

ARTICLE XI

Insurance

The Board of Trustees of the Association shall obtain insurance upon the Condominium Property insuring it (including both the Common Elements and the Units) against all risks, all premiums of which shall be included as part of the Common expenses. The Association shall obtain extended insurance coverage (by policies, each having, if such can be obtained, a term of not less than three (3) years) upon the Condominium Property and the improvements thereon including the Units and the Common Elements insuring the Unit Owners and their mortgagees against loss from fire, earthquake, flood (if flood insurance is available), vandalism, and the elements (windstorm, etc.) as well as any other risks that an Institutional Mortgage Lender, as defined above may deem it reasonable to require, in an amount (the "Insured Amount) not less than 115% of the amount necessary to completely restore and replace all improvements within the Association without deduction for depreciation. In addition, such insurance shall provide for an automatic quarterly increase for inflation of two (2%) percent of the Insured Amount. Not less than thirty (30) days prior to the anniversary of such policy (ies), the Board shall obtain three (3) written estimates from reputable general construction contractors who have engaged in construction of projects similar to the Association and who are acceptable to the Institutional Mortgagees described in section 2 hereof, of the total costs of reconstruction and replacement of all improvements in the Association. The Insured Amount shall be adjusted on that anniversary date to an amount equal to 115% of the average of these estimates. In the event such coverage as obtained contains deductibles and/or is insufficient to so restore or replace, the Insurance Trustee (as hereafter defined) with the advice of the Association, shall determine the amounts necessary to cover such deductibles and/or deficiencies and establish a self-insurance fund to provide insurance to cover the same. Such self-insurance fund shall be established and funded in the same manner as are escrow payments for insurance premiums as hereafter described. Such self-insurance fund shall have the same loss payee as the policies obtained (i.e., the Insurance Trustee for the benefit of the Unit Owners and their

mortgagees, etc.). Such self-insurance fund and any increase and/or replacements thereto shall be funded by assessment of all of the Unit Owners by the Insurance Trustee acting on behalf of the Association, which shall be, when so assessed, an item of Common Expense. Such fund so maintained together with interest thereon (if any) may be expended only in the event of

- (i) A loss which such funds insure against;
- (ii) The obtaining of other insurance to cover such deductibles and/or insufficiencies;
- (iii) The consent of all Unit Owners and their mortgagees; or
- (iv) Upon termination of the Condominium.

In the event of distribution of such funds for any of the latter three (3) events, such funds so expended and/or distribution shall be considered as Common Receipts.

Any Institutional Mortgage Lenders holding mortgages encumbering Units in the Condominium having collectively an aggregate of principal balances of \$1,000,000.00 or more shall have the right to approve all such insurance policies, the companies, the amounts thereof and, if appropriate, self-insurance sufficient to cover deductibles. Declarant reserves the right to, by amendment, change the aggregate principal amount of mortgages which must for the rights granted herein.

Insurance premiums are and shall be a part of Common Expenses; provided, however, they shall be paid separately and to the Insurance Trustee by each Unit Owner at such address as the Insurance Trustee shall designate. The Insurance Trustee shall notify the Unit Owners of the place of payment and the monthly payment which shall be due and payable by the first day of each month by each Unit Owner. The amount collected monthly from each Unit Owner shall be an amount equal to his percentage interest in the Common Expenses, multiplied by not less than one-twelfth (1/12th) of the annual premiums of all insurance maintained upon the Condominium Property. Further, the Insurance Trustee is hereby subrogated to and assigned the lien rights of the Condominium Association as to each Unit Owner failing to pay any payment due from him to Insurance Trustee for insurance premiums or self-insurance to the extent of the amounts due and owing but unpaid, which rights include the right to file notice or, perfect and foreclose upon a lien against such Unit Owner as granted to the Association by the Condominium Act and this Master Deed. Sufficient funds

shall be collected and maintained, if necessary, in advance by the Insurance Trustee, such that with monthly installments received by it, it will have sufficient funds to pay the next annual premium on each insurance policy not less than sixty (60) days prior to the date such premium on such policy is due and payable. Such funds so held shall be disbursed and used by it solely to pay the premiums on the insurance policies described in Section (1) above. Unless such carrier fails to meet the requirements set forth below, or unless otherwise instructed by the Board of Trustees and agreed to by the Institutional Mortgage lenders, the Insurance Trustee shall renew each policy with, and pay the renewal premium to the same carrier then carrying said coverage. Such funds shall not be otherwise used or disbursed except upon written instruction of the board of trustees consented to by all of the Institutional Mortgage Lenders.

Mellon Bank, N.A., with principal offices located in Pittsburgh, Pennsylvania, its successors and assigns, is hereby appointed and designated Insurance Trustee provided that the Board shall have the right in its reasonable discretion to designate another acceptable Trustee. The Insurance Trustee shall receive all funds designated for the Self-insurance fund (if any) described in Section (1) above to be held in trust for the benefit of the Unit Owners and their mortgagees to be distributed as provided in this Article. The fund comprising such self-insurance fund shall be placed in one or more demand accounts of a federally insured bank or trust company (which shall be interest-bearing accounts if allowed by such institution and permitted by law). To the extent such funds exceed those required (as defined in subparagraph A above), they shall be paid over to the Association as Common Receipts.

