

**TRADEMARK ASSIGNMENT COVER SHEET**

Electronic Version v1.1  
 Stylesheet Version v1.2

ETAS ID: TM475053

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT
<b>NATURE OF CONVEYANCE:</b>	SECURITY INTEREST

<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
LEONESSE CELLARS, LLC		05/14/2018	Limited Liability Company

<b>RECEIVING PARTY DATA</b>	
<b>Name:</b>	PACIFIC PREMIER BANK
<b>Street Address:</b>	18200 VON KARMAN AVE., SUITE 500
<b>City:</b>	IRVINE
<b>State/Country:</b>	CALIFORNIA
<b>Postal Code:</b>	92612
<b>Entity Type:</b>	Corporation: CALIFORNIA

<b>PROPERTY NUMBERS Total: 1</b>		
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>
<b>Registration Number:</b>	4437796	LEONESS CELLARS

<b>CORRESPONDENCE DATA</b>	
<b>Fax Number:</b>	3236512577
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>	
<b>Phone:</b>	3238521000
<b>Email:</b>	sbarnett@frandzel.com
<b>Correspondent Name:</b>	Wesley King/Sandy Barnett
<b>Address Line 1:</b>	1000 Wilshire Blvd., 19th Floor
<b>Address Line 4:</b>	Los Angeles, CALIFORNIA 90017-2427

<b>NAME OF SUBMITTER:</b>	WESLEY KING
<b>SIGNATURE:</b>	/S/ WESLEY KING
<b>DATE SIGNED:</b>	05/22/2018

**Total Attachments: 30**  
 source=Security Agreement-Leonesse Cellars LLC#page1.tif  
 source=Security Agreement-Leonesse Cellars LLC#page2.tif  
 source=Security Agreement-Leonesse Cellars LLC#page3.tif  
 source=Security Agreement-Leonesse Cellars LLC#page4.tif  
 source=Security Agreement-Leonesse Cellars LLC#page5.tif  
 source=Security Agreement-Leonesse Cellars LLC#page6.tif

OP \$40.00 4437796

source=Security Agreement-Leonesse Cellars LLC#page7.tif  
source=Security Agreement-Leonesse Cellars LLC#page8.tif  
source=Security Agreement-Leonesse Cellars LLC#page9.tif  
source=Security Agreement-Leonesse Cellars LLC#page10.tif  
source=Security Agreement-Leonesse Cellars LLC#page11.tif  
source=Security Agreement-Leonesse Cellars LLC#page12.tif  
source=Security Agreement-Leonesse Cellars LLC#page13.tif  
source=Security Agreement-Leonesse Cellars LLC#page14.tif  
source=Security Agreement-Leonesse Cellars LLC#page15.tif  
source=Security Agreement-Leonesse Cellars LLC#page16.tif  
source=Security Agreement-Leonesse Cellars LLC#page17.tif  
source=Security Agreement-Leonesse Cellars LLC#page18.tif  
source=Security Agreement-Leonesse Cellars LLC#page19.tif  
source=Security Agreement-Leonesse Cellars LLC#page20.tif  
source=Security Agreement-Leonesse Cellars LLC#page21.tif  
source=Security Agreement-Leonesse Cellars LLC#page22.tif  
source=Security Agreement-Leonesse Cellars LLC#page23.tif  
source=Security Agreement-Leonesse Cellars LLC#page24.tif  
source=Security Agreement-Leonesse Cellars LLC#page25.tif  
source=Security Agreement-Leonesse Cellars LLC#page26.tif  
source=Security Agreement-Leonesse Cellars LLC#page27.tif  
source=Security Agreement-Leonesse Cellars LLC#page28.tif  
source=Security Agreement-Leonesse Cellars LLC#page29.tif  
source=Security Agreement-Leonesse Cellars LLC#page30.tif

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT is entered into as of May 14, 2018 (as may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), by and among LEONESSE CELLARS LLC("Grantor"), on the one hand, and PACIFIC PREMIER BANK, a California banking corporation (the "Lender"), on the other hand, with respect to the following facts:

### PRELIMINARY STATEMENTS

- A. Grantor has applied to Lender for a revolving line of credit in the maximum principal amount of Three Million and No/100 Dollars (\$3,000,000.00) to support farming operations (the "Loan"), which is evidenced, in part, by that certain Loan Agreement dated May 14, 2018 (the "Loan Agreement") and that certain Promissory Note dated May 14, 2018 (the "Note").
- B. This Agreement, the Loan Agreement, the Note, the other documents executed in connection therewith, and such other documents as Lender may require as evidence of, guaranty of, and/or security for the Loan shall be referred to herein as the "Loan Documents."
- C. As an inducement to Lender to make the Loan to Grantor, Grantor consents to the granting of the security interests and obligations contemplated by this Agreement and further described herein.

### AGREEMENT

**NOW, THEREFORE**, in consideration of the promises contained herein, to induce the Lender to enter into the Loan Agreement and to make the Loan to Grantor, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees with the Lender as follows:

1. Definitions. All capitalized terms used in this Agreement without definitions shall have the meanings assigned to those terms in the Loan Agreement or the Note unless otherwise defined herein. All terms defined in the Uniform Commercial Code of the State of California (the "UCC") and used in this Agreement shall have the same definitions in this Agreement as specified in the UCC; *provided, however*, that the term "**instrument**" shall be such term as defined in Article 9 of the UCC rather than Article 3. For purposes of this Agreement, "**Obligations**" shall mean all present and future obligations, indebtedness and liabilities of Grantor to Lender of every kind and description, direct or indirect, absolute or contingent, joint and/or several, secured or unsecured, due or not due, primary or secondary, liquidated or unliquidated, however acquired, whether arising hereunder, under the Note, under the Loan Agreement, or under any other agreement, document, guaranty, note or instrument between Grantor with or in favor of Lender, or by operation of law or otherwise, including, without limitation, all costs, expenses and reasonable attorneys' fees incurred or paid by Lender in enforcing or attempting to enforce its rights with respect to this Agreement, and the Collateral and in preserving, maintaining, protecting, selling, enforcing, foreclosing or otherwise disposing of the Collateral.

2. Grant of Security Interest.

2.1 Collateral Granted. To secure payment and performance of all of the Obligations, Grantor hereby grants to the Lender a continuing and unconditional lien in and to any and all property of Grantor, of any kind or description, tangible or intangible, wheresoever located and whether now existing or hereafter arising or acquired, including the following (all of which property, along with the products and proceeds therefrom, are individually and collectively referred to as the “**Collateral**”):

(A) all property of, or for the account of, the Grantor now or hereafter coming into the possession, control or custody of, or in transit to, the Lender or any agent or bailee for the Lender (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise), including all earnings, dividends, interest, or other rights in connection therewith and the products and proceeds therefrom, including the proceeds of insurance thereon; and

(B) any and all other property of the Grantor, whether now existing or hereafter arising or acquired, and wherever now or hereafter located, together with all additions and accessions thereto, substitutions, betterments and replacements therefor, products and Proceeds therefrom, and all of the Grantor’s books and records and recorded data relating thereto (regardless of the medium of recording or storage), together with all of the Grantor’s right, title and interest in and to all computer software required to utilize, create, maintain and process any such records or data on electronic media, identified and set forth as follows:

(1) All inventory, including but not limited to bulk wine and case goods, harvested grapes, processed or crushed grapes, wine bottles, labels, corks, casks, barrels, pallets and crates, equipment, machinery, furniture, furnishings, trade fixtures, appliances, building materials, apparatus, utensils, vehicles, wiring, pipes, conduits, elevators, escalators, heating and air conditioning equipment, farm products, harvested crops, wherever stored, milk, milk products, eggs, feed, hay, grain, fodder, silage, chemicals, fertilizers, medicines, parts, supplies, goods, fixtures, as-extracted collateral, cash in growing crops, investment property, deposit accounts, cash, letters of credit rights, and capital stock and other securities of and claims against any corporation, cooperative, water company, joint venture or partnership, including commercial torts.

