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FORM PTO-1594
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REC

08-10-1999

COVER SHEET ONLY

08-24-1999



101126133

U.S. Patent & TMO/c/TM Mail Rpt Dt. #66

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
PATAGONIA, INC. 3rd
GREAT PACIFIC IRON WORKS
259 W. Santa Clara
Ventura, CA 93001

Individuals(s) Association
 General Partnership Limited Partnership
 Corporation-State **California**
 Other _____

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
 Name: **UNION BANK OF CALIFORNIA, N.A., as Agent**

Internal Address:
 Street Address: **445 S. Figueroa Street, 16th Floor**
 City: **Los Angeles** State: **CA** ZIP: **90017**

Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State _____
 Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from assignment)
 Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance: **8-10-99**

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: **August 6, 1999**

4. Application number(s):
 A. Trademark Application No.(s)
DREAM SEAM (Serial 75-564,871)

B. Trademark Registration No.(s)
MOUNTAIN DESIGN (Reg. 1,543,640)

Additional numbers attached? No Yes

5. Name and address of party to whom correspondence concerning document should be mailed:
 Name: **Tammy Long**
Buchalter, Nemer, Fields & Younger

Internal Address: _____

Street Address: **601 South Figueroa Street, 24th Floor**
 City: **Los Angeles** State: **California** ZIP: **90017**

6. Total number of applications and registrations involved: **51**

7. Total fee (37 CFR 3.41) **\$1290⁰⁰**

Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
20-0052

(Attach duplicate copy of this page if paying by deposit account)

08/23/1999 BCOATES 00000140 200052 75564871

DO NOT USE THIS SPACE

1290E

01 FC:481 40.00 CH
02 PCT:482 1250.00 CH

9. Statement and signature.
 To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Tammy Long
 Name of Person Signing. Tammy Long Signature
Christine E Wilson Christine E Wilson

Date: **August 6, 1999**

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

SCHEDULE A

PATAGONIA, INC.
FEDERAL TRADEMARK REGISTRATIONS

	<u>Mark</u>	<u>Reg. No.</u>	<u>Reg. Date</u>
1.	Mountain Design	1,543,640	06/13/89
2.	Misc. Mountain Design	1,547,469	07/11/89
3.	Synchilla	1,351,836	07/30/85
4.	Stand Up Shorts	1,291,170	08/21/84
5.	Skonorak	1,640,936	04/09/91
6.	Pataloha Design	1,406,838	08/26/86
7.	Pataloha	1,405,067	08/12/86
8.	Patagonia & Design	1,294,523	09/11/84
9.	Patagonia & Design	1,775,623	06/08/93
10.	Patagonia Quality Since 1973 & Design	1,923,760	10/03/95
11.	Patagonia	1,189,402	02/09/82
12.	Patagonia	1,811,334	12/14/93
13.	H2NO	1,670,347	12/31/91
14.	H2NO Plus	1,378,224	01/14/86
15.	Great Pacific Patagonia & Design	1,562,278	10/24/89
16.	Great Pacific	1,618,850	10/23/90
17.	Great Pacific Iron Works	1,846,782	07/26/94
18.	Core Temp	1,689,603	05/26/92
19.	Capilene	1,390,921	04/22/86
20.	Houdini	1,671,800	01/14/92
21.	Human Curve	1,674,231	02/04/92
22.	P-E-F & Design	1,881,499	02/28/95
23.	MLC	1,761,362	03/30/93
24.	A/C	1,732,107	11/10/92
25.	StretchCoat	1,702,568	07/21/92
26.	Pneumatic	1,899,928	06/13/95
27.	Snap-T	1,807,646	11/30/93
28.	PCR	1,971,636	04/30/96
29.	Gridstop	1,985,195	07/09/96
30.	Toe Bias	2,141,618	03/03/98
31.	Misc. Wave Design	1,524,624	02/14/89
32.	The Storm Within	2,006,623	10/08/96
33.	Bovitex	2,032,985	01/21/97
34.	Aquafur	2,249,890	06/01/99
35.	Patagonia Surfboards Design	2,177,297	07/28/98
36.	Patagonia Surfboards Design	2,101,127	09/30/97
37.	Beneficial T's	2,154,228	04/28/98
38.	CFS	2,143,604	03/10/98
39.	Patagonia	2,260,188	07/13/99

PATAGONIA, INC.
FEDERAL TRADEMARK APPLICATIONS

	<u>Mark</u>	<u>Serial No.</u>	<u>Filing Date</u>
1.	LBC (Little Brother Carry On)	75-332,785	07/30/97
2.	Dream Seam	75-564,871	10/05/98
3.	Puckerwear	75-422,825	01/26/98
4.	Zi-Pit	75-422,851	01/26/98
5.	Buzzstop	75-422,654	01/26/98
6.	Encap-Sil	75-422,653	01/26/98
7.	Micro D-Luxe	75-643,066	02/16/99
8.	Patagonia.com	75-577,954	10/26/98

