

(1) Partial Destruction - when Units are to be repaired or restored - for the co-owners of the damaged Units in proportion to the cost of repairing the damage suffered by each Unit co-owner.

(2) Total destruction of property improvements, or where "very substantial" damage occurs and the property improvements are not to be restored, as provided hereinafter in this Article - for the co-owners of all Units, each co-owner's share being in proportion to his share in the General Common Elements appurtenant to his Unit.

(c) Mortgagees. In the event a Mortgagee Endorsement has been issued as to a Unit, the share of the Unit co-owner shall be held in trust for the Mortgagee and the Unit co-owner, as their interests may appear; provided, however, that no Mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired.

3. Distribution of Proceeds: Proceeds of Insurance Policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial co-owners and expended or disbursed after first paying or making provisions for the payment of the expenses of the Insurance Trustee in the following manner:

(a) Reconstruction or Repair: If the damage for which the proceeds were paid is to be repaired and restored, the remaining proceeds shall be paid to defray the cost thereof, as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial co-owners, all remittances to Unit co-owners and their mortgagees being payable jointly to them.

(b) Failure to Reconstruct or Repair: If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be repaired and restored, the proceeds shall be disbursed to the beneficial co-owners; remittances to Unit co-owners and their mortgagees being payable jointly to them. In the event of the loss or damage to any personal property belonging to the Association, and should the Board of Directors of the Association determine not to replace such personal property as may be lost or damaged, the proceeds shall be disbursed to the beneficial co-owners as surplus, in the manner elsewhere stated herein.

(c) Certificate: In making distribution to Unit co-owners and their mortgagees, the Insurance Trustee may rely upon a Certificate of the Association as

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