

CO-OPERATIVE APARTMENT LOAN SECURITY AGREEMENT

THIS SECURITY AGREEMENT made the _____ day of _____, 20____, between

and

_____, residing at _____ (referred to in this Security Agreement as the "Borrower") and _____ (referred to in this Security Agreement as the "Secured Party").

In return for the Cooperative Apartment Loan granted by the Secured Party to the Borrower(s) and the mutual promises contained in this Security Agreement, it is represented, promised and agreed as follows;

1) REPRESENTATIONS OF THE BORROWER

The Borrower(s) represents and promises as follows:

- a) Borrower(s) is the owner of _____ shares of the capital stock of _____, (the "Corporation") allocated to Apartment _____ (the "Apartment"), in the building known as _____, Borrower has entered into or has accepted the assignment of the accompanying proprietary lease (the "Proprietary Lease") for that Apartment.
- b) Borrower(s) have executed a Note (the "Note") to the Secured Party on the above date agreeing and promising to pay to the Secured Party the principal amount of _____ (\$) together with increases to the principal, if any, and interest, pursuant to the terms of the note.
- c) The Note, this Security Agreement and the Proprietary Lease are referred to in this Security Agreement as the "Agreements."

2) CREATION OF SECURITY INTEREST

The Borrower(s) hereby grants to the Secured Party a continuing purchase money security interest in and to all rights, title and interest of the Borrower(s) in the Collateral (as defined below), to secure performance of each and every promise, covenant, obligation, liability and indebtedness of the Borrower(s) under and in connection with the Agreements. This means that, among other things, the Secured Party may sell or transfer the Borrower's rights in the Collateral and apply the proceeds to satisfy the Borrower's Obligations under the Note, if there is a Default (as defined below).

3) COLLATERAL

Debtor has, simultaneously with the execution and delivery of this Security Agreement and as security for payment of the Note, deposited with the Secured Party the following collateral of and for this Security Agreement (the "Collateral"), together with all profits and proceeds thereof:

- a) Pledged Stock. The Borrower's shares of the Corporation evidenced or to be evidenced by certificate(s) for the shares as above referenced (the "Pledged Stock"); and
- b) Proprietary Lease. The Proprietary Lease for the Apartment appertaining to the pledged stock, together with all fixtures, articles of personal property and appurtenances now or hereafter attached to or used in connection with the Apartment, and all condemnation and insurance awards thereunder.
- c) Distribution. Any distributions of capital with respect to the Pledged Stock and any securities issued as dividends on the Pledged Stock.
- d) Additions and Replacements. All accessions or additions to, substitutions for or replacements of the Collateral.

Furthermore, Debtor hereby grants a security interest to Mortgage Electronic Registration Systems, Inc., solely as nominee for the Secured interest in, and general lien upon, the Pledged Stock and the Proprietary Lease and all personal property and fixtures (other than household furniture and furnishings) of Debtor, now or hereafter attached to, or used in connection with, the Apartment.

4) PROMISES OF THE BORROWER

Borrower promises and agrees that;

- a) Performance. Borrower shall perform each and every promise, covenant and obligation under the Agreements as and when such performance is due.
- b) Additional Documents. Borrower shall do or procure all acts, writings and assurances that the Secured Party

may at any time reasonably request to protect or enforce its interests arising from the Agreements and will pay all taxes, charges and fees required to file or record any such writings or instruments.

- c) Full Payment Due Upon Default. Borrower shall pay immediately to the Secured Party, without notice, the entire unpaid indebtedness, together with interest, and other charges, if any, which are secured hereby upon the occurrence of an Event of Default Under Article 5 hereof.
- d) Not Permit Default. Borrower shall not permit the occurrence of any Event of Default (as defined in Article 5) while the Agreements remain in force and effect.
- e) Subsequent Shares. If new shares or replacement, substitute (more or less than originally issued) or additional shares are issued with respect to the Pledged Stock or Apartment subject to the Proprietary Lease, then and in any such event the Borrower shall, without notice or demand from the Secured Party, immediately deliver the Certificates evidencing said shares to the Secured party, together with stock powers duly executed in blank covering the same, and said shares shall be subject to the security interest herein created and shall be held subject to all of the terms, covenants and conditions of the Agreement. Secured party may, in its sole discretion, thereafter require that a new set of loan and collateral instruments be drafted which conform to the replacement, substitute, or additional shares and proprietary lease, with all fees therefore, including attorneys fees and disbursements, paid by Borrower.

