

EM011566278

02-12-2008

Form PTO-1594 (Rev. 07/05)  
OMB Collection 0651-0027 (exp. 6/30/2008)

U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office

REC  
TI

103481734

FINANCE SECTION  
FINANCE SECTION

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

**1. Name of conveying party(ies):**

Precept Brands, LLC

- ☐ Individual(s) ☐ Association  
☐ General Partnership ☐ Limited Partnership  
☐ Corporation- State: \_\_\_\_\_  
☒ Other Washington State Limited Liability Company

Citizenship (see guidelines) USA

Additional names of conveying parties attached? ☒ Yes ☐ No

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

Execution Date(s) July 17, 2007

- ☐ Assignment ☐ Merger  
☐ Security Agreement ☐ Change of Name  
☒ Other 1st Amended & Restated Security...

**2. Name and address of receiving party(ies)**

Additional names, addresses, or citizenship attached? ☐ Yes ☒ No

Name: Northwest Farm Credit Services, PCA

Internal

Address: 1700 South Assembly street

Street Address: 1700 South Assembly Street

City: Spokane

State: Washington

Country: USA Zip: 99224-2121

- ☐ Association Citizenship \_\_\_\_\_  
☐ General Partnership Citizenship \_\_\_\_\_  
☐ Limited Partnership Citizenship \_\_\_\_\_  
☐ Corporation Citizenship \_\_\_\_\_  
☒ Other PCA Citizenship USA

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☐ No  
(Designations must be a separate document from assignment)

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

A. Trademark Application No.(s)  
77184,548 (Reg. No. 3,377,674) WASHINGTON HILLS

B. Trademark Registration No.(s)  
3,055,264 PINE & POST

Additional sheet(s) attached? ☒ Yes ☐ No

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

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

Name: Mark W. Hendricksen

Internal Address: 601 West First Avenue, Suite 1300

Street Address: 601 West First Avenue, Suite 1300

City: Spokane

State: Washington Zip: 99201-3828

Phone Number: 509-624-4276

Fax Number: 509-838-3424

Email Address: mhendricksen@wellsstjohn.com

**6. Total number of applications and registrations involved:**

14

**7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 365.00**

- ☐ Authorized to be charged by credit card  
☐ Authorized to be charged to deposit account  
☒ Enclosed

**8. Payment Information:**

a. Credit Card Last 4 Numbers \_\_\_\_\_

Expiration Date \_\_\_\_\_

b. Deposit Account Number 23-0925

Authorized User Name Wells St. John P.S.

**9. Signature:**

*Mark W. Hendricksen*

Signature

2/7/08

Date

Mark W. Hendricksen

Name of Person Signing

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

26

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:  
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

TRADEMARK  
REEL: 003719 FRAME: 0275

**CONTINUATION OF THE INFORMATION IN**  
**PTO-1594 ITEM 1**

2. Dandrew Wine, LLC	Washington State Limited Liability Company	USA
3. Down Under, LLC	Washington State Limited Liability Company	USA
4. Genesis Wine, LLC	Washington State Limited Liability Company	USA
5. Shingleback Investors, LLC	Washington State Limited Liability Company	USA
6. Waterbrook Winery, Inc.	Washington State Corporation	USA

**CONTINUATION OF INFORMATION IN**  
**PTO-1594 ITEM 4**

Registration No. 3,054,612	BLOOM
Registration No. 3,184,979	STRUKTUR
Registration No. 3,050,765	PAVIN & RILEY
Registration No. 3,050,764	BARRELSTONE
Registration No. 3,054,621	AVERY LANE
Registration No. 3,050,756	RED KNOT
Registration No. 3,054,627	SOCKEYE
Registration No. 1,637,757	WASHINGTON HILLS
Registration No. 2,766,743	WASHINGTON HILLS WH
Registration No. 2,844,573	SHINGLEBACK
Registration No. 3,132,567	WATERBROOK
Application No. 77/184,548	WASHINGTON HILLS
Application No. 78/700,339	WB

**Baty & Browne**  
**Customer No. 55136**  
**Precept Brands LLC**  
**Customer No. 54721**

**FIRST AMENDED AND RESTATED  
SECURITY AGREEMENT AND LICENSE  
OF INTELLECTUAL PROPERTY**

THIS FIRST AMENDED AND RESTATED SECURITY AGREEMENT AND LICENSE OF INTELLECTUAL PROPERTY, dated as of October 12, 2007, (this "Agreement") is by and between **PRECEPT BRANDS LLC**, a Washington limited liability company; **DANDREW WINE LLC**, a Washington limited liability company; **DOWN UNDER, LLC**, a Washington limited liability company; **GENESIS WINE, LLC**, a Washington limited liability company; **SHINGLEBACK INVESTORS LLC**, a Washington limited liability company; and **WATERBROOK WINERY, INC.**, a Washington corporation, whose principal place of business is 3534 Bagley Avenue North, Seattle, WA 98103 (hereinafter individually and collectively "Debtor"), and **NORTHWEST FARM CREDIT SERVICES, PCA**, whose principal places of business are at 1700 South Assembly Street, Spokane, Washington 99224-2121, P.O. Box 2515, Spokane, Washington 99220-2515 (hereinafter "Secured Party").

