EXHIBIT 10.12(C)  
 PLEDGE AGREEMENT  
  
 PLEDGE AGREEMENT ("AGREEMENT"), dated as of October 1, 1999,  
made by C. Xxxx Xxxxxx, an individual residing at [XXXADDRESS DELETED FOR  
PRIVACYXXX](the "PLEDGOR"), to Aames Financial Corporation, a Delaware  
corporation ("AAMES").  
  
 WHEREAS, on the date hereof, the Pledgor is purchasing shares  
of Aames' Series C Convertible Preferred Stock, par value $0.001 per share  
("SERIES C PREFERRED STOCK"), pursuant to a Management Investment Agreement,  
dated the date hereof, between Pledgor and Aames (the "MANAGEMENT INVESTMENT  
AGREEMENT"); and  
  
 WHEREAS, as part of the transactions contemplated by the  
Management Investment Agreement, the Pledgor is executing and delivering to  
Aames a Secured Promissory Note dated as of the date hereof in favor of Aames  
(the "AAMES NOTE") as part of the purchase price for the Series C Preferred  
Stock, and in accordance with the terms and conditions set forth herein,  
pledging the Series C Preferred Stock, together with any shares of Aames' common  
stock, par value $0.001 per share that may be acquired upon conversion of the  
Series C Preferred Stock (the "UNDERLYING COMMON SHARES, and, together with the  
shares of Series C Preferred Stock, the "PLEDGED SHARES").  
  
 NOW, THEREFORE, in consideration of the premises and the  
mutual covenants contained in this Agreement, and in order to induce Aames to  
accept the Aames Note, the Pledgor hereby agrees as follows:  
  
 SECTION 1. PLEDGE. The Pledgor hereby pledges to Aames, and grants to  
Aames a security interest in, the following (the "PLEDGED COLLATERAL"):  
  
 (i) the Pledged Shares and the certificates representing the  
Pledged Shares, and all dividends, cash, instruments and other property of any  
character whatsoever (including, without limitation, shares of Common Stock)  
from time to time received, receivable or otherwise distributed or distributable  
in respect of or in exchange for any or all of the Pledged Shares; and  
  
 (ii) all proceeds of any and all of the foregoing collateral  
(including, without limitation, proceeds that constitute property of the types  
described above).  
  
  
  
 SECTION 2. SECURITY FOR OBLIGATIONS. This Agreement secures  
the payment of all obligations, whether for principal, interest, fees, expenses  
or otherwise, now or hereafter existing, of the Pledgor under the Aames Note and  
under this Agreement (all such obligations of the Pledgor being the  
"OBLIGATIONS"). Without limiting the generality of the foregoing, this Agreement  
secures the payment of all amounts which constitute part of the Obligations and  
would be owed by the Pledgor to Aames under the Aames Note or this Agreement but  
for the fact that they are unenforceable or not allowable due to the existence  
of a bankruptcy, reorganization or similar proceeding involving the Pledgor.  
  
 SECTION 3. DELIVERY OF PLEDGED COLLATERAL. All certificates or  
instruments representing or evidencing the Pledged Collateral shall be delivered  
to and held by or on behalf of Aames pursuant hereto and shall be in suitable  
form for transfer by delivery, or shall be accompanied by duly executed  
instruments of transfer or assignment in blank, all in form and substance  
satisfactory to Aames. Aames shall have the right, at any time in its discretion  
and without notice to the Pledgor, to transfer to or to have registered in the  
name of Aames or any of its nominees any or all of the Pledged Collateral,  
subject only to the revocable rights specified in Section 6(a). For the better  
perfection of Aames's rights in and to the Pledged Collateral, the Pledgor shall  
forthwith, upon the pledge of any Pledged Collateral hereunder, cause such  
Pledged Collateral to be registered in the name of Aames or such nominee or  
nominees of Aames as Aames shall direct, subject only to the revocable rights  
specified in Section 6(a). In addition, Aames shall have the right at any time  
to exchange certificates or instruments representing or evidencing Pledged  
Collateral for certificates or instruments of smaller or larger denominations.  
  
