

authorized and directed to make payment for all such losses directly to the Noteholder alone and not to the Borrower and the Noteholder jointly. After deducting from such insurance proceeds any expenses incurred by the Noteholder in the collection or handling of such funds, the Noteholder may apply the net proceeds, at its option, either toward restoring THE PROPERTY or as a credit on any portion of the indebtedness and other sums secured hereby, whether then matured or to mature in the future, or at the option of the Noteholder such sums either wholly or in part may be paid over to the Borrower to be used to repair such improvements or to build new improvements in their place or for any other purpose or object satisfactory to the Noteholder, without affecting the lien of this Mortgage for the full amount secured hereby before such payment took place. Although the Noteholder intends to use its best efforts to collect such payments in a timely fashion, the Noteholder shall not be responsible for any failure to collect any insurance proceeds due under the terms of any policy regardless of the cause of such failure.

(c) The Borrower shall at its sole expense obtain for, deliver to and maintain for the benefit of, the Noteholder during the life of this Mortgage liability insurance policies relating to THE PROPERTY, in such amounts, with such companies and in such form as may be required by the Noteholder. The Noteholder may require such policies to contain an endorsement, in form satisfactory to the Noteholder, naming the Noteholder as an additional insured thereunder. The Borrower shall pay promptly when due any premiums on such insurance policies and renewals thereof.

(d) In order to secure the performance and discharge of the Borrower's obligations under this paragraph 1.04.6, but not in lieu of such obligations, the Borrower will pay over to the Noteholder an amount equal to one-twelfth (1/12th) of the next maturing annual insurance premiums for each month that has elapsed since the last date to which such premiums were paid; and the Borrower will, in addition, pay over to the Noteholder together with each installment on the Note sufficient funds (as estimated from time to time by the Noteholder in its sole discretion) to permit the Noteholder to pay said premiums when due. Such deposits shall not be, nor be deemed to be, trust funds but may be commingled with the general funds of the Noteholder, and no interest shall be payable in respect thereof. Upon demand by the Noteholder, the Borrower shall deliver to the Noteholder such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable the Noteholder to pay such premiums when due.

(e) The provisions of this paragraph 1.04.6 with respect to delivery of policies to the Noteholder and assignments thereof and the proceeds thereof to the Noteholder and the provisions of subparagraph (d) shall be subject to the terms of any instrument referred to in Schedule "B" securing any prior lien on THE PROPERTY.

**1.04.7 Non-Impairment of Noteholder's Rights.** The provisions of paragraphs 1.04.4 and 1.04.6(d) shall not be effective so long as the holder of any prior lien is receiving in escrow from the Borrower amounts sufficient to pay the taxes and insurance required to be paid by paragraphs 1.04.1 and 1.04.6 respectively. Nothing contained in either of said paragraphs shall be deemed to affect any right or remedy of the Noteholder under any provision of this Mortgage or of any statute or rule of law to pay any amount required to be paid by paragraphs 1.04.1 and 1.04.6 and to add the amount so paid together with interest at the Default Rate to the indebtedness hereby secured. Although Noteholder intends to use its best efforts to make such payments in a timely fashion, the arrangements provided for in paragraphs 1.04.4 and 1.04.6 are solely for the added protection of the Noteholder and entail no responsibility on the Noteholder's part beyond the allowing of due credit, without interest, for sums actually received by it. Upon assignment of this Mortgage, any funds on hand shall be turned over to the assignee and any responsibility of the Noteholder with respect thereto shall terminate.

**1.05 Condemnation.** The Noteholder shall be entitled to all compensation awards, damages, claims, rights of action and proceeds of, or on account of, any damage or taking through condemnation and is hereby authorized, at its option, to commence, appear in and prosecute in its own or the Borrower's name any action or proceeding relating to any condemnation and to settle or compromise any claim in connection therewith. All such compensation awards, damages, claims, rights of action and proceeds, and any other payments or relief, and the right thereto, are included in THE PROPERTY and the Noteholder, after deducting therefrom all its expenses including attorneys' fees, may release any monies so received by it to the Borrower without affecting the lien of this Mortgage or may apply the same, in such manner as the Noteholder shall determine, to the reduction of the sums secured hereby. Any balance of such monies then remaining shall be paid to Borrower. The Borrower agrees to execute such further assignments of any compensation awards, damages, claims, rights of action and proceeds as the Noteholder may require. Notwithstanding any such condemnation, the Borrower shall continue to pay interest, computed at the rate provided in the Note, on the entire unpaid principal amount thereof. The provisions of this paragraph 1.05 with respect to receipt and application of condemnation awards shall be subject to the terms of any instrument referred to in Schedule B securing any prior lien on THE PROPERTY.

**1.06 Care of Property.**

(a) The Borrower shall preserve and maintain THE PROPERTY in good condition and repair. The Borrower shall not permit, commit or suffer any waste, impairment or deterioration of THE PROPERTY or of any part thereof, and will not take any action which will increase the risk of fire or other hazard to THE PROPERTY or to any part thereof.

(b) Except as otherwise provided in this Mortgage, no part of THE PROPERTY shall be removed, demolished or altered, without the prior written consent of the Noteholder. The Borrower shall have the right, without such consent, to remove and dispose of free from the lien of this Mortgage any part of THE PROPERTY as from time to time may become worn out or obsolete, provided that either simultaneously with or prior to such removal, any such property shall be replaced with other property of equal utility and of a value at least equal to that of the replaced equipment when first acquired and free from any security interest of any other person and by such removal and replacement the Borrower shall be deemed to have subjected such replacement property to the lien of this Mortgage.

(c) The Noteholder may enter upon and inspect THE PROPERTY at any reasonable time during the life of this Mortgage.

(d) If any part of THE PROPERTY shall be lost, damaged or destroyed by fire or any other cause, the Borrower will give immediate written notice thereof to the Noteholder and shall promptly restore THE PROPERTY to the equivalent of its original condition regardless of whether or not there shall be any insurance proceeds therefor. If a part of THE PROPERTY shall be lost, physically damaged, or destroyed through condemnation, the Borrower will promptly restore, repair or alter the remaining property in a manner satisfactory to the Noteholder.

(e) No work required to be performed under this paragraph shall be undertaken until plans and specifications therefor, prepared by an architect or engineer satisfactory to the Noteholder, have been submitted to and approved in writing by the Noteholder.

**1.07 Transfer of Property.** The Borrower shall not sell, convey, transfer, lease or further encumber any interest in or any part of THE PROPERTY, nor shall a voluntary sale, pledge or other transfer of the beneficial interest in Borrower be effected, without