

SECURITY AGREEMENT

This SECURITY AGREEMENT, is made and effective as of March 23, 2001, by and between California Style, Inc., a Delaware corporation ("CSI"), and California River International Inc., a Delaware corporation (the "Company").

WITNESSETH:

WHEREAS, pursuant to the Promissory Note of even date between CSI and the Company (the "Note"), CSI has agreed to enter into the Promissory Note with the Company, provided, that, among other things, the Promissory Note is at all times secured by a perfected first priority security interest in the collateral described on Schedule I hereof (the "Collateral"); and

WHEREAS, the Company has agreed pursuant to that certain Asset Purchase Agreement between CSI and the Company, of even date (the "Asset Purchase Agreement") to purchase certain of Seller's inventory on August 1, 2001, (the "Purchased Inventory").

NOW, THEREFORE, in consideration of CSI's entering into the Note, its agreement to sell Purchased Inventory, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. Security Interest. As security for the Company's obligation under the Note, and the obligation to purchase the Purchased Inventory under the Asset Purchase Agreement, the Company hereby mortgages, pledges, assigns, transfers, sets over, conveys and delivers to CSI, and grants to CSI, a first priority security interest in the Collateral (the "Security Interest").

2. Obligations. The Security Interest shall secure the due and punctual payment and performance of the obligations under the Note and the obligation to purchase the Purchased Inventory.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to CSI as of the date hereof that:

(a) This Security Agreement constitutes a valid and continuing lien on, and Security Interest in, the Collateral, free and clear of all other liens or encumbrances of any nature whatsoever.

(b) No consent, including the consent of any third person or governmental authority, is required with respect to the granting of the Security Interests.

(c) The location of (i) the chief executive office of the Company, and (ii) the office of the Company at which the records of the Company pertaining to the Collateral are kept, is 530 Seventh Avenue, 9th Floor, New York, NY 10018.

(d) There is no action, suit, investigation or other proceeding pending, or to the best knowledge of the Company, threatened against or affecting the Collateral or the Company or any of its assets or properties, before any court, arbitrator or governmental or administrative body or agency. The Company is not in default under any applicable statute, rule, order, decree or regulation of any court, arbitrator or governmental body or agency having jurisdiction over the Company.

4. Covenants of the Company.

(a) The Company will promptly execute and deliver to CSI such financing statements, mortgages, certificates and other documents or instruments as may be reasonably requested by CSI to enable CSI to perfect or renew the Security Interests including, without limitation, such financing statements, certificates and other documents as may be reasonably necessary to continue the perfection of the Security Interests or to perfect a security interest in any additional property or rights hereafter acquired by the Company or in any replacements thereof or proceeds therefrom.

(b) If the granting by the Company of the Security Interests or any portion or aspect thereof, requires any further approval, perfection or compliance with any applicable law or administrative rule, or shall be prohibited under or in violation of any applicable law or administrative rule, the Company agrees to do all reasonable things and, at its sole expense, to take all action reasonably necessary or advisable to obtain all such approvals and to accomplish such perfection or compliance, and/or expeditiously to remove any prohibition and cure any violation, so as to effectuate to the fullest extent permissible by law the entire Security Interest granted hereunder. The Company shall notify CSI of all such required or advisable approvals, perfection and compliance, and of all such prohibitions and violations arising from the execution, enforcement, or operation of any aspect of this Agreement, and shall fully advise CSI with respect to all actions and procedures necessary or desirable to accomplish the foregoing. The Company shall reimburse and indemnify CSI for any reasonable out-of-pocket expenses (including reasonable attorneys' fees) which CSI shall incur in the accomplishment of any of the foregoing.

5. Negative Covenants of the Company. The Company will not grant, create or cause or allow to exist any liens or encumbrances on the Collateral.

6. Events of Default. An Event of Default hereunder shall be any breach of a material warranty, representation or covenant of the Company hereunder, and shall be any breach denominated in the Note as an "Event of Default."