SCHEDULE B

MATERIAL TRADEMARK REGISTRATIONS

A. PATAGONIA, INC.

<u>Mark</u>	<u>Country</u>	<u>Serial No.</u>	<u>Filing Date</u>
Synchilla	USA	1,351,836	07/30/85
Patagonia & Design	USA	1,294,523	09/11/84
Capilene	USA	1,390,921	04/22/86
Patagonia	USA	1,189,402	02/09/82

B. GREAT PACIFIC IRON WORKS

None

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (hereinafter called this "Agreement"), dated as of August 6, 1999, is made by PATAGONIA, INC., a California corporation ("Patagonia") and GREAT PACIFIC IRON WORKS, a California corporation ("Great Pacific"), whose obligations shall be joint and several (each a "Pledgor" and collectively, "Pledgors"), in favor of the several financial institutions from time to time party to the Credit Agreement defined below (individually, a "Bank" and collectively, the "Banks"), Union Bank of California, N.A. ("Union"), a bank duly organized and existing under the laws of the United States of America, and Bank of America, N.A., a bank duly organized and existing under the laws of the United States of America, as the issuers of the Letters of Credit (as defined in the Credit Agreement) (individually, an "Issuing Bank" and collectively, the "Issuing Banks"), and Union, as agent for the Banks and the Issuing Banks (Union, in such capacity, is referred herein as the "Agent").

WITNESSETH:

A. Pledgors, the Banks, the Issuing Banks and the Agent are simultaneously herewith entering into the Credit Agreement. Capitalized terms used herein and not defined have the meanings assigned to them in the Credit Agreement.

B. The intent of this Agreement is to grant to the Agent, for the benefit of the Banks and the Issuing Banks, a security interest in the intellectual property described in Section 1 below, including, without limitation, trademarks and the goodwill associated therewith.

C. It is a condition precedent to the execution of the Credit Agreement and the agreement of the Banks to provide credit to Pledgors thereunder that the parties execute this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, receipt of which is hereby acknowledged, Pledgors and the Agent hereby agree as follows:

1. Grant of Security Interest. Pledgors hereby pledge and mortgage to the Agent, for the ratable benefit of the Banks and the Issuing Banks, as collateral security, for the payment and performance of all of the Pledgors' obligations now or hereafter existing under the Credit Agreement and the Notes, including, without limitation, all obligations of Pledgors now or hereafter existing under this Agreement (all such obligations being referred to herein collectively as the "Secured Obligations"), and grant the Agent a security interest in, all of Pledgors' rights, title and interest in and to the following (the "Collateral"):

(a) Each of the Trademarks (as defined below) and rights and interests in Trademarks which are presently, or in the future may be, owned, held (whether pursuant to a license

or otherwise) or used by Pledgors, in whole or in part, in conducting their business (including, without limitation, the Trademarks specifically identified in Schedule A attached hereto (as the same may be amended pursuant hereto from time to time)), and including (i) all Trademark Rights (as defined below) with respect thereto and all worldwide Registrations (as defined below) therefor heretofore or hereafter granted or applied for, (ii) the right (but not the obligation) to register claims under any worldwide trademark law or regulation and to apply for, renew and extend Trademarks, Registrations and Trademark Rights, and (iii) the right (but not the obligation) to sue or bring opposition or cancellation proceedings, such rights described in clauses (ii) and (iii) above to be exercisable in the name of Pledgors (or, upon the occurrence and during the continuance of an Event of Default, in the name of the Agent) for past, present and future infringements of the Trademarks, Registrations or Trademark Rights and all rights (but not obligations) corresponding thereto anywhere in the world, and the Associated Goodwill (as defined below); provided that the rights and interests included herein shall include, without limitation, rights and interests pursuant to licensing or other contracts in favor of Pledgors pertaining to the Trademarks, Registrations or Trademark Rights presently or in the future owned or used by third parties;

(b) All general intangibles (as defined in Division 9 of the Uniform Commercial Code as in effect in the State of California (the "Code")) relating to the Collateral referred to in clause (a) above;

(c) The following documents and things in Pledgors' possession, or subject to their demand for possession, related to the production and sale by Pledgors, or any Subsidiary, licensee or subcontractor of Pledgors, of products sold by or under the authority of Pledgors in connection with the Trademarks or Trademark Rights subsequent to the date hereof:

(i) all lists and ancillary documents which identify and describe any of Pledgors' customers, or those of its Subsidiaries or licensees, for products sold under or in connection with the Trademarks or Trademark Rights, such lists and ancillary documents to contain each customer's full name and address, the full name and address of all of its warehouses and branches, the identity of the Person or Persons having the principal responsibility on each customer's behalf for ordering products of the kind supplied by Pledgors, the credit, payment, discount, delivery and other sale terms applicable to such customer, together with detailed information setting forth the total purchases by brand, product, style and size, and the patterns of such purchases;

(ii) all product specification documents and production and quality control manuals used in the manufacture of products sold under or in connection with the Trademarks or Trademark Rights;

(iii) all documents which reveal the name and address of all sources of supply, and all terms of purchase and delivery, for all materials and components used in the production of products sold under or in connection with the Trademarks or Trademark Rights; and

(iv) all documents constituting or concerning the then current or proposed advertising and promotion by Pledgors or their Subsidiaries or licensees of products sold under or in connection with the Trademarks or Trademark Rights including, by way of example and

not in limitation, all documents which reveal the media used or to be used and the cost of all such advertising conducted within the described period or planned for such products; and

(d) All proceeds of any and all of the foregoing Collateral (including, without limitation, license royalties and proceeds of infringement suits) and, to the extent not otherwise included, all payments under insurance (whether or not the Agent, the Banks, the Issuing Banks, or any of them, are the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to the foregoing Collateral.