**RECITALS**

**WHEREAS**, Secured Party has made, is making and may make certain loans to Daniel R. Baty and Pamela R. Baty, husband and wife, and Andrew T. Browne and Carrie A. Browne, husband and wife ("Baty and Browne"), under Customer No. 55136; and to Precept Brands LLC ("Precept") under Customer No. 54721 (individually or collectively, hereinafter "Borrower");

**WHEREAS**, Debtor executed a Security Agreement and License of Intellectual Property in favor of Secured Party on or about July 9, 2007 (the "Original IP Security Agreement");

**WHEREAS**, Secured Party executed a certain First Amended and Restated General Business Security Agreement of even date herewith and other documents (hereinafter the "Amended Security Agreement") which grant to Secured Party a security interest in Debtor's assets, including, without limitation, any and all of its accounts, inventory, and general intangibles and intellectual property, including, but not limited to trademarks, trademark applications, trade names, service marks, logos, slogans, copyrights, all registrations pertaining to the foregoing, goodwill and licenses; and the foregoing is hereinafter collectively called the "Collateral";

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 1**

**Baty & Browne, Customer No. 55136; and**  
**Precept Brands LLC, Customer No. 54721**

**WHEREAS**, Debtor and Secured Party wish to make specific provision in this Agreement for Debtor's intangibles and intellectual property identified herein, including for the recording thereof in the appropriate offices; and

**WHEREAS**, Debtor and Secured Party have agreed to modify and extend the application of the Original IP Security Agreement to also secure the loan currently being made to Borrower and any future loans that Secured Party may make to Borrower.

**NOW, THEREFORE**, in consideration of the mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor and Secured Party agree as follows:

**A. Restatement of Original IP Security Agreement.** This Agreement hereby amends and restates the Original IP Security Agreement, in its entirety. The Recitals to this Agreement are hereby incorporated into and constitute a part of this Agreement. The existing lien priority created by the Original IP Security Agreement is not affected by this Agreement.

**B. Incorporation of Amended Security Agreement.** All of the terms and provisions of the Amended Security Agreement are incorporated herein by reference in their entirety; and the capitalized terms used herein shall have the meaning assigned to them in the Amended Security Agreement.

**C. Grant of Security Interest in Intellectual and Intangible Property.** Debtor hereby irrevocably grants a security interest to Secured Party in all of the following collateral items now owned or hereafter acquired or arising, which shall be referred to herein as the Intellectual & Intangible Property of Debtor, to secure payment and performance of the debts, liabilities and obligations of Borrower to Secured Party:

1. All trademarks, service marks, logos, slogans, trademark and service mark registrations, trade names, service mark and trademark applications, including, without limitation, the trademarks, service marks and applications (if any) listed on Schedule A attached hereto (hereinafter the "Trademarks"); and

(a) All renewals of any of the foregoing;

(b) All income, royalties, damages and payments now or hereafter due and or payable with respect to the trademarks, including, without limitation, all damages and payments for past or future infringements of the Trademarks;

(c) All rights to sue for the past, present and future infringements of the Trademarks; and

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 2**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

(d) All rights corresponding to the Trademarks throughout the world to the extent available to Debtor.

2. All copyrights, including, without limitation, all unregistered or common law copyrights.

3. All licensing, distribution, publishing and exclusive dealing agreements with any other person or entity (hereinafter the "Licenses"), and the right to prepare for sale, sell and advertise for sale, all goods (as defined in the Uniform Commercial Code), wherever located, now or hereafter owned by Debtor and which is covered by such Licenses to the extent, and only to the extent, Debtor is permitted to collaterally pledge the Licenses pursuant to the underlying agreements relating thereto.

4. The goodwill of each of Debtor's businesses connected with and or symbolized by the business, the Trademarks (hereinafter "Goodwill").

5. The trade secrets, recipes, formulas and Confidential Information of Debtor's business. For the purposes of this Agreement, Confidential Information includes, without limitation, any proprietary aspect of the operation of Debtor, including without limitation: all recipes and their related measurements; all processes, techniques, skills, temperatures, and timing; all formulas and winemaking techniques and processes; and ingredient standards, ingredient supplier and customer lists, equipment standards, special uses of equipment not commonly known outside Debtor, and equipment supplier lists.

6. Similar or After-Acquired Property: All property (tangible or intangible), property interests, rights, choses in action and goods similar to those described above, which at any time hereafter may be acquired by Debtor; also all additions thereto and all proceeds thereof.

Debtor hereby agrees that Secured Party's rights in and to the Intellectual and Intangible Property now or hereafter received by Debtor, shall be worldwide to the extent of Debtor's rights with respect thereto.

**D. Disposition of Intellectual Property.** After the occurrence of an Event or Default (as defined in the Amended Security Agreement), Secured Party may sell, assign, license or convey any or all of the Intellectual and Intangible Property, to any purchaser(s) who would require some or all of such intellectual property as a condition to purchasing Debtor's business or any of the inventory, equipment and or product lines of Debtor. Secured Party shall have no right to sell, assign or convey any or all of the Intellectual and Intangible Property, on any basis independent or apart from a sale of the inventory, equipment and or product lines of Debtor (or a part thereof).

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 3**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

E. License to Use Intellectual and Intangible Property. In addition to Secured Party's other rights and interests herein, Debtor grants to Secured Party an exclusive royalty-free transferable license and right to use the Intellectual and Intangible Property, for the purpose of permitting Secured Party to manufacture, use, sub-license and or dispose of the Collateral commencing on the date of an Event of Default, and physical possession thereof as provided in Paragraph C above.

