

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (“**Agreement**”) is made as of the ____ day of _____, 2015, by SOLVANG BREWING COMPANY, INC. a California corporation whose address is 222-234 North H Street, Lompoc, CA 93436 (“**SBC**”) and RENFROW FAMILY PROPERTIES, LLC, a California limited liability company (“**Renfrow LLC**”) (SBC and Renfrow LLC are jointly referred to as “**Debtors**”), in favor of the CITY OF LOMPOC, a municipal corporation whose address is 100 Civic Center Plaza, P.O. Box 8001, Lompoc, CA 93438, (“**Secured Party**”).

1. RECITALS

- 1.1. Debtors owe the Secured Party the sum of Two Hundred Thousand Dollars (\$200,000) (“**Loan**”) as evidenced by a Promissory Note Secured By Deed of Trust and Security Agreement executed by Debtors (“**Note**”) which shall be disbursed over time pursuant to that certain Loan Agreement of even date with the Note (“**Loan Agreement**”).
- 1.2. Debtors has obtained a Small Business Administration loan from J.P. Morgan Chase Bank, N.A. pursuant to that certain Business Loan Agreement dated September 15, 2014, in the amount of One Million Three Hundred Thirty-Eight Thousand Four Hundred Dollars (\$1,338,400) (“**Senior Loan**”) which is secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Financing Statement against the Real Property (defined below) recorded on September 17, 2014, as Instrument No. 2014-0042337 in the Official Records of Santa Barbara County. The Senior Loan proceeds are to be used by Debtors for rehabilitation of the Real Property.
- 1.3. The Loan is to be used for operating capital and acquisition of certain business equipment for the soon to be rehabilitated business site located at the Real Property (“**Brewing Facility/Restaurant**”).
- 1.4. As security for the Note, Renfrow LLC executed and delivered to Secured Party a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing of even date herewith (“**Deed of Trust**”) encumbering the real property described on Exhibit A attached hereto (“**Real Property**”).
- 1.5. The Secured Party is making the Loan on the condition that Debtors also agree to securing the Note by granting a security interest in all of the personal property described on Exhibit B attached hereto to Secured Party (“**Personal Property**”). The Personal Property includes, but is not limited to, whatever interest Debtors may have in all personal property which is now used upon (or may hereafter be appropriated for use on), and whatever interest Debtors may have in all personal property which is located on, the Real Property or in the operation of the Brewing Facility/Restaurant; all rights of Debtors under any policy or policies of insurance covering the property described on Exhibit B including, but not limited to, all proceeds, loss payments, and premium refunds which may become payable with respect to such insurance policies; and any and all compensation, accounts, accounts receivable, fees, royalties, income, revenues, rights and benefits of any kind or nature generated by, from or in connection with, the ownership, use and/or operation of the Real Property, or any part thereof, whether such monies or right to

monies arise by virtue of a contract, lease, license, concession agreement, or occupancy or other rental agreement, or any other contract or right under which Debtors is entitled to payment of monies; and various entitlements, permits, licenses, certificates, instruments and general intangibles of Debtors pertaining to the Real Property and its ownership, occupancy and/or use including, but not limited to, the Brewing Facility/Restaurant

2. SECURITY INTEREST

- 2.1. In consideration for the Loan, Debtors hereby grant to Secured Party a security interest ("**Security Interest**") in the Personal Property, including any and all replacements and proceeds of said Personal Property and all future personal property that Debtors acquires with the Loan ("**Collateral**").
- 2.2. This Agreement and the rights hereby granted shall secure the following ("**Obligations**"):
 - (a) The principal of, the interest on, and any other sums due under the Note including any renewals, extensions or modifications thereof;
 - (b) The statutory and other costs of all legal proceedings brought by the Secured Party to enforce the Note, the Deed of Trust, this Agreement (including, but not limited to, Secured Party's reasonable attorneys' fees in connection therewith), and all other costs and expenses paid or incurred by Secured Party in respect of or in connection with the Collateral, and any other sums that may become due and payable hereunder by Debtors; and
 - (c) The observance and performance by Debtors of all of the terms, provisions, covenants and obligations on its part to be observed or performed under the Deed of Trust, this Agreement and any other of the documents providing further security for the Note.