In addition to, and not by way of limitation of, the pledge and mortgage of, and grant of a security interest in, the Collateral set forth above, Pledgors hereby, effective upon the occurrence of an Event of Default, assign, grant, sell, convey, transfer and set over to the Agent all of Pledgors' rights, title and interest in and to the Collateral.

2. Inspection Rights. Pledgors hereby grant to the Agent and any and all of its employees, representatives and agents the right to visit Pledgors' and any of its Subsidiaries' or affiliate entities', or subcontractors' plants and facilities which manufacture, inspect or store products (or which have done so during the prior six-month period) sold under any of the Trademarks, Registrations or Trademark Rights, and to inspect the products and quality control records relating thereto upon reasonable notice to Pledgors and as often as may be reasonably requested. Pledgors shall do any and all acts reasonably required by the Agent or the holder of any Note to ensure Pledgors' compliance with Section 6.

3. Representations and Warranties. Each Pledgor represents, warrants and covenants as of the date hereof as follows:

(a) To the best of such Pledgor's knowledge after reasonable investigation, a true and complete list of all material Trademarks, Registrations and Trademark Rights (which Trademarks, Registrations and Trademark Rights, together with material Trademarks, Registrations and Trademark Rights hereafter acquired by such Pledgor, are hereinafter called "Material Trademarks and Registrations") owned, held (whether pursuant to a license or otherwise) or used by such Pledgor, in whole or in part, in conducting its business is set forth in Schedule B hereto;

(b) None of such Pledgor's Affiliate Entities has any right, title or interest in any Material Trademarks and Registrations (as such terms would correspond as to each respective Affiliate Entity);

(c) Each of the Material Trademarks and Registrations hereto is valid, subsisting and enforceable;

(d) No claim has been made that the use of any Material Trademarks and Registrations does or may violate the rights of any third person;

(e) Such Pledgor is the sole legal and beneficial owner of the entire right, title and interest in and to each of the Material Trademarks and Registrations;

(f) The execution, delivery and performance of this Agreement with respect to the Material Trademarks and Registrations which arise pursuant to licensing or other contracts in favor of such Pledgor pertaining to the Trademarks, Registrations or Trademark Rights owned or used by third parties do not conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation of such Pledgor;

(g) Such Pledgor has used, and will continue to use for the duration of this Agreement, to the extent reasonably necessary for the protection of each of the Material Trademarks and Registrations, proper statutory notice in connection with its use of each of the Material Trademarks and Registrations;

(h) Such Pledgor has used, and will continue to use for the duration of this Agreement, consistent standards of high quality in its manufacture and sale of products and services sold under the Trademarks, Registrations and Trademark Rights;

(i) Such Pledgor owns the Collateral free and clear of any lien, security interest, charge or encumbrance except for (A) the security interest created by this Agreement and (B) the licenses granted by such Pledgor to third parties identified in Schedule C attached hereto. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Agent relating to this Agreement;

(j) This Agreement will create in favor of the Agent a valid and perfected first priority security interest in the Collateral upon making the filings referred to in clause (k) below;

(k) Except for the filing of a financing statement respecting the security interest granted herein with the Secretary of State of the State of California under the Uniform Commercial Code and filings with the United States Patent and Trademark Office and the equivalent office in each country in which Pledgors' have Trademarks, Registrations or Trademark Rights, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by such Pledgor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by such Pledgor or (ii) for the perfection of or the exercise by the Agent of its rights and remedies hereunder; and

(l) All of the Pledgors' federally registered copyrights are set forth on Schedule D hereto. Pledgors' have no interest in any patents or patent applications in connection with their business, other than those patents and applications listed on Schedule E hereto (collectively, the "Patents"), which Patents are not material to the business of the Pledgors. Pledgors have no pending state trademark applications. Pledgors have one or more pending federal copyright applications with respect to catalogue(s). The only pending trademark or patent applications of Pledgors are as set forth on the schedules attached hereto.

4. New Trademarks and Registrations. If, during the term of this Agreement, Pledgors shall obtain rights to any new Trademarks, Registrations or Trademark Rights, the

provisions of Section 1 shall automatically apply thereto and Pledgors shall give prompt notice thereof in writing to the Agent.

