

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):

HSBC Bank USA, National Association
8 East 40th Street, 3rd Floor
New York, NY 10016

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

Citizenship (see guidelines) _____

Additional names of conveying parties attached? Yes No

3. Nature of conveyance /Execution Date(s) :

Execution Date(s) 12/22/2004

- Assignment
- Security Agreement
- Other Release By Secured Party
- Merger
- Change of Name

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: Hartstrings, LLC

Internal Address: _____

Street Address: 270 E. Conestoga Rd.

City: Stafford

State: Pennsylvania

Country: U.S.A. Zip: 19087

- Association Citizenship _____
- General Partnership Citizenship _____
- Limited Partnership Citizenship _____
- Corporation Citizenship _____
- Other LLC Citizenship Delaware

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)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)

77654042 and 77247548

B. Trademark Registration No.(s)

1417505, 1581559, 1718077, 1718256, 1944092, 2125126, 3160101 and 1638465

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

See additional sheet attached with descriptions for each of the Trademark Application Numbers and Registration Numbers listed in 4A & B.

5. Name & address of party to whom correspondence concerning document should be mailed:

Name: Monté T. Squire

Internal Address: Young Conaway Stargatt & Taylor, LLP

The Brandywine Building

Street Address: 1000 West St.

17th Floor

City: Wilmington

State: DE Zip: 19801

Phone Number: 302-571-6630

Fax Number: 302-576-3213

Email Address: msquire@ycst.com

6. Total number of applications and registrations Involved:

10

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 265

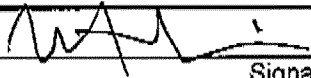
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

Deposit Account Number _____

Authorized User Name _____

9. Signature:


Signature

3/17/2011

Date

Monté T. Squire

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 28

OP \$265.00 7765404

2. Additional names, addresses or citizenship continued from Form PTO-1594

Hartstrings Nevis, LLC
270 E. Conestoga Rd.
Strafford, PA 19087
U.S.A.

4.C. Identification or Description of Trademark(s) continued from
PTO-1594

<u>Trademark Registration No.</u>	<u>Description</u>
1. 1417505	KITESTRINGS
2. 1581559	HEARTSTRINGS
3. 1718077	STAMP HEADS
4. 1718256	HARTSTRINGS
5. 1944092	HARTSTRINGS BABY
6. 2125126	K.C. PARKER
7. 3160101	CANDY HEARTS
8. 1638475	PEGGY HART

<u>Trademark Application No.</u>	<u>Description</u>
9. 77654042	GOT CANDY
10. 77247548	H

December 22, 2004

Hartstrings, LLC
270 East Conestoga Road
Strafford, Pennsylvania 19087
Attention: Chief Financial Officer

American Capital Strategies, Ltd.
2 Bethesda Metro Center, 14th Floor
Bethesda, Maryland 20814
Attention: Compliance Officer

Gentlemen:

Reference is made to the Credit Line ("Credit Line") by HSBC Bank USA, National Association, successor by merger to HSBC Bank USA ("HSBC") to Hartstrings, LLC ("Borrower") pursuant to: (a) the line letter dated November 21, 2003 between Borrower and HSBC, (b) the Demand Grid Note dated December 11, 2003 from Borrower to HSBC, (c) Continuing General Security Agreement dated December 11, 2003 by Borrower in favor of HSBC, and (d) the other instruments, documents and agreements relating to the Credit Line (as amended from time to time, collectively the "Credit Documents") pursuant to which HSBC has made loans and advances and provided other financial accommodations to Borrower, including, without limitation, issuing letters of credit, bankers' acceptances and other commercial credits (collectively, the "Bank Obligations").

Borrower and Hartstrings Nevis, LLC ("Nevis"; and together with Borrower, the "Obligors") have entered into financing arrangements with American Capital Financial Services, Inc., as administrative agent ("ACFS") for itself and American Capital Strategies, Ltd. ("ACAS"), ACAS Business Loan Trust 2002-2 ("2002-2 Trust"), ACAS Business Loan Trust 2003-1 ("2003-1 Trust"), ACAS Business Loan Trust 2003-2 ("2003-2 Trust"; and together with ACAS, the 2002-2 Trust, the 2003-1 Trust, the securities purchasers that are now and hereafter at any time parties to the Purchase Agreement (as defined below), each a "Purchaser" and collectively, the "Purchasers"), pursuant to the Amended and Restated Note and Equity Purchase Agreement dated as of October 28, 2002, as amended by the First Amendment to the Amended and Restated Note and Equity Purchase Agreement dated as of November 23, 2004 (as amended, the "Purchase Agreement").

Utilizing a portion of the loans provided by ACAS and the other Purchasers to Borrower, the Borrower has repaid certain of the Bank Obligations consisting of the outstanding principal amount of advances by HSBC to Borrower, accrued interest thereon and legal fees through November 23, 2004. ACAS also has delivered to HSBC a Guaranty (the "Guaranty") dated as of November 23, 2004 in favor of HSBC securing the obligations, liabilities and indebtedness of Borrower to HSBC arising in connection with the letters of credit issued under the Credit Line, which letters of credit as existing on the date hereof are more fully described on Schedule I annexed hereto (collectively the "Letters of Credit"). HSBC, Borrower, Nevis,

ACFS, as agent for itself and the Purchasers and ACAS also have executed a certain First Amendment to Subordination and Intercreditor Agreement dated as of November 23, 2004 (the "First Amendment to Intercreditor Agreement"), which amended that certain Subordination and Intercreditor Agreement dated as of November 26, 2003 (as amended, the "Intercreditor Agreement").