 SECTION 4. REPRESENTATIONS AND WARRANTIES. The Pledgor represents and  
warrants as follows:  
  
 (a) Neither the execution nor the delivery by the Pledgor of  
 this Agreement nor the consummation by the Pledgor of the transactions  
 contemplated hereby, nor compliance with nor fulfillment by the Pledgor  
 of the terms and provisions hereof, will conflict with or result in a  
 breach of the terms, conditions or provisions of or constitute a  
 default under any lease, contract, instrument, mortgage, deed of trust,  
 trust deed or deed to secure debt evidencing or securing indebtedness  
 for borrowed money, financing lease, law, rule, regulation, judgment,  
 order,  
  
  
  
 award, decree or other restriction of any kind to which the  
 Pledgor is a party or by which he is bound.  
  
 (b) This Agreement has been duly executed and delivered by the  
 Pledgor and is the legal, valid and binding obligation of the Pledgor,  
 enforceable against the Pledgor in accordance with its terms.  
  
 (c) There is no action, lawsuit, claim, counterclaim,  
 proceeding, or investigation (or group of related actions, lawsuits,  
 claims, proceedings or investigations) pending or, to the knowledge of  
 the Pledgor, threatened, relating to or challenging the Pledgor's  
 obligations under this Agreement or the pledge of the Pledged  
 Collateral hereunder.  
  
 (d) The Pledgor is the legal and beneficial owner of the  
 Pledged Collateral free and clear of any lien, security interest,  
 option or other charge or encumbrance except for the security interest  
 created by this Agreement.  
  
 (e) The pledge of the Pledged Shares pursuant to this  
 Agreement creates a valid and perfected first priority security  
 interest in the Pledged Collateral, securing the payment of the  
 Obligations.  
  
 (f) No consent of any other person or entity and no  
 authorization, approval, or other action by, and no notice to or filing  
 with, any governmental authority or regulatory body is required (i) for  
 the pledge by the Pledgor of the Pledged Collateral pursuant to this  
 Agreement or for the execution, delivery or performance of this  
 Agreement by the Pledgor, (ii) for the perfection or maintenance of the  
 security interest created hereby (including the first priority nature  
 of such security interest) or (iii) for the exercise by Aames of the  
 voting or other rights provided for in this Agreement or the remedies  
 in respect of the Pledged Collateral pursuant to this Agreement (except  
 as may be required in connection with any disposition of any portion of  
 the Pledged Collateral by laws affecting the offering and sale of  
 securities generally).  
  
 (g) There are no conditions precedent to the effectiveness of  
 the Pledgor's obligations under this Agreement that have not been  
 satisfied or waived.  
  
  
  
 SECTION 5. FURTHER ASSURANCES. (a) The Pledgor agrees that at  
any time and from time to time, at the expense of the Pledgor, the Pledgor will  
promptly execute and deliver all further instruments and documents, and take all  
further action, that may be necessary or desirable, or that Aames may reasonably  
request, in order to perfect and protect any security interest granted or  
purported to be granted hereby or to enable Aames to exercise and enforce its  
rights and remedies hereunder with respect to any Pledged Collateral.  
  
 (b) The Pledgor hereby authorizes Aames to file one or more  
financing or continuation statements, and amendments thereto, relating to all or  
any part of the Pledged Collateral without the signature of the Pledgor where  
permitted by law. A photocopy or other reproduction of this Agreement or any  
financing statement covering the Pledged Collateral or any part thereof shall be  
sufficient as a financing statement where permitted by law.  
  
 SECTION 6. VOTING RIGHTS; DIVIDENDS, ETC. (a) so long as no Event of  
Default (as defined in the Aames Note) or event which, with the giving of notice  
or the lapse of time, or both, would become such an Event of Default shall have  
occurred and be continuing:  
  
 (i) The Pledgor shall be entitled to exercise or refrain from  
 exercising any and all voting and other consensual rights pertaining to  
 the Pledged Collateral or any part thereof for any purpose not  
 inconsistent with the terms of this Agreement or the Aames Note;  
 PROVIDED, HOWEVER, that the Pledgor shall not exercise or refrain from  
 exercising any such right if, in Aames's judgment, such action would  
 have a material adverse effect on the value of the Pledged Collateral  
 or any part thereof.  
  
