

ARTICLE XII: DAMAGE OR DESTRUCTION TO PROPERTY

12.1 INSURANCE

The Board shall obtain and continue in effect blanket property insurance on the Common Elements in an amount equalling replacement value (exclusive of land, foundations or slabs, excavations and such other items as are usually excluded from insurance coverage), and without prejudice to the right of the Owner of any Unit to obtain individual Unit insurance at his own cost"" In addition, the Board shall obtain and continue such other amounts of insurance as

may be required by the provisions of the By-Laws. Premiums for all such insurance coverage obtained by the Board shall be a common Expense to be included in the Annual Common Expense Assessment.

12.2 DISPOSITION OF INSURANCE PROCEEDS

If any insured improvements or any part thereof is damaged or destroyed by fire or casualty, the repair, restoration or ultimate disposition of any insurance proceeds shall be in accordance with the provisions in this Article and any such proceeds shall be payable to the Association or the Trustee pursuant to this Article.

12.3 INSURANCE PROCEEDS LESS THAN \$100,000.00

If the insurance proceeds derived from such loss amount to \$100,000.00 or less, then the Board shall contract with any licensed contractor or contractors to rebuild or repair such damaged or destroyed portions of the insured improvements in conformance with the original plans and specification, or if adherence to such original plans and specifications is impracticable in the discretion of the Board, then in conformance with revised plans and specifications provided such repairs or rebuilding shall be of a quality and kind substantially equivalent to the original construction. The Board shall accept bids only in specific amount and shall not enter into any cost-plus or other sliding **scale** arrangement for compensation to the contractor.

12.4 INSURANCE PROCEEDS GREATER THAN \$100,000.00

If the insurance proceeds derived from such loss exceed \$100,000.00, all such insurance proceeds shall be paid directly to an Insurance Trustee as may be designated by the Board, as Trustee

for all Permitted Mortgage Holders and all Unit owners as their interests may then appear. Disbursement of such funds shall be made only upon the signatures of a majority of the members of the Board in accordance with the following:

§) Upon notification of the receipt of insurance proceeds by the Insurance Trustee or at such earlier date as may be determined by the Board, the Board shall enter into a contract for a specific dollar amount with a licensed: contractor or contractors for the repair or rebuilding of all of the damaged or destroyed portions of the insured improvements, as nearly as practicable to the original plans and specifications thereof and in accordance with all applicable building codes.

§ The Board shall enter into said contract with a licensed contractor or contractors which shall have provisions for periodic disbursements of funds by the trustee. Disbursement of the contractor shall be made subject to the prior presentation of an architect's certificate and contractor's requisition containing such provisions as may be appropriate under the circumstances and deemed suitable by the Board.

§ The Board shall employ a properly licensed architect to supervise the repair and rebuilding to insure that such work, services and supplies are of proper quality and that construction is completed in a good and workmanlike manner and according to plans and specifications.

12.5 UNIT OWNER RESPONSIBILITY

If the damage is only to those parts of a Unit for which the Unit Owner bears the responsibility for payment and performance of maintenance and repair then the Owner shall be responsible to bear the costs of and perform the reconstruction and repair, but the proceeds of any insurance on the affected part(s) of the Unit that may have been obtained by the Association shall be made available for such purpose. In all other instances the responsibility of reconstruction and repair after casualty shall be that of the Association.

12.6 INSURANCE PROCEEDS INSUFFICIENT

If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair, or if at any time during reconstruction, or upon completion of reconstruction and repair, the funds for payment of the costs thereof are insufficient, assessments shall be made against all Owners whose Units were damaged or.-destroyed, in sufficient amounts to provide funds for the payment of such costs. Despite anything to the contrary in this Master Deed or ByLaws, such assessments shall be in proportion to the Unit Owner's Percentage Interest in the common Elements. The foregoing provisions of this subparagraph are applicable to the repairs and reconstruction to be undertaken by the Association and do not cover damages to those portions of the Unit for which the responsibility of maintenance and repair is that of the Unit owner for which the costs and expenses must be borne by each owner; provided, however, any portion of the insurance proceeds representing damage for which the responsibility of

reconstruction and repair lies with an individual Unit owner shall be paid to said Unit owner, or if there is a mortgage endorsement as to such Unit, then to the Unit Owner and mortgagee, jointly.

12.7 EXCESS INSURANCE PROCEEDS

If the amount of available insurance proceeds should exceed the cost of any such reconstruction or repair, the excess shall be retained by the Association and applied by it to reduce the Common Expenses.

12.8 ASSIGNMENT TO MORTGAGEE

In the event the Association determines not to repair or restore the damaged property in accordance with N.J.S. 46:SB-24, any insurance proceeds payable to a Unit Owner as a result of damage or destruction to his Unit and/or interest in the Common Elements are hereby assigned and shall be paid to any appropriate mortgage holder(s) _astheirinterestmayappear, for application to the appropriate mortgage indebtedness and the excess, if any, shall be paid to the appropriate Unit owners, all in accordance with N.J.S.46:SB-24.