(2) All rights to payment, payment intangibles, payment of money or payment in kind, whether due or not become due and whether or not earned by performance, accounts, contract rights, revolving fund credits, patronage dividends, chattel paper, leases, conditional sales contracts, documents, warehouse receipts, weight or scale tickets, instruments, general intangibles, and rights under any government or other loan, reserve, disaster, diversion, deficiency, soil conservation, or other production control or price support program.

(3) All rights in and claim to any policy of insurance, including unearned premiums, and the proceeds thereof, including insurance policies covering Collateral, key man policies, business interruption insurance, and crop insurance, whether governmental or non-governmental (individually a "Policy" and collectively, the "Policies").

(4) All rights Grantor may have or hereafter acquire with respect to any statutory or common law lien or trust, including, but not limited to, any mechanic's or materialman's lien, packer's lien, producer's lien, or any lien on livestock, farm products, crops, timber, or the products or proceeds thereof, and any rights as beneficiary under any federal or state statutory or common law trust.

(5) All general intangibles, including, but not limited to, all tax refunds, vendor and other rebates, licenses, memberships, franchises, trademarks, trade names, trade styles, labels, copyrights, patent rights, technical processes, trademark rights, fictitious name rights, permits, grazing permits or other grazing rights issued by any government agency, including, without limitation, the Forest Service, U.S. Department of Agriculture or the Bureau of Land Management, and the U.S. Department of the Interior, grazing privileges, water rights, irrigation rights, brands, milk base and history or quota rights, revolving fund credits, marketing agreements, and rights, including quota rights, under any government or other loan, reserve, disaster, diversion, deficiency, soil conservation, or other production control, price support, disaster assistance, or other similar governmental or non-governmental program.

(6) All water and water rights, including, without limitation, water entitlements, groundwater on, under, pumped from or otherwise available to Grantor's property, whether as the result of groundwater rights, contractual rights or otherwise; Grantor's rights to remove and extract any such groundwater including any permits, rights, or licenses granted by any governmental authority or agency or any rights granted or created by any use, easement, covenant, agreement, or contract, with any person or entity; any rights to which Grantor's property is entitled with respect to surface water, whether such right is appropriative, riparian, prescriptive, decreed, or otherwise and whether or not pursuant to permit or other governmental authorization, or the right to store any such water; any water, water right, water allocation, distribution right, delivery right, water storage right, or other water-related entitlement appurtenant or otherwise applicable to Grantor's property by virtue of the property being situated within the boundaries of any district, agency, or other governmental entity or within the boundaries of any private water company, mutual water company, or other non-governmental

entity; all water and existing and future water rights, however evidenced, to the use of water for irrigation, livestock, and domestic purposes, including irrigation and watering equipment systems, ditches, laterals, conduits, and rights-of-way used to convey such water or to drain the Grantor's property (all of the foregoing collectively referred to as a "Water Asset"); all stock, interest, or rights (including any water allocations, voting or decision rights) in any entity, together with any and all rights from any entity or other person to acquire, receive, exchange, sell, lease, or otherwise transfer any Water Asset, to store, deposit, or otherwise create water credits or similar or other arrangement for allocating water, to transport or deliver water, or otherwise to deal with any Water Asset; all licenses, permits, approvals, contracts, decrees, rights, and interests to acquire or appropriate any Water Assets, water bank or other credits evidencing any rights to Water Assets, to store, carry, transport, or deliver Water Assets, to sell, lease, exchange, or otherwise transfer any Water Asset, or to change the point for division of water, the location of any Water Asset, the place of use of any Water Asset, or the purpose of the use of any Water Asset; all rights, claims, causes of action, judgments, awards, and other judicial, arbiter, or administrative relief in any way relating to any Water Asset; all storage and treatment rights for any Water Asset, whether on or off the Grantor's property, together with all storage tanks, and other equipment used or usable in connection with such storage and any water bank deposit credits, deposit accounts, or other rights arising on account of the storage or nonuse of any Water Asset; all rights to transport, carry, allocate, or otherwise deliver Water Assets by any means wherever located; all irrigation and watering equipment, including all pumps, pumping plants, storage tanks, pump motors, electrical generators, and all systems, ditches, laterals, conduits, and rights-of-way used to convey such water or to drain the Grantor's property; all guaranties, warranties, marketing, management or service contracts, indemnity agreements, and water right agreements, or other water related contracts water reallocation rights, all insurance policies regarding or relating to any Water Asset; and all rents, issues, profits, proceeds and other accounts, instruments, chattel paper, contract rights, general intangibles, deposit accounts, and other rights to payment arising from or on account of any use, nonuse, sale, lease, transfer or other disposition of any Water Asset.

(7) All books, records, customer lists, credit files, computer hardware, computer software, computer data, computer storage media or the equipment containing such information or data, printouts and any other written document or computer program evidencing any transactions related to the operation of Grantor's business.

(8) All such property which is hereafter acquired by Grantor, including but not limited to, all natural increase, substitutions, replacements, renewals, accessions, additions, subsequent purchases, rents, issues, royalties and profits of the foregoing. Additionally, all proceeds and products (including insurance proceeds), and all accounts receivable from sales, of any property described herein. Any and all other interests, rights, or other property to which Grantor may be entitled by reason of ownership of any property described herein. It is understood that the use of the terms "proceeds," "substitutions," "replacements," "accessions," "additions" or other like terms above does not give Grantor authority, express or implied, to sell or otherwise dispose of the Collateral except as provided in the Agreement, unless Grantor is specifically authorized to do so.

2.2 Authorization to File Financing Statements. Grantor hereby irrevocably authorizes the Lender at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as "all assets" of such Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC of such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by Part 5 of Article 9 of the UCC of such jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including whether such Grantor is an organization, the type of organization and any organizational identification number issued to Grantor. Grantor agrees to furnish any such information to the Lender promptly upon the Lender's request. Grantor also ratifies its authorization for the Lender to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

2.3 Commercial Tort Claims. If Grantor shall at any time hold or acquire a commercial tort claim, Grantor shall promptly notify the Lender in a writing signed by Grantor of the particulars thereof and grant to the Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Lender.

2.4 Further Actions. Grantor, at its own expense, shall at any time and from time to time take such actions as the Lender may reasonably request for the Lender (i) to authorize, deliver and, where appropriate, file financing statements and continuation statements under the UCC of any applicable jurisdiction, (ii) to obtain governmental and other third party consents and approvals, to obtain acknowledgements of bailees having possession of any of the Collateral that the bailee holds such Collateral for the Lender, or to obtain waivers from mortgagees and landlords, in each case in form and substance satisfactory to the Lender, (iii) to obtain "control" of any investment property, deposit accounts, letter-of-credit rights or electronic chattel paper (as such terms are defined in UCC Article 9 with corresponding provisions in §§ 9104, 9105, 9106 and 9107 relating to what constitutes "control" for such items of Collateral), with any agreements establishing control to be in form and substance satisfactory to the Lender, and (iv) otherwise to ensure the perfection and priority of the Lender's security interest in any of the Collateral and of the preservation of its rights therein.

3. Representations and Warranties. Grantor hereby represents and warrants to Lender that:

3.1 Except as set forth in Exhibit "B" hereto (the "Permitted Encumbrances"), Grantor owns all of the Collateral free and clear of all liens, charges, encumbrances, financing statements and adverse claims of any kind or nature whatsoever in favor of any entity other than Lender.

3.2 Grantor is the lawful owner of, and is entitled to collect, without right of counterclaim or setoff, all of the Accounts presently held, free and clear of all liens, charges, encumbrances, financing statements and adverse claims of any nature whatsoever.

