

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) If prior to full payment of the Notes the Project is damaged 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 \$500,000 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 materially adversely affect the value or 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 not in excess of \$500,000 shall be paid to the Lessee, subject to provisions of Section 7.1(e) hereof.

(b) If prior to full payment of the Notes 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 in excess of \$500,000 the Lessee shall promptly give written notice thereof to the Mortgagees. All Net Proceeds of insurance received by the Lessee resulting from such claims for losses in excess of \$500,000 shall be paid to and held by the Construction Fund Trustee in a separate account, whereupon

(i) the Lessee will proceed promptly to 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 materially adversely affect the value or the use