease or otherwise use any of the Collateral in mitigation of Holder's damages; provided, however, that no Credit Party waives any legal requirement that Holder act in a commercially reasonable manner.

Section 7.06 No Waivers by Holder. No failure of Holder to exercise, or delay by Holder in the exercise of, any of its rights and remedies granted herein following the occurrence of an Event of Default shall constitute a waiver of Holder's rights with respect to such Event of Default or any subsequent Event of Default (whether or not similar). Any failure or delay by Holder to require strict performance by Credit Parties of any of the provisions, warranties, terms, and conditions contained herein or in any other agreement, document, or instrument, shall not affect Holder's right to demand strict compliance and performance therewith.

Section 7.07 Holder's Actions. Holder may take or release the Collateral or other security, may release any party primarily or secondarily liable for any indebtedness to Holder, may grant extensions, renewals, or indulgences with respect to such indebtedness, and may apply any other security therefor held by it to the satisfaction of such indebtedness, all without prejudice to any of its rights or Credit Parties' obligations hereunder or under any of the other Investment Documents.

Section 7.08 Notices. All notices hereunder shall be given in accordance with the notice provisions in the Investment Agreement. Credit Parties agree that 14 days prior notice of the time and place of any public sale of all or any portion of the Collateral, or of the time after which a private sale of all or any portion of the Collateral will be made, is commercially reasonable notice.

Section 7.09 Further Assurances. Credit Parties will promptly and duly execute and deliver to Holder such further documents and assurances and take such further actions as Holder may from time to time reasonably request in order to carry out the intent and purpose of this Agreement and to establish and protect the rights and remedies created or intended to be created in favor of Holder hereunder. Without limiting the generality of the foregoing, each Credit Party hereby authorizes Holder to execute and file one or more financing statements (or similar documents) with respect to the Collateral, signed only by Holder.

Section 7.10 Successors and Assigns. This Agreement shall inure to the benefit of Holder and its respective successors and assigns and shall be binding upon the successors and assigns of Credit Parties.

Section 7.11 Assignment. Credit Parties may not assign any of their rights or delegate any of their duties under this Agreement without prior written consent of Holder. Holder may assign all of its right, title, and interest in and to this Agreement and the Collateral to any transferee of any of the Senior Subordinated Notes or any portion of any of the Senior Subordinated Notes or interest in any of the Senior Subordinated Notes.

Section 7.12 Governing Law. This Agreement and the rights and obligations of the parties hereunder shall, in all respects, be governed by, and construed in accordance with, the laws of the State of California (excluding California conflict of laws rules), including all matters of construction, validity, and performance, regardless of the location of the Collateral.

Section 7.13 Waiver of Trial by Jury. Each Credit Party agrees that any suit, action or proceeding, whether claim or counterclaim, brought or instituted by Holder on or with respect to this Agreement or any event, transaction, or occurrence arising out of or in any way connected with the Investment Agreement or the dealing of the parties with respect thereto, shall be tried only by a court and not by a jury. EACH BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING. Credit Parties acknowledge and agree that Holder would not extend credit under the Investment Agreement to Borrowers if this waiver of jury trial were not part of the Investment Agreement and this Agreement.

Section 7.14 Venue; Service of Process. Venue for any adjudication hereof shall be only in the courts of the State of California or the Federal courts in the State of California, the jurisdiction of which courts all parties hereby consent to as the agreement of the parties, as not inconvenient and as not subject to review by any court other than such courts in California. Each Credit Party intends that the courts of the jurisdiction(s) in which such Credit Party is incorporated and conducts business should afford full faith and credit to any judgment rendered by a court of the State of California against such Credit Party hereunder, and should hold that the California courts have jurisdiction to enter a valid, in personam judgment against such Credit Party hereunder. Each Credit Party agrees that service of any summons or complaint, and other process that may be served in any action, may be made by mailing via registered mail or delivering a copy of such process to such Credit Party, and each Credit Party hereby agrees that this submission to jurisdiction and consent to service of process are reasonable and made for the express benefit of Holder.

