

## TRADEMARK ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY INTEREST

## CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Paragon of Michigan, Inc.		05/30/2006	CORPORATION: WISCONSIN

## RECEIVING PARTY DATA

Name:	T. Scott Avila, Trustee of the Creditor Trust established pursuant to the First Amended Joint Plan of Reorganization of Steakhouse Partners, Inc. et. al
Street Address:	One Park Plaza, Sixth Floor
City:	Irvine
State/Country:	CALIFORNIA
Postal Code:	92614
Entity Type:	TRUSTEE:

## PROPERTY NUMBERS Total: 9

Property Type	Number	Word Mark
Registration Number:	2087514	MOUNTAIN JACK'S STEAKHOUSE
Registration Number:	2094790	HUNTER STEAKHOUSE EST. 1970
Registration Number:	1910817	CARVERS CREEK
Registration Number:	1757386	CARVERS
Registration Number:	1194482	TIPPECANOE PLACE RESTAURANT
Registration Number:	1194481	THE WHALING COMPANY
Registration Number:	1194480	TIPPECANOE PLACE
Registration Number:	1083714	MOUNTAIN JACK'S
Registration Number:	0970976	HUNGRY HUNTER

## CORRESPONDENCE DATA

Fax Number: (248)351-3082

*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*

Phone: 2483513000

TRADEMARK

REEL: 003402 FRAME: 0887

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Email: jbisdorf@jaffelaw.com  
Correspondent Name: Jeremy D. Bisdorf  
Address Line 1: 27777 Franklin Rd., Suite 2500  
Address Line 4: Southfield, MICHIGAN 48034

ATTORNEY DOCKET NUMBER: FIRMPD-MICKHO

NAME OF SUBMITTER: Jeremy D. Bisdorf

Signature: /jdb/

Date: 10/05/2006

**Total Attachments: 28**

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### **AMENDED CLASS 4 SECURITY AGREEMENT**

This Amended Class 4 Security Agreement is entered into as of May \_\_, 2006, by and among STEAKHOUSE PARTNERS, INC., a Delaware corporation, PARAGON STEAKHOUSE RESTAURANTS, INC., a Delaware corporation, PARAGON OF MICHIGAN, INC., a Wisconsin corporation (the "Debtors") and T. Scott Avila ("Secured Party") solely in his capacity as trustee of the Creditor Trust ("Class 4 Creditor Trust") established pursuant to the First Amended Joint Plan of Reorganization of Steakhouse Partners, Inc., Paragon Steakhouse Restaurants, Inc. and Paragon of Michigan, Inc. administratively consolidated under Case No. 02-12648 MG in the United States Bankruptcy Court for the Central District of California, Riverside Division and the Creditor Trust Agreement executed by Secured Party and the Debtors in connection therewith. This Amended Security Agreement replaces and supersedes the Class 4 Security Agreement dated December 30, 2003.

1. **Grant Of Security Interest** Debtors hereby reaffirm its grant to Secured Party a security interest in the property described or referred to in Paragraph 2 below (collectively, "Collateral") to secure prompt payment and full performance of the obligations described in Paragraph 3 below (collectively, "Obligations").

2. **Collateral** The Collateral consists of the following:

a All accounts, contract rights and general intangibles, including, without limitation, all forms of payment, goodwill, license rights, bailment or leasehold interests, whether as lessor or lessee, inventions, designs, trademarks, trade styles, trade

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names, trade secrets, patents, patent applications, copyrights, tax refunds, customer lists, business, and accounting records, including all ledger account cards, computer tapes and discs and other computer information, in all cases which are now owned by Debtors or in which Debtors may now have an interest;

b. "Intellectual Property Collateral": Without Limiting the foregoing, all right, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all

(i) Copyrights, Copyright Registrations and Copyright Rights, including, without limitation, each of the Copyrights, rights, titles and interests in and to the Copyrights, all derivative works and other works protectable by copyright, which are presently, or in the future may be, owned, created (as a work for hire for the benefit of such Grantor), authored (as a work for hire for the benefit of such Grantor), or acquired by such Grantor, in whole or in part, and all Copyright Rights with respect thereto and all Copyright Registrations therefor, heretofore or hereafter granted or applied for, and all renewals and extensions thereof, throughout the world, including all proceeds thereof (such as, by way of example and not by limitation, license royalties and proceeds of infringement suits), the right (but not the obligation) to renew and extend such Copyright Registrations and Copyright Rights and to register works protectable by copyright and the right (but not the obligation) to sue in the name of such Grantor or in the name of Secured Party or Lenders for past, present and future infringements of the Copyrights and Copyright Rights;

