



ASHI DIAMONDS, LLC.



18 EAST 48TH STREET, 14TH FLOOR
NEW YORK, N.Y. 10017
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SECURITY AGREEMENT

This Purchase Money Security Interest Agreement (the "Agreement") is entered into as of the _____ day of _____, 20_____, by and between Ashi Diamonds, LLC (the "Secured Party"), and _____ (the "Borrower").

WHEREAS, the Borrower seeks to purchase on credit from the Secured Party and/or to receive on consignment from Secured Party - various items of fine jewelry and/or merchandise (any and all of such items being hereinafter referred to as the "Merchandise");

WHEREAS, in order to secure (i) payment for all Merchandise sold by Secured Party to Borrower and (ii) the return of all unsold Merchandise consigned by Secured Party to Borrower, the Borrower is granting to Secured Party a continuing security interest in the Collateral, as hereinafter defined;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. Definitions. As used in this Security Agreement, the following terms shall have the meanings indicated:

1.1 "Collateral" means:

a) all Merchandise sold and/or consigned by Secured Party to Borrower from time to time, whether evidenced by a schedule annexed hereto, or by purchase orders, acknowledgements, memorandums, invoices, or any other form of documentation ("Transaction Documents");

b) all property, goods, chattel, inventory, cash in bank accounts, cash in hand, accounts receivables, securities, equipment and other assets of the Borrower, now owned and acquired after the execution of this Agreement and prior to its termination;

c) all proceeds thereof of the items set forth in sub-paragraphs 1.1(a) and 1.1(b) above;

d) all substitutions, replacements and accessions thereto of the items set forth in sub-paragraphs 1.1(a),(b) and (c) above.

1.2 "Borrower" means _____ and any subsidiary, parent, affiliate, assignee, successor in interest or other person who hereafter possesses any beneficial ownership and/or control over the Collateral.

2. Security Interest in Collateral. As security for the payment for all Merchandise sold or consigned (and not returned) to Borrower (all hereinafter referred to as the "Obligations") , the Borrower grants Secured Party, a continuing security interest in Borrower's right, title and interest in the Collateral and any proceeds, additions, replacements, or substitutions thereof. The Borrower's failure to furnish the Secured Party with any formal pledge, assignment or other designation with respect to any property of the type included in the Collateral shall not operate to exclude such property from the Collateral.

3. Warranties, Representations and Covenants. The Borrower represents warrants and covenants as follows:

3.1 The Borrower will own all property included in the Collateral free from any lien, security interest or encumbrance and shall have the absolute right to subject the Collateral to the Security Interest of the Secured Party.

3.2 The collateral will not be sold, transferred, changed or otherwise disposed of unless Secured Party consents in advance in writing, except sale of inventory to customers in ordinary course of business.

3.3 The Borrower shall, at its own expense, do all acts and execute and deliver all writings the Secured Party may at any time require to protect or enforce the Secured Party's interests, rights and remedies created by, provided in or emanating from this Agreement, including, but not limited to, executing all such UCC Financing Statements and documents as requested by the Secured Party.

3.4 The Security Interest granted to Secured Party under this agreement, when properly perfected by filing, will constitute at all times a valid and perfected first security interest in the collateral, vested in Security Party, and will not become junior to the security interest, liens or claims of any other creditors.

4. Rights and Obligations.

4.1 All Obligations owed by Borrower to the Secured Party shall be repayable, together with interest and charges, at the Secured Party's address set forth above or such other address as may be set forth in the Transaction Documents, or at such other address as the Secured Party shall designate in writing to the Borrower from time to time.

4.2 Upon default by Borrower of any of the Obligations under this Agreement and/or the Transaction Documents, the Borrower shall pay to the Secured Party all disbursements (including reasonable attorneys fees and related expenses) that the Secured Party may incur with respect to the Collateral including, without limitation, reasonable legal fees and disbursement and all other costs and expenses incurred in recovering the Collateral and otherwise protecting its rights under this Agreement. The Secured Party is also entitle to receive all the expenses of liquidating any lien, security interest or other encumbrance superior to the security interest created hereby.

4.3 The Borrower shall notify the Secured Party of any occurrence which may affect the perfection of the Secured Party's security interest in any of the Collateral.