3. DEBTORS WARRANTS, COVENANTS AND AGREES. Debtors warrants, covenants and agrees that:

- 3.1. Although proceeds of Collateral are covered by this Agreement, this shall not be construed to mean that Secured Party consents to any sale of the Collateral.
- 3.2. Except for purposes of replacement and repair, Debtors will not remove those items of Collateral which constitute tangible personal property (or allow any such item to be removed), from the Real Property upon which it is currently located, without the prior written consent of Secured Party. Debtors will promptly give written notice to the Secured Party of any substantial change in the character of its business conducted on the Real Property and of the cessation of all or any part thereof and of any loss or damage by fire or other casualty to any substantial part of the Collateral.
- 3.3. Debtors will, at all reasonable times, allow Secured Party or its representatives free and complete access to all of Debtors' records which in any way relate to the Collateral, for such inspection and examination as Secured Party deems necessary. Debtors shall also upon request of Secured Party from time to time submit up-to-date

schedules of the items comprising the Collateral in such detail as Secured Party shall require.

- 3.4.** Debtors, at their sole cost and expense, will protect and defend this Agreement, all of the rights of Secured Party hereunder, and the Collateral against the claims and demands of all other parties.
- 3.5.** Debtors will at all times keep and maintain those items of tangible personal property which are part of the Collateral in good order, repair and condition, and will promptly replace or cause its tenant to replace, any part thereof that from time to time may become obsolete, badly worn, or in a state of disrepair, or, if supplies, be consumed in the normal course of Debtors' business operations. Except as otherwise provided in Section 3.7 hereof, all such replacements shall be free of any other lien, security interest or encumbrance of any nature. Debtors may sell or dispose of only that part of the Collateral that Debtors is obliged to replace, and unless Secured Party then agrees otherwise in writing, all proceeds from any sale or disposition in excess of the amount expended for such replacements shall promptly be paid over by Debtors to Secured Party to be applied against the sums secured hereby, whether or not such sums are then due and payable.
- 3.6.** Secured Party or its representative may at any and all reasonable times inspect the Collateral and may enter upon any and all premises where the same is kept or might be located.
- 3.7.** Debtors will not, without obtaining the prior written consent of Secured Party, transfer or permit any transfer of the Collateral or any part thereof to be made, or any interest therein to be created by way of a sale (except as permitted in Section 3.5, above), or by way of a grant of a security interest, or by way of a levy or other judicial process. Secured Party acknowledges the security interest under the Senior Loan.
- 3.8.** Debtors will promptly notify Secured Party of any levy or seizure by legal process or otherwise of any part of the Collateral, and of any threatened or filed claims or proceedings that might in any way affect or impair any of the rights of Secured Party under this Agreement.
- 3.9.** Secured Party at all times shall have a perfected security interest in the Collateral which shall be prior to any other interests therein except for the Senior Loan. Debtors have and will continue to have full title to the Collateral free from any liens, leases, encumbrances, judgments or other claims (except the lien created hereby or as otherwise permitted pursuant to Section 3.7 above) and Secured Party's security interest in the Collateral constitutes and will continue to constitute a first, prior and indefeasible security interest in favor of Secured Party except to the extent of the Senior Loan. Debtors will do all acts and things, and will execute and file all instruments (including, but not limited to, security agreements, financing statements, continuation statements, etc.) reasonably requested by Secured Party to establish, maintain and continue the perfected security interest of Secured Party in the Collateral, and will promptly on demand, pay all costs and expenses of filing and recording, including the costs of any searches deemed necessary by Secured Party from time to time to establish and determine the validity and the continuing priority of the security interest of Secured Party, and also pay all other claims and charges that

in the opinion of Secured Party might prejudice, imperil or otherwise affect the Collateral or its security interest therein.

