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Expires 06/30/99
OMB 0651-0027

03-12-1999

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

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

03-30-1999

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY



100997645

TO: The Commissioner of Patents and Trademarks: Please record the attached original document.

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

Execution Date
Month Day Year
11 18 98

Name

Formerly

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

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKATA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

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

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.)

03/29/1999 JSHABAZZ 00000093 1021705

FOR OFFICE USE ONLY

01 FC:481 40.00 OP
02 FC:482 100.00 OP

Public burden reporting for this collection of information is estimated to average approximately 20 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, DC 20231

TRADEMARK

REEL: 1875 FRAME: 0795

P.2 NO.598

MARK. B. 1999. 4. 38 PM CHOATE HALL & STEWART

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"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1021705"/>	<input type="text" value="1090535"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1596897"/>	<input type="text" value="1091150"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1112506"/>	<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:

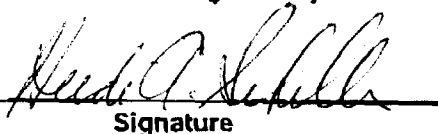
Yes

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.

Heidi A. Schiller



3/8/99

Name of Person Signing

Signature

Date Signed

INTELLECTUAL PROPERTY SECURITY
AND PLEDGE AGREEMENT

INTELLECTUAL PROPERTY SECURITY AND PLEDGE AGREEMENT (this "Agreement") dated as of November 18, 1998 by and between GANTOS, INC., a Michigan corporation having its principal place of business at 1266 E. Main Street, 5th Floor, Stamford, Connecticut 06902 (the "Borrower"), and FOOTHILL CAPITAL CORPORATION ("Foothill"), having a place of business at 60 State Street, Boston, Massachusetts 02109 as Agent for the Lenders described below (in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Lenders named therein (collectively, the "Lenders") are parties to an Loan and Security Agreement of even date herewith (as amended from time to time, the "Loan Agreement"), pursuant to which the Lenders have agreed to make certain loans to the Borrower on the terms and conditions set forth therein;

WHEREAS, it is a condition precedent to the effectiveness of the Loan Agreement that the Borrower execute and deliver to the Agent a trademark collateral security and pledge agreement in substantially the form hereof.

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions:

- (a) All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Loan Agreement.
- (b) The following terms shall have the specific meanings set forth below:
 - (i) "Associated Goodwill" shall mean all the goodwill of the Borrower or its business, products and services appurtenant to, associated with or symbolized by the Trademarks and/or the use thereof.
 - (ii) "Licensed Trademarks" shall mean all Trademarks other than Owned Trademarks, including but not limited to those referenced in Schedule B attached hereto.
 - (iii) "Owned Trademarks" shall mean all Trademarks in or to which the Borrower has or shall in the future have title or an ownership interest, including but not limited to those referenced in Schedule A attached hereto.

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- (C) all documents and agreements relating to the identity and location of all sources of supply, all terms of purchase and delivery, for all materials, components, raw materials and other supplies and services used in the manufacture, production, provision, delivery, licensing and sale of products or services under or in connection with the Trademarks or Trademark Rights;
- (D) all agreements and documents constituting or concerning the present or future, current or proposed advertising and promotion by the Borrower (or any of its affiliates, licensees or contractors) of products or services provided, licensed or sold under or in connection with the Trademarks or Trademark Rights.
- (v) "Trademarks" shall mean all of the trademarks, service marks, designs, logos, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles, elements of package or trade dress, and/or other source and/or product or service identifiers, and general intangibles of like nature, used or associated with or appurtenant to the products, services and business of the Borrower, which (i) are set forth on Schedule A attached hereto, or (ii) have been adopted, acquired, owned, held or used by the Borrower, in the Borrower's business, or with the Borrower's products and services, or in which the Borrower has any right, title or interest, or (iii) are in the future adopted, acquired, owned, held and/or used by the Borrower in the Borrower's business or with the Borrower's products and services, or in which the Borrower in the future acquires any right, title or interest.
- (vi) "Trademark Collateral" shall mean all of the Borrower's right, title and interest in and to all of the Trademarks, the Trademark Registrations, the Trademark License Rights, the Trademark Rights, the Associated Goodwill, the Related Assets, the Registered User Agreements and all additions, improvements and accessions to, substitutions for, replacements of, and all products and proceeds (including insurance proceeds) of any and all of the foregoing.
- (vii) "Trademark License Rights" shall mean any and all past, present or future rights and interests of the Borrower pursuant to any and all past, present and future licensing or registered user agreements in favor of the Borrower, or to which the Borrower is a party, pertaining to any Trademarks, Trademark Registrations, or Trademark Rights owned or used by third parties in the past, present or future, including the right in the name of the Borrower or the Agent to enforce, and sue and recover for, any past, present or future breach or violation of any such