F. Waiver of Payments by Secured Party. Secured Party shall have no liability to Borrower, Debtor or any other party for any royalties or other charges arising from Secured Party's use or disposition of the Intellectual and Intangible Property (including from any use pursuant to the license granted in Section D above), except for any such liability arising from the gross negligence or willful misconduct of Secured Party or its agents, and except for any such liability resulting from the knowing violation by Secured Party or its agents of the rights of others arising from such use or disposition. Debtor hereby indemnifies Secured Party from any royalties, expenses, charges, and or liabilities incurred by Secured Party under this Agreement (or otherwise) and from any litigation, claims, actions and or proceedings against Secured Party regarding the use and or disposition of the Intellectual and Intangible Property, (including, but not limited to, reasonable attorneys' fees), except for any such liability arising from the gross negligence or willful misconduct of Secured Party or its agents, and except for any such liability resulting from the knowing violation by Secured Party or its agents of the rights of others arising from such use or disposition.

G. Termination of this Security Agreement and License. The term of the security agreement and license granted to Secured Party herein shall expire upon the earlier of:

1. The expiration of each of the respective Intellectual and Intangible Property for which a security interest is granted herein (including any renewals thereof); or
2. Full satisfaction of all of Borrower's obligations to Secured Party, as set forth in the Security Agreement.

Upon payment in full of the obligations, Secured Party shall execute and deliver to Debtor all satisfactions and other instruments as may be necessary or proper to release Secured Party's interest in and to the Intellectual and Intangible Property (subject to any disposition thereof which may have been made by Secured Party during the term of this Agreement in accordance with the terms hereof), according to the Security Agreement.

H. Duties of Debtor. Until the Intellectual and Intangible Property are disposed of as contemplated in Paragraph C above, Debtor shall have the unconditional duty to, subject to Debtor's good faith business judgment:

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 4**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

1. Pay all taxes, fees and other amounts necessary to maintain in full force and effect all of the Intellectual and Intangible Property;

2. Prosecute diligently any Trademark rights and or application acquired by Debtor now or hereafter until the Obligations shall have been paid in full;

3. Preserve and maintain all of Secured Party's rights in and to the Trademark(s), Copyright(s) and License(s), including without limitation, filing all necessary declarations, renewals and government fees in connection therewith; and

4. Promptly notify Secured Party in writing of any new Patent, Trademark, Copyright or License, or any material change in the status of Debtor's interests in any Patent, Trademark, Copyright or License.

All expenses incurred in fulfilling Debtor's duties hereunder shall be borne solely and exclusively by Debtor. Secured Party shall have no obligation or liability to pay any taxes or fees regarding the Intellectual and Intangible Property, or Secured Party's use thereof, nor shall Secured Party have any duties in connection with the application for, protection and or maintenance of the Intellectual and Intangible Property. Debtor shall not abandon any rights in and to any patentable invention or in any Trademark or Copyright without the prior written consent of Secured Party.

I. Secured Party's Rights to Protect Intellectual and Intangible Property. After the occurrence of an Event of Default, Secured Party shall have the right, but shall in no way be obligated, to bring suit in its own name or otherwise to enforce its rights (or those of Debtor) in the Intellectual and Intangible Property. If Secured Party shall commence any such permitted suit, Debtor shall, at the request of Secured Party, do all lawful acts and execute all proper documents required by Secured Party in aid of such enforcement. Debtor shall promptly, upon demand, reimburse and indemnify Secured Party for all reasonable costs and expenses incurred by Secured Party in exercise of its rights under this Agreement. In the event Secured Party incurs any expense or cost in protecting and or enforcing its rights under this Agreement (or its rights and interests in and to the Intellectual and Intangible Property), such expense and cost shall be deemed an "Obligation" under the Security Agreement and subject to all the provisions thereof. Upon the request of Secured Party, Debtor shall promptly provide such other documents, certificates or information as may be necessary for Secured Party to properly record or evidence this pledge and mortgage with the appropriate domestic and or foreign governmental authorities.

J. Waivers. No course of dealing between Debtor and Secured Party, nor any failure to exercise, or any delay in exercising, on the part of Secured Party, any right or privilege hereunder shall operate as a waiver of such right or privilege, or preclude Secured Party from any other or further exercise of any right or privilege, pursuant to the Security Agreement.

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 5**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

K. Severability. The provisions of this Agreement are severable. If any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

L. Entire Agreement. This Agreement constitutes the entire agreement of the parties as to the subject matter hereto. No provision of this Agreement may be waived or modified in any manner (including this paragraph) without the prior written consent of Debtor and Secured Party.

M. Cumulative Remedies. All of Secured Party's rights and remedies with respect to the Intellectual and Intangible, whether established hereunder or by the Security Agreement, or by any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently.

N. Beneficiaries. This Agreement shall be binding upon Debtor and its successors and assigns and shall inure to the benefit of Secured Party and its respective successors and assigns.

O. Default Limited. Wherever this Agreement provides that Secured Party shall have rights and remedies after the occurrence of an Event of Default, it is understood and agreed that any waiver of an Event of Default executed and delivered by Secured Party in writing shall cause the particular Event of Default which is waived to be deemed not to have existed for the purpose of determining whether Secured Party may exercise rights and remedies after, or whether certain changes in the terms of this Agreement occur as a result of, the occurrence of an Event of Default.