Pursuant to the terms of the Intercreditor Agreement and the Guaranty, HSBC has agreed in accordance with the terms of this agreement to release ACAS from the Guaranty and terminate its liens and security interests in the Bank Collateral (as defined in the Intercreditor Agreement) upon the delivery of cash collateral in an amount equal to 105% of the aggregate face amount of the Letters of Credit.

On the date hereof, ACAS desires to deposit with HSBC such cash collateral. Unless otherwise defined herein, initially capitalized terms shall have the meanings set forth in the Intercreditor Agreement.

In consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned hereby agrees as follows:

1. Cash Collateral and Pledge Agreement. (a) ACAS shall deliver or cause to be delivered to HSBC the amount of \$2,499,265.38 (the "Cash Collateral") to secure and provide a direct source of payment in connection with the Surviving Obligations (as defined in Section 4 hereof) including, but not limited to, the obligations, liabilities and indebtedness of Borrower arising in connection with the Letters of Credit. The Cash Collateral shall be deposited with HSBC into the account ("Bank Account") to be established pursuant to the Pledge Agreement (as defined below) by wire transfer of immediately available funds (together with notification to us of the applicable wire transfer reference number) in accordance with the following instructions:

HSBC Bank USA, National Association
Buffalo, New York
ABA Routing No.: 021-001088
Account No.: 713-000457
Re: American Capital/Hartstrings, LLC
Attn: Kevin J. Ayers (phone 212-525-1432)

(b) On the date hereof, ACAS and Borrower shall execute and deliver to HSBC a Pledge Agreement and Deposit Account Security Agreement in the form of Exhibit A annexed hereto ("Pledge Agreement") and ACAS shall establish the Bank Account at HSBC into which the Cash Collateral shall be held and controlled by HSBC, as security for the payment and satisfaction of the Surviving Obligations.

2. Releases. (a) Subject to the terms and conditions contained herein, (i) HSBC hereby cancels the Guaranty, (ii) the financing arrangements provided to Borrower by HSBC pursuant to the Credit Line and the Credit Documents are hereby terminated, cancelled and of no further force and effect except for those provisions of the Credit Documents relating to

the Surviving Obligations, (iii) HSBC shall have no further obligation to make any loans or provide any other financial accommodations to Borrower, (iv) HSBC shall have no other obligations, duties or responsibilities in connection with the Credit Documents except with respect to the Surviving Obligations, and (v) all security interests and liens upon any and all properties and assets of Borrower heretofore granted by Borrower to HSBC pursuant to the Credit Documents are hereby released and terminated. Nothing contained in clauses (i) through (v) above or otherwise herein is intended to in any way affect any obligations, liabilities or indebtedness of Borrower arising under any instrument or agreement other than the Credit Documents; provided, that if any court or tribunal, including, without limitation, a bankruptcy court, shall determine that any payment or other amount of value received by HSBC from or for the account of Borrower or ACAS or with respect to the Credit Documents should be rescinded, voided, or rendered void or voidable as a preferential transfer, impermissible set-off, or fraudulent conveyance, or must otherwise be returned or disgorged by HSBC for any reason, including, without limitation, the insolvency, bankruptcy, or reorganization of any of Borrower, Nevis or any other holding company of Borrower or Nevis, then, notwithstanding the foregoing, the indebtedness intended to be repaid thereby shall be reinstated (without any further action by any party), the Borrower shall remain fully liable to HSBC for the amount of such payment and if (A) any payment from Borrower or for the account of Borrower with respect to the Obligations (as such term is defined in the Guaranty) must be returned or disgorged by HSBC for any such reasons or (B) the Bank Account, any proceeds thereof or any payments from the Cash Collateral are required to be returned by HSBC to ACAS, its estate, trustee or receiver or any other party claiming on behalf of ACAS (but only to the extent of recovery by such other party claiming on behalf of ACAS is remitted to or received by ACAS, its estate, trustee or receiver), under any bankruptcy law, equitable cause or any other law, then to the extent, but only to the extent, of such payment or repayment under the aforesaid clauses (A) and (B) (the "Disgorged Amount") and without duplication of any reinstatement obligations under the Pledge Agreement, the Guaranty shall be reinstated to the extent of the Disgorged Amount as if such Cash Collateral were never pledged to HSBC under this agreement and ACAS shall remain fully liable to Lender with respect to Borrower's obligations under the Letters of Credit to the extent of the Disgorged Amount pursuant to the terms of the Guaranty.

(b) Borrower hereby releases, discharges and acquits HSBC, its officers, directors, agents and employees and its and their respective successors, assigns, heirs, administrators or executors from all obligations and any and all claims, demands, debts, accounts, contracts, liabilities, actions and causes of actions, whether in law or in equity, that Borrower at any time had or has, or that their respective successors, assigns, heirs, administrators or executors hereafter can or may have against HSBC, its officers, directors, agents or employees and its and their respective successors, assigns, heirs, administrators or executors.

3. Delivery of Documents. HSBC agrees to deliver to Borrower or ACFS, upon the receipt of the Cash Collateral and Pledge Agreement, the following:

(a) Uniform Commercial Code releases and/or terminations in form acceptable for filing covering all financing statements which have been filed by HSBC against Borrower; and

(b) such other releases and terminations with respect to the assets of Borrower under the Credit Documents as Borrower or ACFS shall reasonably request.