agreement. Such agreements shall include but not be limited to those set forth on Schedule B attached hereto. Notwithstanding the foregoing, Trademark License Rights shall not include those trademark or tradename rights which are held by the Borrower as licensee, to the extent that such items are not assignable or capable of being encumbered as a matter of law or without the consent of the licensor thereof under the terms of such license.

- (viii) "Trademark Registrations" shall mean all past, present or future federal, provincial, local and foreign registrations of the Trademarks (and all renewals and extensions of such registrations), all past, present and future applications for any such registrations of the Trademarks (and any such registrations thereof upon approval of such applications), together with the right (but not the obligation) to apply for such registrations (and prosecute such applications) in the name of the Borrower or the Agent, and to take any and all actions necessary or appropriate to maintain such registrations in effect and/or renew and extend such registrations.
- (ix) "Trademark Rights" shall mean any and all past, present or future rights in, to and associated with the Trademarks throughout the world, whether arising under federal law, provincial law, common law, foreign law or otherwise, including but not limited to the following: all such rights arising out of or associated with the Trademark Registrations; the right (but not the obligation) to register claims under any provincial, federal or foreign trademark law or regulation; the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of the Borrower or the Agent for any and all past, present and future infringements or dilution of or any other damages or injury to the Trademarks, the Trademark Rights, or the Associated Goodwill, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, dilution, damage or injury; and the Trademark License Rights.
- (x) "Use" of any Trademark shall include all uses of such Trademark by, for or in connection with the Borrower or its business or for the direct or indirect benefit of the Borrower or its business, including but not limited to all such uses by the Borrower itself, by any of the affiliates of the Borrower, or by any licensee or contractor of the Borrower.

2. Grant of Security Interest:

- (a) The Borrower hereby unconditionally grants to the Agent for the ratable benefit of the Lenders a continuing security interest in and first priority lien on the

Trademark Collateral, and pledges, mortgages and hypothecates (but does not transfer title to) the Trademark Collateral to the Agent as continuing collateral security for the Obligations.

- (b) In addition to, and not by way of limitation of, the grant, pledge, mortgage and hypothecation of the Trademark Collateral provided in Section 2(a) in connection with the use or transfer of the Trademark Collateral, the Borrower hereby grants, assigns, transfers, conveys and sets over to the Agent for the ratable benefit of the Lenders its entire right, title and interest in and to the Trademark Collateral; provided, however, that such grant, assignment, transfer and conveyance shall be and become of force and effect only:
- (i) upon or after the occurrence and during the continuance of a Default or an Event of Default under the Loan Agreement; and
 - (ii) either:
 - (A) upon the written demand on the Borrower at any time during such continuance; or
 - (B) immediately and automatically (without notice, or action of any kind by the Agent) upon an Event of Default specified in Section 8.5 or Section 8.6 of the Loan Agreement.

The foregoing grant, assignment, transfer and conveyance shall be referred to from time to time herein as the "Section 2(b) Assignment."