P. WAIVER OF JURY TRIAL. DEBTOR AND SECURED PARTY HEREBY IRREVOCABLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS AND ANY FUTURE MODIFICATIONS, AMENDMENTS, EXTENSIONS, RESTATEMENTS AND SERVICING ACTIONS RELATING TO THIS AGREEMENT AND ANY OTHER LOAN DOCUMENTS. THE PARTIES INTEND THAT THIS JURY WAIVER WILL BE ENFORCED TO THE MAXIMUM EXTENT ALLOWED BY LAW.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

Dated as of the day and year first above written.

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 6**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

**SCHEDULE A**

to

**Security Agreement and License of Intellectual Property**

<b>TRADEMARK</b>	<b>U.S. TRADEMARK REGISTRATION NUMBER</b>
Pine & Post	3,055,264
Bloom	3,054,612
Struktur	3,184,979
Pavin & Riley	3,050,765
Barrelstone	3,050,764
Avery Lane	3,054,621
Red Knot	3,050,756
Sockeye	3,054,627
Washington Hills	1,637,757
Washington Hills WH	2,766,743
Shingleback	2,844,573
Waterbrook	3,132,567
Outback Chase	N/A
Big Sky	N/A
Sweet Pea	N/A
WA WA	N/A
Wrangler	N/A
Ciao Bella	N/A
Solo	N/A
Shimmer	N/A
Rainier Ridge	N/A
The Gate	N/A
Fauna	N/A
Screwed	N/A
Sinplicity	N/A
Stump Hill	N/A

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 12****Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

TRADEMARK	U.S. TRADEMARK APPLICATION SERIAL NUMBER
Washington Hills	77/184,548
WB	78/700,339

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**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 13  
Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

**PRECEPT BRANDS LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 7**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

**DANDREW WINE LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**DOWN UNDER LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**GENESIS WINE, LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**SHINGLEBACK INVESTORS LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**WATERBROOK WINERY, INC.**

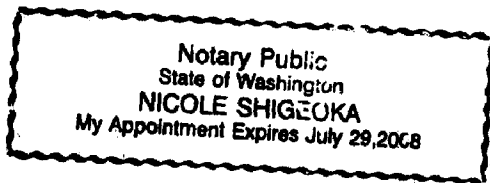
By: Andrew T. Browne  
Andrew T. Browne, President

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 8**

**Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721**

STATE OF Washington )  
County of King ) ss.

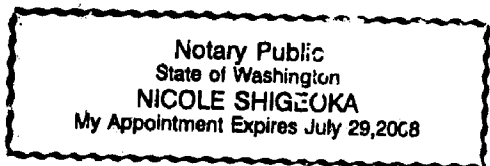
On this 19 day of November, 2007, before me personally appeared Andrew T. Browne, known to me to be a Manager of Down Under LLC, the limited liability company that executed the same as its free act and deed; and on oath stated that he was authorized to execute said instrument.



Nicole Shigeoka  
Notary Public for the State of WA  
Residing at 9522 1<sup>st</sup> Ave NE #B2, Seattle WA 98115  
My commission expires 7/29/08  
Printed Name Nicole Shigeoka

STATE OF Washington )  
County of King ) ss.

On this 19 day of November, 2007, before me personally appeared Andrew T. Browne, known to me to be the Manager of Genesis Wine, LLC, the limited liability company that executed the same as its free act and deed; and on oath stated that he was authorized to execute said instrument.

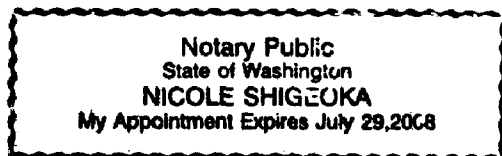


Nicole Shigeoka  
Notary Public for the State of WA  
Residing at 9522 1<sup>st</sup> Ave NE #B2 Seattle WA 98115  
My commission expires 7/29/08  
Printed Name Nicole Shigeoka

FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 10  
Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721

STATE OF washington )  
County of King ) ss.

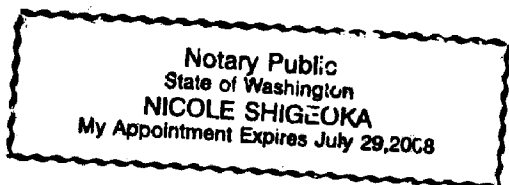
On this 19 day of November, 2007, before me personally appeared Andrew T. Browne, known to me to be a Manager of Shingleback Investors LLC, the limited liability company that executed the same as its free act and deed; and on oath stated that he was authorized to execute said instrument.



Nicole Shigeoka  
Notary Public for the State of washington  
Residing at 9522 1st Ave NE #02, Seattle, WA 98115  
My commission expires 7/29/08  
Printed Name Nicole Shigeoka

STATE OF washington )  
County of King ) ss.

On this 19 day of November, 2007, before me personally appeared Andrew T. Browne, known to me to be the President of Waterbrook Winery, Inc., the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as its free act and deed; and on oath stated that he was authorized to execute said instrument.



