

LOAN SECURITY AGREEMENT

1. **PARTIES:** This Agreement, made as of _____, 2007, between Claude Simon with an address at 160 Madison Avenue, New York, NY 10016 (called the "Borrower") and Bernat Mikhli and Shamuil Mikhli with an address at 160 Madison Avenue, New York, New York 10016 (called the "Lenders"). If more that one person enters into this agreement with the Lenders, they together shall be known as the "Borrower", and either one or any one of them may be made to pay the full amount due under this Agreement.

2. **NOTE:** Borrower has signed a note (called the "Note"), payable to the order of the Lenders in the principal sum of \$1,050,000.00 with interest as described in the Note.

3. **STOCK AND LEASE:** Borrower is the owner and holder of all of the shares of capital stock allocated to Unit 1 (called the "Stock") of 160 Madison Avenue Owners Corp. (called the "Corporation"), and is a tenant under a Proprietary Lease (called the "Lease") dated _____ between the Corporation, as landlord, and the Borrower as tenant. The Lease and Stock relate to and are allocated for Unit 1 (called the "Unit") in the premises commonly known as 160 Madison Avenue, New York, New York 10009.

4. **PLEDGE OF STOCK:** To insure the payment of the Note, the Borrower, by this Loan Security Agreement, gives to the Lenders a Security interest in the shares of the Corporation, represented by the Stock for Unit 1 issued to the Borrower, together with all increases, profits, proceeds, additions and substitutions for that Stock. A security interest means that if the Borrower does not pay the Note as required, the Lenders may sell the stock and apply the proceeds to any sums due. If an Event of Default occurs (see "Events of Default" section below) and the Lenders demand repayment in full, the Borrower appoints the Lenders as his or her proxy with full power to attend all shareholder meetings and exercise all rights of a voting stockholder of the Stock. Borrower will not revoke or withdraw this appointment without the written consent of the Lender.

5. **ASSIGNMENT OF LEASE:** As additional security for the Note, Borrower by this Loan Security Agreement, assigns the Lease for Unit 1 to the Lenders and gives the Lender a security interest in it. This means that the Lenders may sell or transfer the Lease and apply the proceeds to the payment of any sums due under the Note, if there is an Event of Default.

6. **FINANCING STATEMENTS:** The Borrower gives the Lenders permission to file or renew financing statements at Borrower's expense without the Borrower's signature on it. A financing statement is a notice of the Lenders' security interest filed in the public records.

7. **REPRESENTATIONS:**

(a) Borrower states that she/he is the lawful owner of the Sock and the Lease, that there are no claims of any kind against the, and that she/he has the full right to give these security interests to the Lender.

(b) The Borrower will obey all the terms of the Lease and will defend the Lease

and Stock against all claims and demands by any persons who claim an adverse interest.

(c) The Borrower will not sell, transfer, pledge or assign the Stock or the Lease, or attempt to do so without the Lenders' prior written consent.

(d) The Lenders may file or record the Lease and/or this Loan Security Agreement if it decides this is necessary to protect its interest, and the Borrower agrees to pay for all filing fees, mortgage tax, or any other official fees that may result from this.

(e) The Borrower has delivered to the Lender the original certificate of Stock and the original Lease and the Borrower will not attempt to replace them or change his/her interest as represented by the original Stock certificate and the original Lease Agreement.

(f) Borrower agrees to make all payments due under the terms of the Note.

8. **EVENTS OF DEFAULT:** If any of the following Events of Default occurs, the Lenders will have the right to demand the principal balance and interest on the Note immediately due and payable, and the Lenders will have the right to sell the Stock and Lease, and to use any other legal means to enforce its interest.

(a) The Borrower refuses to deliver immediate possession of the Lease or the Stock or any replacements, modifications, additions, proceeds, or substitutions for them.

(b) The Borrower fails to make any payment due under the Note provided the Lender sends the Borrower a written notice telling Borrower that is she/he does not pay the overdue amount by a certain date. That date must be at least 30 days after the date in which the notice is mailed to the Borrower or it is not mailed, 30 days after the date on which it is delivered to the Borrower. If the Borrower does not pay the overdue amount by the date stated in the notice above mentioned, the Borrower will be in default.