4. Surviving Obligations. Notwithstanding anything to the contrary contained herein, Borrower is not released from, and hereby ratifies and confirms its continuing liability to HSBC for full and indefeasible payment and performance of, the following (collectively, the "Surviving Obligations"):

(a) all obligations of Borrower arising in connection with the Letters of Credit, including (i) the obligations to reimburse HSBC for amounts paid or payable by HSBC to the beneficiary in respect of amounts drawn under the Letters of Credit, which amounts shall be due and payable by Borrower to HSBC immediately upon any such drawing under the Letters of Credit and (ii) all reasonable and customary HSBC fees, charges and expenses accrued and accruing in respect of the Letters of Credit;

(b) interest (at the interest rate provided for in Credit Documents) upon all amounts owed to HSBC in respect of any future drawings under the Letters of Credit or otherwise becoming due in respect of the Surviving Obligations, which interest shall accrue from the date each such amount is due, until HSBC has been repaid or reimbursed in immediately available funds with respect to such Letters of Credit;

(c) all obligations of Borrower to HSBC hereunder, including without limitation, the obligations described in Sections 5, 6 and 8 hereof; and

(d) all reimbursement and indemnification obligations and other obligations in favor of HSBC that, pursuant to the terms of the Credit Documents as in effect immediately prior to the effectiveness hereof, survive the termination of the Credit Documents under which they arise, as the case may be.

5. Indemnification for Returned Items and Related Expenses. Borrower agrees to indemnify HSBC from any and all loss, cost, damage or expense (including reasonable attorneys' fees and expenses) which HSBC may suffer or incur at any time as a result of any non-payment, claim, refund or dishonor of any checks or other similar items which have been credited by HSBC to the account of Borrower with HSBC, together with any expenses or other charges incident thereto and in addition, Borrower agrees to pay HSBC on demand all costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with this agreement, and any instruments or documents contemplated hereunder.

6. Additional Provisions Regarding Letters of Credit. (a) Without limiting the rights of HSBC elsewhere in this agreement, the Pledge Agreement or under the Credit Documents in respect of the Surviving Obligations, HSBC is hereby irrevocably authorized to draw on the Cash Collateral in the Bank Account from time to time to reimburse HSBC for and satisfy the obligations of Borrower arising in connection with the Letters of Credit, including the obligations set forth in Section 4(a) hereof. So long as sufficient funds are available in the Bank Account for such drawing and reimbursement, HSBC shall look first to the Bank Account for reimbursement and satisfaction of the aforesaid obligations with respect to the Letters of Credit, provided that if there are no funds remaining in the Bank Account or if HSBC is unable for any

reason to draw upon or apply funds from the Bank Account, HSBC shall be entitled to exercise all of its rights and remedies.

(b) Borrower, ACFS and ACAS hereby acknowledge and agree that HSBC has no obligation, to authorize any amendment or extension of, or waiver of discrepancies in documents presented under, any of the Letters of Credit except as provided in the Intercreditor Agreement, but in the case of authorization of any amendments or waivers of discrepancies may do so, upon the request of Borrower, in HSBC's sole discretion. Except as expressly permitted pursuant to Section 4 of the First Amendment to Intercreditor Agreement, HSBC shall have no obligation to, and does not intend to, issue any additional Letters of Credit and, accordingly, Borrower shall make such arrangements as it deems appropriate in order to obtain any goods which may arrive before presentation of documents in connection with transactions covered by any of the Letters of Credit. Furthermore, HSBC shall not accept or cause the acceptance of any future requests from Borrower or ACAS concerning the Letters of Credit, including requests for amendments, modifications or extensions of any of the terms thereof, unless such requests have been given in writing, or consented to, by HSBC and in any event all such requests shall be subject to HSBC's discretion. To the extent any Letters of Credit are amended to increase the face amount thereof or to extend the expiration date thereof beyond April 30 2005, or to the extent that any additional letter of credit is issued by HSBC for the account of Borrower, provided that the consent of ACAS has been obtained for the foregoing, ACAS shall immediately deliver to HSBC additional cash collateral equal to 105% of the increased face amount of any such amended or extended Letter of Credit or 105% of the face amount of any such additional letters of credit to secure the Surviving Obligations relating thereto and such additional cash collateral shall be deemed to be Cash Collateral hereunder.

(c) Borrower hereby agrees to indemnify HSBC and hold HSBC harmless from and against all loss, cost, damage or expense (including attorneys' fees and expenses) which HSBC may suffer or incur, directly or indirectly, under or in connection with this agreement, the transactions contemplated hereby and the Letters of Credit, except for such loss, cost, damage or expense arising solely from HSBC's gross negligence or willful misconduct. Any such claims for indemnification shall be paid directly to HSBC by Borrower upon demand, together with interest (at the interest rate provided for in the Credit Documents) from the date of demand.

7. Rights in Instruments. Notwithstanding anything to the contrary contained herein, HSBC reserves all of its rights in and to any checks or similar instruments for payment of money heretofore received by HSBC in connection with its arrangements with Borrower, and all of its rights to any monies due or to become due under said checks or similar instruments and/or all of its claims thereon.

8. Intentionally Deleted.

9. Conditions Precedent. The effectiveness of the releases contained in Section 2(a) above and any UCC termination statements or other release documents delivered in connection herewith is subject to and conditioned upon the receipt by HSBC of: (a) the Cash Collateral in the amounts set forth in Section 1(a) above, (b) an original Pledge Agreement, duly

authorized, executed and delivered by Borrower and ACAS, and (c) an original of this letter fully executed by the parties hereto.

10. Counterparts. This agreement may be executed in any number of counterparts, each of which shall be deemed to be an original hereof and admissible into evidence and all of which together shall be deemed to be a single instrument.

11. Governing Law. This agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the conflict of law provisions thereof.

12. Severability. Any provision of this agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this agreement and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

13. **JURY TRIAL WAIVER** EACH OF THE PARTIES HERETO WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY CONNECTED TO, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF.

Very truly yours,

HSBC BANK USA, NATIONAL ASSOCIATION

By: Kevin J. Ayers
Kevin J. Ayers, Vice President

ACKNOWLEDGED AND AGREED:

AMERICAN CAPITAL STRATEGIES, LTD.