Nicole Shigeoka  
Notary Public for the State of washington  
Residing at 9522 1st Ave NE #02, Seattle, WA 98115  
My commission expires 7/29/08  
Printed Name Nicole Shigeoka

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**FIRST AMENDED AND RESTATED SECURITY AGREEMENT  
AND LICENSE OF INTELLECTUAL PROPERTY - 11**

Baty & Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721

**Baty and Browne**  
**Customer No. 55136**  
**Precept Brands LLC**  
**Customer No. 54721**

**FIRST AMENDED AND RESTATED  
GENERAL BUSINESS SECURITY AGREEMENT**

THIS FIRST AMENDED AND RESTATED GENERAL BUSINESS SECURITY AGREEMENT, dated as of October 12, 2007, (this "Security Agreement") is by and between **PRECEPT BRANDS LLC**, a Washington limited liability company; **DANDREW WINE LLC**, a Washington limited liability company; **DOWN UNDER, LLC**, a Washington limited liability company; **GENESIS WINE, LLC**, a Washington limited liability company; **SHINGLEBACK INVESTORS LLC**, a Washington limited liability company; and **WATERBROOK WINERY, INC.**, a Washington corporation (collectively herein "Debtor"), with a mailing address of 3534 Bagley Avenue N., Seattle, WA 98103, and **NORTHWEST FARM CREDIT SERVICES, PCA** ("Secured Party"), with a mailing address of 1700 South Assembly Street, Spokane, Washington 99224-2121, P.O. Box 2515, Spokane, Washington 99220-2515.

**RECITALS**

**WHEREAS**, Secured Party has made, is making or may make certain loans (the "Loans") to Daniel R. Baty and Pamela R. Baty, husband and wife, and Andrew T. Browne and Carrie A. Browne, husband and wife ("Baty and Browne") under Customer No. 55136, and to Precept Brands LLC ("Precept") under Customer No. 54721 (individually or collectively, herein "Borrower") pursuant to certain notes and related agreements and documents, as amended from time to time (collectively the "Loan Documents");

**WHEREAS**, as a condition precedent to making the Loans, Secured Party has required Debtor to (i) grant to Secured Party a security interest in its property described herein to secure payment and performance of Borrower's and Debtor's present and future debts, liabilities and obligations to Secured Party, and (ii) take all steps necessary or appropriate to perfect that security interest and to protect the priority of that security interest in relation to the claims of all other persons;

**WHEREAS**, Secured Party executed a certain General Business Security Agreement in favor of Secured Party on or about July 9, 2007 (the "Original General Security Agreement"); and

**WHEREAS**, Debtor and Secured Party have agreed to modify and extend the application of the Original General Security Agreement to also secure the Loan currently being made to Borrower and any future Loans that Secured Party may make to Borrower.

**NOW, THEREFORE**, for value, the current receipt and reasonable equivalence of which are hereby acknowledged, Debtor and Secured Party agree as follows:

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT - 1**  
**Baty and Browne, Customer No. 55136; and**  
**Precept Brands LLC, Customer No. 54721**

1. **Restatement of Original General Security Agreement.** This Security Agreement hereby amends and restates the Original General Security Agreement, in its entirety. The Recitals to this Security Agreement are hereby incorporated into and constitute a part of this Security Agreement. The existing lien priority created by the Original General Security Agreement is not affected by this Security Agreement.

2. **Grant of Security Interest.** Debtor hereby grants to Secured Party a security interest in and to Debtor's existing and after-acquired rights, title and interests in all of the personal property of the Debtor, wherever located, described further below (the "Collateral"), to secure payment and performance of the Secured Obligations as that term is described in Section 2 hereof:

a. **Inventory.** All property and goods, now owned or hereafter acquired by Debtor, wherever located, including, without limitation, all wine and wine products (whether bottled, stored in tanks, or otherwise), inventory, merchandise, goods and other personal property which are held by or on behalf of Debtor for sale or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in Debtor's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including, without limitation, grapes, must, juice, additives and other ingredients, bottles, labels, cork and other supplies, and all finished goods, and goods held by Debtor on a consignment basis, and all accounts, general intangibles, payment intangibles and products and proceeds arising thereof.

b. **Accounts and Proceeds.** All rights to the payment of money, whether due or to become due and whether or not earned by performance, including but not limited to, cash, deposit accounts (including money on deposit with or held by Secured Party in one or more Future Payment Fund Accounts or otherwise for the account of Debtor or any of them), chattel paper, documents, instruments, contracts and contract rights, any patronage dividends, refunds or retainage, however evidenced, held in the name of Debtor, leases of personal property, rental agreements, commitments, purchase orders and sales orders, distribution agreements, supply agreements, financing agreements, licensees of intellectual property and other contracts, agreements and understandings, whether in writing or oral and general intangibles relating thereto, all cash or non-cash proceeds of the sale or other disposition of Collateral or accounts receivable or general intangibles arising therefrom, all products and proceeds thereof, including insurance and condemnation proceeds, all payment intangibles and all books and records related thereto or to Debtor's business.

c. **Trademarks, Trade Secrets, Business Records, Other.** All patents, trademarks, trade names, goodwill, copyrights and applications therefore now or heretofore used, whether owned or used pursuant to licenses or other arrangements in the conduct of Debtor's operations, together with all trade secrets, know-how, inventions, discoveries, designs, formulae, computer software and documentation and other proprietary information of sufficient value to the Debtor's operations, whether patentable or not, used by Debtor in the operations or owned by Debtor and relating to the operations and blueprints, drawings and other technical papers relating to such. All business records relating to the Debtor's operations, including books of account, ledgers,