- (c) The Borrower acknowledges and agrees that, upon the effectiveness of the Section 2(b) Assignment, the Agent shall have the cumulative rights in and to the Trademark Collateral as are provided in this Agreement and in the Loan Agreement, and shall have the rights in and to the Collateral (other than the Trademark Collateral) as are provided in the Loan Agreement.
- (d) The Borrower expressly acknowledges and agrees that it has executed and delivered to the Agent as continuing collateral security for the Obligations other security. Any and all rights and interests of the Agent in and to the Trademark Collateral (and any and all obligations of the Borrower with respect thereto) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Agent (and the obligations of the Borrower) in, to or with respect to the Trademark Collateral provided in or arising under or in connection with the other Loan Documents.

3. Effect of Section 2(b) Assignment - Agent's Rights:

Upon the effectiveness of the Section 2(b) Assignment, the Agent shall own the entire right, title and interest in and to the Trademark Collateral, free and clear of any lien, charge, encumbrance or claim of the Borrower or any other party except for Permitted Liens (as defined in the Loan Agreement). In addition to all other rights and remedies of the Agent, whether under law, any Loan Document, or otherwise (all such rights and remedies being cumulative, not exclusive, and enforceable alternatively, successively or concurrently, without notice to or consent by the Borrower except as expressly provided otherwise herein) the Agent's rights and remedies with respect to the Trademark Collateral shall include but not be limited to the following, without payment of royalty or compensation of any kind to the Borrower except as expressly provided otherwise herein:

- (a) The Agent may exercise, in respect of the Trademark Collateral, all the rights and remedies of a secured party under the Uniform Commercial Code (whether or not such Code applies to the affected Trademark Collateral).
- (b) The Agent may operate the business of the Borrower using the Trademark Collateral.
- (c) The Agent may, to the same extent that the Borrower has the right to do so immediately prior to the effectiveness of the Section 2(b) Assignment, license or sublicense, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any of the Trademark Collateral, throughout the world for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine.
- (d) The Agent may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right but not the obligation to enforce) against any licensor, licensee or sublicensee or registered user of all Trademark License Rights of the Borrower, and take or refrain from taking any such action.
- (e) The Agent may assign, sell, transfer or otherwise dispose of the Trademark Collateral and exercise any and all of its rights and remedies pursuant to Section 8 hereof.
- (f) In addition to the foregoing, in order to implement the assignment, sale, transfer or other disposition of any of the Trademark Collateral pursuant to Section 5 hereof, the Agent may, pursuant to the authority granted in the power of attorney provided in Section 8 hereof (such authority becoming effective upon the occurrence and during the continuation of an Event of Default), execute and deliver on behalf of the Borrower one or more instruments of

assignment of the Trademark Collateral, in form suitable for filing, recording or registration in any jurisdiction or country.

4. Effect of Section 2(b) Assignment - Borrower's Obligations:

- (a) Upon the effectiveness of the Section 2(b) Assignment, the Borrower shall have no right, title or interest in or to any of the Trademark Collateral, and the Borrower shall immediately cease and desist in the use of the Trademarks or any colorable imitation thereof, and shall, upon written demand of the Agent, deliver to the Agent (or the Agent's designee) all unused or unsold goods used by the Borrower bearing the Trademarks together with any and all contracts and registered user agreements relating to or connected with the Trademarks (subject to any restrictions imposed upon Borrower in connection with its use of the Licensed Trademarks).
- (b) In addition, upon the effectiveness of the Section 2(b) Assignment, and upon the written demand of the Agent, the Borrower shall execute and deliver to the Agent an assignment or assignments of the Trademark Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; provided that the failure of the Borrower to comply with such demand will not impair or affect the validity of the Section 2(b) Assignment. The Borrower agrees that any such assignment (including a Section 2(b) Assignment) and/or any recording thereof shall be applied to reduce the Obligations outstanding only to the extent that the Agent actually receives cash proceeds in respect of the assignment, sale or disposition of, or other realization upon, the Trademark Collateral. Should any assignment or assignments be delivered by the Borrower to the Agent prior to an Event of Default, the Agent agrees that it shall not register such assignment until the occurrence of an event set out in paragraphs 2(b)(i) and (ii).