3.3 Grantor possesses all requisite authority to enter into this Security Agreement and perform all of its Obligations hereunder and neither the execution of this Security Agreement nor the performance of any Obligations are or will conflict with any applicable law or regulation to which Grantor is subject or the terms of any indenture, agreement or undertaking to which Grantor is a party or by which Grantor is bound or affected.

3.4 Upon execution and delivery hereof, this Security Agreement will constitute a legal, valid and binding agreement of Grantor, enforceable against Grantor in accordance with its terms.

3.5 The Collateral is not used or bought primarily for personal, family or household purposes.

3.6 The Collateral and the books and records concerning the Collateral, shall be maintained at 38311 De Portola Road, Temecula, CA 92592.

3.7 All Accounts created shall be bona fide transactions completed in accordance with the terms and provisions contained in any documents related thereto.

3.8 Grantor shall make reasonable efforts to ensure that all account debtors (i) have the capacity to contract at the time any contract or other document giving rise to the Account was executed; and (ii) are solvent.

3.9 When created, each Account and each Policy shall be a valid, legally enforceable obligation of the Account debtor or insurer, respectively, thereunder, not subject to any offset or other defense on the part of such Account debtor or insurer or to any claim on the part of such Account debtor or insurer, respectively, denying liability thereunder.

3.10 No Account shall be subject to any lien or security interest whatsoever created by Grantor, except for the security interest of Lender.

3.11 Except for the Permitted Encumbrances, there shall be no security agreement or financing statement covering any of the Collateral created by Grantor.

3.12 All necessary consents, licenses or approvals of any governmental authority relating to the Collateral or its use have been received and are in full force and effect.

3.13 This Security Agreement constitutes a valid first lien on all of the Collateral, other than the Permitted Encumbrances, enforceable against Grantor and all other parties.



3.14 Until Lender exercises its rights to make collection, Grantor will diligently collect all receivables and proceeds of Collateral and keep accurate books and records of Collateral and all collections thereof. Grantor will segregate and identify to Lender's satisfaction all collections and proceeds of Collateral as and when received. Immediately upon default, Grantor shall pay all proceeds of Collateral to Lender. Until the proceeds of Collateral have been paid to Lender, Grantor and its principals shall hold the entire proceeds, in the same form as received, in trust for Lender. Grantor shall not waive or release any rights Grantor may have under the California Producer's Lien, Cal. Food & Ag. Code, Section 55631, under similar laws of other states, packer's lien, or any other lien on livestock, farm products, winery or vineyard products, crops, timber, or the products or proceeds thereof, and any rights as beneficiary under any federal or state statutory or common law trust.

3.15 Grantor shall maintain the Collateral in an orderly and efficiency manner and in good working order and will care for and develop all crops and livestock in accordance with standards of good husbandry. Grantor will keep in good standing and not permit the lapse or termination of any brands, registrations, water rights, rights to rangeland, grazing privileges, timber permits, and any other permits, licenses, or leases now or hereafter owned by Grantor that are necessary to the continued operation of Grantor business.

3.16 At least once annually or as often as Bank requests in its sole and absolute discretion, Grantor shall deliver to Lender a list setting forth all buyers, commission merchants, and selling agents to or through whom Grantor shall sell or deliver any wine, wine products, crushed grapes, bulk wine, case goods or other winery and vineyard products. After delivery of such list, Grantor shall advise Lender in writing of any additions or changes to such list and Grantor shall not sell or deliver any grapes, wine, wine products, crushed grapes, bulk wine, case goods or other winery and vineyard products to any person not on the current list delivered by Grantor to Lender.

3.17 At least once annually or as often as Bank requests in its sole and absolute discretion, Grantor shall deliver to Lender a list setting forth all contracts, with summaries or abstracts thereof, and accounts payable with third-party growers of grapes or third-party wineries. After delivery of such list, Grantor shall advise Lender in writing of any additions or changes to such list and Grantor shall not buy any grapes, wine, wine products, crushed grapes, bulk wine, case goods or other winery and vineyard products from any person not on the current list delivered by Grantor to Lender.

3.18 Grantor shall promptly notify Lender in writing of any event which affects the value of the Collateral, or the rights and remedies of Lender in relation thereto, including, without limitation the levy of any legal process against Collateral, the loss or threat of loss of any rights to brands, water, rangeland, grazing privileges, timber permits, and any other permits, licenses, or leases now or hereafter owned by Grantor, or the adoption of any marketing order, arrangement, or procedure affecting Collateral, whether governmental or otherwise.

3.19 Grantor, shall not, without Lender's prior written consent, sell or otherwise transfer or enter into any agreement to sell or transfer water or water rights.

4. Covenants. Grantor hereby covenants and agrees that:

4.1 Grantor will repay immediately upon demand all reasonable expenses, including, without limitation, attorneys' fees, legal expenses and costs, together with the Default Rate from the date of such expenditure, incurred by Lender after a default by Grantor in performing the Obligations or incurred by Lender in connection with checking, handling or processing any collection of the Accounts, or preparing or enforcing, including, without limitation, the pursuit of any or all remedies in law or equity or otherwise, any agreement relating to such collection of the Accounts.

4.2 Grantor shall maintain complete and accurate financial information concerning the Collateral and shall make appropriate notations and entries on its ledgers and books of account to disclose the hypothecation of the Accounts to Lender. Grantor shall furnish to Lender from time to time such financial statements and information as Lender may reasonably request and will inform Lender immediately upon the occurrence of any material adverse change in Grantor's financial condition or in any information supplied to Lender by Grantor, including, without limitation, any change in Grantor's principal place of business or mailing address.

4.3 Subject to any restrictions set forth in the Loan Agreement, Grantor shall permit Lender's representatives to enter on the Grantor's premises, or other property over which Grantor has control, to inspect the Collateral and Grantor's books and records relating thereto and to make extracts from such books and records.

4.4 Except for the Permitted Encumbrances, Grantor shall not grant, permit or suffer to exist any other lien, or security interest affecting the Collateral, and Grantor shall promptly notify Lender of all claims and demands of all persons at any time claiming the Collateral or any interest therein and any information received by Grantor concerning the Collateral or any interest therein that may in any way affect the value of the Collateral or the rights and remedies of Lender relating thereto, including, without limitation, any and all liens, encumbrances or security interests affecting or purporting to affect the title to the Collateral, or any part thereof, or that may appear to be such claims or demands. In the event of any such claim or demand, Grantor shall promptly take all such action as may be reasonable to protect the value of the Collateral.

4.5 At any time or from time to time, without liability therefor and without notice, and without affecting the security interest of Lender under this Security Agreement upon the Collateral for the full amount of all amounts secured hereby, Lender may (i) reconvey all or any part of the Collateral; or (ii) join in any extension agreement or in any subordination agreement affecting this Security Agreement.

4.6 Grantor shall promptly pay prior to delinquency all taxes, assessments or similar obligations affecting the Collateral, or any portion thereof. Grantor shall have the right to contest by proper proceedings any taxes, assessments or similar obligations affecting the Collateral, or any portion thereof, provided that Grantor shall prosecute such contest diligently and in good faith and such contest shall not expose Lender to any civil or criminal penalty or liability or in any way impair Lender's security. Upon Lender's demand, Grantor shall furnish Lender a surety bond or other adequate security sufficient to indemnify Lender from adverse effect in the event the contest is not successful.

4.7 Grantor will do all acts reasonably necessary to maintain, preserve, protect and keep the Collateral in good condition and repair (reasonable wear and tear excepted), will not permit any waste or unusual or unreasonable depreciation of Collateral to occur and will not commit any act for which all or any portion of the Collateral might be confiscated by any governmental authority or private entity.