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financial statements, books, financial records and information, payroll and employee benefit records, inventory, maintenance and asset history records, sales records and data, customer lists, supplier lists, business studies, marketing plans, business plans, budgets and consultants reports, whether reduced to writing or stored on computer disk or tape files (or other magnetic or electronic media) or microfilm, and all telephone and facsimile numbers listed on behalf of the Debtor's operations. All stationery, forms, publications and other materials bearing Debtor's name or any of its trade names (but not including printed checks), including advertising materials, catalogs, brochures, artwork and photographs.

d. General Intangibles. All general intangibles, including but not limited to, all licenses (including software licenses), franchises, leases, permits, water rights, revolving fund credits, patronage dividends and marketing agreements.

e. Stock/Participation Certificates: All Stock/Participation Certificates now or hereafter issued to or otherwise owned by Debtor in Northwest Farm Credit Services, ACA.

f. Similar or After-Acquired Property. All property and goods similar to those described above which at any time hereafter may be acquired by Debtor; also, all accessories, replacements, accessions and additions to and substitutions of goods described herein or any part thereof and all products and proceeds thereof.

3. Secured Obligations. The Collateral secures payment and performance, promptly when due, of all present and future debts, liabilities and obligations of Borrower and Debtor, if such parties differ, to Secured Party of any kind or nature whatsoever and whether fixed or contingent, liquidated or not liquidated under the notes and the other Loan Documents, and as they may be modified, renewed or extended (the "Secured Obligations"). The Secured Obligations include, by way of illustration and not limitation (a) payment in accordance with the terms of the notes evidencing the Loans, and all extensions and renewals thereof, and all costs and expenses payable under the terms of the Loan Documents, (b) repayment of any other loans or credit extensions now or hereafter provided by Secured Party to Debtor or Borrower, if such parties differ, (c) reimbursement on Secured Party's demand of all advances that Secured Party may advance or spend for the maintenance and preservation of the Collateral, or any part or item thereof, or to protect Secured Party's security interest therein, (d) performance of the obligations of Debtor or Borrower, if such parties differ, under the Loan Documents, (e) performance of the obligations of Debtor or Borrower, if such parties differ, under the terms of this Security Agreement, and (f) any of the foregoing that arises after the filing of a petition by or against Debtor under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code §362 or otherwise.

4. Perfection of Security Interests. Any term used in the Uniform Commercial Code ("UCC") and not defined in this Security Agreement has the meaning given to the term in the UCC. Debtor authorizes Secured Party to file a financing statement (the "Financing Statement") describing the Collateral without signature by Debtor and to file all amendments and continuations thereof. Secured Party shall receive prior to the Closing, an official report from the appropriate Secretary of State (the "SOS Reports") indicating that Secured Party's security

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**Baty and Browne, Customer No. 55136; and**

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interest is prior to all other security interests or other interests reflected in the report. Debtor shall have possession of the Collateral, except where expressly otherwise provided in this Security Agreement or where Secured Party chooses to perfect its security interest by possession in addition to the filing of a Financing Statement. Where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party. Debtor will cooperate with Secured Party in obtaining control with respect to Collateral consisting of: deposit accounts, investment property, letter of credit rights and electronic chattel paper. Debtor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

5. **Post-Closing Covenants and Rights Concerning the Collateral.** The parties to this Security Agreement may inspect any Collateral in the other party's possession, at any time upon reasonable notice. The Collateral shall remain personal property at all times. Debtor shall not affix any of the Collateral to any real property in any manner which would change its nature from that of personal property to real property or to a fixture. Secured Party shall have the right at any time to enforce Debtor's rights against the account debtors and obligors. Debtor has the risk of loss of the Collateral. Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.

6. **Limitation on Disposition of Collateral.** Secured Party does not authorize and Debtor agrees not to: make any sales or leases of any of the Collateral without the Secured Party's prior consent unless otherwise provided herein. Debtor agrees and promises that farm product collateral (crops, livestock, timber and products thereof) may not be sold and will not be sold without the Secured Party's prior written consent unless the Secured Party is named as joint payee on all checks given as payment (unless otherwise provided herein).

7. **Consent to Sale of Inventory.** Notwithstanding the provisions of Paragraph 6, Secured Party hereby consents to the sale of inventory items for reasonably equivalent value for cash or on ordinary trade terms, and to collection of accounts in the ordinary course of Debtor's business. Secured Party also consents to the good faith compromise of accounts and of disputes regarding defective or nonconforming goods, and to returns and rebates in connection therewith. Secured Party's security interest extends to returned or repossessed goods. Debtor will not sell or transfer inventory items to any person other than Secured Party outside of the ordinary course of business without Secured Party's prior written consent.

8. **Collection of Accounts.** Debtor will use its best efforts to collect accounts receivable in the ordinary course of business. If and when required by Secured Party upon an Event of Default, Debtor will instruct all account debtors and other obligors of Debtor to deliver all payments either directly to Secured Party or to a lock-box in the name of Debtor but controlled by Secured Party.

9. **Purchase Money Security Interests.** To the extent Debtor uses the Loan to purchase Collateral, Debtor's repayment of the Loan shall apply on a "first-in-first-out" basis so that the

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portion of the Loan used to purchase a particular item of Collateral shall be paid in the chronological order the Debtor purchased the Collateral.