5. Default:

- (a) Upon the occurrence and during the continuance of an Event of Default, the Agent may appoint in writing any person to be a receiver (which term shall include a receiver and manager) of the Trademark Collateral, including any rents and profits thereof, and may remove any receiver and appoint another in his stead, and such receiver so appointed shall have power to take possession of the Trademark Collateral and to carry on or concur in carrying on the business of the Borrower, and to sell or concur in selling the Trademark Collateral or any part thereof. Any such receiver shall for all purposes be deemed to be the agent of the Borrower. The Agent may from time to time fix the remuneration of such receiver. All moneys from time to time received by such receiver shall be paid by him first in discharge of all rents, taxes, rates, insurance premiums and outgoings affecting the Trademark Collateral, secondly in payment of his

remunerations as receiver, thirdly in keeping in good standing any liens and charges on the Trademark Collateral prior to the security constituted by this agreement, and fourthly in or toward payment of such parts of the Obligations as to the Agent seems best, and any residue of such moneys so received shall be paid to the Borrower. The Agent in appointing or refraining from appointing such receiver shall not incur any liability to the receiver, the Borrower or otherwise.

- (b) In addition to the rights and remedies specifically provided herein, the Agent shall, upon the occurrence and during the continuance an Event of Default, have the rights and remedies of a secured party under the Uniform Commercial Code and all other rights available to the Agent.
- (c) Unless the Trademark Collateral is perishable or unless the Agent believes that the Trademark Collateral will decline speedily in value, the Borrower shall be entitled to not less than fifteen days' notice in writing of the date, time and place of any public sale or of the date after which any private transfer, pledge or other disposition of the Trademark Collateral is to be made.

6. Representations, Warranties and Covenants:

Subject to Schedule D, the Borrower represents and warrants to, and covenants and agrees with, the Agent as follows:

- (a) The Borrower is and, prior to the effectiveness of the Section 2(b) Assignment, will continue to be the sole and exclusive owner of the entire legal and beneficial right, title and interest in and to the Trademarks and the Trademark Collateral (other than ownership and other rights reserved by the owners of the Licensed Trademarks), free and clear of any lien, charge, security interest or other encumbrance, except for the security interest and conditional assignment created by this Agreement and any Permitted Liens (as such term is defined in the Loan Agreement). The Borrower will defend its right, title and interests in and to the Trademarks and the Trademark Collateral against any and all claims of any third parties.
- (b) To the best of the Borrower's knowledge, Schedules A and B together comprise a true and complete list of all Trademarks existing as of the date of this Agreement. All license and other agreements applicable to the Trademarks to which the Borrower is a party are the valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms.
- (c) The Owned Trademarks and the Trademark Registrations and Trademark Rights related thereto are valid, enforceable and subsisting and have not been adjudged invalid or unenforceable. The Borrower has not received any written claim by

any third party that any of the Owned Trademarks and the Trademark Registrations and Trademark Rights related thereto are invalid or unenforceable.

- (d) There is not on file in any governmental or regulatory authority, agency or recording office, in any foreign country, any effective financing statement, security agreement, assignment, license or transfer or notice of any of the foregoing (other than those that have been filed in favor of the Agent (and Fleet Bank, N.A., for which termination statements have been delivered to the Agent) covering any of the Trademark Collateral, and the Borrower is not aware of any such filing. So long as this Agreement shall be in effect, the Borrower shall not execute and shall not knowingly permit to be on file in any such office or agency, any such financing statement or other document or instrument (except financing statements, documents or instruments filed or to be filed in favor of the Agent).
- (e) No known claim has been made that the Borrower's use of any of the Owned Trademarks does or may violate the rights of any third parties. There has been no decision adverse to the Borrower's claim of ownership rights and/or exclusive rights to use the Owned Trademarks or any material part of the Trademark Collateral associated therewith, or to its right to use and register the owned Trademarks in any jurisdiction or to keep and maintain such registration in full force and effect, and there is no proceeding involving said rights, threatened or pending.

