

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1: DAMAGE AND DESTRUCTION.

(a) Unless the Lessee shall elect to exercise its option to purchase pursuant to the provisions of Section 11.2 (a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or is damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4 (a) hereof resulting from such destruction or damage is not greater than \$50,000 the Lessee (i) will promptly repair, rebuild or restore the property damaged or destroyed 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 operating unity or productive value of the character of the Project as a warehouse and distribution facility, 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 not in excess of \$50,000 ^{AND ANY BALANCE} shall be paid to the Lessee, subject to the provisions of Section 7.1 (e) hereof.