

prior to the expiration of any policy the Company shall furnish the Beneficiary with evidence satisfactory to the Beneficiary of the payment of the premium for, and the reissuance of a policy continuing, insurance as required by this Indenture. All policies of insurance required by Section 1.03(a) shall contain an endorsement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of the Company which might otherwise result in forfeiture of said insurance and a waiver by the insurer of all rights of set off, counterclaim or deductions against the insureds except the Company. All policies shall also contain a provision that the insurance will not be cancelled or materially amended, including any reduction in the scope or limits of coverage, without at least fifteen (15) days' prior notice to the Beneficiary.

Section 1.05 Insurance Proceeds. After the happening of any casualty to the Improvements and the Personal Property or any part thereof, the Company shall give prompt notice thereof to the Beneficiary.

(a) In the event of any damage or destruction of any Improvements, the Company shall have the option of applying all or part of the insurance proceeds in excess of \$10,000 to either (i) the restoration of such Improvements, or (ii) the payment of any indebtedness secured hereby (including prepayment of the Notes without premium), and, if the amount payable is in excess of \$50,000 the Beneficiary shall have similar options with respect to insurance proceeds so payable, with any surplus to be paid to the Company or to whosoever may be legally entitled thereto.

(b) In the event of such loss or damage, all proceeds of insurance shall be payable to the Beneficiary (except losses of less than \$10,000 shall be payable to the Company), and the Company hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to the Beneficiary. The Beneficiary shall have the right, and is hereby authorized and empowered by the Company, to join with the Company in settling, adjusting or compromising any claims for loss, damage or destruction under any policy or policies of insurance in excess of \$50,000.

Nothing herein contained shall be deemed to excuse the Company from restoring, repairing or maintaining the