Further Assurances:

- (a) The Borrower shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Agent may reasonably require in order to vest in and assure to the Agent its rights hereunder or in any of the Trademark Collateral, including without limitation execution and delivery of financing statements which the Agent deems appropriate to perfect and continue the assignment and security interest hereby granted, to the extent permitted by applicable law.
- (b) The Borrower agrees that, upon its commencement of use or acquisition of any right, title or interest in or to any Trademark, Trademark Registration or Trademark Right other than the Trademarks, Trademark Registrations or Trademark Rights set forth in Schedules A and B hereto (including any variation or new versions of such scheduled Trademarks, Trademark Registrations and Trademark Rights), or upon commencement of use of any Trademark with (or the addition to any Trademark Registration of) any new class of goods or services, the provisions of this Agreement shall automatically apply thereto. The Agent shall be authorized to amend such Schedules A and B as appropriate to include such additional Trademarks, Trademark

Registrations and Trademark Rights, without the necessity for the Borrower's approval of or signature to such amendment, and the Borrower shall do all such other acts (at its own expense) deemed reasonably necessary or appropriate by the Agent to implement and preserve the Agent's interest therein (including, but not limited to, executing and delivering and recording in all places where this Agreement or notice thereof is recorded, an appropriate counterpart of or supplement to this Agreement). Such additional Trademarks, Trademark Registrations and Trademark Rights shall be automatically included in the definition of the terms "Trademarks", "Trademark Registrations" and "Trademark Rights", as such terms are used herein.

8. Power of Attorney:

- (a) Upon the occurrence and during the continuance of an Event of Default, the Borrower, by its execution of this Agreement, be deemed irrevocably constitutes and appoints the Agent (or the Agent's designee), with full power of substitution, as its true and lawful attorney-in-fact with full irrevocably power and authority in the place and stead of the Borrower and in the name of the Borrower or in the Agent's own name (or the Agent's designee), for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purpose of this Agreement and, without limiting the generality of the foregoing, hereby gives the Agent the power and right, on behalf of the Borrower, without notice to or assent by the Borrower, to do the following:
 - (i) Subject to any restrictions imposed upon Borrower in connection with its use of the Licensed Trademarks, upon the occurrence and during the continuance of an Event of Default, generally (subject to the notice provisions of Section 5(c)) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Trademark Collateral in such manner as is consistent with the Personal Property Security Act, 1989 and as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do at the Borrower's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Trademark Collateral and the Agent's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Borrower might do, including, without limitation, (A) execution and delivery of any and all agreements, documents, instruments of assignment, licenses or transfers of any of the Trademark Collateral, and do all other acts, which the Borrower is obligated to execute or deliver or perform under any provision of this Agreement and which the Borrower fails to execute, deliver or perform, and (B) execution of any and all

documents, statements, certificates, instruments or agreements deemed necessary or advisable by the Agent (or the Agent's designee) to effect any purpose set forth herein, each to the extent permitted by applicable law; and

(ii) Upon the occurrence and during the continuance of an Event of Default, to file such financing statements with respect hereto, as the Agent reasonably may deem appropriate and to execute such financing statements and continuation statements which may require the Borrower's signature.

(b) To the extent permitted by law, the Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(c) The powers conferred on the Agent hereunder are solely to protect its interests and the interests of the Agent in the Trademark Collateral and shall not impose any duty upon it to exercise any such powers. The Agent shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any act or failure to act, except for its own gross negligence or wilful misconduct.

