

its discretion determines that any item of Equipment has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Company may remove such item of Equipment from the Buildings and sell, trade in, exchange or otherwise dispose of it (as a whole or in part) without any responsibility or accountability to the Bank therefor, provided that the Company shall either:

(1) Substitute and install other machinery, equipment or related property having equal or greater market value and utility (but not necessarily having the same function) in the operation of the Mortgaged Property for the purpose for which it is intended, all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Equipment; or

(2) With respect to any Equipment which is located on the real property included in the Project, so long as the going concern value of the Mortgaged Property is not adversely affected thereby, not make any such substitution and installation, provided that in the case of:

(a) the sale of any such Equipment to anyone other than itself or in the case of the scrapping thereof,

(b) the trade-in of such Equipment for other machinery, equipment or related property not to be