The Insurance Trustee is hereby designated and appointed as agent for the Association, its Board of Trustees and each and every present and future Unit Owner, and every mortgagee (if any) of each and every Unit for the purposes of this article. Any person by acquiring any ownership or security interest whatsoever in any Unit shall be deemed to have appointed the Insurance Trustee as his agent for the purpose of this article. Such appointment is irrevocable; provided, however, that the present Insurance Trustee may resign upon acceptance by his successor Insurance Trustee of all rights, powers, and duties granted to the Insurance Trustee and, further, provided such successor must be a federally insured bank or other federally insured depository having a corporate trust department, and must be acceptable for all Institutional Mortgage

Lenders described in Section (2) above. In its capacity as agent, the Insurance Trustee shall cause itself, as Insurance Trustee, to be designated as named insured and loss payee, for the benefit of those for whom it is herein designated as agent, of the insurance policies procured pursuant to subparagraph A above, and in such capacity to receive all proceeds from such policies and execute as duly authorized agent such releases, endorsements or other documents as may be necessary to be able to receive such proceeds. In the event of any casualty or loss, the Board of Trustees shall be responsible to accomplish reconstruction, replacement and repair, provided the Insurance Trustee shall collect the proceeds of insurance (and to the extent appropriate, from the self-insurance fund), and distribute such proceeds (by, if appropriate, a percentage of completion basis) to the parties entitled thereto upon satisfying itself as to the effectuation of such repairs, replacement and reconstruction.

The proceeds of any such insurance shall be applied to reconstruct the improvements as provided in this Master Deed; provided, further, notwithstanding any provision of the Act to the contrary; reconstruction shall be compulsory in all events. Any Unit Owner hereof by accepting title to a unit, and any Institutional Mortgagee or other lien holder, by accepting any unit, any interest therein, or any interest in the Submitted Property as security of any type of nature, shall be deemed by such acceptance to have waived any provision of the Act to the extent such provision allows or otherwise provides for a failure to reconstruct. As a consequence, as aforesaid, reconstruction shall be required whether it comprises the whole or any portion of the Submitted Property. The provisions hereof are for the express protection of each and every Unit Owner and Institutional Mortgagee and may not be waived without the written consent of each and every Unit Owner and Institutional Mortgagee.

If the property is not insured, or if the insurance proceeds are insufficient to cover the cost of reconstruction, rebuilding costs shall be paid by all of the Unit Owners directly affected by the damage and each shall be responsible for a share equal to the total cost times a fraction, the numerator of which is 1 and denominator of which is the number of Units so directly affected. Failure or refusal of payment of any of the Unit Owners so affected shall result in a lien upon his Unit in favor of the Association in such amount and may be enforced in the manner provided for collection of unpaid assessments herein and./or pursuant to law.

Nothing herein contained or contained in the By-Laws, or other Condominium Documents, shall prevent or prejudice the right of each Unit Owner and/or his mortgagees from insuring his Unit on the account and for the benefit of himself/and or his mortgagees.

Any repair and/or restoration must be substantially in accordance with the plans and specification of the original building and improvements, or as the buildings or improvements were last constructed or according to plans approved by the Board of Trustees and all Institutional Mortgage Lenders of record, which approval shall not be unreasonable withheld.

The Insurance Trustee is further irrevocably appointed agent for each Unit Owner, the Association, and their mortgagees for the purpose of compromising and settling claims arising under insurance policies purchased under the provisions of this article and to execute and deliver releases therefor upon the payment of claims.

Should the Association fail to pay insurance premiums when due, or should the Board of Trustees or Unit Owners fail to comply with other insurance requirements herein or imposed by the Institutional Mortgage Lenders have the right to impose same, said Institutional Mortgage Lender, or any one of them, shall have the right to obtain Insurance policies and to advance such sums as are required to maintain or procure such insurance, and to the extent of the money so advanced, said mortgage shall be subrogated to the assessment and lien rights of the Association and its Board of Trustees against the individual Unit Owners for reimbursement of such sums.

The Board of Trustees of the Association is authorized and directed to purchase such additional insurance and for such additional purpose, including liability insurance (in an amount not less than \$500,000.00 per occurrence) and if required by law or deemed desirable by it, Workmen's Compensation Insurance to carry out its purposes and/or protect itself, the Condominium Association, the Common Elements, Units and Unit Owners, and their mortgagees.

Any and all insurance coverage obtained under Section (1) above by the Association pursuant to this article must be obtained from an insurance carrier admitted and authorized to do business in the State of New Jersey and having an Alfred M. Best Financial Rating of

at least A+15 which company shall be affirmatively presumed to be a good and responsible company and the Developer, the Board of Trustees, the Association, and the Institutional Mortgage Lender shall not be responsible for the quality or financial responsibility of the insurance companies provided same are so rated and so licensed, admitted and approved to do business and provide such coverage in the State of New Jersey.