5. Trademark Applications and Litigation. Pledgors shall have the duty diligently, through counsel (whether outside counsel or in-house legal staff) whom Pledgors reasonably believe to be competent trademark counsel (and which counsel, if retained after the occurrence and during the continuance of a Default or an Event of Default, shall be reasonably acceptable to the Agent), to make, at the reasonable request of the Agent, federal and foreign application on any existing or future registrable but unregistered Material Trademarks and Registrations, to file and prosecute opposition and cancellation proceedings, to renew Material Trademarks and Registrations and to do any and all acts which are reasonably necessary or desirable to preserve and maintain all rights in all Material Trademarks and Registrations. Any expenses incurred in connection therewith shall be borne solely by Pledgors. Pledgors shall not abandon any Material Trademarks and Registrations without the prior written consent of the Agent.

Except as provided in Section 8 and notwithstanding Section 1, Pledgors shall have the right to commence and prosecute in their own names, as real party in interest, for their own benefit and at their own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution or other damage as are in their reasonable business judgment necessary to protect the Trademarks, the Registrations, the Associated Goodwill or the Trademark Rights. Pledgors shall promptly notify the Agent in writing as to the commencement and prosecution of any such actions relating to Material Trademarks and Registrations and shall provide the Agent such information with respect thereto as may be reasonably requested. Pledgors shall indemnify and hold harmless the Agent, the Banks and the Issuing Banks for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including attorneys' fees) of any kind whatsoever which may be imposed on, incurred by or asserted against the Agent, the Banks or the Issuing Banks in connection with or in any way arising out of such suits, proceedings or other actions, other than because of the Agent's, the Banks' or the Issuing Banks' gross negligence or willful misconduct.

6. Pledgors' Covenants. On a continuing basis, each Pledgor will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, encumbrances and restrictions permitted hereunder, make, execute, acknowledge and deliver, and file and record or cause to be filed or recorded in the proper filing and recording places, all such instruments, including, without limitation, appropriate financing and continuation statements and collateral agreements, and take all such action as may reasonably be deemed necessary or advisable by the Agent to carry out the intent and purposes of this Agreement, or for assuring and confirming to the Agent the grant or perfection of a security interest in the Collateral. Without limiting the generality of the foregoing sentence, each Pledgor: (i) will not enter into any agreement which would or might in any way impair or conflict with such Pledgor's obligations hereunder without the Agent's prior written consent; (ii) upon the written request of the Agent, will use its best efforts to obtain any necessary consents of third parties to the grant or perfection of a security interest to the Agent with respect to the Collateral; (iii) will modify this Agreement by amending the Schedules hereto, as appropriate, to include reference to any right, title or interest in any Material Trademarks and Registrations or Licenses acquired by such Pledgor after the execution hereof; (iv) will, from time to time, upon the

Agent's reasonable request and specific instruction, cause its books and records to be marked with such legends or segregated in such manner as the Agent may reasonably specify, and take or cause to be taken such other action and adopt such procedures as the Agent may reasonably specify to give notice of or to perfect the security interest in the Collateral intended to be created hereby; (v) will at all times keep at least one complete set of its records concerning substantially all of the Collateral at its chief executive office or principal place of business which is set forth in the first sentence of this Agreement, and will not change the location of its chief executive office or such records without giving the Agent at least 30 days' prior written notice thereof; (vi) will, promptly following its becoming aware thereof, notify the Agent of the institution of, or any adverse determination in, any proceeding in the United States Patent and Trademark Office or any federal, state or local court or any equivalent foreign office or court regarding such Pledgor's claim of ownership in or right to use any of the Material Trademarks and Registrations, its right to register the same, or its right to keep and maintain such registration; (vii) concurrently with the filing of an application for registration for any Material Trademark and Registration and any Trademark which such Pledgor believes in its good faith judgment may become a Material Trademark and Registration, will execute, deliver and record in all places where this Agreement is recorded an appropriate Intellectual Property Security Agreement, substantially in the form hereof, with appropriate insertions to the extent of its interest therein, and will file an appropriate amendment to the financing statement on file with the Secretary of State of California under the Code; (viii) will not permit the inclusion in any contract to which it becomes a party of any provisions which could or might in any way impair or prevent the creation of a security interest in such Pledgor's rights and interest in any property included within definitions of the Trademarks, Registrations and Trademark Rights acquired under such contracts; (ix) will properly maintain and care for the Collateral; (x) will not grant or permit to exist any Lien, other than Permitted Liens, upon or with respect to the Collateral or any portion thereof except in favor of the Agent and will not execute any security agreement or financing statement covering any of the Collateral except in the name of the Agent; (xi) will not sell or contract for sale or otherwise dispose of the Collateral or any portion thereof; (xii) upon any officer of such Pledgor obtaining knowledge thereof, will promptly notify the Agent in writing of any event which materially and adversely affects the value of the Collateral or any portion thereof, the ability of such Pledgor or the Agent to dispose of the Collateral or any portion thereof or the rights and remedies of the Agent in relation thereto including, without limitation, the levy of any legal process against the Collateral or any portion thereof; (xiii) until the Agent exercises its rights to make collection, will diligently keep reasonable records respecting the Collateral; (xiv) hereby authorizes the Agent, in its sole discretion, to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of such Pledgor where permitted by law in the event that such Pledgor does not provide its signature within five (5) days of a request by the Agent therefor (and the Agent agrees to provide such Pledgor with a copy of any such statement filed by the Agent without such Pledgor's signature, provided that any failure by the Agent to do so shall not impose any liability on the Agent); (xv) will furnish to the Agent from time to time statements and schedules further identifying and describing the Collateral and such other materials evidencing or reports pertaining to the Collateral as the Agent may reasonably request, all in reasonable detail; and (xvi) will, at any time and from time to time, at the expense of such Pledgor, promptly execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary or advisable, or that the Agent may reasonably request, in order to perfect and protect any

security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral.

