

05-23-2001



101726768

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

MAY 18 2001

NR 5-18-01

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Name Execution Date
Month Day Year

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving

Mark if additional names of receiving parties

Name

DBA/AKATA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City State/Country Zip Code

- Individual General Partnership Limited Partnership If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)
- Corporation Association
- Other

Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231
TRADEMARK

REEL: 002302 FRAME: 0801

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

FORM PTO-1618C
Expires 06/30/99
OMB 0651-0027

U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date

Month Day Year

Name

Formerly

Individual

General Partnership

Limited Partnership

Corporation

Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

Philip Huang

DBA/AKATA

Composed of

Address (line 1)

3F, No. 311, Chia Hsing Street

Address (line 2)

Address (line 3)

Taipei

City

Taiwan, R.O.C.

State/Country

Zip Code

Individual

General Partnership

Limited Partnership

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached (Designation must be a separate document from the Assignment.)

Corporation

Association

Other

Citizenship/State of Incorporation/Organization

Taiwan

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

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Registration Number(s)

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Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages Enter the total number of pages of the attached conveyance document including any attachments. #

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

<input type="text" value="74611913"/>	<input type="text" value="76197009"/>	<input type="text"/>	<input type="text" value="1900729"/>	<input type="text" value="1977058"/>	<input type="text" value="1826419"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1813812"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$


Method of Payment: Enclosed Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.) Deposit Account Number: #

Authorization to charge additional fees: Yes No

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. Charges to deposit account are authorized, as indicated herein.

Donald M. Cislo  May 16, 2001

Name of Person Signing Signature Date Signed

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of March 2nd, 2001 by and among **Karl Kani International, Inc.**, a California corporation (the "**Debtor**"), and **Frankie Ma** and **Philip Huang** both individuals (collectively the "**Secured Parties**").

RECITALS

A. Frankie Ma has lent to the Debtor an aggregate of \$720,000 represented by a Secured Promissory Note of the Debtor (the "**Ma Note**") attached hereto as *Exhibit A*.

B. Philip Huang has lent to the Debtor an aggregate of \$560,000 represented by a Secured Promissory Note of the Debtor (the "**Huang Note**") attached hereto as *Exhibit B*.

C. As a material condition of the Secured Parties not calling at this time the Ma Note and the Huang Note, the Debtor has agreed to grant to the Secured Parties jointly a security interest in the intellectual property, licenses and contracts listed in *Exhibit C* attached hereto and made a part hereof (the "**Collateral**") pursuant to the terms and conditions of this Agreement.

THEREFORE, the parties agree as follows

1. **Grant of Security Interest.** The Debtor hereby grants and transfers to the Secured Parties a security interest in the Collateral and in any Proceeds therefrom. For purposes of this Agreement, the term "Proceeds" shall include without limitation any income, royalties, proceeds or gain from the transfer, sale, assignment or license of the Collateral.

2. **Obligations Secured.** The obligations secured hereby are the payment and performance of: (a) the Ma Note and (b) the Huang Note (collectively the "**Obligations**").

3. **Termination.** This Agreement will terminate upon the payment in full of the Obligations.

4. **Representations and Warranties.** The Debtor represents and warrants to the Secured Parties that: (a) the has the corporate power and authority to grant a security interest in the Collateral and Proceeds; (b) the Debtor has not granted a security interest in the Collateral or the Proceeds except for the security interest granted hereby; and (c) except for the financing statement and assignment with respect to the security interest granted hereby, no financing statement or assignment covering any of the Collateral or Proceeds, and naming any secured party other than the Secured Parties, is on file in any public office.

5. **Covenants of the Debtor.**

(a) The Debtor agrees: (i) to pay all costs and expenses, including reasonable attorneys' fees, incurred by the Secured Parties in the preservation of the Collateral or the Secured Parties' interest therein and/or the realization, enforcement, and exercise of the Secured Parties' rights, powers and remedies hereunder; (ii) to permit the Secured Parties to exercise its rights under this Agreement; and (iii) to execute and deliver such documents as the Secured

Parties deem necessary to create, perfect and continue the security interests contemplated hereby.