By: _____
Name:
Title:

HARTSTRINGS, LLC

By: _____
Name:
Title:

AMERICAN CAPITAL FINANCIAL SERVICES, INC.,
as Agent

By: _____
Name:
Title:

NYC Doc. # 287023.7

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13. JURY TRIAL WAIVER. EACH OF THE PARTIES HERETO WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY CONNECTED TO, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF.

Very truly yours,

HSBC BANK USA, NATIONAL ASSOCIATION

By _____
Kevin J. Ayers, Vice President

ACKNOWLEDGED AND AGREED:

AMERICAN CAPITAL STRATEGIES, LTD.

By: _____
Name:
Title:

HARTSTRINGS, LLC

By: Jean M Lewis
Name: Jean M Lewis
Title: CFO

AMERICAN CAPITAL FINANCIAL SERVICES, INC.,
as Agent

By: _____
Name:
Title:

13. JURY TRIAL WAIVER. EACH OF THE PARTIES HERETO WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY CONNECTED TO, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF.

Very truly yours,

HSEC BANK USA, NATIONAL ASSOCIATION

By _____
Kevin J. Ayers, Vice President

ACKNOWLEDGED AND AGREED:

AMERICAN CAPITAL STRATEGIES, LTD.

By: _____
Name: *Gordon O'Brien*
Title: *Senior Vice President*

HARTSTRINGS, LLC

By: _____
Name:
Title:

AMERICAN CAPITAL FINANCIAL SERVICES, INC.,
as Agent

By: _____
Name: *Gordon O'Brien*
Title: *Senior Vice President*

SCHEDULE I**Letters of Credit**

<u>Letter of Credit Number</u>	<u>Name of Beneficiary</u>	<u>Outstanding \$ Amount</u>
HKH 662054	DILSHAN APPARELS PVT LTD	-0-
HKH 662055	NASNA IMPEX GARMENTS IND.	4,295.46
HKH 662056	TULIP APPARELS	-0-
HKH 662061	GOYAL KNITWEARS LIMITED	200.00
HKH 662074	TACK FAT SWIMWEAR MFG LTD	5,108.62
HKH 662078	CORPORATION TEXTIL DEL NORTE SAC	2,865.33
HKH 662079	DILSHAN APPARELS(PVT)LTD.	18,968.77
HKH 662080	NASNA IMPEX GARMENTS IND.	43,526.81
HKH 662081	S.D. APPAREL CONSULTANTS PVT.LTD.	94,852.01
HKH 662083	TACK FAT SWIMWEAR MFG.LTD.	36,729.00
HKH 662084	TULIP APPARELS	184,916.38
HKH 662086	GOLDEN GLOBE HOLDINGS LTD.	-0-
HKH 662088	PERUVIAN COTTON EXPORT S.A.C.	219,456.68
HKH 662089	TEXTIL POLITEX SAC	303,363.52
HKH 662090	GOLDEN GLOBE HOLDINGS LTD.	16,783.55
HKH 662091	GOLDEN GLOBE HOLDINGS LTD.	3,113.96
HKH 662092	GOLDEN GLOBE HOLDINGS LTD.	27,369.19
HKH 662093	GOLDEN GLOBE HOLDINGS LTD.	4,892.70
HKH 662094	S.D. APPAREL CONSULTANTS PVT.LTD.	217,687.38
HKH 662095	CORPORATION TEXTIL DEL NORTE SAC	83,985.20
HKH 662096	ATA APPAREL INTERNATIONAL	50,614.70
HKH 662097	GOLDEN GLOBE HOLDINGS LTD.	256,280.93
HKH 662098	GOLDEN GLOBE HOLDINGS LTD.	232,116.79
HKH 662099	NASNA IMPEX GARMENTS IND.	56,276.85
HKH 662100	TULIP APPARELS	34,939.80
HKH 662101	GOLDEN GLOBE HOLDINGS LTD.	216,634.69
HKH 662102	GOLDEN GLOB HOLDINGS LTD.	265,274.42
	TOTAL	\$2,380,252.74

EXHIBIT A
FORM OF PLEDGE AGREEMENT

**PLEDGE AGREEMENT
AND DEPOSIT ACCOUNT SECURITY AGREEMENT**

THIS PLEDGE AGREEMENT AND DEPOSIT ACCOUNT SECURITY AGREEMENT (this "Pledge Agreement") is made and entered into as of December 22, 2004 by and among HARTSTRINGS, LLC, a Delaware limited liability company, with an address at 270 East Conestoga Road, Stratford, Pennsylvania 19087 ("Borrower"), AMERICAN CAPITAL STRATEGIES, LTD., a Delaware limited liability company, with an address at 2 Bethesda Metro Center, 14th Floor, Bethesda, Maryland 20814 ("Pledgor") and HSBC BANK USA, NATIONAL ASSOCIATION, a bank organized under the laws of the United States of America, successor by merger to HSBC Bank USA, with offices at 8 East 40th Street, New York, New York 10016 ("Lender").