7. Rights of CSI on Default. Upon the occurrence of any Event of Default, such Event of Default not having previously been remedied, waived or cured, CSI shall have all of the rights and remedies of a secured party under the Uniform Commercial Code or under any other Applicable Law, including, without limitation, the right to take possession of the Collateral. CSI may require the Company to make the Collateral available to CSI at a place to be designated by CSI which is reasonably convenient to both parties. CSI will give the Company at least ten (10) business days prior written notice by registered or certified mail at the address of the Company set forth in the Note of the time and place of any public sale thereof or of the time after which

any private sale or any other intended disposition thereof is to be made. Any such notice shall be deemed to meet any requirement hereunder or under any applicable law (including the Uniform Commercial Code) that reasonable notification be given of the time and place of such sale or other disposition. After deducting all reasonable costs and expenses of collection, sale or other disposition and delivery (including, without limitation, reasonable legal costs and attorneys' fees) and all other charges against the Collateral, the remaining proceeds of any such sale or other disposition may, in the sole discretion of CSI, be held as Collateral hereunder for, and/or applied in whole or in part by CSI to, the payment of the Note in such order of priority as CSI shall, in its sole discretion, determine and any surplus after satisfaction in full of all amounts payable pursuant to the Note shall be returned to the Company or to whomever may be legally entitled thereto. Upon the occurrence of any Event of Default, all payments received by the Company under or in connection with the Collateral shall be held by the Company in trust for CSI, shall be segregated from other funds of the Company and shall be turned over to CSI upon request by CSI in the same form as received by the Company (duly endorsed by the Company to CSI, if required). In the event the proceeds of any sale, lease or other disposition of the Collateral hereunder are insufficient to pay all amounts payable pursuant to the Note in full, including all reasonable costs incurred by CSI with respect to collection thereof and the enforcement of any of CSI's rights hereunder, such deficiency shall remain the obligation of THE COMPANY.

8. Reimbursement of CSI. The Company hereby agrees as follows:

(a) Prior to the occurrence of an Event of Default, to reimburse CSI for all reasonable out-of-pocket costs and expenses (excluding legal fees) incurred by CSI in connection with the perfection and maintenance of the Security Interests granted hereunder and obtaining consents, approvals, registrations, qualifications or authorizations as contemplated herein.

(b) After the occurrence of an Event of Default, to reimburse CSI for any and all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by CSI in enforcing the provisions of this Security Agreement. All such costs and expenses shall be repayable to CSI upon its demand therefor and shall bear interest at the rate set forth in the Note from the date of advance to the date of repayment.

(c) In no event shall CSI be liable to the Company for any matter or thing in connection with this Security Agreement other than to account for moneys actually received by it in accordance with the terms hereof, except to the extent caused by CSI's gross negligence, willful misconduct or bad faith. If the Company shall fail to do any act or thing which it has covenanted to do hereunder or if any representation or warranty of the Company hereunder shall be breached in any material respect, CSI may (but shall not be obligated to) perform any such act or thing or cause it to be performed or remedy any such breach and shall be reimbursed for doing so by the Company.

(d) All terms contained in this Section 8 shall survive the expiration or termination of this Security Agreement for any reason without the necessity of executing any further document or instrument.

9. Designation of Attorney. The Company hereby irrevocably appoints CSI, and its

successors and assigns, the Company's true and lawful attorney, with full power (in the name of the Company or otherwise), after the occurrence and during the continuance of an Event of Default, to ask, require, demand, receive, compound and give acquittance for any and all moneys, claims and other amounts due and to become due at any time under, or arising out of, the Collateral; to open and dispose of all mail addressed to the Company relating to the Collateral, and cause such mail to be transferred to any receiver or any of its designees, to endorse any checks or other instruments or orders in connection therewith; to enforce all CSI's rights under all agreements relating to the Collateral; to file or cause to be filed any certificates, affidavits, registrations, renewals and other documents relating to the Collateral; to execute such other assignments and mortgages of the Collateral as CSI may require; and to take any action or institute any proceedings which CSI may deem to be necessary or advisable in the premises. Such power of attorney shall be deemed a power coupled with an interest and, therefore, irrevocable for the life of this Security Agreement.