 (ii) The Pledgor shall be entitled to any and all dividends  
 paid in respect of the Pledged Collateral; PROVIDED, HOWEVER, that any  
 and all dividends paid or payable other than in cash in respect of, and  
 instruments and other property received, receivable or otherwise  
 distributed in respect of or in exchange for, any Pledged Collateral,  
 shall be, and shall be forthwith delivered to Aames to hold as, Pledged  
 Collateral and shall, if received by the Pledgor, be received in trust  
 for the benefit of Aames, be segregated from the other property or  
 funds of the Pledgor, and be forthwith delivered to Aames as Pledged  
 Collateral in the same form as so received (with any  
  
  
  
  
 necessary endorsement or assignment); and PROVIDED, FURTHER, that  
 the after tax amount of any cash dividends, proceeds, or other  
 distributions paid in respect of the Pledged Collateral shall be  
 applied as an immediate prepayment in respect of the Aames Note,  
 with such prepayments to be applied first to the payment of all  
 interest accrued on, and then to the payment of unpaid principal of,  
 the Aames Note.  
  
 (iii) Aames shall execute and deliver (or cause to be executed  
 and delivered) to the Pledgor all such proxies and other instruments as  
 the Pledgor may reasonably request for the purpose of enabling the  
 Pledgor to exercise the voting and other rights which it is entitled to  
 exercise pursuant to paragraph (i) above and to receive the dividends  
 which it is authorized to receive and retain pursuant to paragraph (ii)  
 above.  
  
 (b) Upon the occurrence and during the continuance of an Event  
of Default or an event which, with the giving of notice or the lapse of time, or  
both, would become an Event of Default:  
  
 (i) All rights of the Pledgor (x) to exercise or refrain from  
 exercising the voting and other consensual rights which it would  
 otherwise be entitled to exercise pursuant to Section 6(a)(i) shall,  
 upon notice to the Pledgor by Aames, cease and (y) to receive the  
 dividends payments which it would otherwise be authorized to receive  
 and retain pursuant to Section 6(a)(ii) shall automatically cease, and  
 all such rights shall thereupon become vested in Aames (or its  
 designee), who shall thereupon have the sole right to exercise or  
 refrain from exercising such voting and other consensual rights and to  
 receive and hold as Pledged Collateral such dividends.  
  
 (ii) All dividends which are received by the Pledgor contrary  
 to the provisions of paragraph (i) of this Section 6(b) shall be  
 received in trust for the benefit of Aames, shall be segregated from  
 other funds of the Pledgor and shall be forthwith paid over to Aames as  
 Pledged Collateral in the same form as so received (with any necessary  
 endorsement).  
  
 SECTION 7. TRANSFERS AND OTHER LIENS. The Pledgor agrees that  
it will not (i) sell, assign (by operation of law or otherwise) or otherwise  
dispose of, or grant any option with respect to, any of the Pledged Collateral  
or (ii) create or  
  
  
  
permit to exist any lien, security interest, option or other charge or  
encumbrance upon or with respect to any of the Pledged Collateral, except for  
the security interest under this Agreement and except for any such sale the  
proceeds from which are used to repay all unpaid principal of, and accrued  
interest on, the Aames Note (with such proceeds first being applied to  
accrued interest and then to principal).  
  
 SECTION 8. APPOINTMENT OF ATTORNEY-IN-FACT. The Pledgor hereby  
appoints Aames Financial Corporation the Pledgor's attorney-in-fact, with full  
authority in the place and stead of the Pledgor and in the name of the Pledgor  
or otherwise, from time to time in Aames's discretion to take any action and to  
execute any instrument that Aames may deem necessary or advisable to accomplish  
the purposes of this Agreement (subject to the rights of the Pledgor under  
Section 6), including, without limitation, to receive, indorse and collect all  
instruments made payable to the Pledgor representing any dividend or other  
distribution in respect of the Pledged Collateral or any part thereof and to  
give full discharge for the same.  
  