RECITALS

- A. This Pledge Agreement is given in connection with a credit line that has been provided by Lender to Borrower (the "Credit Line") pursuant to a line letter dated November 21, 2003 and a letter agreement of even date herewith among Borrower, Lender, Pledgor and American Capital Financial Services, Inc., as agent (the "Letter Agreement").
- B. In connection with the Credit Line, Borrower, Pledgor and Lender, among others, entered into a First Amendment to Subordination and Intercreditor Agreement dated as of November 23, 2004, which amended the Subordination and Intercreditor Agreement, dated as of November 26, 2003 (as amended, the "Intercreditor Agreement"), pursuant to which Pledgor, among other things, delivered a Guaranty dated November 23, 2004 (the "Guaranty") in favor of Lender securing, among other obligations, certain obligations, liabilities and indebtedness, and the performance of all obligations and agreements, of Borrower to Lender under the letters of credit listed on Schedule I hereto ("Credits").
- C. Pursuant to the terms of the Intercreditor Agreement and the Guaranty, the Lender has agreed to release Pledgor from the Guaranty and terminate its liens and security interests in the Bank Collateral (as defined in the Intercreditor Agreement) upon delivery by Pledgor to Lender of cash collateral in an amount equal to 105% of the aggregate face amount of the Credits.
- D. Pledgor desires to deposit with Lender such cash collateral in the deposit account described in Exhibit A hereto (such deposit account, including any replacements or substitutions thereof from time to time, is hereinafter referred to as the "Bank Account") with the Lender as the depository bank (the "Depository"), in the name of Lender for the benefit of Pledgor, as a blocked account as to which only Lender will have the right to withdraw funds and into which the cash collateral shall be deposited.
- E. As a condition to releasing Pledgor from the Guaranty, Lender is requiring Pledgor to grant a security interest in the Bank Account and all Pledgor's rights represented by the Bank Account to Lender to secure the repayment and performance of the Secured Obligations (as defined in Section 2 of this Pledge Agreement).

F. Borrower is executing this Pledge Agreement to, among other things, acknowledge the agreement of the parties hereto that Lender shall have the right as set forth herein and the Credit Documents (as defined in the Intercreditor Agreement) to withdraw and apply funds from the Bank Account to repay any reimbursement obligations of Borrower with respect to the Credits or any other obligations of Borrower or Pledgor that are due hereunder or under the Letter Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, and intending to be legally bound hereby, Pledgor, Borrower and Lender hereby agree as follows:

- 1. INCORPORATION OF RECITALS; DEFINITIONS.** The Recitals set forth above are hereby fully incorporated by reference into this Pledge Agreement and shall be deemed to constitute a part of this Pledge Agreement. Unless otherwise defined herein, initially capitalized terms used in this Pledge Agreement shall have the meanings set forth in the Intercreditor Agreement.
- 2. GRANT OF SECURITY INTEREST.** As security for the full and punctual payment when due, whether at stated maturity or earlier, of all the obligations, liabilities and indebtedness, and performance of all obligations and agreements, of Borrower to Lender under the Credits, any additional Credits issued by Bank in connection with such Credits and all claims of Lender against Borrower in connection with such Credits, now existing or hereafter arising, whether direct or indirect, absolute or contingent, joint or several, monetary or non-monetary, arising out of contract, tort, by operation of law or otherwise, all extensions, renewals, refundings, replacements and modifications of such Credits and all advances made in connection with Borrower's reimbursement obligations under the Credits and Pledgor's obligations hereunder (the "Secured Obligations"), Pledgor hereby grants, pledges, and assigns to Lender a security interest (which shall remain a continuing senior security interest) in and to all Pledgor's right, title and interest to the Bank Account and proceeds and products thereof, all rights to any and all funds and balances therein, including, but not limited to, all interest derived therefrom, if any, and any "Investment Property" and/or "Financial Assets" within the meaning of the Uniform Commercial Code of New York or similar or equivalent legislation in effect in any applicable jurisdiction ("UCC") in which the Bank Account may be invested or reinvested, and any other personal property rights represented by Pledgor's rights to the Bank Account. This Pledge Agreement constitutes a security agreement pursuant to the UCC, and Lender shall have all the rights of a secured party thereunder. The Bank Account shall constitute a "Deposit Account," as defined in Section 9-102(a)(29) of the UCC. The security interest granted to Lender hereunder in the Bank Account shall be perfected by means of control pursuant to Section 9-104 of the UCC.
- 3. ESTABLISHMENT OF BANK ACCOUNT; NO TRANSFER.** Pledgor hereby represents and warrants and covenants to Lender that Pledgor has not previously and shall not sell, transfer, pledge, grant a security interest in, hypothecate, encumber or otherwise convey its right, title or interest in the Bank Account to any other Person without the prior written consent

of Lender. Any such attempt to so convey without such prior written consent shall be void, unenforceable, and of no legal effect, and, at the option of Lender, shall constitute an Event of Default hereunder.

4. BLOCKED ACCOUNT; LENDER'S RIGHT TO WITHDRAW. The Bank Account shall be a blocked account, held in the name of Lender for the benefit of Pledgor, but Lender shall be the sole signatory thereon and the Bank Account shall be subject to the exclusive control of Lender. Neither Pledgor, manager nor any other Person except Lender shall have the power to withdraw funds from the Bank Account. Borrower hereby irrevocably appoints Lender as its attorney-in-fact, coupled with an interest, to withdraw funds (or give other instructions to the Depository) in order to apply such funds as are in the Bank Account from time to time in accordance with Section 6 of the Letter Agreement to satisfy Borrower's reimbursement obligations with respect to the Credits as and when the same become due, and to otherwise satisfy any other Secured Obligations which have not been satisfied or performed by Borrower in accordance with the Credit Documents. Without limiting the foregoing, at any time after an Event of Default, Lender may apply the balance in the Bank Account, in whole or in part, which payment Lender may apply, in its sole discretion and, after an Event of Default, to repayment of the Credits and other Secured Obligations.

5. RESERVED.

6. ADDITIONAL DOCUMENTS. Pledgor hereby agrees to execute such other documents as may be reasonably requested by Lender to give effect to the agreements contained herein and to perform such other acts as may be deemed reasonably necessary or appropriate by Lender to continue or enforce its assigned rights or perfect the security interests granted hereunder.

