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COVER SHEET ONLY

U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office

SEP 14 2000

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

1. Name of conveying party(ies):  
**WATER GIRL USA, INC.**  
**WATER GIRL U.S.A., LLC**  
**259 West Santa Clara Street**  
**Ventura, California 93001**

Individuals(s)  Association  
 General Partnership  Limited Partnership  
 Corporation-State **California**  
 Other **a California limited liability company**

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, 10<sup>th</sup> Floor**  
City: **Los Angeles** State: **CA** ZIP: **90017-1602**

Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-State \_\_\_\_\_  
 Other **a bank organized under the laws of the United States of America**

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:

Assignment  Merger  
 **Security Agreement**  Change of Name  
 Other \_\_\_\_\_

Execution Date: **May 1, 2000**

4. Application number(s) or patent number(s):

A. Trademark Application No.(s)  
**Design (Shell) (Serial No. 75-592,920)**

B. Trademark Registration No.(s)

Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:  
**Mr. Sigi Hinojosa**  
Name: **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: 1

7. Total fee (37 CFR 3.41) ..... \$ 40.00  
 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)

DO NOT USE THIS SPACE

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.

**MR. SIGI HINOJOSA**  
Name of Person Signing

Signature

**September 12, 2000**  
Date

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

**MEMORANDUM OF SECURITY INTEREST  
IN TRADEMARKS AND GOODWILL**

WATER GIRL USA, INC., a California corporation ("Water Girl Inc."), whose address is 259 West Santa Clara Street, Ventura, California 93001 and WATER GIRL, U.S.A., LLC, a California limited liability company ("Water Girl LLC"), whose address is 259 West Santa Clara Street, Ventura, California 93001 (collectively, the "Grantors"), do hereby grant 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) (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"), a security interest in and to all of the Grantors' right, title and interest in and to the trademark and trademark registrations and applications therefor which are identified on Schedule A attached hereto and herein incorporated by this reference (the "Trademarks"), together with the goodwill and assets of the business owned by the Grantors to which such Trademarks are appurtenant and all actions for infringement concerning the foregoing.

The Banks, the Issuing Banks and the Agent have entered into that certain Revolving and Term Credit Agreement, dated as of August 6, 1999, as amended by the First Amendment to Revolving and Term Credit Agreement, dated as of October 15, 1999, and the Second Amendment to Revolving and Term Credit Agreement, dated as of May 1, 2000 (as amended or otherwise modified from time to time, the "Credit Agreement"), with Patagonia, Inc., a California corporation, and Great Pacific Iron Works, a California corporation (each, a "Borrower" and collectively, the "Borrowers"). Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein, and the rules of interpretation set forth in Section 1.2 of the Credit Agreement are incorporated herein by reference.

The terms and conditions of the security interest granted hereby are contained in (i) the Intellectual Property Security Agreement, dated as of May 1, 2000, executed by Water Girl Inc. in favor of the Agent, the Banks, and the Issuing Banks, and (ii) the Intellectual Property Security Agent, dated as of May 1, 2000, executed by Water Girl LLC in favor of the Agent, the Banks and the Issuing Banks, as security for such Grantor's performance of such Grantor's obligations as set forth in the applicable Intellectual Property Security Agreement and other agreements referred to therein.

IN WITNESS WHEREOF, the undersigned have executed this document as of  
the 1<sup>st</sup> day of May, 2000.

WATER GIRL USA, INC.,  
a California corporation

By: Robert S. Kelleher  
Name: Robert S. Kelleher  
Title: Chief Financial Officer

By: Michael K. Dunn  
Name: Michael K. Dunn  
Title: Assistant Secretary

WATER GIRL, U.S.A., LLC,  
a California limited liability company

By: Water Girl USA, Inc.  
its Sole Member and Manager

By: Robert S. Kelleher  
Name: Robert S. Kelleher  
Title: Chief Financial Officer

By: Michael K. Dunn  
Name: Michael K. Dunn  
Title: Assistant Secretary

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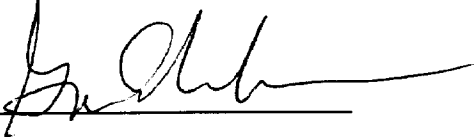
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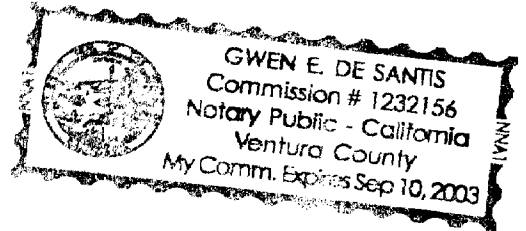
STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF VENTURA )

On August 11, 2000, before me, Gwen E. DeSantis, a Notary Public in and for the State of California, personally appeared Roberts Kelleher, 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 


(Seal)



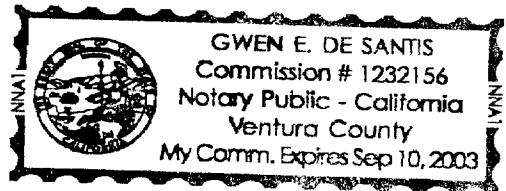
STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF VENTURA )

On August 11, 2000, before me, Gwen E. DeSantis a Notary Public in and for the State of California, personally appeared Michael K. Dion, 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 

(Seal)



SCHEDULE A

<u>MARK</u>	<u>APPLICATION SERIAL NO.</u>	<u>FILING DATE</u>
Design (Shell)	75-592,920	11/20/98