4.8 Grantor shall protect and defend the Collateral against any and all claims therein or thereto, or to all or any portion thereof, or any interest therein and will indemnify and save Lender harmless with respect to any and all liability, claim, loss, cost, damage or expense (including, without limitation, reasonable attorneys' fees and expenses) to which Lender may become subject, or which Lender may incur, in preserving or protecting the Collateral, enforcing any of Lender's rights and remedies hereunder, or as a result of any failure of Grantor to perform its obligations hereunder.

4.9 In the event that (i) Grantor intends to purchase any goods which may become fixtures attached to the Grantor's premises, or any part thereof, and (ii) such goods will be subject to a purchase money security interest held by a seller or any other party, Grantor shall, before executing any security agreement or other document evidencing such security interest, obtain the prior written approval of Lender, which approval shall not be unreasonably withheld or delayed, and shall execute and deliver to Lender any and all documents necessary to preserve Lender's first priority security interest in the Collateral.

4.10 After a default by Grantor hereunder, Grantor will not extend the time to pay any of the Accounts, release or compromise any of the Accounts or do anything to reduce or jeopardize its rights under any of the Accounts without written approval by Lender, which shall not be unreasonably withheld.

4.11 Grantor shall maintain the Policies in full force and effect so long as any Obligations are outstanding, and deliver all Policies, renewals and premium receipts thereof to Lender at least thirty (30) days before the effective date thereof, and do all things necessary to obtain prompt settlement for each loss or claim covered by each such Policy. Without waiving or curing any default, Lender may deduct and retain from the Proceeds of such Policy the amount of all reasonable expenses incurred by it in connection with any such settlement and shall release, pay or apply the balance of such Proceeds in such order and proportion as it may determine (i) to Grantor, or (ii) on the cost of restoration, repair or alteration of any or all Collateral covered by any such Policy, or (iii) on account of any Obligation, as more fully described in the Loan Documents. In the event of any conflict between this Section 4.11 and the Loan Documents concerning application of such proceeds, the provisions of the Loan Documents shall control. Any monies released to Grantor or paid or applied on the cost of restoration, repair or alteration shall in no event be deemed a payment on the Obligation.

4.12 Grantor covenants and warrants that as to all Collateral hereafter acquired:

(A) Except as to the Permitted Encumbrances, Grantor shall own all Collateral free and clear of all liens, charges, encumbrances, financing statements and adverse claims of any kind or nature whatsoever in favor of any entity other than Lender.

(B) Grantor shall be the lawful owner of, and be entitled to collect, without right of counterclaim or setoff, all of the Accounts free and clear of all liens, charges, encumbrances, financing statements and adverse claims of any nature whatsoever.

(C) The Collateral shall not be used or bought primarily for personal, family or household purposes.

(D) All Accounts shall be entered into in the ordinary course of business.

(E) No Account shall be subject to any lien or security interest whatsoever, except for the security interest of Lender.

(F) All necessary consents, licenses or approvals of any governmental authority relating to the Collateral or its use shall be in full force and effect.

4.13 The Collateral and the books and records concerning the Collateral shall be located at the address set forth in Section 3.6 above.

4.14 Grantor agrees and covenants that it will, upon Lender's request, execute and deliver to Lender such documents as Lender deems necessary or appropriate to obtain, perfect and maintain a valid and enforceable security interest in the Collateral.

5. Continuous Perfection. Grantor's place of business or, if more than one, chief executive office is indicated on Grantor's Perfection Certificate delivered to the Lender herewith (the "**Perfection Certificate**"), the form of which is attached hereto as Exhibit A. In furtherance of, and not in limitation of the additional restrictions contained in the Loan Agreement, Grantor shall not change its jurisdiction of formation without providing prompt written notice thereof to the Lender. In addition, Grantor shall notify the Lender in writing of any change in its name, identity or corporate structure within fifteen (15) days of such change. The Collateral, to the extent not delivered to the Lender, will be kept at those locations listed on the Perfection Certificate or be in transit in the ordinary course of business.

6. No Other Liens. Except for the security interests herein granted, the Permitted Encumbrances and other liens permitted by the Lender in writing, Grantor shall be the owner of the Collateral free from any other Lien, and the Grantor shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Lender. Grantor shall not pledge, mortgage or create, or suffer to exist, a security interest in any of the Collateral in favor of any person or entity other than the Lender, except for the Permitted Encumbrances and other liens permitted by the Lender in writing.

7. No Transfers. Grantor will not sell or otherwise transfer any Collateral or any interest therein except as permitted by the Loan Agreement or other Loan Documents.

8. Collateral Protection Expenses; Preservation of Collateral; Database.

8.1 Expenses Incurred by the Lender. In its discretion, the Lender may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto after the occurrence and during the continuance of a Default and pay any necessary filing fees.

Grantor agrees to reimburse the Lender on demand for any and all reasonable and documented out-of-pocket expenditures so made. The Lender shall have no obligation to Grantor to make any such expenditures, nor shall the making thereof relieve Grantor of any default.

8.2 Limitation on the Lender's Obligations and Duties. Notwithstanding any contrary provision of this Agreement, Grantor shall remain liable for all of its obligations under each contract or agreement comprising the Collateral. The Lender shall have no obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Lender of any payment relating to any of the Collateral, nor shall the Lender be obligated in any manner to perform any of such Grantor's obligations under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Lender in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Lender or to which the Lender may be entitled at any time or times. The Lender's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under §9-207 of the UCC or otherwise, shall be to deal with such Collateral in the same manner as the Lender deals with similar property for its own account.

9. Events of Default. Any of the following shall constitute an Event of Default or a "default" hereunder:

9.1 Grantor shall fail to perform or observe any term, covenant or agreement contained in this Security Agreement, subject to the notice and cure periods, if any, provided in Section 5.1 of the Loan Agreement.

9.2 Grantor shall commit a default or breach under any of the Loan Documents, as the same is defined thereunder, which default or breach is not cured within any applicable cure period, if any.

9.3 Any representation, warranty or statement made or furnished in or pursuant to this Security Agreement by Grantor proves to have been false or misleading in any material respect when made or furnished.

9.4 Any material loss, theft, damage or destruction of any of the Collateral without prompt replacement thereof by Grantor.

10. Remedies. In addition to the remedies available to Lender under the Loan Agreement, Lender shall have the remedies contained in this Section 9. If a Default has occurred and is continuing:

10.1 The Lender shall have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies of a secured party under the UCC of such jurisdiction, including, without limitation, the right to take possession of the Collateral, and for that purpose the Lender may enter upon any premises on which the Collateral may be situated and remove the same therefrom.

10.2 the Lender may in its discretion require the Grantor to assemble all or any part of the Collateral at such location or locations as the Lender may reasonably designate. Unless the

Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Lender shall give to Grantor at least ten (10) Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. Grantor hereby acknowledges that ten (10) Business Days prior written notice of such sale or sales shall be reasonable notice.

10.3 Enter upon the Grantor's premises and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court therefor, and, at Lender's option, use, operate, manage and control the Collateral in any lawful manner or business; collect and receive all rents, income, revenue, earnings, issues and profits of the Collateral; remove all or part of the Collateral as Lender may determine in Lender's discretion, and any monies so collected or received by Lender shall be applied to, or may be accumulated for application upon, the payment of all costs and expenses of Lender's taking and maintaining possession of the Collateral, management fees for such operation thereof, all reasonable costs and expenses of such repairs, renovations and alterations of the Collateral (including, without limitation, reasonable attorneys fees and expenses), with the remainder, if any, to be applied toward the satisfaction of any of the Obligations, the application of all such monies to be made in such order and at such times as Lender may determine. The authority granted herein to so take possession of the Collateral shall also include the authority and power to take possession of the receipts of such business and, if appropriate, to operate such business, and the receipts thereof shall be deemed herein to be a form of proceeds of the Collateral.