5) **DEFAULT**

In the event one or more of the following events (referred to in this Security Agreement as "Events of Default") shall occur prior to full payment of the Note, then, at the option of the Secured Party, the Note and the entire unpaid principal balance thereunder, together with interest and other charges, if any, secured by this Security Agreement, shall become immediately due and payable in full.

- a) Non-Payment of Note or Mortgage Insurance. Failure to make any payment required under the Note, or failure to make any payment for required mortgage insurance, within thirty (30) days after the date the payment becomes due; or
- b) Non-Compliance with Proprietary Lease. A default in the payment of maintenance charges and/or any other charges or payments required to be made pursuant to the terms of the Proprietary Lease, or a default in performance of and/or a breach of any of the terms, covenants and conditions of the Proprietary Lease on the part of the Borrower, which default is not cured within the time and in the manner provided for in the Proprietary lease, and if no time is so specified, within a reasonable time; or
- c) Termination of Proprietary Lease. A notice of termination or cancellation of the Proprietary lease is given by the Corporation, or, if the Proprietary Lease expires by its own terms sooner than the maturity date set forth in the Note, the Proprietary Lease is not extended to a date later than such maturity, at least 180 days prior to such maturity; or
- d) Sublet or Assignment of Proprietary Lease. The Borrower sublets for more than three (3) years, or offers to sublet for more than three (3) years, or assigns, or offers to assign the Proprietary lease or the whole or any part of the Apartment; or
- e) Sale, Transfer, or grant of Security Interest in Stock or Proprietary Lease. The Borrower sells, transfers, or assigns or grants a further security interest in the Pledged Stock or the Proprietary Lease, whether voluntarily or involuntarily; or
- f) Modify or Cancel Proprietary Lease. The Borrower or Corporation attempts, by giving notice or otherwise, to modify, surrender, cancel, or exercise any right to terminate the Proprietary Lease; or
- g) Bankruptcy or Insolvency. The Borrower becomes insolvent (however such insolvency may be evidenced), commits an act of bankruptcy or makes a general assignment for the benefit of creditors; or any person attempts to enforce a judgment against Borrower or Borrower's property; or an insolvency proceedings under any bankruptcy or insolvency law is vacated within thirty (30) days after its commencement; or any governmental authority or any court at the instance of any governmental authority takes possession of, or assumes control over, any substantial part of the property of the Borrower; or a receiver is appointed of all or a substantial part of the property of the Borrower; or a writ or order of attachment of garnishment is issued or made against any property of the Borrower; or
- h) Non Performance Under Security Agreement. The Borrower fails to perform any promise, covenant, obligation or agreement hereunder; or
- i) Failure to Sign Additional Documents; Pay Fees. The Borrower fails to execute and deliver any instrument required by the Secured Party to perfect and protect its security interest in the Collateral or to pay any filing or recording fees owing in connection with the perfection of the security interest and any fees or disbursements, including but not limited to those of the Secured Party's attorneys, incurred in connection with any thereof, within thirty (30) days of demand.

6) **REMEDIES OF THE SECURED PARTY**

In the event of the occurrence of one or more of the Events of Default, and if the Secured Party elects to accelerate the Note and require the entire unpaid principal balance under the Note, together with interest and other charges, if any, secured by this Security Agreement to be immediately due and payable in full, each of the following shall apply;