7. Amounts Payable in Respect of Collateral. Except as otherwise provided in this Section 7, Pledgors shall continue to collect, at their own expense, all amounts due or to become due to Pledgors in respect of the Collateral or any portion thereof. The Agent is hereby given full power and authority without notice or demand, (i) upon the occurrence and during the continuance of an Event of Default to notify any and all obligors with respect to the Collateral or any portion thereof of the existence of the security interest created, and (ii) upon the occurrence and during the continuance of an Event of Default, to demand, take, collect, sue for and receive for its own use and in connection therewith to enforce all rights and remedies with respect to, the Collateral or any portion thereof which Pledgors could enforce if this Agreement had not been made. Whether or not the Agent shall have so notified any obligors, Pledgors shall, upon the occurrence and during the continuance of an Event of Default, at their expense render all reasonable assistance to the Agent in enforcing claims against such obligors.

8. Trademark Litigation After Default. Upon the occurrence and during the continuation of an Event of Default, the Agent shall have the right but shall in no way be obligated to bring suit in the name of Pledgors or the Agent to enforce the Trademarks, Registrations or Trademark Rights and any license thereunder. In the event of such suit Pledgors shall at the request of the Agent do any and all lawful acts and execute any and all documents reasonably required by the Agent in aid of such enforcement and Pledgors shall promptly, upon demand, reimburse and indemnify the Agent, the Banks and Issuing Banks for all costs and expenses incurred by them in the exercise of rights under this Section 8. In the event that the Agent shall elect not to bring suit to enforce the Trademarks, Registrations and Trademark Rights, Pledgors agree to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of the Trademarks, Registrations and Trademark Rights by others and for that purpose agree to diligently maintain any action, suit or proceeding against any Person so infringing necessary to prevent such infringement.

9. Certain Remedies Upon Default. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Code (whether or not the Code applies to the affected Collateral) and the Agent may also in its sole discretion, without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Agent's (or its designee's) offices or elsewhere, at such time or times, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Agent or its designee may deem commercially reasonable. Each purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of Pledgors, and Pledgors hereby waive (to the extent permitted by law) all rights of redemption, stay and/or appraisal which they now have or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Pledgors agree that, to the extent notice of sale shall be required by law, at least 10 days' notice to

Pledgors of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. At any sale of the Collateral, if permitted by law, the Agent or its designee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase the Collateral or any portion thereof for the account of the Agent, the Banks or the Issuing Banks or their designees. The Agent or its designee shall not be obligated to make any sale of the Collateral regardless of notice of sale having been given. The Agent or its designee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Pledgors recognize that the Agent or its designee may elect in its sole discretion to sell all or part of the Collateral to one or more purchasers in privately negotiated transactions. Pledgors acknowledge that any such private sales may be at prices and on terms less favorable to the Agent than those obtainable through a public sale and agree that such private sales shall not be deemed to have been commercially unreasonable by virtue of not having been public sales.

(b) All cash proceeds received by the Agent, the Banks or the Issuing Banks in respect of any sale of, or other realization upon, all or any part of the Collateral shall be applied to the Secured Obligations in such order and manner as they shall deem fit.

(c) Upon the written demand of the Agent, Pledgors shall execute and deliver to the Agent such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; provided that the failure of Pledgors to comply with such demand will not impair or affect the validity of the security interest granted in this Agreement.

(d) Within five Business Days of written notice from the Agent, Pledgors shall make available to the Agent or its designee such personnel in Pledgors' employ on the date of the Event of Default as the Agent or its designee may reasonably designate, by name, title or job responsibility, to permit Pledgors to continue, directly or indirectly, to produce, advertise and sell the products sold by Pledgors under the Trademarks or Registrations, such persons to be available to perform their prior functions on the Agent's behalf and to be compensated by the Agent or its designee on a per diem, pro rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

10. Pledgors Remain Liable. Anything herein to the contrary notwithstanding, (a) Pledgors shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of their duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release Pledgors from any of their duties or obligations under the contracts and agreements included in the Collateral, (c) the Agent, the Banks and the Issuing Banks shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement nor shall they be obligated to perform any of the obligations or duties of Pledgors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder, and (d) the powers conferred on the Agent hereunder are solely to protect the interest of the Agent, the Banks and the Issuing Banks in the Collateral and shall not impose any duty upon the Agent to exercise any such powers.