7. EVENT OF DEFAULT. The following, at the option of Lender, and except as set forth below, without notice or demand to Pledgor or Borrower shall constitute an Event of Default hereunder (each, an "Event of Default"):

7.1 The failure of Borrower to immediately reimburse Lender for any drawing made under any of the Credits or if there are no funds remaining in the Bank Account or HSBC is unable for any reason to apply or draw upon the Bank Account to reimburse for and satisfy the obligations of Borrower arising in connection with any drawing made under any of the Credits.

7.2 The breach or other default by Borrower or Pledgor of any covenant or other provision or condition herein, in the Letter Agreement or in the Intercreditor Agreement and the failure to fully cure such breach or default within five (5) days after written notice thereof.

7.3 The (i) cessation of operations of Pledgor's business as conducted on the date of this Agreement; (ii) filing by Pledgor of a petition or request for liquidation, reorganization, arrangement, adjudication as a bankrupt, relief as a debtor, or other relief under the bankruptcy, insolvency, or similar laws of the United States of America or any state or territory thereof or any foreign jurisdiction now or hereafter in effect; (iii) making by Pledgor of a general assignment for the benefit of creditors; (iv) consent by Pledgor to the appointment of a receiver or trustee, including, without limitation, a "custodian," as defined in the Federal Bankruptcy

Code, for Pledgor or any of Pledgor's assets; (v) making of any, or sending of any, notice of any intended, bulk sale by Pledgor; or (vi) execution by Pledgor of a consent to any other type of insolvency proceeding (under the Federal Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, or settlement of, claims against or winding up of affairs of, Pledgor.

7.4 (i) The appointment of a receiver, trustee, custodian, or officer performing similar functions, including, without limitation, a "custodian," as defined in the Federal Bankruptcy Code, for Pledgor or any of Pledgor's assets; or the filing against Pledgor of a request or petition for liquidation, reorganization, arrangement, adjudication as a bankrupt, or other relief under the bankruptcy, insolvency, or similar laws of the United States of America, any state or territory thereof, or any foreign jurisdiction now or hereafter in effect; or of any other type of insolvency proceeding (under the Federal Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of Pledgor shall be instituted against Pledgor; and (ii) such appointment shall not be vacated, or such petition or proceeding shall not be dismissed, within thirty (30) days after such appointment, filing, or institution.

8. **REMEDIES.** Upon the occurrence of an Event of Default, Lender, at its option, shall have all the rights of a secured creditor under the UCC, including, but not limited to, the right to apply the balance of the Bank Account in accordance with Section 9-607(a) of the UCC for application to the payment of the Secured Obligations. Lender shall have all the rights and remedies of "Secured Party" under the UCC, including, but not limited to the right to give unilateral instructions to the Depository in accordance with the terms herein and/or therein set forth. Nothing herein shall require Lender to:

8.1 Proceed against Borrower, Pledgor, any other obligor with respect to the Credits or the Credit Line or any other Person or entity, provided that any liability of and recourse to Pledgor shall be limited to the Bank Account; or

8.2 Exhaust the Bank Account or any other security held by Lender from Borrower or any other Person or entity in any order; or

8.3 Marshal any of Borrower's assets or any guarantor's assets or proceed against any of the other security for the Secured Obligations before proceeding under this Pledge Agreement, or to proceed against Borrower or any guarantor in a particular order; or

8.4 Pursue any other remedy in Lender's power whatsoever; and Borrower and Pledgor each waive any right or rights, to the extent it otherwise has such rights, to require Lender to proceed in any manner whatsoever, or otherwise inconsistent with the foregoing.

9. **SUCCESSORS AND ASSIGNS.** The provisions of this Pledge Agreement shall be binding upon and shall inure to the benefit of Pledgor, Borrower and Lender and their respective successors and assigns.

10. **MODIFICATION.** This Pledge Agreement may not be amended, modified, or changed, except only by an instrument in writing and signed by the party against whom enforcement of any amendment, change or modification is sought.

11. IRREVOCABLE; PROVISION FOR RELEASE. Borrower hereby acknowledges and agrees that the assignment and grant of security interest in the Bank Account made under this Pledge Agreement is irrevocable. Upon the earlier of (i) the release by Lender of all funds in the Bank Account pursuant to this Pledge Agreement or the other Credit Documents or (ii) the expiration of the Credits and the payment in full of the Credit Line and the other Secured Obligations, upon written request by Pledgor, Lender shall terminate this Pledge Agreement.

12. NOTICES. All notices to be given hereunder shall be delivered by hand, or sent to the party to be notified, via certified mail, return receipt requested or sent by recognized overnight courier which provides evidence of receipt and shall be deemed given when delivered by hand or one (1) business day after delivery to such recognized overnight courier or three (3) days after being posted with the United States Postal Service addressed to the parties as follows:

If to the Lender:	HSBC Bank USA, National Association 8 East 40th Street, 3rd Floor New York, New York 10016 Attn.: Kevin J. Ayers Fax: (212) 525-1332
With a copy to:	Phillips Lytle LLP 437 Madison Avenue, 34th Floor New York, New York 10022 Attn: Chester L. Cobb, Esq. Fax: (212) 308-9079
If to the Borrower:	Hartstrings, LLC 270 East Conestoga Road Stratford, Pennsylvania 19087 Attn: Chief Financial Officer Fax: (610) 902-3979
If to the Pledgor:	American Capital Strategies, Ltd. 2 Bethesda Metro Center, 14th Floor Bethesda, Maryland 20814 Attn: Compliance Officer and Kenneth Pollock, Esq. Fax: (212) 310-8007
With a copy to:	Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, New York 10153 Attn: Christopher Aidun, Esq. Fax: (212) 310-8007
If to the Depository:	To the address set forth in Exhibit A attached hereto

13. GOVERNING LAW. This Pledge Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the conflict of law provisions thereof, except to the extent that federal laws preempt the laws of the State of New York. Notwithstanding any other choice of law contained in any account agreement between Borrower and Depository and pertaining to the Bank Account, this Pledge Agreement, and perfection, the effect of perfection or non-perfection, and the priority of a security interest in a deposit account or securities account maintained with Depository, shall be governed by and construed in accordance with the internal laws of the State of New York (without regard to its conflict of laws principles). All references to the UCC or the Uniform Commercial Code or other law of any state shall mean such laws as amended and in effect from time to time.