- a) Notice. The Secured Party shall provide the Borrower with written; notice by registered or certified mail, return receipt requested, of the election to accelerate the Note.
- b) Sale of Collateral. If the Borrower shall fail to pay the accelerated indebtedness within five (5) days of receipt of said notice (the date of any refusal to accept such notice being deemed as the date of receipt thereof), then, the Secured Party, in addition; to any and all rights and remedies of a secured party under the Uniform Commercial Code then in effect, may, but shall not be obligated to, sell, assign, transfer and deliver the Collateral at public or private sale, for cash, upon credit, or for future delivery and at such price as the Secured Party may deem satisfactory. The sale may be with or without advertisement of the time, place or terms of sale, except that seven (7) days written notice, in the manner above provided, shall be given to the Borrower of the time and place of sale, and if the sale be a private sale, terms of sale shall also be included in such notice. The Secured Party shall not, however, be obligated to make any sale pursuant to any such notice. The Secured Party, may without notice or publication, adjourn the 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 there be made at any time and place to which it may be so adjourned.
- c) Sale on Credit or for Future Delivery. In the event of any sale on credit or for future delivery, the Collateral sold shall be retained by the Secured Party until the sales price is paid in full. The Secured Party shall incur no liability by reason of the purchaser's failure to perform and in the event of any such non-performance, the Collateral may be sole again.
- d) Waiver of Rights. The Secured Party may be the purchaser at any sale and the Secured Party or any purchaser of the Collateral upon any such sale thereof, shall purchase, take and hold the Collateral free from stay rights of any kind of the Borrower including but not limited to the equity or right of redemption, stay or appraisal, which rights, the Borrower hereby specifically waives and releases.
- e) Additional Remedies. The Secured Party may, however, instead of exercising the power of sale confirmed upon it by the Security Agreement, proceed in a suit or suits at law or in equity to foreclose the pledge and sell the Collateral or may proceed by separate lawsuit or proceeding against the Borrower.
- f) Costs and Expenses. In the event of any sale, the Secured Party may first deduct all expenses of collection, sale and delivery of the Collateral sold and any expenses incident thereto, including but not limited to reasonable attorneys' fees, brokerage commissions and transfer taxes, and also all sums paid to the Corporation pursuant to the terms of the Proprietary Lease, or any replacement thereof, and may then apply the remainder of any liability of the Borrower under the Note and this Security Agreement, and shall return the surplus, if any, to the Borrower.
- g) Commercially Reasonable. Any sale conducted upon the terms of this Article 6 shall be deemed to be commercially reasonable.
- h) Time of sale. The Borrower agrees that the Secured Party shall have the right to continue to retain the Collateral until such time as the Secured Party, in its reasonable judgment, believes that an advantageous price can be obtained for the Collateral and the Secured Party shall not be liable to the Borrower for any loss in the value of the Collateral by reason of any such delay in its sale.
- i) Completion of Documents. In connection with any sale or disposition of any Collateral, the Secured Party shall have the absolute right to complete the incomplete stock power and assignment for purposes of transferring the Pledged Stock and the Proprietary Lease.
- j) Insufficient Proceeds. In any and all events, Borrower acknowledges responsibility for full payment of the indebtedness evidenced by the Note. If the net proceeds of sale are insufficient to satisfy in full said indebtedness, the Secured Party may proceed by separate lawsuit or proceeding against the Borrower for any deficiency.

7) **ADDITIONAL PROMISES OF THE BORROWER**

The Borrower further promises and agrees that:

- a) Cost or Expenses. The Borrower agrees to pay the Secured Party, on demand, all costs expended for collection of any payment due under the Note and all costs incurred by the Secured Party in connection with any suit to foreclose a pledge and sell the Collateral, whether or not such suit shall have proceeded to judgment (including reasonable attorneys' fees), together with interest on those costs at the rate or rates specified in the Note, and the costs shall be considered to be part of the debt entitled to the benefits of this Security Agreement.
- b) Payments by Secured Party. The Borrower agrees that and hereby authorizes the Secured Party, at its option, to make any payments or do any acts required to be done to preserve the Lessee's estate under the Proprietary Lease or under any now lease issued in; replacement of the Proprietary Lease. Any amounts expended by the

Secured Party in connection therewith (including reasonable attorneys' fees shall be payable by the Borrower on demand, together with interest on those amounts at the rate or rates specified in the Note, and those amounts shall be considered to be part of the debt entitled to the benefits of this Security Agreement.

- c) Financing Statements. The Borrower shall execute and deliver a Financing Statement and all renewals of previously filed Financing Statements upon request and hereby authorizes the Secured Party to file the same. If the Borrower refuses to execute and deliver a Financing Statement, the Secured Party shall have the right to execute and file the same on behalf of the Borrower.
- d) Recording of Security Agreement; Fees. The Borrower agrees that this Security Agreement may be recorded at the option of the secured Party and agrees to pay all filing and recording fees in connection therewith. Any amounts expended by the Secured Party in connection therewith shall be payable by the Borrower on demand, together with interest on those amounts at the rate or rates specified in the Note, and those amounts shall be considered to be part of the debt entitled to the benefits of this Security Agreement.
- e) Release and Indemnity. The Borrower agrees that the cooperative corporation and its officers, agents and attorneys may transfer the shares and the Proprietary Lease under this Security Agreement and may also bring a lawsuit or proceeding to evict Borrower from the Apartment for failure to perform obligations under this Security Agreement. The cooperative corporation and its officers, agents and attorneys may also refuse any request to transfer the shares and the Proprietary Lease if the Secured Party does not consent. Borrower agrees to release and indemnify the cooperative corporation and its officers, agents and attorneys from all liability, expenses and damages which it sustains in the exercise of these rights.
- f) Lien Law. This Security Agreement is subject to the trust fund provisions of Section 13 of the New York State Lien Law.