11. Agent Appointed Attorney-in-Fact. Except as otherwise provided in this Agreement, and upon the occurrence and during the continuance of an Event of Default each Pledgor hereby irrevocably appoints the Agent such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor (or, upon the occurrence and during the continuance of an Event of Default, in the name of the Agent) from time to time in the Agent's discretion to take any action and to execute any instrument otherwise permitted to be taken or executed by the Agent or required to be taken or executed by such Pledgor pursuant to this Agreement which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to file any claims or take any action or institute any proceedings which the Agent may deem necessary or desirable to enforce the rights of the Agent with respect to any of the Collateral and, upon the occurrence and during the continuance of an Event of Default, to execute and deliver any of the documents requested by the Agent pursuant to Section 9(c). Each Pledgor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

12. Agent May Perform. If Pledgors fail to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and, if such failure constitutes a Default or an Event of Default the expenses so incurred in connection therewith shall be payable by Pledgors upon demand.

13. Indemnities; Expenses.

(a) Pledgors agree to indemnify the Agent, the Banks and the Issuing Banks from and against any and all claims, losses and liabilities arising out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement) which are made against or suffered by the Agent, the Banks or the Issuing Banks except claims, losses or liabilities resulting from their gross negligence or willful misconduct.

(b) Pledgors will, upon demand, pay to the Agent the amount of any and all reasonable fees and expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Agent, the Banks or the Issuing Banks may incur after the occurrence and during the continuance of an Event of Default in connection with (i) the sale of, collection from or other realization upon, any of the Collateral, (ii) the exercise or enforcement of any of the rights of the Agent hereunder or (iii) the failure by Pledgors to perform or observe any of the provisions hereof.

14. Amendments, Etc. No amendment or modification of any provision of this Agreement shall be effective without the written agreement of the Agent, the Banks, the Issuing Banks and Pledgors. No termination, waiver, amendment or modification of any provision of this Agreement, or consent to any departure by Pledgors therefrom, shall in any event be effective without the prior written consent of the Agent and no Collateral shall be released without the prior written consent of the Agent. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No failure or delay on the part of the Agent in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial

exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. No notice to or demand on Pledgors in any case shall entitle Pledgors to any other or further notice or demand in similar or other circumstances.

15. Notices. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be given in accordance with, and to the addresses for the parties hereto set forth in, the Credit Agreement.

16. Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until all Secured Obligations have been fully paid, satisfied and performed and the commitments and obligations of the Agent, the Banks and the Issuing Banks to Pledgors under the Loan Documents have terminated, (ii) be binding upon Pledgors, their successors and assigns and (iii) inure to the benefit of the Agent, the Banks and the Issuing Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), the Agent, the Banks and the Issuing Banks may assign or otherwise transfer any of their rights and obligations under the Loan Documents to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Agent, the Banks or the Issuing Banks herein or otherwise. Upon termination of this Agreement in accordance with the foregoing clause, the Agent, the Banks and the Issuing Banks will, at Pledgors' expense, execute and deliver to Pledgors such documents as Pledgors shall reasonably request to evidence such termination and reversion.

17. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Unless otherwise defined herein or in the Credit Agreement, terms used in Division 9 of the Code are used herein as therein defined.

18. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligations in any other jurisdiction, shall not in any way be affected or impaired thereby.

19. Credit Agreement Controls. In case of any irreconcilable conflict between the provisions of this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall control.

20. Waiver of Jury Trial. **EACH OF THE PLEDGORS, THE AGENT, THE ISSUING BANKS AND THE BANKS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, THE ADVANCES, THE NOTES OR THE LETTERS OF CREDIT, OR THE ACTIONS OF THE AGENT, THE ISSUING BANKS OR ANY BANK IN CONNECTION WITH THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.**

21. Alternative Dispute Resolution. THE PLEDGORS HAVE REVIEWED THE PROVISIONS OF THAT CERTAIN ALTERNATIVE DISPUTE RESOLUTION AGREEMENT, DATED OF EVEN DATE HERewith, AND EXECUTED BY BORROWERS AND THE AGENT (THE "ALTERNATIVE DISPUTE RESOLUTION AGREEMENT"), AND AGREES THAT ANY DISPUTE ARISING UNDER THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE SUBJECT TO THE PROVISIONS OF THE ALTERNATIVE DISPUTE RESOLUTION AGREEMENT.

22. Definitions. In this Agreement, unless the context otherwise requires, the following terms have the following meanings:

"Associated Goodwill" means the goodwill of Pledgors' businesses symbolized by the Trademarks and associated therewith.

"Registrations" means all registrations and applications which have heretofore been or may hereafter be issued thereon or applied for in the United States or any state thereof, or in any other country or subdivision thereof.