- 3.10. Debtors at their sole cost and expense will obtain and maintain in force insurance policies covering losses or damage to those items of Collateral which constitute physical personal property. The insurance policies to be obtained by Debtors shall be in form and amounts reasonably acceptable to Secured Party. Secured Party acknowledges and agrees that, once such policies reflect that Secured Party is the loss payee, the insurance policies currently in effect will be in form and amounts acceptable to Secured Party. Secured Party is hereby irrevocably appointed Debtors' attorney-in-fact to endorse any check or draft that may be payable to Debtors, alone or jointly with other payees, so that Secured Party may collect the proceeds payable for any loss under such insurance. The proceeds of such insurance, less any costs and expenses incurred or paid by Secured Party in the collection thereof, shall be applied either toward the cost of the repair or replacement of the items damaged or destroyed, or on account of any sums secured hereby, whether or not then due or payable, in the same manner, and subject to the same terms and conditions as set forth in the Deed of Trust.
- 3.11. Secured Party may, at its option, and without any obligation to do so, pay, perform and discharge any and all amounts, costs, expenses and liabilities herein agreed to be paid or performed by Debtors, and all amounts expended by Secured Party in so doing shall become part of the Obligations secured hereby, and shall be immediately due and payable by Debtors to Secured Party upon demand theretofore, and shall bear interest at the Default Interest Rate (as that term is defined in the Note) from the dates of such expenditures until paid.
- 3.12. Upon the request of Secured Party, Debtors will furnish within five (5) days thereafter to Secured Party, or to any proposed assignee of the Note, Deed of Trust, this Agreement, and any other security for the Note, a written statement in form satisfactory to Secured Party, duly acknowledged, certifying the amount of the principal and interest then owing under the Note, whether any claims, offsets or defenses exist there against or against this Agreement, or any of the terms and provisions of any other agreement of Debtors securing the Note. In connection with any assignment by Secured Party of the Note, Deed of Trust, this Agreement, and any other security for the Note, Debtors hereby agrees to cause the insurance policies required hereby and by the Deed of Trust to be carried by Debtors, to be endorsed in form satisfactory to Secured Party or to such assignee, with loss payable clauses in favor of such assignee, and to cause such endorsements to be delivered to Secured Party within ten (10) calendar days after request therefor by Secured Party.

4. EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute, and is hereby defined to be, an "**Event of Default**":

- 4.1. Debtors (i) breaches any of the representations and warranties set forth herein, in the Note or in any of the other agreements, or (ii) commits a default in the performance of or compliance with any of the terms, covenants or conditions of this Agreement, and such default shall continue for more than five (5) business days after the date that Debtors' performance hereunder was due; provided, however,

that if Debtors shall commit a non-monetary breach or default of any provision of any one or more of the agreements executed by Debtors, including without limitation, this Agreement, it shall not constitute an Event of Default hereunder unless said non-monetary breach or default is not cured within fifteen (15) calendar days after Secured Party has given notice thereof to Debtors, or if the non-monetary breach or default is of a type which is not capable of being cured within a fifteen (15) calendar-day period, then it shall not constitute an Event of Default hereunder unless Debtors has failed to commence with due diligence and dispatch the cure of said breach or default within fifteen (15) calendar days after Secured Party's notice to Debtors, or Debtors does not thereafter promptly prosecute the cure of such non-monetary breach or default to completion within thirty (30) calendar days after Secured Party's notice to Debtors of said breach or default; or