 SECTION 9. AAMES MAY PERFORM. If the Pledgor fails to perform  
any agreement contained herein and does not cure such failure within 10 days  
after its receipt of written notice from Aames, Aames may itself perform, or  
cause performance of, such agreement, and the expenses of Aames incurred in  
connection therewith shall be payable by the Pledgor under Section 12.  
  
 SECTION 10. AAMES' DUTIES. The powers conferred on Aames  
hereunder are solely to protect its interest in the Pledged Collateral and shall  
not impose any duty upon it to exercise any such powers. Except for the safe  
custody of any Pledged Collateral in its possession and the accounting for  
moneys actually received by it hereunder, Aames shall have no duty as to any  
Pledged Collateral as to ascertaining or taking action with respect to calls,  
conversions, exchanges, maturities, tenders or other matters relative to any  
Pledged Collateral, whether or not Aames has or is deemed to have knowledge of  
such matters, or as to the taking of any necessary steps to preserve rights  
against any parties or any other rights pertaining to any Pledged Collateral.  
Aames shall be deemed to have exercised reasonable care in the custody and  
preservation of any Pledged Collateral in its possession if such Pledged  
Collateral is accorded treatment substantially equal to that which Aames accords  
its own property.  
  
  
  
 SECTION 11. REMEDIES UPON DEFAULT. If any Event of Default shall have  
occurred and be continuing:  
  
 (a) Aames may exercise in respect of the Pledged Collateral,  
 in addition to other rights and remedies provided for herein or  
 otherwise available to it, all the rights and remedies of a secured  
 party on default under the Uniform Commercial Code in effect in the  
 State of Delaware at that time (the "Code") (whether or not the Code  
 applies to the affected Collateral), and may also, without notice  
 except as specified below, sell the Pledged Collateral or any part  
 thereof in one or more parcels at public or private sale, at any  
 exchange or broker's board or elsewhere, for cash, on credit or for  
 future delivery, and upon such other terms as Aames may deem  
 commercially reasonable. The Pledgor agrees that, to the extent notice  
 of sale shall be required by law, at least ten days' notice to the  
 Pledgor of the time and place of any public sale or the time after  
 which any private sale is to be made shall constitute reasonable  
 notification. Aames shall not be obligated to make any sale of Pledged  
 Collateral regardless of notice of sale having been given. Aames may  
 adjourn any public or private sale from time to time by announcement at  
 the time and place fixed therefor, and such sale may, without further  
 notice, be made at the time and place to which it was so adjourned.  
  
 (b) Any cash held by Aames as Pledged Collateral and all cash  
 proceeds received by Aames in respect of any sale of, collection from  
 or other realization upon all or any part of the Pledged Collateral  
 may, in the discretion of Aames, be held by Aames as collateral for,  
 and/or then or at any time thereafter be applied (after payment of any  
 amounts payable to Aames pursuant to Section 12) in whole or in part by  
 Aames against, all or any part of the Obligations in such order as  
 Aames shall elect. Any surplus of such cash or cash proceeds held by  
 Aames and remaining after payment in full of all the Obligations shall  
 be paid over to the Pledgor or to whomsoever may be lawfully entitled  
 to receive such surplus.  
  
 SECTION 12. EXPENSES. The Pledgor will upon demand pay to  
Aames the amount of any and all reasonable expenses, including the reasonable  
fees and expenses of its counsel and of any experts and agents, which Aames may  
incur in connection with (i) the exercise or enforcement of any of the rights of  
Aames  
  
  
  
hereunder or (ii) the failure by the Pledgor to perform or observe any of the  
provisions hereof.  
  