(c) The Borrower breaks any of her/his promises under the Note, the Lease, or this Loan Security Agreement.

(d) The Lease is cancelled by the Corporation or is in any other way terminated.

(e) The Borrower has made any false or misleading statements in connection with this transaction.

(f) The Borrower files bankruptcy or any other legal action is begun so Borrower can avoid her/his debts.

(g) The Borrower sells or assigns his interest in the Stock or Lease.

(h) The Borrower fails to furnish a statement as required in the Status Certificate section below.

- (i) One of the events in the Corporate Insecurity section below occurs.

9. **NOTICE OF DEFAULT AND SALE:** If one of the Events of Default above occurs and the Lenders decide to demand payment in full, then the Lenders will send a written notice that the principal sum and all interest is due and payable immediately. This notice will be sent by mail, to the Borrower at the Apartment. If Borrower fails to pay the amounts due within ten (10) days of the mailing date of the notice, Lender shall have the right to sell or assign the Stock and Lease for cash, upon credit, or for future delivery and exercise any other rights legally available to it. Any such sale may be public or private, with or without advertisement.

The Lenders shall give Borrower ten (10) days written notice or its intention to make any such public or private sale, which shall be deemed reasonable notice, and such notice shall state the time and place fixed for the sale. Any sale shall be held at such time or times within ordinary business hours and at such place or places, as the Lender may fix in the notice, provided that the Lenders shall not be obligated to make any sale pursuant to any such notice. The Lenders may, without notice or publication, adjourn any sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which it may be so adjourned. In case of any sale of the Stock and Lease on credit or for future delivery, the Stock and Lease may be retained by the Lenders until the selling price is paid by the Purchaser, but the Lenders shall not incur any liability in case of the failure of the Purchaser to take up and pay for the Stock and Lease, and in case of any such failure, the Stock and Lease may again be sold. The Lenders, however, instead of exercising the power of sale conferred by this Agreement, may proceed by a suit or suits at law or in equity to foreclose the pledge and sell the Stock and Lease. In case of any sale, the Lenders may first deduct all expenses of sale and delivery of the Stock and Lease, including, but not limited to reasonable attorney's fees, brokerage commissions and transfer taxes, and also all sums paid to the Corporation pursuant to the terms of the Lease or, upon termination of the Lease pursuant to any new lease issued in replacement of the Lease, and may then apply the remainder to any liability of Borrower under the Note and this Agreement, and shall retain the surplus, if any, to Borrower.

Any sale conducted upon the foregoing terms shall be deemed "commercially reasonable."

10. **APPOINTMENT OF RECEIVER:** The Borrower agrees that if any action to foreclose the Lender's security interests is brought, the Lenders are entitled to the appointment of a receiver and Borrower need not be notified.

11. **SALE BY BORROWER AFTER DEFAULT:** The Lenders agree that if the sale of the Stock is not begun within 60 days after one of the Events of Default above occurs and after the Lenders have demanded repayment in full under the Note, the Borrower may either arrange for a sale of the Stock and Lease provided he or she can give satisfactory proof to the Lenders that all sums remaining due and owing will be paid in full, or make payment of all amounts due to Lenders. By permitting the Borrower to sell his or her interest, the Lenders do not give up any of their rights under this Loan Security Agreement, including the right to collect any sums due and owing after the sale.

12. **COMPLETION OF DOCUMENTS:** In connection with any sale or disposition of the Stock or the Lease, the Lenders shall have the right to complete the incomplete Stock Power and Assignment of the Lease (which are given along with this Loan Security Agreement to provide the Lenders with additional security) for the propose of transferring the Stock and the Lease. The Borrower agrees that the Corporation, its officers, agents or attorneys, shall not be liable to the Borrower in the event the Corporation transfers the Borrower's Stock and Lease under the provisions of this Loan Security Agreement, or brings any proceeding to dispossess or evict the Borrower from the Unit by reason of the occurrence of an Event of Default under this Agreement. The Corporation may not consent to a transfer of the Borrower's Stock or Lease without the prior written approval of the Lenders.