9. Enforcement of Trademark Rights:

(a) Prior to the effectiveness of the Section 2(b) assignment, after an Event of Default the Borrower shall have the right and the obligation to commence and prosecute in its own name, as a real party in interest, for its own benefit and at its own expense, such suits, proceedings or other actions to restrain, prevent or recover for infringement, misuse, unfair competition, dilution or other damage as are in its reasonable business judgment necessary or appropriate to maintain, protect and enforce the Trademarks, Trademark Registrations, Trademark Rights and Associated Goodwill. The Borrower shall indemnify and hold harmless the Agent from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgements, suits, costs, expenses or disbursements (including but not limited to reasonable attorneys' fees) of any kind whatsoever which may be imposed on, incurred or suffered by or asserted against the Agent in connection with or in any way arising out of such suits, proceedings or actions.

(b) Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right, but in no way shall be obligated, to bring suit in the name of the Borrower or the Agent (in the sole discretion of the Agent) to protect, maintain or enforce any of the Borrower's rights or interest in, to or

under the Trademark Collateral or in any part thereof, in which event the Borrower shall at the request of the Agent (and at the Borrower's expense) do any and all lawful acts and things, and execute any and all documents and instruments requested by the Agent, in furtherance of such protection, maintenance or enforcement; the Borrower shall promptly upon demand indemnify and reimburse the Agent for all liabilities, obligations, costs, expenses or disbursement (including but not limited to reasonable attorneys' fees) imposed on, incurred or suffered by or asserted against the Agent in the exercise of its rights under this Section 9(b) and any unreimbursed amounts shall constitute Obligations for all purposes hereof. In the event the Agent shall elect not to bring suit to protect, maintain or enforce any such rights or interests of the Borrower, the Borrower shall use all reasonable measures, whether by action, suit, proceeding or otherwise, to protect, maintain and enforce such rights and interests, and for that purpose shall diligently maintain any such action, suit or proceeding necessary or appropriate for such protection, maintenance or enforcement.

10. Indemnification:

The Borrower shall indemnify and hold harmless the Agent from and against, and shall pay to the Agent on demand, any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses, obligations or liabilities of any kind or nature (except those resulting from the Agent's fraud or wilful misconduct) arising in any way out of or in connection with this Agreement, the Trademark Collateral, custody, preservation, use, operation, sale, license (or other transfer or disposition) of the Trademark Collateral, any alleged infringement of the intellectual property rights of any third party by the Trademark Collateral, the production, marketing, delivery and sale of the goods and services provided under or in connection with any of the Trademarks or the Trademark Collateral, the sale of, collection from or other realization upon any of the Trademark Collateral, the failure of the Borrower to perform or observe any of the provisions hereof, or matters relating to any of the foregoing, prior to the effectiveness of the Section 2(b) Assignment. The Borrower shall also indemnify and hold harmless the Agent from and against any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses (including but not limited to reasonable attorneys' fees), obligations or liabilities arising out of or in connection with any fault, negligence, act or omission of the Borrower (regardless of whether such fault, negligence, act or omission occurred or occurs prior to or after such effectiveness). The amounts of any unpaid indemnity provided for in this Section 10 shall constitute Obligations for all purposes hereof. The Borrower shall not make any claim against the Agent for or in connection with the exercise or enforcement by the Agent of any right or remedy granted to it hereunder, or any action taken or omitted to be taken by the Agent hereunder (except for the gross negligence or wilful misconduct of the Agent).

11. No Obligation of the Agent or Lenders:

The rights granted to the Agent hereunder are solely for the protection of the Agent and the Lenders and nothing herein contained shall impose on the Agent or the Lenders any duties or obligations with respect to the Trademark Collateral or any property of the Borrower received hereunder beyond reasonable care in its custody and preservation while in the Agent's possession.