14. JURY TRIAL WAIVER; CONSENT TO JURISDICTION. EACH OF THE PARTIES HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE BANK ACCOUNT, THIS PLEDGE AGREEMENT OR THE OTHER CREDIT DOCUMENTS. ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST BORROWER, PLEDGOR OR LENDER ARISING OUT OF OR RELATING TO THIS PLEDGE AGREEMENT MAY AT LENDER'S OPTION BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND EACH OF THE PARTIES HERETO HEREBY WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING.

15. COUNTERPARTS. This Pledge Agreement may be executed in one or more counterparts, each of which shall constitute an original but all of which together shall constitute a single Pledge Agreement.

16. SURETYSHIP. To the extent that Pledgor may be deemed to be a surety under this Pledge Agreement, the following provisions shall be applicable:

16.1 Pledgor authorizes the Lender and Borrower, without notice or demand and without affecting its liability hereunder, from time to time to: (i) amend, alter, restate, replace, modify, renew, extend, accelerate or otherwise change the time for payment or the terms of the Secured Obligations or any part thereof (it being agreed that any amendments to the Credits increasing the face amount thereof or extending the expiration date thereof beyond April 30, 2005 and any new Credits are subject to the terms and provisions of Section 6(b) of the Letter Agreement); (ii) accept partial payments on the Secured Obligations; (iii) accept new or additional documents, instruments or agreements relative to the Secured Obligations; (iv) take and hold security or additional guaranties for the payment of the Secured Obligations, and amend, alter, exchange, substitute, transfer, enforce, waive, subordinate, terminate, modify and release in any manner any such security or guaranties; (v) apply such security and direct the order or manner of sale thereof as Lender in its sole discretion may determine; (vi) release or substitute any one or more of any guarantor or Borrower; (vii) settle, release on terms satisfactory to Lender (or by operation of law or otherwise), compound, compromise, collect or otherwise liquidate any indebtedness or letter of credit, or security or any other source of

payment in any manner, consent to the transfer of security and bid and purchase at any sale, without affecting or impairing the obligations Pledgor hereunder; or (viii) enforce any other right or remedy granted to the Lender under any other Credit Documents. No such action which the Lender shall take or fail to take in connection with the Credit Documents, or any of them, or any security for the obligations or other undertakings of Pledgor or Borrower, or any course of dealing with Pledgor or Borrower or any course of dealing with Pledgor or Borrower or any other Person, shall release Pledgor's obligations hereunder, affect this Pledge Agreement or in any way afford Pledgor any recourse against the Lender.

16.2 Pledgor waives any right to require the Lender to: (i) proceed against any Person; (ii) proceed against or exhaust any security for the Secured Obligations; (iii) give notice of the terms, time and place of any public or private sale of any personal property securing the Secured Obligations; or (iv) pursue any other remedy in the Lender's power whatsoever. Pledgor expressly waives any right to participate in any security now or hereafter held by the Lender, and further waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim under local, state or federal law, which it may now or hereafter have against Borrower or any other Person directly or contingently liable for the Secured Obligations until all of the Secured Obligations have been paid or satisfied in full. Pledgor expressly waives all suretyship defenses it would otherwise have under New York law, or the law of any other jurisdiction. All of the foregoing statutory and other waivers are only to the extent permitted by applicable law from time to time.

16.3 In addition to and not in limitation of other waivers contained in this Agreement, Pledgor hereby waives and relinquishes:

16.3.1 Pledgor's rights of subrogation, reimbursement, indemnification and contribution and any other rights and defenses that are or may become available to Pledgor by reason of any specific statutes pertaining to the rights of sureties.

16.3.2 Any rights or defenses Pledgor may have in respect of its obligations as a guarantor or other surety by reason of any election of remedies by the Lender.

16.3.3 Any right Pledgor may have to the benefits of any statutory provision limiting the right of Lender to proceed against any Person obligated for payment of the Secured Obligations.

16.4 Notwithstanding anything to the contrary contained in this Section 16, in the event of any inconsistency between the terms and conditions of this Section 16 and the Intercreditor Agreement, this Pledge Agreement shall govern and control.

17. RELEASE AND ACCOUNTING. On a bi-monthly basis within three (3) business days after receipt of Lender of Borrower's report to Lender with respect to the outstanding Credits, Lender shall provide to Pledgor a report with respect to the outstanding Credits and the amount as of such date of determination equal to 105% of the aggregate face amount of all Credits. Upon Pledgor's written request, Lender shall deliver to Pledgor the amount, if any, in the Bank Account in excess of the amount equal to 105% of the aggregate face amount of all Credits. Borrower shall cooperate with Lender in confirming and reconciling the reports to be

prepared by Lender hereunder with the respect to the Credits and shall provide information with respect to any requested amendments to any Credits.


18. ADDITIONAL PROVISIONS REGARDING CREDITS. To the extent any Credit are amended to increase the face amount thereof or any additional letter of credit is issued by HSBC for the account of Borrower in accordance with Section 6 of the Letter Agreement, Pledgor shall immediately deliver to HSBC cash collateral in the amount equal to 105% of (i) the increase in the face amount of such amended Credit or (ii) the face amount of such new Credit to secure the Secured Obligations relating thereto and such additional cash collateral shall be deposited into the Bank Account and held by Lender pursuant to the terms and provisions of this Pledge Agreement.

