

repair of the property damaged. If Mortgagee receives proceeds of rent insurance beyond those required to be applied for the current month, Mortgagee may retain such additional proceeds in escrow, for the account of Mortgagor, and so apply such proceeds on a monthly basis; provided that any such proceeds not needed to be applied to keep Mortgagor current and not in default during the reasonably estimated period of time when the rents from the Mortgaged Premises will be inadequate to provide Mortgagor with sufficient funds with which to pay Mortgagee the amounts falling due each month shall be paid over to Mortgagor to meet the other expenses of the Mortgaged Premises.

In the event less than fifty (50%) percent of the Improvements are damaged, provided Mortgagee shall not be in default under the terms of the Note, this Mortgage, the First Mortgage or any other Loan Security Document, at Mortgagor's option, proceeds from insurance may first be applied to the restoration of the Improvements, further provided that, if the cost of such restoration as estimated by Mortgagee will exceed \$50,000.00, Mortgagee shall, prior to commencement of work (i) submit completed plans and specifications and all appropriate government approvals for Mortgagee's prior written review and approval; and (ii) provide Mortgagee with such assurances as Mortgagee shall reasonably require that sufficient funds are available for the completion of the Improvements. Any amount remaining after restoration of the Improvements, or all proceeds in the event Mortgagee is in default under the terms of the Note, this Mortgage, the First Mortgage, or any other Loan Security Document, at Mortgagee's sole option, may be applied by Mortgagee to the reduction of the principal, interest and other costs secured hereby as in the event of damage to fifty (50%) percent or more of the Improvements.

Mortgagor shall promptly comply with and conform to (a) all provisions of each insurance policy and (b) all requirements of the insurers thereunder, applicable to Mortgagor or any of the