(ii) Patents;

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(iii) Trademarks, Trademark Registrations, the Trademark Rights and goodwill of such Grantor's business symbolized by the Trademarks and associated therewith; and

(iv) all trade secrets, trade secret rights, know-how, customer lists, processes of production, ideas, confidential business information, techniques, processes, formulas, and all other proprietary information

c. All inventory, including, without limitation, all goods held for sale or lease, raw materials, work-in-process, finished goods, merchandise, fuel, fuel products, parts and supplies, of every kind and description, now owned by Debtors, or in which Debtors may now have an interest, including, without limitation, inventory temporarily out of Debtors' custody or possession and any returns or repossessions upon any sales or accounts;

d. All equipment, including, without limitation, machinery, furniture, furnishings, fixtures, tools, parts, supplies and vehicles of every kind and description, whether now owned by Debtors or in which Debtors may now have an interest, and all additions and improvements thereto;

e. All documents, documents of title, deposit accounts, instruments, money, letters of credit and chattel paper now owned by Debtors; and

f. All proceeds and products of any of the foregoing, in any form, including, without limitation, proceeds of any insurance relating thereto, proceeds consisting of any of the above types of Collateral.



3. **Obligations.** The Obligations secured under this Security Agreement are: all debts, obligations, and liabilities of Debtors to Secured Party under the Amended Class 4 Note of even date herewith (the "Note" or "Amended Class 4 Note")

4. **Representations And Warranties** Debtors represent and warrant on the date hereof that:

a. except as provided hereunder and as heretofore disclosed to Secured Party in writing, Debtors are the sole owners of the Collateral having good and marketable title thereto, free of all liens, security interests, encumbrances and adverse claims of any kind except the Permitted Encumbrances described in Exhibit A attached hereto and incorporated herein;

b. Debtors do not have any places of business, offices where Debtors' books of account or records are kept, or places where the Collateral is used, stored or located, other than as set forth on Exhibit B; and

c. Each Debtor is duly organized, validly existing and in good standing under the laws of the state in which it is incorporated, has duly qualified and is authorized to do business and is in good standing as a foreign corporation in all jurisdictions where its activities make such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the Debtors, has all requisite power and authority and necessary licenses to own and operate its properties and carry on its business, and to enter into the transactions contemplated by this Security Agreement.

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5. **Covenants Of Debtors** Until the Obligations are paid in full, Debtors agree to:

a. maintain in good condition and repair (ordinary wear and tear excepted) and preserve and protect the Collateral;

b. promptly pay and discharge before the same become delinquent all material taxes, assessments and governmental charges or levies imposed on Debtors or any of the Collateral, unless they are being contested in good faith by Debtors

c. insure the Collateral in amounts, with companies, and against risks and liabilities, reasonably satisfactory to Secured Party, and Debtors hereby assign the policies to Secured Party for security purposes, agree to deliver copies of the policies to Secured Party at its request, and agree that upon the occurrence and during the continuation of an Event of Default, Secured Party may make any claim thereunder, collect and receive payment of and endorse any instrument in payment of loss or return premium or other refund or return, and apply such amounts received, at Secured Party's sole discretion, to replacement of Collateral or to payment of the Obligations;

d. comply with all requirements of insurance for the Collateral and all statutes, regulations, ordinances, acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to any Collateral;

e. appear in and defend, at Debtors' own expense, any action or proceeding which may affect Debtors' title to or Secured Party's interest in the Collateral;

