

ARTICLE VI.

DAMAGE OR DESTRUCTION: INSURANCE PROCEEDS

6.1 Notice. In case of casualty to the Premised resulting in damage or destruction, Mortgagor shall promptly give written notice thereof to Mortgagee.

6.2 Assignment of Insurance Proceeds: Authority to Settle Claims. Mortgagor hereby grants, transfers and assigns to Mortgagee any insurance proceeds which Mortgagor is otherwise entitled to receive in connection with any damages to the Premises or part thereof and the same shall be paid to Mortgagee. Mortgagor hereby authorizes and directs any affected insurance carrier to make payment of such proceeds directly to Mortgagee, and Mortgagee is hereby authorized and empowered by Mortgagor to settle, adjust or compromise any claims for loss, damage or destruction under any policy or policies of insurance. No interest shall be allowed to Mortgagor on any proceeds of insurance paid to and held by the Mortgagee.

6.3 Mortgagee's Election re Insurance Proceeds. The insurance loss proceeds shall be delivered to Mortgagee and be applied (pursuant to the provisions of this Article) to reduction or full pay-off of the indebtedness secured hereby unless Mortgagee elects to make said proceeds available for restoration purposes. Within thirty (30) days after receipt of the written notice referred to in Section 6.1, Mortgagee shall advise Mortgagor in writing as to whether Mortgagee elects to apply the insurance loss proceeds on the indebtedness secured hereby or for restoration of the Property.

6.4 Total Destruction. If at any time during the term of this Mortgage all or substantially all of the Premises are damaged or destroyed, and if Mortgagee elects to have all insurance proceeds applied to payment of the indebtedness secured hereby but such insurance proceeds are not sufficient to pay in full the then unpaid balance of said indebtedness, with accrued interest thereon, Mortgagor shall, within ten (10) days after application of the insurance proceeds, pay such deficiency to Mortgagee.

6.5 Application of Proceeds. If Mortgagee elects to have the insurance loss proceeds applied to pay off or reduce the unpaid balance of the indebtedness secured hereby, said proceeds shall, promptly after receipt by Mortgagee, be applied by the Mortgagee, first, to pay the actual costs, fees and expenses, if any, incurred in connection with the adjustment of the loss, and second, to reduction or pay off of the indebtedness secured hereby. If the damage or destruction is less than total as treated in Section 6.4 above, and if part of the premises is to remain open or be reopened for business, and if such proceeds are not sufficient to pay off the indebtedness in full then such reduction shall be applied in inverse order of payment in the Note provided, and unless Mortgagee agrees in writing, any application of such insurance proceeds to reduction of principal shall not extend or postpone the due date of the monthly installments or change the amount of such installment as provided for in the Note.

6.6 Restoration. If the insurance proceeds are made available for restoration, Mortgagor shall at its sole cost and expense, whether or not the insurance proceeds, if any, shall be sufficient for the purpose, restore, repair, replace, and rebuild (hereinafter referred to as "Restoration") the Premises as nearly as possible to its value, condition and character immediately prior to such damage or destruction. In such event, all insurance money paid to Mortgagee on account of such damage or

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