4.4 The Borrower shall not grant any further security interest in or permit any liens or encumbrances upon any of the Collateral, without the prior written consent of the Secured Party.

5. Appointment as Agent. For the purpose of protecting the Secured Party's interests, and only for that purpose, the Borrower hereby appoints the Secured Party, with full power of substitution:

- (a) to endorse the Borrower's name upon any instruments that may into Secured Party's possession in accordance with this Agreement; and
- (b) to sign on behalf of Borrower such financing statements as the Secured Party shall deem necessary, describing the types of items of Collateral described hereby.

6. Preservation of Inventory Collateral & Insurance.

6.1 Borrower shall at all times keep the Inventory Collateral, at Borrower's own cost and expense, in good repair and condition and shall not misuse, abuse, waste or allow same to deteriorate, except for normal wear and tear, and shall not use the Inventory Collateral in violation of any statute, ordinance or policy of insurance relating thereto.

6.2 Borrower shall Insure the collateral against any such risks by policies of Insurance in such form, with such amount and with such companies satisfactory to Secured Party and shall name Secured Party as loss payee under these policies for the amount of the collateral to which Borrower is indebted to Secured Party;

7. Default.

7.1 The Borrower shall be in default under this agreement if:

- (a) all indebtedness secured by this agreement is not paid promptly when due;
- (b) any other obligation created by this agreement or any note or agreement secured hereby is not complied with strictly according to the terms thereof;
- (c) the collateral hereinabove described is transferred to any location not specifically approved in advance by Secured Party, lost, stolen, substantially damaged or seized by any third party pursuant to legal proceedings; or,
- (d) any warranty or representation made by Borrower to Secured Party in this agreement or in any note or other agreement secured hereby is false in any material respect when made or furnished;
- (e) any insolvency or bankruptcy proceeding is commenced by or against Borrower.

7.2 Upon the occurrence of any material breach, of or default or event of default under, any provision of this Agreement or any other document executed or delivered by the Borrower in connection with the Obligations, and at any time hereafter, the Secured Party shall have the right to exercise all the rights and remedies of a secured party under the Uniform Commercial Code.

The Secured Party shall not be required to assume any credit risk in connection with the disposition of the Collateral; and only the net cash proceeds, as and when received, after subtracting expenses incurred by the Secured Party in realizing any Collateral, shall be applied to the Borrower's Indebtedness. In the event such net cash proceeds are insufficient to fully pay the Indebtedness, the Borrower shall remain fully liable to the Secured Party for the deficiency regardless of any notes or other obligations the Secured Party may receive in connection with any disposition of the Collateral and notwithstanding that it may continue to hold other Collateral. Any surplus shall be rendered to Borrower.

7.3 The rights granted to the Secured Party by the Borrower hereunder are cumulative and in addition to the rights granted by every other agreement which the Borrower has heretofore or may hereafter execute and deliver to the Secured Party, and no such agreement shall be read or construed to limit, restrict, or otherwise modify in any way the rights given hereby, and likewise no provision of this Agreement shall be deemed to limit, restrict, or otherwise modify in any way any rights granted to the Secured Party by other agreement of the Borrower.

8. Delay and Waiver. Any delay on the part of the Secured Party in exercising any power or right hereunder shall not operate as a waiver thereof, nor shall any single or partial exercise of any power or right hereunder preclude any other or further exercise thereof or the exercise of any other power or right. No waiver by the Secured Party of any default shall operate as a waiver of any other default or of the same default on any future occasion. In no event shall the Secured Party be required to liquidate any Collateral before proceeding against the Borrower to collect the Borrower's Indebtedness after the occurrence of any event of default or to proceed in any order in the liquidation of Collateral.

9. Power of Attorney & Authorization to file Financing Statement. To effectuate the rights and remedies of the Secured Party under this Agreement, the Borrower hereby irrevocably appoints the Secured Party, or its designee, as its attorney-in-fact, in the name of Borrower or in the name of the Secured Party:

(a) to execute and file from time to time financing statements, continuation statements, termination statements and amendments thereto, covering the Collateral, pursuant to Uniform Commercial Code in form satisfactory to the Secured Party, and

(b) upon the occurrence and during the continuation of a default under this Agreement or otherwise, to take all action and execute all documents to the extent permitted by law.

