

such prior mortgages or encumbrances in good standing and to prevent default or acceleration thereunder and to prevent the foreclosure thereof.

3. HAZARD INSURANCE. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against fire, hazards included within the term "extended coverage" and such other hazards as Lender may require and in such amounts and for such periods as Lender may require. All premiums for such insurance policies shall be paid by Borrower when due directly to the insurance carrier.

THE INSURANCE CARRIER PROVIDING THE INSURANCE SHALL BE CHOSEN BY THE BORROWER AMONG COMPANIES LICENSED IN THIS STATE SUBJECT TO THE REASONABLE APPROVAL OF LENDER.

All insurance policies and renewals thereof shall be in a form acceptable to Lender, shall include a standard mortgage clause in favor of and in form acceptable to Lender, and shall provide that payment shall be made to Lender in case of loss. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts for paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. All insurance proceeds are hereby assigned to Lender.

Unless Lender and Borrower otherwise agree in writing after an insured loss:

- a. All insurance proceeds shall be paid to Lender; and
- b. Immediately upon request, Borrower shall endorse and assign to Lender all checks, drafts and other instruments for insurance proceeds; and
- c. All insurance proceeds relating to the Property paid to Lender shall be applied by Lender to the indebtedness secured hereby in such order as Lender may determine, or, at the option of the Lender, the entire amount so collected or any part thereof may be released to Borrower. Such application or release by Lender shall not cure or waive any default hereunder or under the Note.

4. CONDEMNATION. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property or any part thereof or for conveyance in lieu of condemnation, whether permanent or temporary, are hereby assigned to and shall be paid to Lender. Immediately upon request, Borrower shall endorse and assign to Lender all checks, drafts and other instruments for such condemnation awards and proceeds.

All amounts for damages and awards for condemnation may be applied by Lender to the indebtedness secured hereby in such order as Lender may determine, or Lender may, at its option, release all or a portion thereof to Borrower. Such application or release shall not cure or waive any default or notice of default.

5. APPLICATION OF PAYMENTS. If the Borrower is not in Default under this Mortgage, and if there are no Defaults under the Note, then all payments under this Mortgage of insurance proceeds or condemnation awards to the Lender will be treated and applied as partial prepayments or full prepayment under this Note, as the case may be, except to the extent that Lender releases any insurance proceeds or condemnation awards to Borrower.

6. PRESERVATION AND MAINTENANCE OF PROPERTY; LEASEHOLDS; CONDOMINIUMS; PLANNED UNIT DEVELOPMENT. Borrower shall keep the Property and all improvements thereon in good condition and repair, shall complete or restore promptly and in good and workmanlike manner any improvement which may be constructed, damaged or destroyed thereon and shall pay when due all claims for labor performed and materials furnished therefor, shall not remove or demolish any building or improvement thereon, shall comply with all laws affecting the Property or requiring any alterations or improvements to be made thereon, shall not commit or permit waste or permit the impairment or deterioration of the Property and shall do all other acts

*D. J. M.*