

ARTICLE VII

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DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) 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, 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 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) and Section 6.4(b) hereof resulting from such destruction or damage is not greater than \$100,000, 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 of 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 \$100,000 shall be paid to the Lessee, subject to the provisions of Section 7.1(e).

(b) Unless the Project shall be destroyed or 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, 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) and Section 6.4(b) hereof resulting from such destruction or damages is in excess of \$100,000 the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance resulting from such claims for losses in excess of \$100,000 shall be paid to and held by the Trustee 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 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, whereupon the Trustee shall apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

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