10. **Debtor's Representations and Warranties.** Debtor warrants and represents that it has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Security Agreement; Debtor's state of formation is the State of Washington; and Debtor's exact legal name is as set forth herein.

11. **Debtor's Covenants.** Until the Secured Obligations are paid in full, Debtor agrees that it will preserve its entity existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets; not change the state where it is located; nor change its legal name without the prior written consent of the Secured Party, which will not be unreasonably withheld.

12. **Inspection and Verification Rights.** Debtor will keep accurate books and records relating to the Collateral at its chief executive office. Secured Party will have the rights to (a) inspect the Collateral, including books and records, at all reasonable times, (b) make copies of the books and records, and (c) verify orally and in writing directly with account debtors and obligors the accuracy of information provided by Debtor with respect to unpaid balances and status of collection information. Debtor will provide such access and office space as may be reasonably necessary for the exercise of these rights and hereby grants to Secured Party an easement over all real property owned or leased by Debtor to enable Secured Party to inspect the Collateral and, following any default, to store and dispose of the Collateral on such real property. If such information is electronically stored, Debtor will provide to Secured Party the systems necessary for retrieval, review and reprinting of such information. Debtor will reimburse Secured Party on demand for the reasonable and necessary costs incurred by Secured Party in connection with all inspections, photocopying and verifications.

13. **Insurance/Taxes.** Debtor covenants that (a) the inventory will be produced and sold and accounts will be collected in accordance with all applicable laws specifically including, but not limited to, the Fair Labor Standards Act, (b) the Collateral will be insured against loss or damage by the casualties covered by a standard policy of fire insurance with extended coverage endorsement and against theft in such coverage amounts, deductibles and terms as may be consistent with industry practices and as may be reasonably acceptable to Secured Party, (c) Debtor will provide evidence of insurance to Secured Party as and when required by Secured Party, (d) Debtor will pay all taxes, assessments and similar charges relating to the Collateral as and when the same become due and payable, and (e) Debtor will pay and satisfy when due all claims that may be secured by liens or security interests which have or may gain by operation of law priority over Secured Party's security interest.

14. **Indemnity.** Debtor hereby covenants and agrees to indemnify, defend and hold Secured Party, its successors, assigns, agents, directors and employees ("Indemnitee") harmless from and against all claims, loss, liability, cost and expense, including reasonable attorney fees and court costs, which in any way arise from or relate to Secured Party's security interest in, or the exercise

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of repossession or disposition rights with respect to, the Collateral or the failure of Debtor to comply with its obligations under this Security Agreement. Without limiting the generality of the foregoing, Debtor will indemnify, defend and hold Indemnitee harmless from all such claims, loss, liability (including fines, penalties, awards and like impositions) which relate to the generation or the improper storage, release, transportation or disposal of hazardous or toxic wastes, substances, mixtures, pollutants or contaminants in violation of any current or future federal, state or local law, statute, regulations, ordinance or order relating thereto. This indemnity is intended to survive disposition of the Collateral pursuant to foreclosure of Secured Party's security interest or the voluntary surrender and retention of Collateral in lieu of foreclosure or disposition.

**15. Events of Default.** Time is of the essence in the performance of this Security Agreement. The occurrence of any of the following shall be an "Event of Default": (a) any default by Debtor under the Loan Documents or any of the other Secured Obligations; (b) Debtor's failure to comply with any of the provisions of, or the incorrectness of any representation or warranty contained in this Security Agreement, the Note or the Loan Documents for any of the other Secured Obligations; (c) any transfer or disposition of any of the Collateral, except as expressly permitted by this Security Agreement; (d) Debtor shall fail to comply with, or become subject to any administrative or judicial proceeding under any federal, state or local (i) hazardous waste or environmental law, (ii) asset forfeiture or similar law which can result in the forfeiture of property, or (iii) other law, where noncompliance may have any significant effect on the Collateral; (e) Secured Party shall receive at any time following the date hereof an SOS Report indicating that Secured Party's security interest is in the required priority position to all other security interests or other interests reflected in the report; (f) failure of Debtor to defend the Collateral against any competing claims; (g) loss, theft, substantial damage or destruction of the Collateral not fully covered by insurance, or the making of any lien, levy, writ, attachment, execution, seizure or notice of tax lien against Debtor or the Collateral which is not released, bonded or stayed to the satisfaction of the Secured Party within 30 days; (h) Debtor's death, dissolution, termination of existence or insolvency (defined to include (i) liabilities exceeding assets, or (ii) inability to pay debts as they become due), assignment for benefit of creditors, appointment of a receiver or the commencement of bankruptcy proceedings by or against Debtor; or (i) whenever the Secured Party in good faith believes that the prospect of payment, performance or realization on the Collateral is impaired.

**16. Default Costs.** Should an Event of Default occur, Debtor will pay to Secured Party all costs reasonably incurred by the Secured Party for the purpose of enforcing its rights hereunder, including but not limited to: (a) costs of foreclosure; (b) costs of obtaining money damages; and (c) a reasonable fee for the services of attorneys employed by Secured Party for any purpose related to this Security Agreement or the Secured Obligations, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation, bankruptcy or similar proceedings, arbitration or mediation.