The power of attorney granted pursuant to this section 8 is coupled with an interest and shall be irrevocable until all of the Borrower's obligations under this Agreement have been paid and performed in full.

10. Notices. Any notice or other communication in connection with this Agreement shall be deemed to be delivered if in writing (or in the form of a facsimile transmission), addressed as provided below and if either

(a) delivered electronically or physically at said address (provided that if said address is a business, delivery is made during normal business hours), or

(b) in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mail, postage prepaid and registered or certified, return receipt requested, or

(c) forty eight (48) hours shall have elapsed after the same shall have been sent by nationally recognized overnight receipted courier:

If to Secured Party to:

Ashi Diamonds, LLC
18 East 48th Street, 14th Floor
New York, New York 10017

Facsimile: (212) 319 4341
Attention: Mr. Rajeev Pandya

If to Borrower, to:

And in any case at such other address as the addressee shall have specified by written notice. All periods of notice shall be measured from the date of delivery thereof.

11. Books & Records; Inspection:

11.1 Borrower will keep and maintain such books and records with respect to the Collateral and with respect to the general business of Borrower as Secured Party may from time to time prescribe in order to enable Secured Party to audit same.

11.2 Borrower shall at all reasonable times, and from time to time, without the necessity of any prior notice or demand, allow Secured Party by or through any of its officers, agents, attorneys, accountants or other representative, to examine or inspect the inventory collateral where ever the same may be located and to examine, inspect and make extracts from or copies of Borrower's books and records respecting any or all of the Collateral.

11.3 Borrower will, at any time at Secured Party's request, deliver to Secured Party a schedule specifically identifying all of the inventory collateral and/or all of the Non-inventory collateral, and shall from time to time deliver to Secured Party such additional schedules and such certificates and reports respecting any or all of the Collateral as Secured Party may request. Any such schedule, certificate or report shall be executed by a duly authorized officer or representative of Borrower and shall be in such form as Secured Party may specify. Any schedule identifying Non-inventory collateral shall, if Secured Party so requests, be accompanied by a true and correct copy of the invoice and shipping documents evidencing sale and shipment of inventory collateral and the original shipping documents, notes, instruments, chattel paper or other items relating to the Collateral. Borrower's failure to give the schedule, certificates and/or reports set for the herein shall in no way limit the security interest of Secured Party in Collateral.

11.4 Secured Party shall have the right in its own name or in the name of the Borrower to verify the amount owing from Borrowers customers with regard to the Collateral.

12. Secured Party's Right to Pay Prior Liens. The Secured Party may, at the option of Secured Party, discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the collateral, may pay for insurance on the collateral, and may pay for the maintenance and preservation of the collateral, and Borrower agrees to reimburse Secured Party on demand for any payment so made, or any expense so incurred by Secured Party pursuant hereto.

13. Severability; Waiver. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof. The failure of either party hereto to insist upon the strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of any right hereunder nor shall it deprive that party of the right to insist upon the strict adherence to that term or any other term of this Agreement at some other time.

14. Amendment. This Agreement may be amended only by a written agreement executed by the Secured Party and the Borrower.

15. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the conflict of law principles thereof.


16. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

17. Effect of Headings. Any title of an article or Section heading herein contained is for convenience of reference only and shall not affect the meaning of construction of any of the provisions hereof.

18. Miscellaneous Provisions:

18.1 The acknowledgment of acceptance of this agreement by Secured Party is waived by the Borrower.

18.2 The Credit Account Application or Conditional Personal Guaranty, if recorded, is considered as the same as or part of a Security Agreement.

18.3 All Jewelry product are Trademarked with Secured Party's registered Logo (). This Trademark can be found on the shank of rings, behind the earring and pendant or on the tongue/clasp of bracelets.

IN WITNESS WHEREOF, the undersigned parties have signed this Agreement as of the date first above written.

Ashi Diamonds, LLC, Secured Party

By: _____

Mr. Rajeev K. Pandya

Company Name, Borrower

Company Name: _____

By: _____

Print Name: _____