

indebtedness and other sums secured hereby, whether then matured or to mature in the future, or at the option of Mortgagee such sums either wholly or in part may be paid over to Mortgagor to be used to repair such improvements or to build new improvements in their place or for any other purpose of object satisfactory to Mortgagee, without affecting the lien of this Mortgage for the full amount secured hereby before such payment took place. Mortgagee 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. Notwithstanding the foregoing provisions of this Paragraph 2.02(b), Mortgagee authorizes Mortgagor to adjust or compromise any loss under any insurance policies on the Mortgaged Property, and to collect and receive the proceeds from such policy or policies, provided; (i) the aggregate of such proceeds as to any one casualty loss do not exceed five thousand dollars (\$5,000.00), (ii) Mortgagor shall apply such proceeds to restoration of the Mortgaged Property, and (iii) there are no Defaults then outstanding under this Mortgage or the Loan Documents.

Further, notwithstanding the foregoing provisions of this Paragraph 2.02(b), Mortgagee agrees to make available to Mortgagor for restoration of the Mortgaged Property pursuant to Paragraph 2.04(e) hereof, any net insurance proceeds received by Mortgagee under this Mortgage as a result of any casualty loss, provided (i) the total net proceeds received by Mortgagee as to any one casualty do not exceed \$2,000,000.00, (ii) Mortgagor advises Mortgagee in writing within thirty (30) days after such casualty occurs that Mortgagor desires to restore, and (iii) there are no Defaults then outstanding and uncured under this Mortgage.

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

(d) Mortgagee may, at its option, require Mortgagor to deposit with Mortgagee on the first day of each month, in addition to making payments of regular installments of principal and interest under the Note, an amount equal to one-twelfth (1/12) of the yearly premiums for all insurance. Such deposits shall not be, nor deemed to be, trust funds, but may be commingled with the general funds of Mortgagee. Interest shall be payable to Mortgagor in respect thereof at the rate of five and one-half percent (5-1/2%) per annum. Upon demand by Mortgagee, Mortgagor shall deliver to Mortgagee such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable Mortgagee to pay such premiums when due. In the event of a default under any of the terms, covenants and conditions in the Note, this Mortgage or any other instrument securing the Note to be kept, performed or observed by Mortgagor, Mortgagee may apply to the reduction of the sums secured hereby, in such manner as Mortgagee shall determine, any amount under this paragraph remaining to Mortgagor's credit and any return premium received from cancellation of any insurance policy by Mortgagee upon foreclosure of this Mortgage.

2.03 Condemnation. In the event there occurs a condemnation (which term when used herein shall include any damage or taking by any governmental authority or any other authority authorized by the laws of the state where the Mortgaged Property is located or the United States of America to do damage or take, and any transfer by private sale thereof), resulting in any damage or taking, either temporarily or permanently, of (i) the entire Mortgaged Property, (ii) so much of the Mortgaged Property as causes the remainder of the Mortgaged Property to be in violation of any zoning laws, restrictive covenants or similar laws, regulations or restrictions affecting the Mortgaged Property, or (iii) so much of the Mortgaged Property as, in the opinion of Mortgagee, renders the remainder of the Mortgaged Property materially less useful or valuable as an apartment complex, then, and in any one of said events, the entire indebtedness secured hereby shall, at the option of Mort-