10.4 With respect to the Accounts, give notice of this assignment to any and all obligors under the Accounts and collect the Accounts. Grantor hereby covenants and agrees that Grantor shall cooperate fully with Lender, and its employees and agents, and shall provide any and all documents deemed by Lender to be necessary or desirable to collect the Accounts.

10.5 Sell, lease or otherwise dispose of any Collateral at one or more public or private sales, whether or not such Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as Lender may determine. In the event of a sale, lease or other disposition of the Collateral or of collection of the Accounts:

(A) Any person, including, without limitation, Grantor, Lender, or any nominee of any of the foregoing, may purchase at the sale.

(B) Lender shall apply the Proceeds of any sale, collection or disposition hereunder to payment of the following: (i) the expenses of such sale or disposition together with reasonable attorneys' fees and expenses, and the actual costs of publishing, recording, mailing and posting notice; (ii) the cost of any search and other evidence of title procured in connection therewith and any transfer tax on any deed or conveyance; (iii) all sums expended under the terms hereof, not then repaid, with accrued interest at the Default Rate; (iv) all other sums secured hereby; and (v) the remainder, if any, to the person or persons legally entitled thereto.

(C) Lender shall have the right to require Grantor to make the Collateral available to Lender at a place designated by Lender, and Grantor shall promptly do so.

10.6 Recover from Grantor all costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, incurred or paid by Lender in exercising any right, power or remedy provided by this Security Agreement or by law or in equity.

10.7 Grantor hereby appoints Lender as Grantor's attorney-in-fact, to exercise, during any period of time that Grantor is in default hereunder, such rights as Grantor may exercise and to do any and all things necessary and proper to carry out the purposes contemplated by this Security Agreement. At its option, Lender shall have the right, during any period of time that Grantor is in default hereunder, to discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, pay for insurance on the Collateral, pay for the maintenance and preservation of the Collateral, sign and endorse any checks, notes, drafts, money orders, acceptances or other forms of remittance payable to Grantor and any invoice, freight or express bill, bill of lading, or other documents relating to the Collateral, demand, bring suit, collect or give acquittance for any monies due on the Accounts and compromise, prosecute or defend any action, claim or proceeding arising from the Collateral. Lender shall have the right to do any or all of the foregoing in the name of Grantor or otherwise. Should Grantor fail or refuse to make any payment, perform any covenant or obligation, observe any condition or take any action which Grantor is obligated hereunder to make, perform, observe, take or do, at the time or in the manner herein provided, then Lender shall have the right (but not the obligation), at Lender's sole discretion, without notice to or demand upon Grantor with respect to any such payment and after fifteen (15) calendar days' notice with respect to any such non-monetary covenant, obligation, condition or act, and without releasing Grantor from any obligation, covenant or condition hereof, make, perform, observe, take or do the same in such manner and to such extent as Lender shall, during any period of time that Grantor is in default hereunder, deem necessary to protect the security of this Security Agreement and in connection therewith to employ counsel. Furthermore, Lender shall have the right (but not the obligation), during any period of time that Grantor is in default hereunder to, (i) demand, enforce, sue for, collect and receive from time to time any and all Accounts hereby assigned and transferred and give receipts, releases and acquittances for or in respect of the same or any part thereof; (ii) institute and prosecute, in the name of Grantor or otherwise, that which Lender may deem advisable; (iii) collect, assert or enforce any claim, right, title, interest, debt or Account hereby assigned, transferred and conveyed; and (iv) do any and all acts and things in relation to the foregoing that Lender shall deem advisable. Grantor agrees to reimburse Lender on demand for any payment made, or any expense incurred, including, without limitation, reasonable attorneys' fees and expenses, by Lender pursuant to the foregoing authorization, together with interest thereon at the Default Rate from the date of such payment or expenditure. Grantor hereby declares that such appointment of Lender as attorney-in-fact with the foregoing powers is coupled with an interest, such interest being the Obligations of Grantor to Lender, and shall be irrevocable by Grantor, or by Grantor's dissolution or insolvency, or in any manner or for any reason without the prior written consent of Lender.

10.8 The Policies, together with any unearned or returned premium thereon, shall, at the option of Lender, become the sole property of Lender. Because each of the Policies is hereby assigned to Lender, Lender is authorized to make any claim thereunder, replace the insurance upon the default of Grantor hereunder and receive payment and endorse any instrument in payment of loss or return premium or other refund or return toward the satisfaction of any Obligation of Grantor under this Security Agreement or secured hereby. In the event Grantor fails to obtain or maintain the Policies, Lender shall have the right, but not the obligation, to obtain or maintain the Policies at Grantor's expense.

10.9 Lender may use, assemble, complete, produce, grow, raise, develop, harvest, process, market, or operate the Collateral to the extent that Lender deems appropriate for the purposes of caring for, preserving, or disposing of the Collateral or for any other purpose which Lender deems appropriate. Lender shall have no obligation to Grantor to maintain or preserve the rights of Grantor in and to the Collateral as against the claims of third parties while the Collateral is in the possession, custody, or control of Lender.

10.10 Lender may use, sell, or dispose of, in connection with any assembly, use or disposition of Collateral, any brand, water right, timber permit, grazing privilege, license, permit, franchise, trademark, trade name, trade style, copyright, patent right, or technical process or information of Grantor with respect to the Collateral.

10.11 Lender may sell the Collateral at a location to be determined by Lender in its discretion. If the Collateral is livestock, Lender may sell the Collateral through a livestock market or through a licensed livestock sale company and such sale shall be deemed to be upon a "recognized market" as used in the Uniform Commercial Code.

11. Sale of Collateral. Upon any sale of the Collateral or the collection of any Account, whether made under power of sale herein granted or pursuant to judicial proceedings, if Lender is a purchaser at such sale, Lender shall be entitled to use and apply all or any portion of the indebtedness then secured hereby for or in settlement or payment of all or any portion of the purchase price of the property purchased at such sale.

12. [Reserved].

13. Grantor's Authorization to Lender. Grantor authorizes Lender, without notice or demand and without lessening Grantor's liability under this Agreement, from time to time: (a) to take and hold security for the payment of this Security Agreement or the Obligations, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (b) to release, substitute, agree not to sue, or deal with any one or more sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (c) if Grantor is in default hereunder, to determine how, when and what application of payments and credits shall be made on the Obligations; (d) if Grantor is in default hereunder, to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the Security Agreement or the Loan Documents, as Lender in its opinion and judgment may determine; (e) to sell, transfer, assign, or grant participations in all or any part of the Obligations; and (f) to assign or transfer this Security Agreement in whole or in part.

14. Notification to Account Debtors and Other Obligors. If a Default has occurred and is continuing, Grantor shall, at the request of the Lender, notify account debtors on accounts, chattel paper and general intangibles and obligors on instruments of the Lender's security interest in any account, chattel paper, general intangible or instrument and that payment thereof is to be made directly to the Lender or to any financial institution designated by the Lender as the Lender's agent therefor, and the Lender may itself, if a Default has occurred and is continuing, without notice to or demand upon the Grantor, so notify account debtors and obligors. After the making of such a request or the giving of any such notification, Grantor shall hold any collection proceeds of accounts, chattel paper, general intangibles and instruments that it receives as trustee for the Lender, without commingling the same with other funds of Grantor, and shall turn the same over



to the Lender in the identical form received, together with any necessary endorsements or assignments. The Lender shall apply the collection proceeds of any accounts, chattel paper, general intangibles and instruments received by the Lender to the Obligations, such proceeds to be immediately credited after final payment in cash or solvent credits of the items giving rise to them.

15. Securities and Deposits. If a Default has occurred and is continuing, the Lender may (a) transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations, and/or (b) demand, sue for, collect, or make any settlement or compromise that it deems desirable with respect to the Collateral.