(b) The Debtor agrees with regard to the Collateral and Proceeds, unless the Secured Parties agree otherwise in writing: (i) not to permit any lien on the Collateral or Proceeds, except for liens in favor of the Secured Parties; (ii) not to sell, hypothecate or otherwise dispose of, nor permit the transfer by operation of law (other than by merger or consolidation) of, any of the Collateral or any interest therein; and (iii) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit the Secured Parties to inspect the same and make copies thereof at any reasonable time. Nothing herein shall restrict in any way the Debtor's right to license any of the Collateral to a third party.

6. **Default.** The occurrence of any default in the payment or performance of any Obligation and the continuation of such default for a period of 30 days following written notice of such default given by the Secured Parties to the Debtor shall constitute an "Event of Default" under this Agreement.

7. **Remedies.** Upon the occurrence of an Event of Default, the Secured Parties shall have the right to declare immediately due and payable all or any Obligations secured hereby. The Secured Parties shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the California Uniform Commercial Code or otherwise provided by law, including without limitation, the right to contact all persons obligated to the Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to the Secured Parties. All rights, powers, privileges and remedies of the Secured Parties shall be cumulative. No delay, failure or discontinuance of the Secured Parties in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by the Secured Parties of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risks of such sales. While an Event of Default exists: (a) the Debtor will deliver to the Secured Parties for time to time, as requested by the Secured Parties, current lists of all Collateral and Proceeds, and (b) the Debtor will not dispose of any of the Collateral or Proceeds except on terms approved by the Secured Parties.

8. **Disposition of Collateral and Proceeds.** Upon the transfer of all or any part of the Obligations, the Secured Parties may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Secured Parties hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred Secured Parties shall retain all rights, powers, privileges and remedies herein given. Any proceeds of any disposition of any of the Collateral or Proceeds, or any part thereof, may be applied by Secured Parties to the payment of expenses incurred by

Secured Parties in connection with the foregoing, including reasonable attorney's fees, and the balance of such proceeds may be applied by the Secured Parties toward the payment of the Obligations in such order of application as the Secured Parties may from time to time elect.

9. **Statute of Limitations.** Until all Obligations shall have been paid in full, the power of sale and all other rights, powers, privileges and remedies granted to the Secured Parties hereunder shall continue to exist and may be exercised by Secured Parties at any time and from time to time irrespective of the fact that the Obligations or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Obligations secured hereunder.

10. **Miscellaneous.** (a) the Debtor hereby waives any right (i) except as provided herein, to require the Secured Parties to make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder; or (ii) to require proceedings against others or to require exhaustion of security; and (b) the Debtor hereby consents to extensions, forbearances or alterations of the terms of Obligations, the release or substitution of security, and the release of any guarantors; provided however, that in each instance, the Secured Parties believe in good faith that the action in question is commercially reasonable in that it does not unreasonably increase the risk of nonpayment of the Obligations to which the action applies. Until all Obligations shall have been paid in full, the Debtor shall not have any right of subrogation or contribution, and the Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Secured Parties.

11. **Necessary Acts.** All parties to this Agreement shall perform any and all acts as well as execute any and all documents that may be reasonably necessary to fully carry out the provisions and intent of this Agreement.

12. **Notices.** Any notice or other communication required or permitted to be given to any of the parties to this Agreement shall be deemed duly given if delivered in writing to such party personally, or to the duly authorized agent of such party, sent by facsimile or e-mail transmission at the number or e-mail address furnished by such party, or sent to such party by registered or certified mail, return receipt requested, postage prepaid and addressed to such party at such addresses as the respective parties may furnish from time to time.

13. **Benefit.** This Agreement shall inure to the benefit of, and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns.

14. **Reference Procedure.** If any controversy or claim arising out of this Agreement cannot be settled by the parties, the controversy or claim shall be heard by a referee pursuant to California Code of Civil Procedure ("CCP") sections 638 et seq. The parties shall endeavor to agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding or judgment thereon. If the parties are unable to agree on a referee, either party may seek to have one appointed pursuant to CCP sections 639 and 640. The cost of such proceedings shall initially be borne equally by the parties. However, the prevailing party shall be entitled to recover its contribution for the costs of the referee as an item of recoverable costs in addition to all other costs.