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f. procure or execute and deliver, from time to time, in form and substance satisfactory to Secured Party, any endorsements, assignments, financing statements, fixture filings, landlord's or mortgagee's waivers, or other writings reasonably deemed necessary or appropriate by Secured Party to perfect, maintain or protect Secured Party's security interest in the Collateral and the priority thereof, and take such other action and deliver such other documents, instruments and agreements pertaining to the Collateral as Secured Party may reasonably request to effectuate the intent of this Security Agreement;

g. keep the Collateral and the records concerning the Collateral at one of the locations set forth in paragraph 4b above, and not remove or permit the removal of the Collateral from such locations without thirty (30) days' prior written notice to Secured Party;

h. notify Secured Party in writing at least thirty (30) days prior to any change in Debtors' name or any addition or change to the address of Debtors specified in paragraph 20 hereof;

i. keep, accurate and complete records of the Collateral and provide Secured Party during normal business hours with reasonable access thereto and to Debtors' financial records, in each case with the right to make extracts therefrom;

j. provide Secured Party during normal business hours upon reasonable notice with access to the Collateral, and with such other information as Secured Party may reasonably request from time to time;

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k. maintain and preserve its corporate existence, and all rights, privileges, franchises and other authority necessary for the conduct of its business;

l. continue operations in the same form and structure of business (i.e., corporate) as currently conducted, and not merge or consolidate with or acquire or be acquired by any other corporation, partnership, entity or person, without Secured Party's prior written consent not to be unreasonably withheld; and

6. **Reporting Obligations** Debtors shall provide to Secured Party:

a. Quarterly financial statements within 45 days of the end of the quarter; and

b. Annual audited financial statements within 90 day of the close of Debtors' fiscal year end.

7. **Events of Default**

a. The occurrence of any of the following events or conditions (herein "Events of Default") shall, at the option of Secured Party and without notice to or demand on Debtors, constitute an Event of Default hereunder:

(i) failure to make any payment required to be made to the Creditor Trust under the Amended Class 4 Note or under this Agreement when due; provided, however, that the Debtors shall have twenty (20) days after transmission of written notice to cure such nonpayment (a "Payment Default");



(ii) breach, violation or nonperformance of any representation, warranty or covenant on Debtors' part under the Amended Class 4 Note or this Agreement, other than a Payment Default;

(iii) if Debtors shall commence any case, proceeding or other action

(a) under any Creditors Rights Laws, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, or

(b) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Reorganized Paragon shall make a general assignment for the benefit of its creditors.

(iv) if there shall be commenced against the Debtors any case, proceeding or other action of a nature referred to in clause (iii) above which

(a) results in the entry of an order for relief or any such adjudication or appointment or

(b) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or

(v) there shall be commenced against the Debtors, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, or

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similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(vi) the Debtors shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (iii), (iv), or (v) above;

(vii) the insolvency of the Debtors (whether because of the Debtors' failure to pay debts as they mature or because the fair market value of the Debtors' assets is less than the Debtors' liabilities); or

(viii) the suspension of business of Reorganized Paragon; or

(ix) if there shall occur any material default under the iDine Agreement, in the observance or performance of any term, covenant or condition of the iDine Agreement to be observed or performed and such default is not cured following the expiration of any applicable grace and notice periods therein provided.

## 8. Remedies

a. Upon the occurrence of any Event of Default, and upon the failure to timely cure such Event of Default (where applicable), the Secured Party may, at its option, without notice to or demand on Debtors, declare all Obligations immediately due and payable, and Secured Party shall have all rights and remedies of a secured party under the California Uniform Commercial Code and other applicable law as well as the following rights and remedies, all of which may be exercised with or without further

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notice to Debtors all at Secured Party's sole option and as Secured Party in its sole discretion may deem advisable:

(i) to notify any and all obligors on the Collateral that the same has been assigned to Secured Party and that all payments thereon are to be made directly to Secured Party.

(ii) to settle, compromise or release, on terms acceptable to Secured Party, in whole or in part, any amounts owing on the Collateral, and to extend the time of payment, make allowances and adjustments and to issue credits in Secured Party's name or in the name of Debtors in respect thereof.

(iii) require the Debtors to, and the Debtors hereby agree, that they will at their expense and upon request of the Secured Creditor forthwith, assemble all or part of the Collateral as directed by the Secured Creditor and make it available to the Creditor Trust at a place to be designated by the Secured Creditor, whether at the premises of Debtors or elsewhere, and will make it rent-free for 10 days, all premises and facilities of the Debtors for the purpose of Secured Party's taking possession of the Collateral, putting the Collateral in saleable form, offering the Collateral for sale, through public auction or private sale, or for removing the Collateral. At such time or thereafter, Secured Party may also:

(a) remove from any premises where the same maybe located, any and all documents, instruments, files and records relating to the Collateral, and Secured Party may, at Secured Party's expense, use the supplies and space of the

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Debtors at its places of business as may be necessary to properly administer and control the Collateral or the handling of collections and realizations thereon, subject to paragraph 7 a iii, above.