- 4.2. Any failure of Debtors to pay any installment of principal and/or interest or any other sum due under the Note, or under any other Obligations secured hereby, at the time such installment shall become due and payable which failure continues beyond any applicable grace period; or
- 4.3. The occurrence of any Event of Default under the Note, the Deed of Trust or any other agreement, which shall continue beyond any grace period which may be therein provided, or failure of Debtors to observe and perform all of the terms, provisions, covenants and agreements under any other agreements given in connection herewith within the grace periods therein provided; or
- 4.4. If any warranty, representation or statement contained in this Agreement made or furnished to Secured Party by or on behalf of Debtors, shall be or shall prove to have been false when made or furnished; or
- 4.5. Any material loss, material theft, substantial damage, or any destruction of or the attachment of an encumbrance to any of the Collateral (other than as permitted pursuant to Section 3.7 above), or the voluntary or involuntary transfer of any of the Collateral (and said Collateral is not replaced, restored or returned within thirty (30) calendar days) or the transfer of possession thereof to anyone other than tenants approved by Secured Party of any portion of the Real Property, or the sale or creation of a security interest, lien, attachment, levy, garnishment or other process of, in or upon any of the Collateral, and if such attachment or other similar process is not bonded or released within thirty (30) days after levy.

5. SECURED PARTY'S REMEDIES. Upon the occurrence of an Event of Default hereunder, Secured Party shall have the following rights and remedies; at any time after giving notice and after the expiration of the grace period provided herein:

- 5.1. Secured Party may, at its option, declare all sums due under the Note immediately due and payable and Debtors shall on demand by Secured Party deliver the Collateral to Secured Party. Secured Party may, without further notice or demand and without legal process, take possession of the Collateral wherever found and, for this purpose, may enter upon the Real Property or upon any other property occupied by or in the control of Debtors. Secured Party may require Debtors to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. In taking

possession of the Collateral, Secured Party may also take any and all of Debtors' documents, instruments, computer hardware and software, files and records, and any receptacles and cabinets containing the same, relating to the Collateral and Secured Party may use the supplies and space of Debtors at Debtors' place of business as may be necessary or appropriate properly to administer and control the Collateral.

- 5.2.** Secured Party may pursue any legal remedy available to collect all sums secured hereby and to enforce its title in and right to possession of the Collateral, and to enforce any and all other rights or remedies available to it, and no such action shall operate as a waiver of any other right or remedy of Secured Party under the terms hereof, or under the laws of the State of California.
- 5.3.** Secured Party may, at its option, treat the Collateral and the Real Property, as an entirety or as one parcel or security for the Note. Accordingly, Secured Party shall have the right and power, to the extent that it is lawful, to cause the Collateral to be sold at the same time and together with the Real Property secured by the Deed of Trust for one total bid or price at any judicial sale whereby the Deed of Trust is foreclosed.
- 5.4.** Secured Party, upon obtaining possession of the Collateral or any part thereof, may sell the same at public or private sale either with or without having such Collateral at the place of sale, and with notice to Debtors as provided in Section 5.6 herein. The proceeds of such sale, after deducting therefrom all expenses of Secured Party in taking, storing, repairing and selling the Collateral (including reasonable attorneys' fees) shall be applied to the payment of any part or all of the Obligations and any other indebtedness or liability of Debtors to Secured Party in such order as Secured Party may determine, and any surplus thereafter remaining shall be paid to Debtors, or any other person that may be legally entitled thereto.
- 5.5.** At any sale, public or private, of the Collateral or any part thereof, made in the enforcement of the rights and remedies hereunder of Secured Party, Secured Party may, so far as may be lawful, purchase any part or parts of the Collateral or all thereof offered at such sale.
- 5.6.** Secured Party shall give Debtors reasonable notice of any sale or other disposition of the Collateral or any part thereof. Debtors agrees that notice and demand shall be conclusively deemed to be reasonable and effective if such notice is mailed by regular or certified mail postage prepaid to Debtors at the address above given, or at such other address as Debtors may designate hereafter by written notice to Secured Party, at least ten (10) calendar days prior to such sale or other disposition.
- 5.7.** Secured Party shall give notice of an Event of Default hereunder to those parties and in the manner set forth in the Deed of Trust, and shall allow any applicable grace periods therein provided to expire prior to exercising any remedies for default hereunder.
- 5.8.** Secured Party shall have all the rights and remedies afforded a secured party under the California Commercial Code and all other legal or equitable remedies provided by the laws of the United States and the State of California.