12. Termination of Agreement:

The obligations of the Borrower and the rights and powers granted to the Agent hereunder shall continue in full force and effect until the Obligations have been indefeasibly paid or satisfied in full (provided that the Agent is no longer obligated to make Loans under the Loan Agreement), at which time such obligations, rights and powers shall terminate and be of no further force and effect, provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time payment or other satisfaction of any of the Obligations is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, or reorganization of the Borrower, or otherwise, as though such payment had not been made or other satisfaction occurred. No invalidity, irregularity or unenforceability by reason of any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect, the Obligations, shall impair, affect, be a defense to or claim against the Obligations of the Borrower under this Agreement. Upon termination of this Agreement, the Agent shall execute and deliver to the Borrower all patent and trademark assignments and similar documents that the Borrower may reasonably request to evidence such termination.

13. GOVERNING LAW: THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT, SHALL BE BINDING UPON THE BORROWER, ITS SUCCESSORS AND ASSIGNS, SHALL INURE TO THE BENEFIT OF THE AGENT, ITS SUCCESSORS AND ASSIGNS AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

14. Jurisdiction:

The Borrower agrees that any suit for the enforcement of this Agreement may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon the Borrower by certified or registered mail at the address specified in Section 12 of the Loan Agreement. The Borrower hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in any inconvenient court.

15. Waiver of Jury Trial:

THE BORROWER WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, and except in the case of the Agent's gross negligence or willful misconduct, the Borrower waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Borrower (a) certifies that neither the Agent nor any representative, agent or attorney of the Agent has represented, expressly or otherwise, that the Agent would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that, in entering into the Loan Agreement and the other Loan Documents to which the Agent is a party, the Agent is relying upon, among other things, the waivers and certifications contained in Sections 13, 14 and this Section 15.

16. Assignment:

In the event of a sale or assignment by the Agent of all or any of the Obligations held by it in accordance with the provisions of the Loan Agreement, the Agent may assign or transfer its rights and interests under this Agreement in whole or in part to the purchaser or purchasers of such Obligations, whereupon such purchaser or purchasers shall become vested with all of the powers and rights of the Agent hereunder, and the Agent shall thereafter be forever released and fully discharged from any liability or responsibility hereunder with respect to the rights and interest so assigned.

17. Notices:

Except as otherwise provided herein, notice to the Borrower or to the Agent shall be deemed to have been sufficiently given or served for all purposes hereof if mailed by certified or registered mail, return receipt requested, to the addresses set forth in the Loan Agreement, or at such other address as the party to whom such notice is directed may have designated in writing to the other party hereto.

18. Miscellaneous:

The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Borrower and its respective successors and assigns, and shall inure to the benefit of the Agent and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. This Agreement may be executed in any number of counterparts and by the different parties

hereto on separate counterparts, each of which shall be an original, but all of which together shall constitute one instrument. The Borrower acknowledges receipt of a copy of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

GANTOS, INC.

By: Arlene M. Stern

FOOTHILL CAPITAL CORPORATION,
as Agent

By: Christopher Thomas

SCHEDULE A

See attached

<u>Service Marks</u>	<u>Registration Number</u>	<u>Expiration Date</u>
1. Sale For All Seasons	1,021,705	9/30/05
2. Gantos Fashion Logo	1,596,897	5/15/00
3. Bargain Boutique	1,112,506	1/30/99
4. Bargain Boutique	Michigan M28-002	8/19/05
5. Gantos (Script Design)	1,090,535	5/2/98
6. Gantos (Plain Block)	1,091,150	5/9/98

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SCHEDULE B

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<u>Service Marks</u>	<u>Registration Number</u>	<u>Expiration Date</u>
1. Sale For All Seasons	1,021,705	9/30/05
2. Gantos Fashion Logo	1,596,897	5/15/00
3. Bargain Boutique	1,112,506	1/30/99
4. Bargain Boutique	Michigan M28-002	8/19/05
5. Gantos (Script Design)	1,090,535	5/2/98
6. Gantos (Plain Block)	1,090,535	5/9/98