16. Power of Attorney.

16.1 Appointment and Powers of Lender. Grantor hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of Grantor or in the Lender's own name, for the purpose of carrying out the terms of this Agreement, to upon the occurrence and continuance of a Default take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of Grantor, without notice to or assent by Grantor, upon the occurrence and during the continuance of a Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in compliance with the UCC and as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do at Grantor's expense, at any time or from time to time, (i) after the occurrence and during the continuance of a Default, all acts and things which the Lender reasonably deems necessary to protect, preserve or realize upon the Collateral, and (ii) at any time all acts and things which the Lender reasonably deems necessary to maintain the perfection and priority of the Lender's security interest in the Collateral, in each case, in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do, including, without limitation, (x) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks and copyrights that are included within the Collateral, (y) upon written notice to the Grantor, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Lender so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities and (z) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral. This power of attorney is a power coupled with an interest and shall terminate upon the termination of this Agreement.

16.2 Ratification by Grantor. To the extent permitted by law, Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof, so long as such attorneys are acting in compliance with the terms of this Agreement and in compliance with all applicable laws.

16.3 No Duty on Lender. The powers conferred on the Lender hereunder are solely to protect the interests of the Lender in the Collateral and shall not impose any duty upon the Lender to exercise any such powers. The Lender shall be accountable only for the amounts that it actually

receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Grantor for any act or failure to act, except for the Lender's own gross negligence, bad faith or willful misconduct as finally determined by a court of competent jurisdiction.

17. No Waiver, etc. Grantor waives demand, notice, protest, notice of acceptance of this Agreement, notice of Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, Grantor assents to any addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Lender may deem advisable. The Lender shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in Section 9.2. The Lender shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver shall be in writing. No delay or omission on the part of the Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Lender with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Lender deems expedient.

18. Marshalling. If less than all the Collateral is sold, the Lender shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the rights of the Lender hereunder and in respect of any such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, Grantor hereby agrees that it will not in bad faith invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Lender's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, Grantor hereby irrevocably waives the benefits of all such laws to such extent.

19. Proceeds of Dispositions; Expenses. Except as expressly provided elsewhere in this Agreement or in the Loan Agreement, all proceeds received by the Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held by the Lender as Collateral for, or at any time thereafter applied in full or in part by the Lender against, the Obligations in the following order of priority:

(A) First, to the payment of, or (as the case may be) the reimbursement of, the Lender for or in respect of all reasonable and documented costs, expenses, disbursements and losses which the Lender has incurred or sustained in connection with its collection of such monies, its exercise, protection or enforcement of all or any of its rights, remedies, powers and privileges under this Agreement or the Loan Agreement or in respect of the Collateral, or in support of any provision of adequate

indemnity to the Lender against any taxes or liens which by law shall have, or may have, priority over the rights of the Lender to such monies;

(B) Second, to all other Obligations;

(C) Third, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Lender of all of the Obligations, to the payment of any obligations required to be paid pursuant to Section 9-615(a)(3) of the UCC or otherwise in accordance with applicable law or pursuant to an order of a court of competent jurisdiction; and

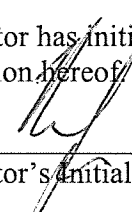
(D) Fourth, the excess, if any, shall be returned to Grantor or to such other persons or entities as are entitled thereto.

20. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

21. Waiver of Right to Trial by Jury; Judicial Reference in the Event of Jury Trial Waiver Unenforceability. GRANTOR HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (1) ARISING UNDER THIS AGREEMENT, OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (2) IN ANY WAY CONNECTED WITH, OR RELATED OR INCIDENTAL TO, THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT, OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND GRANTOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY. NOTWITHSTANDING THE FOREGOING TO THE CONTRARY, IN THE EVENT THAT THE JURY TRIAL WAIVER CONTAINED HEREIN SHALL BE HELD OR DEEMED TO BE UNENFORCEABLE, GRANTOR HEREBY EXPRESSLY AGREES TO SUBMIT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, ET SEQ. ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING HEREUNDER FOR WHICH A JURY TRIAL WOULD OTHERWISE BE APPLICABLE OR AVAILABLE. PURSUANT TO SUCH JUDICIAL REFERENCE, GRANTOR AGREES TO THE APPOINTMENT OF A SINGLE REFEREE AND SHALL USE ITS BEST EFFORTS TO AGREE ON THE SELECTION OF A REFEREE. IF THE PARTIES TO THE DISPUTE ARE UNABLE TO AGREE ON A SINGLE REFEREE, A REFEREE SHALL BE APPOINTED BY THE COURT TO HEAR ANY DISPUTES HEREUNDER IN LIEU OF ANY SUCH JURY TRIAL. GRANTOR ACKNOWLEDGES AND AGREES THAT THE APPOINTED REFEREE SHALL HAVE THE POWER TO DECIDE ALL ISSUES IN THE APPLICABLE ACTION OR PROCEEDING, WHETHER OF FACT OR LAW, AND SHALL REPORT A STATEMENT OF DECISION THEREON; PROVIDED, HOWEVER, THAT ANY MATTERS WHICH WOULD NOT OTHERWISE BE THE SUBJECT OF A JURY TRIAL WILL BE UNAFFECTED BY THIS WAIVER AND THE AGREEMENTS CONTAINED HEREIN. GRANTOR AGREES THAT THE PROVISIONS CONTAINED HEREIN HAVE BEEN FAIRLY NEGOTIATED ON

AN ARM'S-LENGTH BASIS, WITH GRANTOR AGREEING TO THE SAME KNOWINGLY, AND BEING AFFORDED THE OPPORTUNITY TO HAVE GRANTOR'S LEGAL COUNSEL CONSENT TO THE MATTERS CONTAINED HEREIN. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THE RIGHT TO TRIAL BY JURY AND THE AGREEMENTS CONTAINED HEREIN REGARDING THE APPLICATION OF JUDICIAL REFERENCE IN THE EVENT OF THE INVALIDITY OF SUCH JURY TRIAL WAIVER.

Grantor has initialed below to further indicate its awareness and acceptance of each and every provision hereof.

  
\_\_\_\_\_  
Grantor's initials

22. Miscellaneous. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. The term "including" means "including without limitation." This Agreement and all rights and obligations hereunder shall be binding upon Grantor and its successors and assigns, and shall inure to the benefit of the Lender and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. Grantor acknowledges receipt of a copy of this Agreement.

23. Notices. All notices and other communications called for hereunder shall be made in writing and shall be given in accordance with the notice provisions of the Loan Agreement, which notice provisions are incorporated herein by this reference.

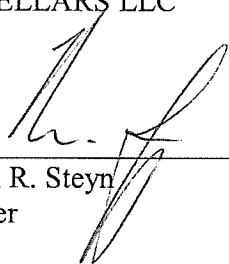
24. Amendments and Waivers. No amendment or waiver of any provision of this Agreement nor consent to any departure by Grantor therefrom shall be effective unless the same shall be in writing, signed by it, and otherwise in accordance with the requirements of the Loan Agreement. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

[Signatures begin on next page]

IN WITNESS WHEREOF, intending to be legally bound, Grantor has caused this Security Agreement to be duly executed as of the date first above written.

**GRANTOR:**

LEONESSE CELLARS LLC

By:   
Name: Willem R. Steyn  
Title: Manager

Address:

38311 De Portola Road  
Temecula, California 92592  
Attention: Willem R. Steyn

EXHIBIT A  
to Security Agreement

Form of Perfection Certificate

The undersigned, the authorized officers of LEONESSE CELLARS, LLC (“Grantor”), hereby certifies, with reference to that certain Security Agreement dated as of May 14, 2018 (terms defined in such Security Agreement having the same meanings herein as specified therein), between Grantor and PACIFIC PREMIER BANK, a California banking corporation, as Secured Party (the “Secured Party”), that:

1. Name. The exact legal name of the Grantor as that name appears on its Certificate of Partnership is as follows:

a. Leonesse Cellars LLC, a California limited liability company

2. Other Identifying Factors.

2.1 The following is the mailing address for the Grantor:

a. Leonesse Cellars LLC, 38311 De Portola Road, Temecula, CA 92592.