13. **STATUS CERTIFICATE:** The Borrower agrees to furnish within ten (10) days of the Lenders' request, a signed statement of the amount due on the Note and whether any offsets or defenses exist against the Note.

14. **CORPORATE INSECURITY:** The Borrower agrees that it is an Event of Default (see "Events of Default" section above) if one or more of the following occur (1) the Corporation fails to pay any mortgage payments or real estate taxes it is obligated to pay, (2) of the Corporation fails to insure the building of which the Unit is a part against fire and other hazards a mortgage lender may require or the Corporation fails to carry liability insurance in a reasonable amount, (3) a bankruptcy, foreclosure or insolvency action is brought by or against the Corporation, or (4) the building of which the Unit is a part is destroyed or substantially damaged.

15. **PAYMENTS FOR BORROWER'S ACCOUNT:** The Lenders, at their option, may make any payments for the Borrower's account, or do any actions required to be done in order to prevent a default in or breach of the Lease. In the event the Lenders make any payments or acts on behalf of the Borrower, such payments or other expenses, together with interest on them at the rate stated in the Note, will be added to the amount owed under and secured by this Agreement and shall be payable to the Lenders by the Borrower on demand.

16. **REIMBURSEMENT FOR EXPENSES:** If any action or proceeding is started by the Lender, by the Borrower, or anyone else, or if the Lenders are made a party in any action or proceeding to foreclose, uphold or defend the security interests or other rights granted to the Lenders by this Loan Security Agreement, all sums paid by the Lenders for the expenses of any such action (including reasonable attorney's fees), together with interest on the expenses at the rate stated in the Note, shall be added to the amount owed under and secured by this Loan Security Agreement and shall be payable to the Lenders by the Borrower, on demand. In any dispute over this agreement or the Note, the prevailing party will be entitled to legal fees and expenses.

17. **ADDITIONAL CHARGES:** In the event any government agency imposes any charge on the sale, transfer or on a loan made upon the Stock and Lease, then, at the option of the Lenders, the Borrower shall pay such charge imposed that, in the opinion of the Lenders, would be required to protect its interest in the Stock and Lease.

18. **APPLICABLE LAW:** This Agreement is ruled and governed by New York Law.

If any provision in this Loan Security Agreement is found to be illegal, the rest of the Loan Security Agreement will still be binding and effective. This Loan Security Agreement is subject to the trust fund provisions of Section 13 of the New York Lien Law.

19. **BORROWER'S RIGHT TO UNIT AND STOCK:** Until Borrower is in default, only Borrower shall have all the rights and privileges of a shareholder of the Corporation and as a Proprietary Lessee. Also Borrower will have sole responsibility for the performance of all obligations of a shareholder and a Proprietary Lessee. Lenders will have no responsibility under the Proprietary Lease.

20. **INDEMNIFICATION OF THE LENDERS:** Borrower understands that if the Lenders shall be liable to the Corporation pursuant to the terms of the Recognition Agreement executed in connection with this loan, Borrower agrees to indemnify the Lenders for any damages sustained by it.

21. **NON-LIABILITY OF CORPORATION:** The Corporation will not be liable to the Borrower if it transfers the Stock and Lease as required by this Agreement or if it refuses to transfer the Stock and Lease to another person without Lenders' consent.

22. **RIGHT TO ASSIGN THIS AGREEMENT:** Borrower understands that Lenders do not have the right to assign this agreement and the Stock and Lease without notice to Borrower and without Borrower's consent.

23. **PROCEDURE UPON SALE BY BORROWER:** If Borrower sells the stock and transfers the Proprietary Lease, Borrower will repay in full all amounts which Borrower owes under the Note and this Agreement by a certified or bank check, payable to Lenders.

Upon receipt of payment in full, Lenders will deliver the Stock Certificate and the Proprietary Lease to Borrower, provided Borrower has paid the reasonable attorney's fees for the preparation of any required UCC-3 Financing Statement.

Should Borrower request a personal attendance for purposes of delivering the Stock Certificate and Proprietary Lease, Borrower agrees to pay a fee for such attendance in addition to the fee for preparation of the UCC-3 Financing Statement.