(b) receive, open and dispose of all mail addressed to Debtors and notify postal authorities to change the address for delivery thereof to such address as Secured Party may designate.

(c) take or bring, in Secured Party's name or in the name of the Debtors, all steps, actions, suits or proceedings deemed by Secured Party necessary or desirable to effect collection of or to realize upon the Collateral

(iv) enter onto the property where any Collateral is located and take possession thereof with or without judicial process.

(v) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent the Creditor Trust deems appropriate.

(vi) take possession of the Debtor's premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of the Debtors' equipment for the purpose of completing any work in process, taking any actions described in the preceding clause

(vii) without notice except as specified below, to sell, lease or otherwise dispose of the Collateral or any part thereof, in one or more parcels at public or private sale, at the Secured Creditor's offices or elsewhere, for cash, on credit or for

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future delivery, at such time or times and at such price or prices and upon such other terms as the Secured Creditor may deem commercially reasonable.

(viii) exercise dominion and control over and refuse to permit further withdrawals from any Deposit Account maintained with the Secured Creditor or any Lender and provide instructions directing the disposition of funds in Deposit Accounts not maintained with Secured Creditor or any Lender.

(ix) *Sale of Collateral* To the extent permitted by law, the Secured Creditor may be the purchaser of any or all of the Collateral at any such sale and the Secured Creditor 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 such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by the Secured Creditor at such sale.

(a) The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of the Collateral shall be applied first to the expenses (including all attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, second to interest that is accrued, unpaid and owing and third to payment of the principal amount of the Obligations. Debtors shall be liable to Secured Party and shall pay to Secured Party on demand any deficiency which may remain after such sale, disposition, collection or liquidation of Collateral

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(b) Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Debtors, and the Debtors hereby waive (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(c) The Debtors agree that, to the extent notice of sale shall be required by law, at least ten days notice to the Debtors of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Creditor shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Creditor may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(d) The Debtors hereby waive any claims against the Secured Creditor arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Secured Creditor accepts the first offer received and does not offer such Collateral to more than one offeree.

b. The Debtors further agree that a breach of any of the covenants contained in this Section 8 will cause irreparable injury to the Secured Creditor, that the Secured Creditor has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically

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enforceable against the Debtors, jointly and severally, and the Debtors hereby waive and agree not to assert any defenses against an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Secured Obligations becoming due and payable prior to their stated maturities

c. **Securities Collateral** The Debtors recognize that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, the Secured Creditor may be compelled, with respect to any sale of all or any part of the Securities Collateral conducted without prior registration or qualification of such Securities Collateral under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Securities Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Debtors acknowledge that any such private sales may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances and notwithstanding the provisions of Section 9-610(c) of the California Commercial Code, which the Debtors hereby waive, the Debtors agree that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Secured Creditor shall have no obligation to engage in any public sale and no obligation to delay the sale of any Securities Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it. If the Secured Creditor determines to exercise its right to sell any or all of the

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Securities Collateral, upon written request, Reorganized Paragon shall and shall cause each issuer of any Securities Collateral to be sold hereunder from time to time to furnish to the Secured Creditor all such information as the Secured Creditor may request in order to determine the number of shares and other instruments included in the Collateral which may be sold by the Secured Creditor in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

d. **Additional Remedies for Intellectual Property Collateral.**

Anything contained herein to the contrary notwithstanding, upon the occurrence and during the continuation of an Event of Default, (i) the Secured Creditor shall have the right (but not the obligation) to bring suit, in the name of the Debtors, the Secured Creditor or otherwise, to enforce rights against any Intellectual Property Collateral, in which event the Debtors shall, at the request of the Secured Creditor, do any and all lawful acts and execute any and all documents required by the Secured Creditor in aid of such enforcement and the Debtors shall promptly, upon demand, reimburse and indemnify the Secured Creditor in connection with the exercise of its rights under this Section, and, to the extent that the Secured Creditor shall elect not to bring suit to enforce any rights against any Intellectual Property Collateral as provided in this Section, the Debtors agree to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of the Intellectual Property Collateral by others and for that purpose agrees to:

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(i) use its commercially reasonable judgment in maintaining any action, suit or proceeding against any Person so infringing reasonably necessary to prevent such infringement;

(ii) upon written demand from the Secured Creditor, the Debtors shall execute and deliver to the Secured Creditor an assignment or assignments of the Intellectual Property Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement;

(iii) the Debtors agrees that such an assignment and/or recording shall be applied to reduce the Secured Obligations outstanding only to the extent that the Secured Creditor receives cash proceeds in respect of the sale of, or other realization upon, the Intellectual Property Collateral; and

(iv) within five Business Days after written notice from the Secured Creditor, the Debtors shall make available to the Secured Creditor, to the extent within the Debtors' power and authority, such personnel in the Debtors' employ as the Secured Creditor may reasonably designate, by name, title or job responsibility, to permit the Debtors to continue, directly or indirectly, to produce, advertise and sell the products and services sold or delivered by the Debtors under or in connection with the Trademarks, Trademark Registrations and Trademark Rights, such persons to be available to perform their prior functions on the Secured Creditor's behalf and to be compensated by the Secured Creditor at the Debtors' expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

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e. **Designation of Board Seat.** Within 30 days after an Event of Default has occurred (inclusive of any applicable cure period), the Secured Creditor shall immediately have the right to appoint a member of the Debtors' Board of Directors. Reorganized Paragon shall expand its Board of Directors by one seat to accommodate such appointment

f. **Appointment of Investment Banker.** Within 30 days after an Event of Default has occurred (inclusive of any applicable cure period), the Debtors shall engage an investment banker to assess strategic alternatives. The Secured Creditor shall consent to such investment banker, which consent shall not be unreasonably withheld

g. If (i) an Event of Default shall have occurred and, by reason of cure, waiver, modification, amendment or otherwise, no longer be continuing, (ii) no other Event of Default shall have occurred and be continuing, (iii) an assignment to the Creditor Trust of any rights, title and interests in and to the Intellectual Property Collateral shall have been previously made, and (iv) the Secured Obligations shall not have become immediately due and payable, the Creditor Trust shall promptly execute and deliver to Reorganized Paragon such assignments as may be necessary to reassign to Reorganized Paragon any such rights, title and interests as may have been assigned to the Creditor Trust as aforesaid, subject to any disposition thereof that may have been made by the Creditor Trust; provided, after giving effect to such reassignment, the Creditor Trust's security interest granted pursuant hereto, as well as all other rights and remedies of the Creditor Trust granted hereunder, shall continue to be in full force and effect.



9. Authorized Action By Secured Party

a. Upon the occurrence and during the continuation of an Event of Default, Secured Party may do (but shall not be obligated to and shall not incur any liability to Debtors or any third party for failure so to do) any act which Debtors are obligated by this Security Agreement to do, and to exercise such rights and powers as Debtors might exercise with respect to the Collateral, including, without limitation, the right to:

(i) collect by legal proceedings or otherwise all payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral;

(ii) enter into any extension, deposit or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for, the Collateral;

(iii) insure, protect and preserve the Collateral;

(iv) transfer the Collateral to its own or its nominee's name; and

(v) make any compromise, settlement or adjustment, and take any action it deems advisable, with respect to the Collateral

b. It is further agreed and understood between the parties hereto that such care as Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of the Collateral when in Secured Party's possession; provided,

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however, that Secured Party shall not be required to make any presentment, demand or protest, or give any notice and need not take any action to preserve any rights against any prior party or any other person in connection with the Obligations or with respect to the Collateral.

c. Upon the occurrence and during the continuation of an Event of Default hereunder, Secured Party may, but shall not be obligated to, notify any account debtors on any Collateral to make payment directly to Secured Party. Until otherwise notified by Secured Party following the occurrence and during the continuation of an Event of Default hereunder, Debtors shall collect, enforce and receive delivery and payments of the Collateral.

d. If Debtors' records are prepared or retained by a computer service company or any accountant or accounting service, so long as any Obligations are outstanding, Debtors grant Secured Party the absolute and irrevocable right to inspect such records (including work papers), receive duplicate copies of all information furnished to Debtors and prepared by such company, accountant or accounting service, and agree to furnish such consents as may be necessary to effectuate the same. Debtors further agree to promptly notify Secured Party of the name and address of such company, accountant or accounting service and of any change in respect thereof.