5.9. Debtors irrevocably appoints Secured Party its true and lawful attorney-in-fact, which appointment is coupled with an interest, for purposes of accomplishing any of the foregoing. Debtors further nominate and appoint Secured Party as attorney-in-fact to perform all acts and execute all documents deemed necessary by Secured Party in furtherance of the terms of this Agreement; except, however, for receiving notice on behalf of Debtors.

6. MISCELLANEOUS PROVISIONS.

6.1. No Event of Default hereunder by Debtors shall be deemed to have been waived by Secured Party except by a writing to that effect signed on behalf of Secured Party by an officer thereof and no waiver of any such Event of Default shall operate as a waiver of any other Event of Default on a future occasion, or as a waiver of that Event of Default after written notice thereof and demand by Secured Party for strict performance of this Agreement. All rights, remedies and privileges of Secured Party hereunder shall be cumulative and not alternative, and shall, whether or not specifically so expressed, inure to the benefit of Secured Party, its successors and assigns, and all obligations of Debtors shall bind their successors and legal representative.

6.2. Until the occurrence of an Event of Default and expiration of any applicable grace period, Debtors may retain possession of the Collateral and may use it in any lawful manner not inconsistent with this Agreement or with the provisions of any policies of insurance thereon.

6.3. The terms hereof shall have the meanings set forth in and be construed under the California Commercial Code. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

6.4. No modification, rescission, waiver, release, alteration or amendment of any provision of this Agreement shall be made except by a written agreement subscribed by Debtors and a duly authorized officer of Secured Party.

6.5. This Agreement shall remain in full force and effect until all of the Obligations and any extensions or renewals thereof shall be paid in full.

6.6. Secured Party and Debtors as used herein shall include the heirs, executors or administrators, or successors or assigns of those parties. The provisions of this Agreement shall apply to the parties according to the context hereof and without regard to the number or gender of words and expressions used herein.

6.7. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to parties and transactions with contacts and relationships solely within the State of California and without reference to choice of law principles. Notice of acceptance of this Agreement by Secured Party is waived by Debtors.

- 6.8. Should any party hereto retain counsel for the purpose of enforcing or preventing the breach of any provision hereof, including but not limited to instituting or defending any action or proceeding to enforce any provision hereof, for damages by reason of any alleged breach of any provision hereof, for a declaration of such party's rights or obligations hereunder or defense of any action to rescind or reform this Agreement, then if said matter is settled by judicial determination, the prevailing party shall be entitled to be reimbursed by the losing party for all costs and expenses incurred thereby including but not limited to reasonable attorneys', experts' and accountants' fees.
- 6.9. The undersigned parties signing as Debtors shall both be deemed a Debtor hereunder, and they shall be jointly, severally and individually liable for the obligations of Debtors hereunder.

IN WITNESS WHEREOF, this Agreement has been executed and delivered on behalf of and in the name of Debtors on the date indicated above.

DEBTORS:

SBC:

Solvang Brewing Company, Inc.,
a California corporation

By: _____
Stephen M. Renfrow
President

By: _____

Its: _____

RENFROW LLC:

Renfrow Family Properties, LLC,
a California limited liability company

By: _____
Stephen M. Renfrow
Manager

EXHIBIT "A"
LEGAL DESCRIPTION

For APN / Parcel ID(s): 085-082-015 and 085-082-014

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOMPOC, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 34 THROUGH 40, INCLUSIVE IN BLOCK 50, OF THE CITY OF LOMPOC, IN THE CITY OF LOMPOC, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1, PAGE 45 OF MAPS AND SURVEYS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOTS 29 THROUGH 33, INCLUSIVE IN BLOCK 50, OF THE CITY OF LOMPOC, IN THE CITY OF LOMPOC, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1, PAGE 45 OF MAPS AND SURVEYS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT "B"
PERSONAL PROPERTY AND COLLATERAL

1. All machinery, equipment, materials (including building materials and supplies), appliances and fixtures now or hereafter installed or placed on or in the Real Property or for the generation and distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air conditioning purposes or for sanitary or drainage purposes or for the exclusion of vermin or insects or for the removal of dust, refuse or garbage, and all elevators, escalators, awnings, window shades, drapery rods and brackets, screens, floor coverings, incinerators, carpeting and all furniture, fixtures, and other property used in the operation or occupancy of the Real Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of any or all of said articles of property, and together with all property of the same character that Debtors may hereafter acquire at any time until the termination of this Agreement all proceeds received upon the sale, exchange, collection or other disposition of the foregoing.