**17. Remedies Upon Default.** Upon any Event of Default, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC), or in equity to collect, enforce or satisfy any Secured Obligations when owing, whether by acceleration or

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**Precept Brands LLC, Customer No. 54721**

otherwise. Upon any Event of Default, Secured Party shall have the right to pursue any of the following remedies separately, successively or simultaneously: (a) file suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies provided by law, including levy of attachment and garnishment; and (b) take possession of any Collateral, if not already in its possession, without demand and without legal process. Upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as they direct. Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where Collateral may be located and, without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.

**18. Foreclosure Procedures.** No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default shall (a) impair any right or remedy, (b) waive any default or operate as an acquiescence to the Event of Default, or (c) affect any subsequent default of the same or of a different nature. Secured Party shall give Debtor such notice of any private or public sale as may be required by the UCC. Secured Party has no obligation to clean up or otherwise prepare the Collateral for sale. Secured Party has no obligation to attempt to satisfy the Secured Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any Collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Secured Obligations. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting some or all of the Secured Obligations. Secured Party has no obligation to marshal any assets in favor of Debtor against or in payment of the Note(s), any of the other Secured Obligations, or any other obligation owed to Secured Party by Debtor, Borrower, if Debtor and Borrower shall differ, or any other person.

**19. Miscellaneous.**

a. Binds Assignees. This Security Agreement will bind and inure to the benefit of the respective parties hereto, legatees, executors, administrators, successors and assigns of Secured Party and shall bind all persons who shall become bound as a Debtor to this Security Agreement.

b. No Assignments by Debtor. Secured Party does not consent to any assignment by Debtor except as expressly provided in this Security Agreement.

c. Secured Party Assignments. Secured Party may assign its rights and interests under this Security Agreement. If any assignment is made, Debtor shall render performance under this Security Agreement to the assignee. Debtor waives and will not assert against any

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assignee any claims, defenses or set-offs which Debtor could assert against Secured Party except defenses which cannot be waived.

d. Severability. Should any provision of this Security Agreement be found to be void, invalid or unenforceable by a court or panel of arbitrators of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid or unenforceable and shall not affect the remaining provisions of this Security Agreement.

e. Notices. Any notices required by this Security Agreement shall be deemed to be delivered: (i) two business days after delivery, if deposited in the United States mail if postage is prepaid, and properly addressed to the intended recipient; (ii) upon receipt, if sent by facsimile; (iii) upon receipt, if sent by email; or, (iv) when personally delivered.

f. Headings. Section headings used in this Security Agreement are for convenience only. They are not a part of this Security Agreement and shall not be used in construing it.

g. Governing Law. This Security Agreement is being executed and delivered and is intended to be performed in the State of Washington and shall be construed and enforced in accordance with the laws of such state; except to the extent that the UCC provides for the application of the law of another state.

h. Rules of Construction. No reference to "proceeds" in this Security Agreement authorizes any sale, transfer or other disposition of the Collateral by the Debtor except as provided for herein. "Includes" and "including" are not limiting. "Or" is not exclusive. "All" includes "any" and "any" includes "all."

i. Integration and Modifications. This Security Agreement is the entire agreement of the Debtor and Secured Party concerning its subject matter. Any modification to this Security Agreement must be made in writing and signed by the party to be charged.

j. Waiver. Any party to this Security Agreement may waive the enforcement of any provision to the extent the provision is for its benefit.

k. Further Assurances. Debtor hereby agrees to execute any further documents, and to take any further actions reasonably requested by Secured Party to evidence or perfect the security interest granted herein, to maintain the required priority of the security interests, or to effectuate the rights granted to Secured Party herein. Debtor also hereby agrees to appoint Secured Party as its attorney-in-fact, coupled with an interest, for the purpose of executing and filing financing statements and other documents that may, in Secured Party's reasonable judgment, be necessary or advisable for perfecting, continuing and re-perfecting its security interest in the Collateral.

**20. WAIVER OF JURY TRIAL. DEBTOR AND SECURED PARTY HEREBY IRREVOCABLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING**

**FIRST AMENDED AND RESTATED SECURITY AGREEMENT - 8**

**Baty and Browne, Customer No. 55136; and**

**Precept Brands LLC, Customer No. 54721**

TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENTS AND ANY FUTURE MODIFICATIONS, AMENDMENTS, EXTENSIONS, RESTATEMENTS AND SERVICING ACTIONS RELATING TO THIS SECURITY AGREEMENT AND ANY OTHER LOAN DOCUMENTS. THE PARTIES INTEND THAT THIS JURY WAIVER WILL BE ENFORCED TO THE MAXIMUM EXTENT ALLOWED BY LAW.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

Debtor has signed this Security Agreement as of the day and year first above written.

**PRECEPT BRANDS LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**DANDREW WINE LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**DOWN UNDER LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**GENESIS WINE, LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

**SHINGLEBACK INVESTORS LLC**

By: Andrew T. Browne  
Andrew T. Browne, Manager

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Baty and Browne, Customer No. 55136; and  
Precept Brands LLC, Customer No. 54721

**WATERBROOK WINERY, INC.**

By: Andrew T. Browne  
Andrew T. Browne, President

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**Baty and Browne, Customer No. 55136; and**  
**Precept Brands LLC, Customer No. 54721**

**RECORDED: 02/07/2008**

**TRADEMARK**  
**REEL: 003719 FRAME: 0299**