All the foregoing powers authorized herein, being coupled with an interest, are irrevocable so long as any Obligations are outstanding



10     **Examinations.** Secured Party shall at all reasonable times during normal business hours and upon reasonable notice to Debtors have full access to and the right to examine, audit, make abstracts and copies from and inspect the Debtors' records, files, books of account and all other documents, instruments and agreements relating to the Collateral and the right to check, test and appraise the Collateral (collectively, "Examination"). The Debtors shall deliver to Secured Party any instrument necessary for Secured Party to obtain records from any service bureau maintaining records for the Debtors. All instruments and certificates prepared by the Debtors showing the value of any of the Collateral shall be accompanied, upon Secured Party's request, by copies of related purchase orders and invoices. Secured Party may, at any time after the occurrence of an Event of Default that is continuing, conduct an Examination as often as Secured Party deems necessary in its discretion.

11     **Cumulative Rights.** The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party under any statute or rule of law, or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently.

12     **Waiver.** Any forbearance or failure or delay by Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtors waive any right to require Secured Party to proceed against any person or

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to exhaust any Collateral or to pursue any remedy in Secured Party's power prior to pursuing Debtors in respect of the Obligations.

13. **Binding Upon Successors** All rights of Secured Party under this Security Agreement shall inure to the benefit of and bind its successors and assigns, and all obligations of Debtors shall bind and inure to the benefit of the representatives, executors, administrators, heirs, successors and assigns of the Debtors

14. **Entire Agreement; Severability** This Security Agreement contains the entire agreement between Secured Party and Debtors with respect to the Collateral. If any of the provisions of this Security Agreement shall be held invalid or unenforceable, this Security Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

15. **References** The captions or titles of the paragraphs of this Security Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

16. **Choice Of Law** This Security Agreement shall be construed in accordance with and governed by the internal laws of the State of California, and, where applicable and except as otherwise defined herein, terms used herein shall have the meanings given them in the California Uniform Commercial Code. Debtors irrevocably and unconditionally submit to the jurisdiction of any state or federal court in San Diego County, California, in connection with any legal action or proceeding arising out of or relating to this Security Agreement, and Debtors waive any objection relating to the basis

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for personal or in rem jurisdiction or to venue which they may now or hereafter have in any such suit, action or proceeding.

17. **Retention Of Documents** Any documents, schedules, invoices or other agreements or papers delivered to Secured Party pursuant hereto may be destroyed or otherwise disposed of by Secured Party six months after they are delivered to or received by Secured Party, unless Debtors request their return prior to delivery, in writing, and makes arrangements, at Debtors' expense, for their delivery to Debtors.

18. **Attorneys Fees.** If any attorney is engaged by the Creditor Trustee or Reorganized Debtors to enforce or defend any provision of this Security Agreement, or as a consequence of any default with or without the filing of any legal action or proceeding, then prevailing party shall pay to the other immediately upon demand reasonable attorney's fees and all costs incurred by the prevailing party in connection therewith, together with interest thereon from the day of demand until paid at the rate of interest for judgments in the State of California.

19. **Counterparts; Facsimile Execution.** This Security Agreement may be executed in any number of separate counterparts, all of which, when taken together, shall constitute one and the same instrument, admissible into evidence, notwithstanding the fact that all parties did not sign the same counterpart. Delivery of an executed counterpart of this Security Agreement by facsimile shall be equally as effective as delivery of a manually executed counterpart hereof. Any party delivering an executed counterpart of this Security Agreement by facsimile shall also deliver a manually executed counterpart

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hereof, but the failure to deliver a manually executed counterpart hereof shall not affect the validity, enforceability, and binding effect of this Security Agreement.

20     Notices Any written notice, consent or other communication provided for in this Security Agreement shall be delivered personally (effective upon delivery), via facsimile (effective upon confirmation of transmission), via overnight courier (effective the next business day after dispatch if instructed to deliver on next business day) or via U.S. Mail (effective 3 days after mailing, postage prepaid, first class) to each party at its address(es) and/or facsimile number(s) set forth below, or to such other address as either party shall specify to the other in writing from time to time.

