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101893234

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

1. Name of conveying party(ies):
LOTUS DESIGNS, INC.
8550 White Fir Street
Reno, Nevada 89523

10/25/01

Individuals(s) Association
 General Partnership Limited Partnership
 Corporation-State **North Carolina**
 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, 10th 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: **September 28, 2001**

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

A. Trademark Application No.(s)
Lotus Designs (Serial No. 76-213,867)
The Lola (Serial No. 75-931,061)

Additional numbers attached? Yes No

B. Trademark Registration No.(s)
Lotus Flower Design (Registration No. 2,299,519)

US PATENT & TRADEMARK OFFICE
OCT 25 10 56 AM '01
RECEIVED
TELEPROCESS

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**

10-25-2001

U.S. Patent & TMO/TM Mail Rept. Dt. #40

6. Total number of applications and registrations involved: 3

7. Total fee (37 CFR 3.41) \$ 90⁰⁰

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 true copy of the original document.

Christine E. Wilson
MR. SIGI HINOJOSA
Name of Person Signing

Christine E. Wilson

Signature

October 19, 2001
Date

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

76213867
11/15/2001 LHWELLER 00000009 200052
45.00 CH
50.00 CH
FC:401
FC:402

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

LOTUS DESIGNS, INC., a North Carolina corporation, whose address is 8550 White Fir Street, Reno, Nevada 89523 ("Grantor"), hereby acknowledges that it has granted 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 Grantor's 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 Grantor 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 Amended and Restated Revolving and Term Credit Agreement, dated as of September 28, 2001, (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 that certain Subsidiary Security Agreement, dated as of May 1, 2000 (the "Security Agreement"), executed by Grantor 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 Security Agreement and other agreements referred to therein.

IN WITNESS WHEREOF, the undersigned have executed this document as of the 28th day of September, 2001.

LOTUS DESIGNS, INC.,
a North Carolina corporation

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

SCHEDULE A
Federal Trademark Registrations

	<u>Mark</u>	<u>Reg. No.</u>	<u>Reg. Date</u>
1.	Lotus Flower Design	2,299,219	12/14/99

Federal Trademark Applications

	<u>Mark</u>	<u>Serial No.</u>	<u>Filing Date</u>
1.	Lotus Designs	76-213867	2/21/01
2.	The Lola	75-931061	2/25/00