15. **Attorneys Fees.** Should any litigation or arbitration procedure be commenced between the parties to this Agreement concerning any provision hereto or the rights or obligations of any party, the party prevailing in such proceeding shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for his or her attorneys' fees and costs in such proceeding which shall be determined by the court or referee in such proceeding or in a separate action brought for that purpose.

16. **Entire Agreement.** This instrument constitutes the entire agreement of the parties hereto. Any prior agreements, promises, negotiations or representations concerning such subject matter not expressly set forth in this Agreement are of no force or effect.

17. **Severability.** Should any provision or portion of this Agreement be held unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

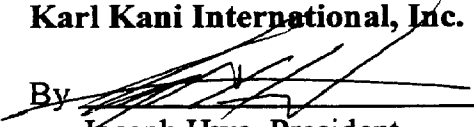
18. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of California.

19. **Counterpart Execution.** This Agreement may be executed contemporaneously in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

20. **Captions.** Any Section titles or captions contained in this Agreement are for convenience only, and shall not be deemed to be a part of the content of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first above written.

The DEBTOR:
Karl Kani International, Inc.

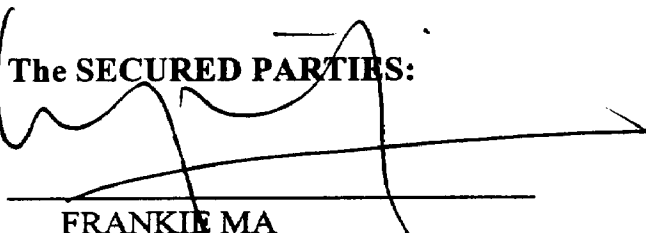
By 

Joseph Hwa, President

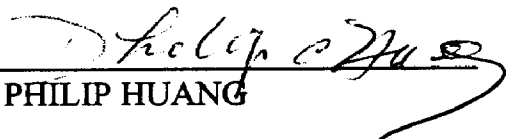
By 

Teddy Mang, CEO & Secretary

The SECURED PARTIES:



FRANKIE MA



PHILIP HUANG

17082008.1

SECURED PROMISSORY NOTE

\$720,000.00

City of Industry, California
January 1, 2001

UPON DEMAND, the undersigned, **Karl Kani International, Inc.**, a California corporation (the "**Payor**"), hereby promises to pay to **Frankie Ma**, or order (the "**Payee**"), in lawful money of the United States of America the sum of Seven Hundred Twenty Thousand Dollars (\$720,000.00), plus interest on any unpaid portion thereof, from and including the date hereof to the date of payment, at the rate of tenpercent (10%) per annum, payable monthly.

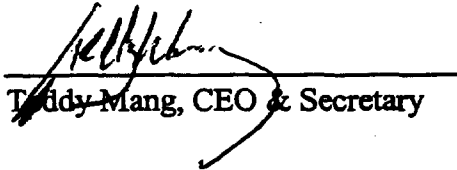
Unpaid interest shall be added to principal and shall thereafter bear interest. This note may be prepaid in whole or in part at any time without penalty. All payments shall be applied first to accrued interest and then to principal.

Either the Payor or the Payee shall have the right to credit this Note by any amounts payable by the Payee to the Payor under the terms of any license agreement or otherwise.

This Note is secured by the Collateral set forth in that certain Security Agreement (the "**Security Agreement**") dated as of the date hereof among the Payor as the Debtor and the Payee and Philip Huang as the Secured Parties.

Karl Kani International, Inc.

By 
Joseph Hwa, President

By 
Teddy Mang, CEO & Secretary

17082009.1

Exhibit A

TRADEMARK
REEL: 002302 FRAME: 0808

SECURED PROMISSORY NOTE

\$560,000.00

City of Industry, California
January 1, 2001

UPON DEMAND, the undersigned, **Karl Kani International, Inc.**, a California corporation (the "Payor"), hereby promises to pay to **Philip Huang**, or order (the "Payee"), in lawful money of the United States of America the sum of Five Hundred Sixty Thousand Dollars (\$560,000.00), plus interest on any unpaid portion thereof, from and including the date hereof to the date of payment, at the rate of ten percent (10%) per annum, payable monthly.

Unpaid interest shall be added to principal and shall thereafter bear interest. This note may be prepaid in whole or in part at any time without penalty. All payments shall be applied first to accrued interest and then to principal.