10. Waivers, etc. No delay, failure or omission on the part of CSI in exercising any right or remedy hereunder shall operate as a waiver of such right or remedy or of any other right hereunder, and any waiver by CSI of any such right or remedy on any one occasion, or any single or partial exercise by CSI of any right or remedy shall not be construed as a bar to or waiver by CSI of any such right on any such future occasion, nor to preclude other or further exercise thereof by CSI or the exercise by CSI of any other right or remedy.

11. Termination. The Company further agrees that the Security Interests granted hereunder shall continue to be effective or shall be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on the Note is rescinded or must otherwise be restored by CSI as a preferential payment under applicable bankruptcy or insolvency laws or upon the bankruptcy, insolvency or reorganization of the Company, or otherwise. This Security Agreement and the security interest in the Collateral created hereby shall terminate upon payment of all amounts due pursuant to the Note. Upon the date of such payment, CSI will take all action and do all things necessary (including the execution and delivery of UCC-3 termination statements and other documents) to release the Security Interests granted to it hereunder.

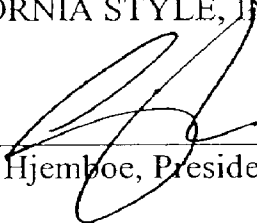
12. Governmental Approvals, etc. Upon the exercise by CSI of any power, right, privilege or remedy pursuant to this Security Agreement which requires any consent, approval, registration, qualification or authorization of any governmental authority or instrumentality, the Company will execute and deliver or will cause the execution and delivery of, all applications, certificates, instruments and other documents and papers that CSI may be reasonably required to obtain for such governmental consent, approval, registration, qualification or authorization.

13. Further Assurances. The Company agrees that at any time and from time to time, upon the written request of CSI, the Company will promptly and duly execute and deliver any and all such further instruments and documents as CSI may reasonably request in order to obtain the full benefits of this Security Agreement, of the rights and powers herein granted and of the liens and Security Interests granted to CSI hereby, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the liens and Security Interests granted hereby. Upon the Company's

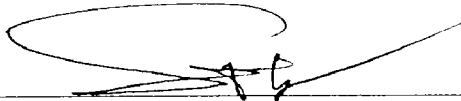
failure so to execute and deliver further instruments and documents within ten (10) business days after CSI's written request therefor, CSI is authorized as agent of the Company to sign any such instrument and document utilizing the power of attorney referred to in Paragraph 11 hereof. The Company hereby also authorizes CSI to file any such financing or continuation statement without the signature of the Company to the extent permitted by applicable law.

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

CALIFORNIA STYLE, INC.

By: 
Ann Hjembøe, President

CALIFORNIA RIVER INTERNATIONAL INC.

By: 
Simon Lam, President

SCHEDULE 1

TO SECURITY AGREEMENT

"Collateral" shall include all of California River International Inc.'s right, title and interest in and to the following:

1. The CALIFORNIA STYLE trademark and service mark, U.S. Trademark Registration No. 2,190,071 ("Trademark") and all goodwill symbolized by or associated with such Trademark;

2. The following domain names:

- (a) www.calstyle.com,
- (b) www.castyle.com,
- (c) www.castyle.net,
- (d) www.castyleinc.com,
- (e) www.californiastyleinc.com,
- (f) www.californiastylecatalog.com,
- (g) www.californiastylecatalog.net,
- (h) www.californiastylecatalog.org,
- (i) www.californiastyleaccents.com,
- (j) www.californiastylegifts.com,
- (k) www.californiastylehome.com,
- (l) www.californiastylefloral.com,
- (m) www.castyleoutlet.com

3. The Mailing List relating to the California Style Catalog business as amended and updated from time to time in any and all medium in which such Mailing List is held;

4. All inventory purchased by California River International, Inc. pursuant to the Asset Purchase Agreement dated March 23, 2001 between California River International, Inc. and Secured Party; and

5. All now owned or after required inventory of California River International, Inc. relating to the California Style clothing business located in Secured Party's warehouse at 5823 Newton Drive, Carlsbad, California 92008, including all materials used in the shipping, advertising, packing or selling thereof whether in transit or otherwise, and all proceeds thereof.