19. REINSTATEMENT OF PLEDGE. Pledgor further agrees that, if (i) any payment made by Borrower and applied to the Obligations (as such term is defined in the Guaranty) is at any time annulled, voided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or (ii) the Bank Account or any proceeds thereof are required to be returned by Lender to Pledgor, its estate, trustee or receiver or any other party claiming on behalf of Pledgor (but only to the extent of recovery by such other party claiming on behalf of ACAS is remitted to or received by ACAS, its estate, trustee or receiver), under any bankruptcy law, equitable cause or any other law, then, to the extent, but only to the extent, of such payment or repayment under clauses (i) and (ii) (the "Disgorged Amount") and without duplication of any reinstatement obligations under the Letter Agreement, Pledgor's liability hereunder (and any lien or collateral securing such liability) shall be and remain in full force and effect to the extent of the Disgorged Amount, as fully as if such payment had never been made. If, prior to any of the foregoing, this Pledge Agreement shall have been terminated (and if any such lien or collateral shall have been released or terminated), this Pledge Agreement (and such lien and collateral) to the extent of the Disgorged Amount shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of Pledgor to the extent of the Disgorged Amount (or such lien or collateral) and Pledgor shall deposit with Lender cash collateral in the amount equal to the Disgorged Amount.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Pledgor, Borrower and Lender have executed this Pledge Agreement as of the day and year first above written.

AMERICAN CAPITAL STRATEGIES, LTD.

By: 
Name: *Gordon O'Brien*
Title: *Senior Vice President*

HARTSTRINGS, LLC

By: _____
Name:
Title:

HSBC BANK USA, NATIONAL ASSOCIATION

By: _____
Kevin J. Ayers
Vice President

IN WITNESS WHEREOF, Pledgor, Borrower and Lender have executed this Pledge Agreement as of the day and year first above written.

AMERICAN CAPITAL STRATEGIES, LTD.

By: _____
Name:
Title:

HARTSTRINGS, LLC

By: Jean M Lewis
Name: Jean M Lewis
Title: CFO

HSBC BANK USA, NATIONAL ASSOCIATION

By: _____
Kevin J. Ayers
Vice President

IN WITNESS WHEREOF, Pledgor, Borrower and Lender have executed this Pledge Agreement as of the day and year first above written.

AMERICAN CAPITAL STRATEGIES, LTD.

By: _____
Name:
Title:

HALTSTRINGS, LLC

By: _____
Name:
Title:

HSBC BANK USA, NATIONAL ASSOCIATION

By: Kevin J. Ayers V.P.
Kevin J. Ayers
Vice President

EXHIBIT A**SCHEDULE OF BANK ACCOUNT**

As of the date of execution of the Pledge Agreement, the following account was established in the name of HSBC bank USA, National Association, for the benefit of American Capital Strategies, Ltd., and is held by the Depository indicated below:

<u>Account</u>	<u>Depository</u>
Name: HSBC Bank for the Benefit of American Capital Strategies Ltd. Cash Collateral – Re Hartstrings LLC Acct. No.: 610-91778-1 ABA No.: 021-001088	HSBC BANK USA, NATIONAL ASSOCIATION 8 East 40th Street, 3rd Floor New York, New York 10016-0102 Attn: Elizabeth Ramos Tel: 212-525-1302 Fax: 212-525-1334

SCHEDULE I

THE CREDITS

<u>Letter of Credit Number</u>	<u>Name of Beneficiary</u>	<u>Outstanding \$ Amount</u>
HKH 662054	DILSHAN APPARELS PVT LTD	-0-
HKH 662055	NASNA IMPEX GARMENTS IND.	4,295.46
HKH 662056	TULIP APPARELS	-0-
HKH 662061	GOYAL KNITWEARS LIMITED	200.00
HKH 662074	TACK FAT SWIMWEAR MFG LTD	5,108.62
HKH 662078	CORPORATION TEXTIL DEL NORTE SAC	2,865.33
HKH 662079	DILSHAN APPARELS(PVT)LTD.	18,968.77
HKH 662080	NASNA IMPEX GARMENTS IND.	43,526.81
HKH 662081	S.D. APPAREL CONSULTANTS PVT.LTD.	94,852.01
HKH 662083	TACK FAT SWIMWEAR MFG.LTD.	36,729.00
HKH 662084	TULIP APPARELS	184,916.38
HKH 662086	GOLDEN GLOBE HOLDINGS LTD.	-0-
HKH 662088	PERUVIAN COTTON EXPORT S.A.C.	219,456.68
HKH 662089	TEXTIL POLITEX SAC	303,363.52
HKH 662090	GOLDEN GLOBE HOLDINGS LTD.	16,783.55
HKH 662091	GOLDEN GLOBE HOLDINGS LTD.	3,113.96
HKH 662092	GOLDEN GLOBE HOLDINGS LTD.	27,369.19
HKH 662093	GOLDEN GLOBE HOLDINGS LTD.	4,892.70
HKH 662094	S.D. APPAREL CONSULTANTS PVT.LTD.	217,687.38
HKH 662095	CORPORATION TEXTIL DEL NORTE SAC	83,985.20
HKH 662096	ATA APPAREL INTERNATIONAL	50,614.70
HKH 662097	GOLDEN GLOBE HOLDINGS LTD.	256,280.93
HKH 662098	GOLDEN GLOBE HOLDINGS LTD.	232,116.79
HKH 662099	NASNA IMPEX GARMENTS IND.	56,276.85
HKH 662100	TULIP APPARELS	34,939.80
HKH 662101	GOLDEN GLOBE HOLDINGS LTD.	216,634.69
HKH 662102	GOLDEN GLOB HOLDINGS LTD.	265,274.42
	TOTAL	\$2,380,252.74