Either the Payor or the Payee shall have the right to credit this Note by any amounts payable by the Payee to the Payor under the terms of any license agreement or otherwise.

This Note is secured by the Collateral set forth in that certain Security Agreement (the "Security Agreement") dated as of the date hereof among the Payor as the Debtor and the Payee and Frankie Ma as the Secured Parties.

Karl Kani International, Inc.

By 

Joseph Hwa, President

By 

Teddy Mang, CEO & Secretary

17082010.1

Exhibit B

TRADEMARK
REEL: 002302 FRAME: 0809

EXHIBIT C
SCHEDULE OF TRADEMARKS AND/OR LICENSE MARKS
OF KARL KANI INTERNATIONAL, INC.

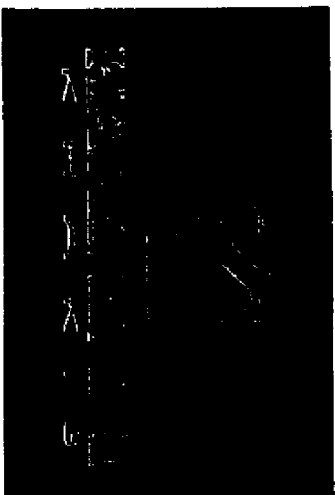
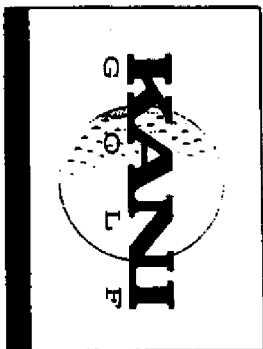
The trademarks and/or licensed marks comprising the collateral covered by the Financing Statement include the following trademarks, service marks and trade names alone or in combination with other words, symbols or designs including but not limited to:

1. KANI;
2. KARL KANI JEANS KANI 5-23-68 (and design);
3. KANI (stylized);
4. KARL KANI JEANS;
5. KARL KANI;
6. KARL JEANS;
7. Any mark registered and/or shown in USPTO Reg. No. 1,900,729; USPTO Reg. No. 1,977,058; USPTO Reg. No. 1,826,419; USPTO Reg. No. 1,813,812; USPTO App. No. 74/611,913 and USPTO App. No. 76/197,009; and
8. Those illustrated in the four (4) pages attached hereto.

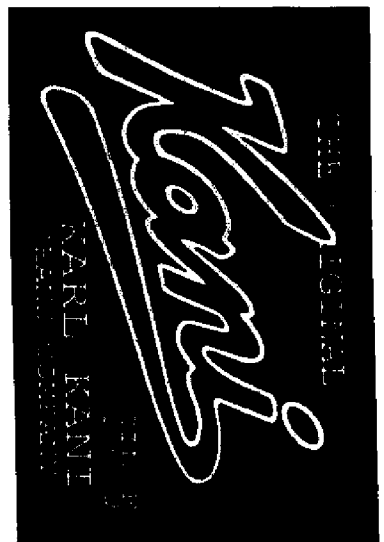
Such trademarks and/or licensed marks also include all applications for registration and registrations in any country in the world for the trademarks and/or licensed marks listed above including but not limited to all applications for registration, and the marks depicted therein.

Karl's Kani

Kani!
23



Kani!





**KARL KANI
JEANS**

*Karl Kani
Jeans*

Karl Kani

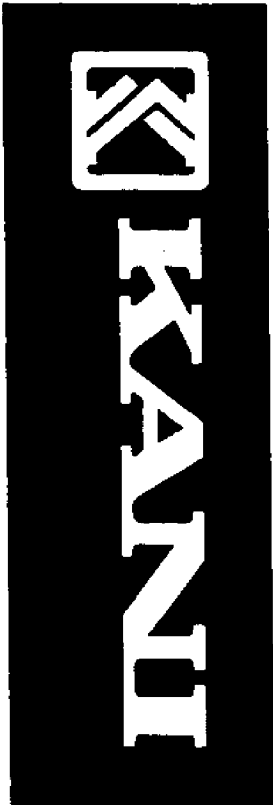


Kani Jeans

Karl Kani



KARL KANI



KANI JEANS

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