

ARTICLE VII

DAMAGE, DESTRUCTION, AND CONDEMNATION

SECTION 7.1 Damage and Destruction. (a) If, prior to full payment of the Note (whether at maturity or by prepayment as provided in the Note), the Project is damaged by fire or other casualty, unless the Project shall be damaged to the extent prescribed by Section 11.2, and the Lessee shall elect to exercise its option to purchase pursuant to the provisions of Section 11.2 hereof, to the extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and (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 of the character of the Project as a facility for the uses described in Section 2.2(d) hereof or such other uses as the Lessee may deem appropriate; 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 (whether at maturity or by prepayment, as provided in the Note), the Project is destroyed or is damaged (in whole or in part) by fire or other casualty (unless the Project shall be destroyed or damaged to the extent prescribed by, and