 SECTION 13. SECURITY INTEREST ABSOLUTE. The obligations of the  
Pledgor under this Agreement are independent of the Obligations, and a separate  
action or actions may be brought and prosecuted against the Pledgor to enforce  
this Agreement. All rights of Aames and security interests hereunder, and all  
obligations of the Pledgor hereunder, shall be absolute and unconditional  
irrespective of:  
  
 (i) any lack of validity or enforceability of the Aames Note  
 any other agreement or instrument relating thereto;  
  
 (ii) any change in the time, manner or place of payment of, or  
 in any other term of, all or any of the obligations, or any other  
 amendment or waiver of or any consent to any departure from the Aames  
 Note;  
  
 (iii) any taking, exchange, release or nonperfection of any  
 other collateral, or any taking, release or amendment or waiver of or  
 consent to departure from any guaranty, for all or any of the  
 Obligations;  
  
 (iv) any manner of application of collateral, or proceeds  
 thereof, to all or any of the Obligations, or any manner of sale or  
 other disposition of any collateral for all or any of the Obligations  
 or any other assets of the Pledgor;  
  
 (v) any other circumstance which might otherwise constitute a  
 defense available to, or a discharge of, the Pledgor.  
  
 SECTION 14. AMENDMENTS, ETC. No amendment or waiver of any  
provision of this Agreement shall in any event be effective unless the same  
shall be in writing and signed by the parties hereto, and no consent to any  
departure by one party herefrom, shall in any event be effective unless the same  
shall be in writing and signed by the other party, and then such waiver or  
consent shall be effective only in the specific instance and for the specific  
purpose for which given.  
  
 SECTION 15. NOTICES, ETC. All notices and other communications  
provided for hereunder shall be in writing (including telecopier, telegraphic or  
telex communication) and  
  
  
  
sent by express courier, telecopied, telegraphed, telexed or hand-delivered,  
if to the Pledgor, at his address first set forth above; and, if to Aames, at  
its address at 2 California Plaza, 000 Xxxxx Xxxxx Xxxxxx, Xxx Xxxxxxx, XX  
00000, Attention: Xxxx Xxxxxxxx; or, as to each party, at such other address  
as shall be designated by such party in a written notice to the other party.  
All such notices and communications shall, when sent by express courier, be  
effective three days after being sent, when telecopied, telegraphed, telexed  
or hand-delivered, be effective when telecopied, delivered to the telegraph  
company, confirmed by telex answerback or delivered, respectively.  
  
 SECTION 16. CONTINUING SECURITY INTEREST; ASSIGNMENTS UNDER  
AAMES NOTE. This Agreement shall create a continuing security interest in the  
Pledged Collateral and shall (i) remain in full force and effect until the  
payment in full of the Obligations and all other amounts payable under this  
Agreement, (ii) be binding upon the Pledgor, its successors and assigns and  
(iii) inure to the benefit of, and be enforceable by, Aames and its successors,  
transferees and assigns. Without limiting the generality of the foregoing clause  
(iii), Aames may assign or otherwise transfer all or any portion of its rights  
and obligations under the Aames Note to any other person or entity, and such  
other person or entity shall thereupon become vested with all the benefits in  
respect thereof granted to Aames herein or otherwise. Upon the payment in full  
of the Obligations and all other amounts payable under this Agreement, the  
security interest granted hereby shall terminate and all rights to the Pledged  
Collateral shall revert to the Pledgor. Upon any such termination, Aames will,  
at the Pledgor's expense, return to the Pledgor such of the Pledged Collateral  
as shall not have been sold or otherwise applied pursuant to the terms hereof  
and execute and deliver to the Pledgor such documents as the Pledgor shall  
reasonably request to evidence such termination.  
  
 SECTION 17. GOVERNING LAW; TERMS. THIS AGREEMENT SHALL BE  
GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE  
EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST  
HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PLEDGED  
COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF  
DELAWARE. Unless otherwise defined herein or in the Aames Note, terms defined in  
Article 9 of the Code are used herein as therein defined.  
  
  
  
  
 IN WITNESS WHEREOF, the Pledgor has caused this Agreement to  
be duly executed and delivered by its officer thereunto duly authorized as of  
the date first above written.  
  
  
 /s/ C. Xxxx Xxxxxx  
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 Pledgor  
  
ACKNOWLEDGED AND AGREED:  
  
AAMES FINANCIAL CORPORATION  
  
  
By: /s/ Xxxxxxx X. Xxxxxx  
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 Name: Xxxxxxx X. Xxxxxx  
 Title: Executive Vice President