2. All causes of action, claims, compensation and recoveries for any damage, condemnation or taking of the Real Property, or for any conveyance in lieu thereof, whether direct or consequential, or for any damage or injury to the Real Property, or for any loss or diminution in value of the Real Property, together with all rights of the Debtors under any policy or policies of insurance covering the Real Property and all property described in this Exhibit "B", and all proceeds, loss payments and premium refunds which may become payable with respect to such insurance policies, and all proceeds payable with respect to any taking under power of eminent domain.

3. All plans and specifications prepared for construction of Improvements and all studies, data and drawings related thereto; and also all contracts and agreements of Debtors relating to the aforesaid plans and specifications or to the aforesaid studies, data and drawings or to the construction of Improvements.

4. All interest of Debtors in all goods, supplies, fixtures, furniture, furnishings and equipment which are now used upon (or may hereafter be appropriated for use on), or located on, the Real Property, including the Brewing Facility/Restaurant and all compensation, rents, revenues, income, issues, rights, benefits and profits due or to become due to Debtors from or pertaining thereto; each and every lease, license, rental or any other occupancy agreement relating to the Real Property, any and all funds, accounts, royalties, revenues, profits and income of any kind or nature due or to become due Debtors from or pertaining to the Real Property; all rights to the use of any trade name, trade mark or service mark now or hereafter associated with the business or businesses conducted on the Real Property (subject, however, to any franchise or license agreements relating thereto), together with all rights of Debtors under any policy or policies of insurance covering the Real Property and all property described in this Exhibit "B", and all proceeds, loss payments and premium refunds which may become payable with respect to such insurance policies, all proceeds payable with respect to any taking under power of eminent domain.

5. All appurtenances to the Property and all rights, licenses, profits, liens, tenements, hereditaments, franchises and privileges of Debtors in and to any streets, roads or public places, easements or rights of way, relating to the Real Property.

6. All accounts, deposit accounts, funds, chattel paper, instruments, documents, general intangibles, or other rights to payment (collectively, "**Rights to Payment**") which arise from or in connection with or are generated by reason of Debtors' ownership, use and/or occupancy of all or any portion of the Real Property, together with all renewals, and including all securities, guaranties, warranties, indemnity agreements, insurance policies, and other agreements pertaining to such Rights to Payment.

7. All monetary deposits which Debtors has been required to give to any public or private utility with respect to utility services furnished to the Real Property, instruments (including but not limited to any management contract for the operation of the facility located on the Real Property), documents, general intangibles and notes or chattel paper arising from or by virtue of any transactions related to the Real Property and all permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Real Property, including any and all compensation, rents, revenues, income, issues, rights, benefits and profits due or to become due under all present and future oil, gas and mining leases on the Real Property or any part thereof, and all proceeds of the foregoing.

8. All general intangibles relating to the development, use, occupancy or operation of or construction on the Real Property, including but not limited to all governmental licenses, map rights, approvals and permits; all materials prepared for filing or filed with any public or quasi-public governmental entities or any public utilities, all Debtors' rights under any contract whether or not otherwise specifically assigned to Secured Party, and any and all permits, licenses, approvals and contracts relating to the Real Property.

9. All right, title and interest of Debtors in and to refundable or returnable fees, bonds, securities or other property held by any public or quasi-governmental entity, utility company or other entity which pertains to the Real Property.

10. After-acquired property which replaces the foregoing or is included within any of the foregoing descriptions.

11. The proceeds from all of the above.