8) MISCELLANEOUS

- a) Rights of Borrower. Until there has been an Event of Default and the Secured Party has elected to accelerate indebtedness, the Borrower shall continue to exercise all rights under the Collateral and shall be entitled to all benefits as the owner of the Collateral with the same force and effect if the Borrower had not pledged the stock and assigned the Proprietary Lease to the Secured Party. The Borrower shall be exclusively responsible for the actions or inaction of the Corporation; and performance of all the terms, covenants and conditions of the Proprietary Lease to be performed and the Secured Party shall have no responsibility whatsoever thereunder and shall under no circumstances be deemed the Lessee of the Apartment for any purpose. The Secured Party shall, however, be entitled throughout the term of this Security Agreement to receive directly all distributions of capital, from the corporation, to be applied in reduction of the indebtedness secured hereby.
- b) Possession in Event of Default. Upon the occurrence of an Event of Default, the Borrower shall immediately remove itself or themselves (ves) from the Apartment and give possession thereof to the Secured Party. In the event that a proceeding to evict the Borrower becomes necessary, the cost of removal shall be payable by the Borrower on demand, together with interest on those amounts at the rate or rates specified in the Note, and the cost of the same shall be considered to be part of debt and entitled to the benefits of this Security Agreement.
- c) Termination, New Proprietary Lease and Pledged Stock. Upon the occurrence of an Event of Default, the Secured Party shall have the right to request that the Corporation terminate Borrower's Proprietary Lease and Borrower's interest in the Pledged Stock and issue a new proprietary lease and new stock certificate to the Secured Party or its nominees.
- d) Termination of Security Agreement. Upon repayment in full of the entire balance of the indebtedness secured hereby, including interest and other charges, if any, this Security Agreement shall terminate. The Secured Party agrees to transfer and deliver to the Borrower or its designee all of the Collateral then held in pledge hereunder. If Borrower desires such transfer and delivery at a cooperative interest settlement, Borrower shall pay the reasonable fees and disbursements of Lender and Lender's counsel in connection therewith.
- e) Assignment. The Borrower shall not assign this Security Agreement. The Secured Party shall have the right to assign the Note, this Security Agreement and the Collateral, together with all of its right, title, and interest hereunder and in said Collateral without the Borrower's consent.
- f) Remedies Cumulative, No Waiver. The rights, remedies, and benefits specified in this Security Agreement are cumulative and are not exclusive of any rights, remedies or benefits which the Secured Party may otherwise have and no delay on the part of the Secured Party in exercising any power or right under this Security Agreement shall operate as a waiver of such power or right or an estoppel to assert the same.
- g) Waiver of Rights. The Borrower hereby waives the rights of presentment and notice of dishonor.
- h) Waiver of Trial by Jury. Borrower agrees to waive a trial by jury in any lawsuit or proceeding which affects this Security Agreement, except as prohibited by law.
- i) Governing Law, Severability. The Agreements shall be construed and governed by the laws of the State of New York and, as applicable, those of the United States of America. The Secured Party shall have all rights set forth in Section 254 of the New York Real Property Law in addition to the rights set forth in this Security

Agreement. In the event any clause or provision is construed or interpreted to be void, invalid or unenforceable, such clause or provision shall be separable from the remaining clauses and provisions and shall not affect the validity or enforceability of the same.

- j) Terms. The term "Secured Party" as used in this Security Agreement includes the Secured Party named herein, its successors, and assigns. The term "Borrower" as used in this Security Agreement includes each person who has signed the Note, each person being fully and personally obligated to keep all the promises made herein. The Secured Party may enforce its rights under this Security Agreement against each Borrower individually or against all of us together.
- k) Full Understanding. This Security Agreement contains the full understanding of the parties and may not be amended, altered, discharged or terminated and no provision of this Security Agreement may be waived, modified or amended except by an agreement in writing signed by the party sought to be charged therewith.
- l) Captions. Captions in this Security Agreement are for convenience only and shall not be used to interpret or define the terms set forth in this Security Agreement.

This Security Agreement shall be binding on the Borrower and its legal representatives and shall inure for the benefit for the Secured Party and its successors and assigns.

IN WITNESS WHEREOF, the Borrower(s) has executed this Security Agreement on the day and year first above written

Borrower

Borrower