2.2 If different from its indicated mailing address, Grantor's place of business or, if more than one, its chief executive office, is located at the following address:

Same as listed in Section 2.1

2.3 The following is the type of organization of the Grantor: Grantor is a California limited partnership.

2.4 The following is Grantor's state issued organizational identification number [state “None” if the state does not issue such a number]:

a. Leonesse Cellars LLC has California entity number 200410510146.

3. Other Names, etc.

3.1 The following is a list of every business or organization to which Grantor became the successor by merger, consolidation, acquisition of assets, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past five years:

None

3.2 The following is a list of all other names (including trade names or similar appellations) used by Grantor, or any of the businesses or organizations described in Section 3.1:

None.

4. Other Current Locations.

4.1 The following are all locations in the United States of America in which Grantor maintains any books or records relating to any of the Collateral consisting of accounts, instruments, chattel paper, general intangibles or mobile goods:

38311 De Portola Road, Temecula, CA 92592

4.2 The following are all places of business of Grantor in the United States of America:

38311 De Portola Road, Temecula, CA 92592

4.3 The following are all locations in the United States of America where any of the Collateral consisting of inventory or equipment is located:

38311 De Portola Road, Temecula, CA 92592

4.4 The following are the names and addresses of all persons or entities other than Grantor, such as lessees, consignees, warehousemen or purchasers of chattel paper, which have possession or are intended to have possession of any of the Collateral consisting of instruments, chattel paper, inventory or equipment:

None

4.5 The following are all places of business of Grantor outside the United States of America:

None

5. Prior Locations.

5.1 The following are all locations or places of business previously maintained by Grantor at any time during the past five years in a state in which Grantor has previously maintained a location or place of business at any time during the past four months:

None

5.2 The following are all locations at which, or other person or entity with which, any of the Collateral consisting of inventory or equipment has been previously held at any time during the past twelve months:

None

6. Fixtures. Attached hereto as Schedule 6 is (i) the information required by Uniform Commercial Code Section 9502(b) of each state in which any of the Collateral consisting of fixtures are or are to be located and (ii) the name and address of each real estate recording office where a mortgage on the real estate on which such fixtures are or are to be located would be recorded.

7. Unusual Transactions. All of the Collateral (i) has been originated by Grantor in the ordinary course of Grantor's business or (ii) consists of goods which have been acquired by Grantor in the ordinary course from a person in the business of selling goods of that kind.

8. Intellectual Property. Attached hereto as Schedule 8 is a complete list of all patents, copyrights, trademarks, trade names and service marks registered or for which applications are pending in the name of Grantor.

[SIGNATURE PAGE TO FOLLOW]



IN WITNESS WHEREOF, the undersigned, an authorized officer of the undersigned entities, have hereunto signed this Certificate on this 14th day of May, 2018.

**GRANTOR**

LEONESSE CELLARS, LLC

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

Name: Willem R. Steyn

Title: Manager

Address:

38311 De Portola Road  
Temecula, California 92592  
Attention: Willem R. Steyn

**SCHEDULE 6 to Perfection Certificate  
Fixtures**

1. Each state in which any of the Collateral consisting of fixtures are or are to be located: California

2. The name of each real estate recording office where a mortgage on the real estate on which such fixtures are or are to be located would be recorded: Riverside County Clerk-Recorder Office.

SCHEDULE 8 to Perfection Certificate  
Intellectual Property

The logo for Leonesse Cellars features the word "Leonesse" in a large, elegant, cursive script. Below it, the word "CELLARS" is written in a smaller, all-caps, sans-serif font.

<b>Word Mark</b>	LEONESSE CELLARS
<b>Goods and Services</b>	IC 033, US 047 049, G & S: Bottles of wine, namely, wine sold in bottles. FIRST USE: 20130627. FIRST USE IN COMMERCE: 20130627
<b>Mark Drawing Code</b>	(5) WORDS, LETTERS, AND/OR NUMBERS IN STYLIZED FORM
<b>Serial Number</b>	76706129
<b>Filing Date</b>	January 26, 2011
<b>Current Basis</b>	1A
<b>Original Filing Basis</b>	1B
<b>Published for Opposition</b>	September 10, 2013
<b>Registration Number</b>	4437796
<b>Registration Date</b>	November 26, 2013
<b>Owner</b>	(REGISTRANT) LEONESSE CELLARS, LLC. LIMITED LIABILITY COMPANY CALIFORNIA 38311 De Portola Road Temecula CALIFORNIA 92592
<b>Attorney of Record</b>	Loyal M. Hanson
<b>Disclaimer</b>	NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "CELLARS" APART FROM THE MARK AS SHOWN
<b>Description of Mark</b>	Color is not claimed as a feature of the mark.
<b>Type of Mark</b>	TRADEMARK
<b>Register</b>	PRINCIPAL
<b>Live/Dead Indicator</b>	LIVE

EXHIBIT B

Permitted Encumbrances

## SCHEDULE OF PERMITTED ENCUMBRANCES

### For Leonesse Cellars, LLC

1. The equipment subject to that certain Equipment Lease Agreement dated as of 6/18/13 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee, as only reflected on UCC-1 Filing Numbers 13-7369449298 filed on 7/15/13.
2. The equipment subject to that certain Equipment Lease Agreement dated as of 8/14/13 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 13-7374318461 filed on 8/19/13.
3. The equipment subject to that certain Lease Agreement dated as of 8/29/13 between Financial Pacific Leasing, Inc. as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 13-7375758389 filed on 8/19/13.
4. The equipment subject to that certain Equipment Lease Agreement dated as of 9/12/13 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 13-7378730948 filed on 9/20/13.
5. The equipment subject to that certain Equipment Lease Agreement dated as of 9/10/13 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 13-7378731696 filed on 9/20/13.
6. The equipment subject to that certain lease transaction between General Electric Credit Corporation of Tennessee as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 15-7451041523 filed on 2/19/15.
7. The equipment subject to that certain Equipment Lease Agreement #201506033 between Bank of the West as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Numbers 15-7497529211 filed on 12/2/15.
8. The lien on the equipment described as (1) Blodgett Duel Flow XCEL Series Double Deck Gas Convection Oven – DFG-100 XCEL DOUBLE as only reflected on UCC-1 Filing Number 16-7520574794 filed 4/19/16.
9. The lien on the equipment described as POS EQUIPMENT under that certain Lease Agreement #141100-001 with LCA Bank Corporation as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7582468846 filed on 4/27/17.
10. The lien on the equipment described as MX-3050N with serials numbers 75035582, 75035302, 75035592, and 75035262 with CIT Bank as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7589771365 filed on 6/12/17.
11. The equipment subject to that certain Lease Agreement dated as of 6/14/17 between Alliance Funding Group as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7590829523 filed on 6/16/17.
12. The equipment subject to that certain Lease Agreement dated as of 6/19/17 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7591936301 filed on 6/22/17.
13. The equipment subject to that certain Lease Agreement dated as of 6/30/17 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7594931814 filed on 7/10/17.
14. The furniture and other decorative items provided by Bob's Canvas, Inc. and StarFire Direct, Inc., subject to a certain lease agreement with US Bank Equipment Finance as

Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7596896432 filed on 7/19/17.

