

VALUATION 10/20/03

19820

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 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 adversely affect the use of the Project for the purpose for which it is intended, and (ii) shall 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 shall be paid to the Lessee and the Mortgagee.

(b) In the event said Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Lessee will nonetheless complete said work and will pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(c) The Lessee shall not, by reason of the payment of such excess costs (whether by direct payment thereof or advances to the County or Mortgagee therefor), be entitled to any reimbursement from the County, or the holder of the Note, or any abatement or diminution of the rents payable under Section 5.3 hereof.

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