24. **WAIVER OF JURY TRIAL:** Both Lenders and Borrower agree to waive any trial by jury in any action arising out of or connected with this Agreement, the relationship created by this Agreement, or the Stock and Lease, except as prohibited by statute.

25. **CUMULATIVE REMEDIES:** The rights, remedies and benefits specified in this Agreement are cumulative and are not exclusive of any rights, remedies, or benefits which the Lenders may otherwise have and no delay or failure on the part of the Lenders in exercising any power or right under this Agreement shall operate as a waiver of such power or right.

26. **NOTICES:** Unless otherwise mentioned in this Agreement, Lenders may send any

notice to Borrower by regular mail, at the Unit, unless Borrower notifies Lenders in writing of a change of address. Borrower will send any notice to Lenders at Lenders' address as hereinabove set forth.

27. **CHANGE OF TERMS:** The terms of this Agreement may not be changed orally but only by a written agreement signed by the party to be charged.

The Borrower has signed this Loan Security Agreement on the date above written.

STATE OF NEW YORK)
 ss.:
COUNTY OF NEW YORK)

CLAUDE SIMON

On the____ day of _____ in the year 20____ before me, the undersigned, personally appeared Claude Simon personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is(are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Signature and Office of Individual
taking acknowledgment

LOAN NOTE

This is the Note that covers my loan with you. When I sign my name below, this means I accept the terms of the Note. I understand that anyone who signs will be responsible, individually and together, to the same extent I am.

In this Note, the words "I," "me," "my" and "mine" mean the borrower, Claude Simon (hereinafter the "Borrower"). You and your refer to Bernat Mikhli and Shamuil Mikhli (hereinafter the "Lenders").

PROMISE TO PAY: To repay this Loan, I will pay to you or to your order at The Offices of Stein & Farkas, LLP, 1639 East 13th Street, Brooklyn, New York 11229, or at any other address designated by you the principal sum of One Million Fifty Thousand Dollars (\$1,050,000.00) plus accrued interest from _____ 2007 on or before _____. I have the option to pay no principal or interest for the first six (6) months of this loan commencing _____ 2007. All such payments to be applied first to interest at the rate of eight and one half (8.5%) percent per annum and the balance toward reduction of principal. On _____ any principal balance, together with accrued interest, will be payable at eight and one half (8.5%) percent.

PREPAYMENT: I may prepay this note in full or in part, but the following rules will apply. Interest will be paid to the date of prepayment. I will give you written notice at least 10 and no more than 30 days in advance. The notice will set forth the amount of prepayment and the date on which it is to be paid. If I give such notice, the amount specified will be due on the date indicated as if it were a regular installment.

CHARGES FOR NOT PAYING ON TIME: If any of my installment payments have not reached you within 10 days of the date any such payment is due, I agree to pay you a late charge of \$.10 per dollar on each unpaid installment. No late charge will be imposed for any installment which has become due earlier than scheduled because of my default.

SECURITY: To protect you if I default on this debt to you, I give you a security interest under the Uniform Commercial Code and under the Security Agreement executed simultaneously with this Note (hereinafter called the "Loan Security Agreement"), in the shares of stock and personal property and Lease described in the Security Agreement.

DEFAULT: This note is the Note referred to in, secured by and entitled to the benefits of the Security Agreement. The entire unpaid balance on this Note will become immediately due and payable at your option, without any notice or demand on your part, if I fail to make any payment due under this Note within ten (10) days after the date such payment is due or if any of the terms of the Security Agreement, including any of the default provisions, are violated.

COLLECTION COSTS: The prevailing party in any dispute over this Note will be entitled to legal fees and expenses.

PAYOFF FEE: I agree to prepare any necessary payoff documents.

RELEASE: You can waive or delay enforcing any of your rights without losing them. You can waive or delay enforcing a right as to one borrower without waiving it as to the other.

LAW THAT APPLIES: This Agreement is governed by New York law.

I acknowledge receipt of a copy of this Note and of the Security Agreement.

Dated: New York, New York

CLAUDE SIMON

STATE OF NEW YORK)
 ss.:
COUNTY OF)

On the ____ day of _____ in the year 20__ before me, the undersigned, personally appeared Claude Simon personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is(are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Signature and Office of Individual
taking acknowledgment