15. The furniture, equipment and other decorative items subject to that certain lease agreement between BB&T Commercial Equipment Capital Corp. as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-75974801443 filed on 7/24/17.
16. The equipment subject to that certain Lease Agreement dated 7/31/17 between Alliance Funding Group as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7600417710 filed on 8/9/17.
17. The equipment subject to that certain Lease Agreement dated 8/9/17 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7603345945 filed 8/30/17.
18. The items pertaining to Commercial Millwork Corp. Invoice #98631 as only reflected on UCC-1 Filing Number 17-7605045338 filed on 9/11/17.
19. The equipment subject to that certain Equipment Lease Agreement dated as of 9/26/17 between Alliance Funding Group as Lessor and Leonesse Cellars, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7608432381 filed on 9/29/17.
20. The equipment subject to that certain equipment finance or installment payment agreement designated as Agreement No. No. 2244828 as only reflected on UCC-1 Filing Number 17-7611956760 filed on 10/20/17.
21. The winery equipment, water assets, water storage tanks and other equipment used in connection with the storage, transport, delivery, carrying, ownership, use or other disposition of water, water rights and related rights, and carbon credits and renewable energy credits, only as more particularly described on UCC-1 Filing Number 18-7639040432 as filed on 3/20/18 by American AgCredit, PCA and as amended on or around 5/15/18.

For Temecula Valley Winery Management, LLC

1. The lien on all inventory, chattel paper, accounts, equipment, general intangibles, farm products, farm equipment and consumer goods as only described in UCC-1 Filing Numbers 10-7235441845 and 10-7235441966, both filed on 6/18/10 by Commerce Bank of Temecula Valley.
2. A lien on all assets as only described in UCC-1 Filing Number 10-7238083365, filed on 7/12/10 by Commerce Bank of Temecula Valley.
3. A lien on the following equipment: one G&D Chiller: GD40H with 460v 3ph three stage chiller, piping to 33 fermentation tanks, temp controllers and valves, two Mohno pumps 616, #10113309, four – 2000 LT FCGS with jacket #20118503, and a stainless steel catwalk, tubing, kickplate, grating, stair steps, escape ladder, supports and plates, as only reflected in UCC-1 Filing Number 14-7420959283, filed on 7/21/2014.
4. A lien on the equipment described as New Komatsu FG25ST – 16 Forklifts S/N's A450834, A450489, as only reflected in UCC-1 Filing Number 15-7469801475, filed on 6/15/15 by Wells Fargo Bank.
5. A lien on the following equipment: (1) TOP 10 3 PHASE, (1) PP35 PRESS WITH EXTENDED LEGS, PRESSURE SWITCH FOR AXIAL FEED, MIN-MAX LEVEL PROPBES, LARGE HOPPER, and (1) MOHNO PUMP MODEL 609 220V/ 3 PHASE/60 HZ, and all parts accessories and attachments thereto, and all replacements

- substitutions and exchanges, as only reflected in UCC-1 Filing Number 16-7540749467, filed on 8/10/16 by LEAF Capital Funding, LLC.
6. The lien on the equipment described as POS EQUIPMENT under that certain Lease Agreement #141094-001 with Lease Corporation of America as Lessor and Leonesse Cellars, LLC as Lessee as only reflected in UCC-1 Filing Number 17-7582468846 filed on 4/26/17.
  7. A lien on certain restaurant equipment, including but not limited to various restaurant equipment, audio visual equipment, security equipment, IT and software equipment, and all other equipment, accessories, attachments, replacements, related to existing or hereafter arising from the schedules attached to that certain Master Equipment Lease Agreement as only described in UCC-1 Filing Number 17-7583563186, filed on 5/3/17 by Jules and Associates, Inc.
  8. A lien on all assets as only described in UCC-1 Filing Number 17-7589140719, filed on 6/7/17 by Jules and Associates, Inc.
  9. The equipment subject to that certain Equipment Lease Agreement dated 6/14/17 between Alliance Funding Group as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected in UCC-1 Filing Number 17-7590829523 filed on 6/16/17.
  10. The equipment subject to that certain Agreement (Number LA# 070717Sk1-001) dated 7/7/17 between Bryn Mawr Equipment Finance, Inc. as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7596249262 filed on 7/14/17.
  11. The equipment subject to that certain Agreement (Number LA# 070717Sk2-002) dated 7/7/17 between LCA Bank Corporation as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7596250557 filed on 7/14/17.
  12. The equipment subject to that certain Agreement (Number LA# 080717SK1-003) dated 8/7/17 between Envision Capital Group, LLC as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7600375329 filed on 8/9/17.
  13. The equipment subject to that certain Lease Agreement dated as of 7/31/17 between Alliance Funding Group as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7600417710 filed on 8/9/17.
  14. The equipment subject to that certain Agreement (Number LA# 091817SK1-006) dated 9/18/17 between Bryn Mawr Equipment Finance, Inc. as Lessor and Temecula Valley Winery Management, LLC as Lessee as only reflected on UCC-1 Filing Number 17-7596249262 filed on 9/20/17.

For Stage Ranch Farm Management, LLC

1. The lien on the equipment described as PELLENC TLVP2 PRE-PRUNER S/N H23187 financed by Deere Credit, Inc as only reflected on UCC-1 Filing Number 7297577552 filed on 1/18/12.
2. The equipment subject to that certain Equipment Lease Agreement dated as of 3/31/15 between Alliance Funding Group as Lessor and Stage Ranch Farm Management, Inc. as Lessee as only reflected on UCC-1 Filing Number 15-7458164788 filed on 4/6/15.

3. The equipment subject to that certain Lease Agreement (Lease # 001-1080857-901) dated 5/4/15 between Financial Pacific Leasing, Inc. as Lessor and Stage Ranch Farm Management, LLC as Lessee as only reflected on UCC-1 Filing Number 15-7462935709 filed on 5/4/15.
4. The lien on the equipment described as KUBOTA RTV-X900W-H 33582 UV WORKSITE w/ HDWS TIRES as only reflected on UCC-1 Filing Number 16-7533036519 filed on 6/28/16.
5. The lien on the items more particularly described in UCC-1 Filing Number 16-7546744670, filed on September 19, 2016, filed by American AgCredit, FLCA.
6. The lien on the equipment described as KUBOTA M5N-091HDC12 50063 4WD NW CAB TRA W/12 SPD/HYD SH as only reflected on UCC-1 Filing Number 16-7553625060 filed on 11/1/16.
7. The lien on the equipment described as NEW HOLLAND U80C 4024 \*4 SKIPLOADER as only reflected on UCC-1 Filing Number 17-7609856948 filed on 10/10/17.
8. The winery equipment, water assets, water storage tanks and other equipment used in connection with the storage, transport, delivery, carrying, ownership, use or other disposition of water, water rights and related rights, and carbon credits and renewable energy credits, only as more particularly described on UCC-1 Filing Number 18-7639040432 as filed on 3/20/18 by American AgCredit, PCA and as amended on or around 5/15/18.

FLC, LLC

1. The lien on the items more particularly described in UCC-1 Filing Number 16-7530031006, filed on June 8, 2016, filed by American AgCredit, FLCA.
2. The lien on the items more particularly described in UCC-1 Filing Number 16-7546744670, filed on September 19, 2016, filed by American AgCredit, FLCA.
3. The equipment subject to that certain Agreement (Number LA# 080717SK1-003) dated 8/7/17 between Envision Capital Group, LLC as Lessor and FLC, LLC as Lessee as only reflected in UCC-1 Filing Number 17-7600375329 filed on 5/8/17.
4. The items pertaining to Commercial Millwork Corp. Invoice #98631 as only reflected on UCC-1 Filing Number 17-7605045338 filed on 9/11/17.
5. The winery equipment, water assets, water storage tanks and other equipment used in connection with the storage, transport, delivery, carrying, ownership, use or other disposition of water, water rights and related rights, and carbon credits and renewable energy credits, only as more particularly described on UCC-1 Filing Number 18-7639040432 as filed on 3/20/18 by American AgCredit, PCA and as amended on or around 5/15/18.