Section 7.15 No Oral Modifications or Waivers. This Agreement shall not be modified nor any of its provisions waived except by a writing signed by the party against whom such modification or waiver is sought to be enforced.

Section 7.16 Termination of Agreement; Release of Security Interest. Upon the repayment in full of all amounts owing under the Senior Subordinated Notes and the satisfaction of all other Obligations, this Agreement shall terminate without further action by Holder. Notwithstanding the foregoing, upon request, Holder will execute and deliver to Credit Parties any releases, termination statements, or similar instruments of reconveyance as Credit Parties may reasonably request. All such instruments and documents shall be prepared by Credit Parties and filed or recorded by Credit Parties, at their sole expense, and Holder shall have no duty, obligation, or liability with respect thereto.

Section 7.17 Severability. Any provision of this Agreement or of any related instrument or document executed pursuant hereto that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, each Credit Party hereby waives any provision of law which renders any provision hereof or thereof prohibited or unenforceable in any respect.

Section 7.18 Captions. The captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

{Signatures on next page.}

IN WITNESS WHEREOF, and intending to be legally bound hereby, each Credit Party executes this Security Agreement under seal as of the day and year first above written.

"CREDIT PARTIES":

WITNESS:

FANTASTIC FOODS, INC.

By: [Signature]
Name: Stan Blythe

By: [Signature] {Seal}
Name: John Foraker
Title: President

WITNESS:

NAPA VALLEY KITCHENS, INC.

By: [Signature]
Name: Stan Blythe

By: [Signature] {Seal}
Name: John O'SHAUGHNESSY
Title: President

WITNESS:

HOMEGROWN NATURAL FOODS, INC.

By: [Signature]
Name: Stan Blythe

By: [Signature] {Seal}
Name: John Foraker
Title: President

SCHEDULE 3.01

WASH1:836907:1:10/5/00
30138-7

TRADEMARK
REEL: 002330 FRAME: 0465

EXHIBIT A

PERFECTION CERTIFICATE

WASH1:836907:1:10/5/00
30138-7

TRADEMARK
REEL: 002330 FRAME: 0466

EXHIBIT B

WORLDWIDE GRANT OF SECURITY INTEREST IN TRADEMARKS

Homegrown Holdings Corporation, Napa Valley Kitchens, Inc., and Fantastic Foods, Inc. (collectively, "Grantor"), California corporations with principal business addresses of: 580 Gateway Drive, Napa, California 94558; 580 Gateway Drive, Napa, California 94558; and 1250 N. McDowell, Petaluma, California 94954, respectively, are obligated to Libra Mezzanine Partners II, L.P. ("Secured Party"), with a principal business address of 11766 Wilshire Boulevard, Suite 850, Los Angeles, California 90025, and have entered into a Security Agreement of even date (the "Security Agreement") in favor of the Secured Party. Pursuant to the Security Agreement, Grantor granted to the Secured Party a security interest in all of the right, title and interest of Grantor in and to the trademark registrations and trademark applications listed on Schedule 1 attached hereto and incorporated by reference (the "Trademarks"), together with the goodwill of the business symbolized by the Trademarks, to secure the prompt payment, performance and observance of the obligations as set forth in the Security Agreement.

IN WITNESS WHEREOF, Grantor has executed this Worldwide Grant of Security Interest in Trademarks.

GRANTOR:

HOMEGROWN HOLDINGS CORPORATION

By: [Signature]

Date: 10/6/00

Name: John Foraker

Title: President

NAPA VALLEY KITCHENS, INC.

By: [Signature]

Date: 10/6/00

Name: JOHN O'SHAUGHNESSY

Title: President

FANTASTIC FOODS, INC.

By: [Signature]

Date: 10/6/00

Name: John Foraker

Title: President

Schedule 1 to Exhibit B

Mark	Ser #/Reg #
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