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ARTICLE VII

DAMAGE, DESTRUCTION, AND CONDEMNATION

SECTION 7.1 Damage and Destruction.

(a) If, prior to full payment of the Note, the Project is damaged by fire or other casualty (unless the Project shall be damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof) to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(b) hereof resulting from such destruction or damage, is not greater than \$50,000, the Lessee (i) shall promptly repair, rebuild, or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations, and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from such claims for losses. All Net Proceeds of insurance resulting from such claims for losses not in excess of \$50,000 shall be paid to the Lessee, subject to the provisions of Section 7.1(e).

(b) If, prior to full payment of the Note, the Project is damaged by fire or other casualty (unless the Project shall be damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof) to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(b) hereof resulting from such damage is in excess of \$50,000, the Lessee shall promptly give written notice thereof to the Mortgagee. All Net Proceeds of insurance resulting from such claims for losses in excess of \$50,000 shall be paid to and held by the Mortgagee in a separate trust account, whereupon the Lessee shall proceed promptly to repair, rebuild, or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage, with such changes, alterations, and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project. The Lessee is authorized to direct the Mortgagee to disburse so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding, or restoration, and such disbursement shall be made by the Mortgagee upon receipt of

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