

09/15/1983

BOOK 1326 PAGE 258

emergency items reasonably required to be expended for the protection of persons or property without awaiting the Mortgagee's approval, and has exhausted applicable reserves, the Mortgagee shall advance such additional funds ("Additional Advances") as are necessary to fund any Operating Deficits. Said Additional Advances shall be made as specified in paragraph C hereof and shall thereafter become part of the principal of the Note and shall bear interest and be payable on the terms and conditions therein specified. In the event the Mortgagee fails to make Additional Advances as required pursuant to paragraph C of this Section, the Mortgagor shall have the remedies specified in Paragraph C of Section 23.

C. Additional Advances Procedure. Additional Advances shall be made by the Mortgagee on a monthly basis within ten (10) days after receipt of the last of (a) notice from the Mortgagor of the amount thereof, (b) a confirmation from a title insurance company that there are no liens upon the Property which are superior to the lien of the Mortgage (except those approved by the Mortgagee) and that the amount of the Additional Advance is being insured with the same priority as the principal balance secured by this Mortgage, and (c) a statement of income and expense items by the management company managing the Property. The Mortgagee shall have the right, prior to funding a portion of the Operating Deficit not in excess of the aggregate amount then held by the Mortgagor for reserves, to obtain diligently an audit, at its sole cost and expense, for purposes of verifying the Operating Deficit. The Mortgagee shall also have the right, if exercised in good faith and in a commercially reasonable manner, to contest the inclusion of any item not reflected in an approved Budget as an Expense (either because of deviation from the Budget or because no Budget was required for the year in question) by arbitration before the American Arbitration Association pursuant to its rules then in effect, but only if the Mortgagee diligently prosecutes or defends the contest and takes all reasonable steps to protect the Property and the interest of the Mortgagor therein. The Mortgagee shall not be deemed to be in default in the performance of its obligations under this paragraph C during such audit and contest.

D. Damage and Defects. In the event of defects in construction or engineering of the Property, or in the event of damage to the Property including without limitation damage arising out of condemnation, fire, flood or other casualty, which damages arise or defects are discovered and require correction or restoration by capital expenditure (the amount of such capital expenditure in excess of any available insurance proceeds, condemnation awards, amounts payable by the Mortgagee pursuant to Item (d) of paragraph B of Section 23, or other recoveries is hereinafter referred to as a "Net Capital Expenditure") and provided the repair of such defect or damage is reasonable and necessary for the continued operation of the Property in accord-