If to Debtors:

Steakhouse Partners, Inc.  
Paragon Steakhouse Restaurants, Inc.  
Paragon of Michigan, Inc.  
10200 Willow Creek Road  
San Diego, California 92131

with a copy to:

Peter M. Gilhuly  
Latham & Watkins  
633 West Fifth Street #4000  
Los Angeles, CA 90071

If to the Secured Party:

T. Scott Avila  
Corporate Revitalization Partners, LLC  
One Park Plaza, Sixth Floor  
Irvine, CA 92614

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with a copy to:

Sharon Z. Weiss  
Weinstein, Eisen & Weiss LLP  
1925 Century Park East, Suite 1150  
Los Angeles, CA 90067-2712

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

SECURED PARTY:

T. SCOTT AVILA, solely in his capacity as  
Trustee of the Class 4 Creditor Trust

By: [Signature]  
Its: [Signature]

DEBTORS:

STEAKHOUSE PARTNERS, INC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

PARAGON STEAKHOUSE RESTAURANTS, INC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

PARAGON OF MICHIGAN, INC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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with a copy to:

Sharon Z. Weiss  
Weinstein, Eisen & Weiss LLP  
1925 Century Park East, Suite 1150  
Los Angeles, CA 90067-2712

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

SECURED PARTY:

T. SCOTT AVILA, solely in his capacity as  
Trustee of the Class 4 Creditor Trust

By: \_\_\_\_\_  
Its: \_\_\_\_\_

DEBTORS:  
STEAKHOUSE PARTNERS, INC.

By: Alberto Nolasco  
Its: Chairman

PARAGON STEAKHOUSE RESTAURANTS, INC.

By: [Signature]  
Its: President

PARAGON OF MICHIGAN, INC.

By: [Signature]  
Its: President

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**EXHIBIT A**

**Permitted Encumbrances**

Lien of Rewards Network Establishment Services, Inc. f/k/a iDine Restaurant Group, Inc.

UCC-1 filings for leased equipment in the ordinary course of business.

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# Exhibit B

## CORPORATE HEADQUARTERS

San Diego Paragon Steakhouse Group, Inc.  
1200 Willow Creek Road San Diego, CA 92131

Mira Mesa Self Storage-Unit CB 146  
744 Flanders Dr., San Diego, CA 92121

35 E 10<sup>th</sup> Street, Suite K-2  
Tracy, CA 95376

## MID-WEST REGION

NAME	RESTAURANT ADDRESS
Auburn Hills	1451 Opdyke Rd Auburn Hills, MI 48326
Centerville	1535 Miamisburg-Centerville Rd Centerville, OH 45459
Lafayette	4211 State Route 26E Lafayette, IN 47905
Taylor	22020 W. Eureka Taylor, MI 48180
Tippecanoe	620 W. Washington South Bend, IN 46601
Traverse City	5555 US 31 North Williamsburg, MI 46690
	PO Box 379 Acme, MI 49610
Troy	2360 Rochester Ct. Troy, MI 48098
Raleigh	2711 Capital Raleigh, NC 27604
Williamsburg	494 Mcclaws Williamsburg, VA 23185

## WESTERN REGION

NAME	RESTAURANT ADDRESS
Arrowhead	8172 W. Bell Rd Arrowhead, AZ 85308
Mission Valley	2445 Hotel Circle San Diego, CA 92108
Oceanside	1221 Vista Way Oceanside, CA 92054
Temecula	27600 Jefferson Ave Temecula, CA 92590
Thousand Oaks	487 Moorpark Rd Thousand Oaks, CA 91360
Ventura	2046 E. Harbor Blvd Ventura, CA 93001
Cliffhouse	9900 Greenback Lane Folsom, CA 95630
Fairfield	2470 Martin Rd Fairfield, CA 94533
Roseville	1400 Eureka Rd Roseville, CA 95661
Sacramento	450 Bercut Dr Sacramento, CA 95814
Sandy	10720 S. Holiday Park Dr Sandy, UT 84070

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Bakersfield	3580 Rosedale Hwy Bakersfield, CA 93308
Lafayette	3201 Mt. Diablo Blvd Lafayette, CA 94549
Modesto	3037 Sisk Rd Modesto, CA 95350
S. San Francisco	180 S. Airport Rd San Francisco, CA 94080
Santa Rose	3785 Cleveland Ave Santa Rosa, CA 95403

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