"Trademark Rights" means all common law and other rights in and to the Trademarks in the United States and any state thereof or in any other country or political subdivision thereof.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

"Trademarks" means intangible assets, including trademarks, service marks, designs, logos, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles and or other source and/or business identifiers pertaining thereto, used in various locations throughout the world.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

"PLEDGORS"

PATAGONIA, INC.,
a California corporation

By: N. Edwards
Name: Neil Edwards
Title: CFO

By: G. Clive
Name: Geoff Clive
Title: Secretary

GREAT PACIFIC IRON WORKS,
a California corporation

By: N. Edwards
Name: Neil Edwards
Title: CFO

By: G. Clive
Name: Geoff Clive
Title: Secretary

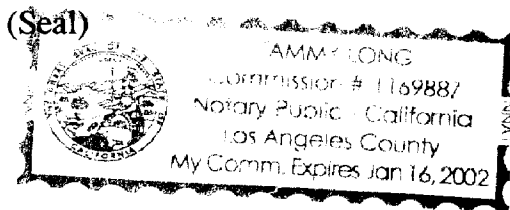
[NOTARIAL ACKNOWLEDGEMENTS ON FOLLOWING TWO PAGES]

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On August 6, 1999, before me, Tammy Long, a Notary Public in and for the State of California, personally appeared Neil Edwards, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the within instrument in his or her authorized capacity and that, by his or her signature on the within instrument, the person or entity upon behalf of which he or she acted executed the within instrument.

WITNESS my hand and official seal.

Signature Tammy Long



STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On August 6, 1999, before me, Tammy Long, a Notary Public in and for the State of California, personally appeared Geoffrey Cline, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the within instrument in his or her authorized capacity and that, by his or her signature on the within instrument, the person or entity upon behalf of which he or she acted executed the within instrument.

WITNESS my hand and official seal.

Signature Tammy Long

(Seal)

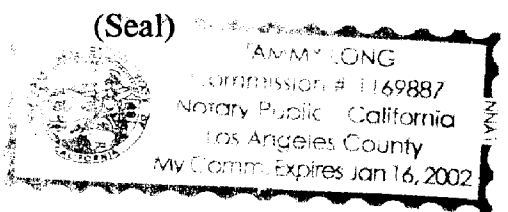


STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On August 6, 1999, before me, Tammy Long, a Notary Public in and for the State of California, personally appeared Geoffrey Cline, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the within instrument in his or her authorized capacity and that, by his or her signature on the within instrument, the person or entity upon behalf of which he or she acted executed the within instrument.

WITNESS my hand and official seal.

Signature Tammy Long



STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On August 6, 1999, before me, Tammy Long, a Notary Public in and for the State of California, personally appeared Neil Edwards, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the within instrument in his or her authorized capacity and that, by his or her signature on the within instrument, the person or entity upon behalf of which he or she acted executed the within instrument.

WITNESS my hand and official seal.

Signature Tammy Long

(Seal)



SCHEDULE A

PATAGONIA, INC.
FEDERAL TRADEMARK REGISTRATIONS

	<u>Mark</u>	<u>Reg. No.</u>	<u>Reg. Date</u>
1.	Mountain Design	1,543,640	06/13/89
2.	Misc. Mountain Design	1,547,469	07/11/89
3.	Synchilla	1,351,836	07/30/85
4.	Stand Up Shorts	1,291,170	08/21/84
5.	Skonorak	1,640,936	04/09/91
6.	Pataloha Design	1,406,838	08/26/86
7.	Pataloha	1,405,067	08/12/86
8.	Patagonia & Design	1,294,523	09/11/84
9.	Patagonia & Design	1,775,623	06/08/93
10.	Patagonia Quality Since 1973 & Design	1,923,760	10/03/95
11.	Patagonia	1,189,402	02/09/82
12.	Patagonia	1,811,334	12/14/93
13.	H2NO	1,670,347	12/31/91
14.	H2NO Plus	1,378,224	01/14/86
15.	Great Pacific Patagonia & Design	1,562,278	10/24/89
16.	Great Pacific	1,618,850	10/23/90
17.	Great Pacific Iron Works	1,846,782	07/26/94
18.	Core Temp	1,689,603	05/26/92
19.	Capilene	1,390,921	04/22/86
20.	Houdini	1,671,800	01/14/92
21.	Human Curve	1,674,231	02/04/92
22.	P-E-F & Design	1,881,499	02/28/95
23.	MLC	1,761,362	03/30/93
24.	A/C	1,732,107	11/10/92
25.	StretchCoat	1,702,568	07/21/92
26.	Pneumatic	1,899,928	06/13/95
27.	Snap-T	1,807,646	11/30/93
28.	PCR	1,971,636	04/30/96
29.	Gridstop	1,985,195	07/09/96
30.	Toe Bias	2,141,618	03/03/98
31.	Misc. Wave Design	1,524,624	02/14/89
32.	The Storm Within	2,006,623	10/08/96
33.	Bovitex	2,032,985	01/21/97
34.	Aquafur	2,249,890	06/01/99
35.	Patagonia Surfboards Design	2,177,297	07/28/98
36.	Patagonia Surfboards Design	2,101,127	09/30/97
37.	Beneficial T's	2,154,228	04/28/98
38.	CFS	2,143,604	03/10/98
39.	Patagonia	2,260,188	07/13/99

