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COMPARED

APPLICATION OF
PROCEEDS*Minor Loss*

MAJOR LOSS

DEFINITION OF
MINOR LOSS
AND
MAJOR LOSS.PROCEEDS
APPLIED
TO BONDS.

All policies of insurance upon said improvements which shall at any time be deposited with the Trustee herein, and all sums of money which at any time may be collected by said Trustee upon any insurance policies until applied hereinafter authorized, shall be held by said Trustee as additional security for the payment of the bonds hereinabove mentioned; and all such sums shall be applied by the Trustee as follows, to-wit:

In event of any minor loss or damage, to said property (as such minor loss is hereinafter defined), first parties shall immediately notify the Trustee in writing and the proceeds of any insurance collected by the Trustee on account thereof shall be promptly applied to or towards the repair or restoration of the property so damaged in such manner as the first parties and the Trustee shall mutually agree.

In the event of any major or total loss or damage to said property (as such major loss is hereinafter defined), the parties of the first part shall immediately notify the Trustee in writing, and within sixty (60) days after the receipt of such notice the Trustee shall elect whether said proceeds shall be applied towards the restoration of such improvements or towards the payment of said bonds and coupons, and said proceeds shall be applied immediately; and if said Trustee shall not make such an election and give written notice thereof to the parties of the first part, said proceeds shall be applied by the Trustee, at the option of the parties of the first part, to the restoration of the property destroyed or damaged, or to the payment of said bonds and coupons.

If the damage to said property be of such a nature and extent that the amount of insurance collectible on account thereof does not exceed twenty five per cent (25%) of the total amount of insurance required under the terms of this mortgage deed of Trust covering the risk in question, then such damage shall be considered and held to be a minor loss or damage; but if the amount of such collectible insurance exceeds twenty five per cent (25%) of such total insurance, then such damage shall be considered a major or total loss.

If the proceeds of insurance are applied to the repair or restoration of the property damaged or destroyed, but such proceeds are not sufficient to pay for the entire cost of such repair or restoration, then first parties agree, before any of such proceeds shall be expended toward such restoration or repair, to deposit with the Trustee or to expend in or about such repair or restoration, such an additional amount of money as may be necessary to complete such work. In the event said proceeds be more than sufficient to so repair or restore said property thus damaged, such excess may be applied by the Trustee to the payment of such outstanding bonds as it may determine.

If applied to the payment of said bonds and coupons, said proceeds, less the costs and expense of collecting the same, and a reasonable compensation to the Trustee, shall be applied by the Trustee to the payment thereof in the same manner as that hereinafter provided for the application thereto of the proceeds of a sale of the mortgaged property on foreclosure, and in such event the Trustee may publish a notice similar in all respects to the notice described in Section VI hereof, specifying the