PATAGONIA, INC.
FEDERAL TRADEMARK APPLICATIONS

	<u>Mark</u>	<u>Serial No.</u>	<u>Filing Date</u>
1.	LBC (Little Brother Carry On)	75-332,785	07/30/97
2.	Dream Seam	75-564,871	10/05/98
3.	Puckerwear	75-422,825	01/26/98
4.	Zi-Pit	75-422,851	01/26/98
5.	Buzzstop	75-422,654	01/26/98
6.	Encap-Sil	75-422,653	01/26/98
7.	Micro D-Luxe	75-643,066	02/16/99
8.	Patagonia.com	75-577,954	10/26/98

PATAGONIA, INC.
STATE TRADEMARK REGISTRATIONS

Allowing Bunting to expire

GREAT PACIFIC IRON WORKS
FEDERAL TRADEMARK REGISTRATIONS

None

GREAT PACIFIC IRON WORKS
FEDERAL TRADEMARK APPLICATIONS

None

GREAT PACIFIC IRON WORKS
STATE TRADEMARK REGISTRATIONS

None

SCHEDULE B

MATERIAL TRADEMARK REGISTRATIONS

A. PATAGONIA, INC.

<u>Mark</u>	<u>Country</u>	<u>Serial No.</u>	<u>Filing Date</u>
Synchilla	USA	1,351,836	07/30/85
Patagonia & Design	USA	1,294,523	09/11/84
Capilene	USA	1,390,921	04/22/86
Patagonia	USA	1,189,402	02/09/82

B. GREAT PACIFIC IRON WORKS

None

SCHEDULE C

LICENSES TO THIRD PARTIES

Patagonia Australia PTY, Ltd.

Distribution and Trademark & Trade Name License Agreement between Patagonia, Inc. and Patagonia Pty. Ltd with its registered office located at 497 Kent Street, Sydney, NSW 2000 Australia

Commencement: September 1, 1994

Term: Two Years (August 31, 2000)

SCHEDULE D

PATAGONIA, INC.
FEDERAL COPYRIGHT REGISTRATIONS

<u>Publication</u>	<u>Reg. No.</u>	<u>Reg. Date</u>
Spring '88-Patagonia Kid's	TX2646810	05/09/89
Fall '90-Patagonia, Inc.	TX2932051	10/25/90
Winter '90-Patagonia, Inc.	TX2932052	10/25/90
Spring '91-Patagonia, Inc.	TX3378600	08/13/92
Fall '91-Patagonia, Inc.	TX3378599	08/13/92
Spring '92-Patagonia, Inc.	TX3385549	08/13/92
Companion '91-Patagonia, Inc.	TX3280944	03/30/92
Spring '92-Patagonia Kid's	TX3377371	08/13/92
Spring '92 Patagonia, Inc.	TX3377373	08/13/92
Spring '93-Patagonia, Inc.	TX3504653	03/01/93
Fall '93-Patagonia, Inc.	TX3795271	04/05/94
Spring '94-Patagonia, Inc.	TX3795270	04/05/94
Fall '94-Patagonia, Inc.	TX4115039	09/11/95
Spring '95-Patagonia, Inc.	TX4194744	09/11/95
Summer '95-Patagonia, Inc.	TX4160594	09/11/95
Fall '95-Patagonia, Inc.	TX4137806	09/11/95
Fall '95-Patagonia Kid's	TX4115041	09/11/95
Holiday '95 Patagonia, Inc.	TX4502218	03/24/97
Summer '96 Patagonia, Inc.	TX4440786	03/24/97
Spring '96 Patagonia, Inc.	TX3808703	03/24/97
Spring '96 Patagonia Kid's	TX3808704	03/24/97
Fall '96 Patagonia, Inc.	TX4440787	03/24/97
Fall '96 Patagonia Kid's	TX4510423	03/24/97
Winter '96 Patagonia, Inc.	TX4502217	03/24/97
Spring '97 Patagonia, Inc.	TX4440785	03/24/97
Spring '97 Patagonia Kid's	TX4506317	03/24/97
Summer '97 Patagonia, Inc.	TX3808693	03/24/97
Fall '97 Patagonia, Inc.	TX4699510	06/01/98
Spring '98 Patagonia, Inc.	TX4710841	06/01/98
Summer '98 Patagonia, Inc.	TX4722919	06/01/98
Fall '98 Patagonia, Inc.	TX4907899	04/19/99
Winter '98 Patagonia, Inc.	TX4907898	04/19/99
Spring '99 Patagonia, Inc.	TX4907900	04/19/99

SCHEDULE E

PATAGONIA, INC.
ISSUED PATENTS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>
Improved Securing Apparatus for Clothing	5,263,202	11/23/93
Sandal	D374549	10/15/96
Modular Backpack & Utility Vest	5639005	06/17/97
Change Safe Pocket	5638549	06/17/97
Shoe	D380888	07/15/97
Shoe	D379113	05/13/97
Sandal	D375615	11/19/96
Water Sports Shoe	D379112	05/13/97
Footwear for Water Sports	5,771610	06/30/98

PATAGONIA, INC.
PATENT APPLICATION

<u>Title</u>	<u>Serial No.</u>	<u>Filing Date</u>
None		

GREAT PACIFIC IRON WORKS
ISSUED PATENTS

None

GREAT PACIFIC IRON WORKS
PATENT APPLICATIONS

None