

3. In the event a mortgagee endorsement has been issued as to a residence, the share of a residence owner shall be held in trust for the mortgagee and the residence owner as their interests appear.

E. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners of such proceeds in the following manner:

1. Appropriate expenses of the Insurance Trustee shall be first paid or provision made therefor.

2. If the damage for which the proceeds are paid is to be repaired, reconstructed or rebuilt, 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 owners, remittances to residence owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a residence owner and may be enforced by him.

3. If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be repaired, reconstructed or rebuilt, the remaining proceeds shall be distributed in accordance with subparagraph E of Appendix Two.

F. At the time this Master Deed is filed the Property is zoned A-1 Single Family Nonconforming Use. It is the intention of Declarant to request a rezoning of the Property so as to remove the nonconforming use restriction; however, Declarant does not represent or warrant that it will apply for such rezoning or if such an application is filed that it will be successful. Should the Property be rezoned so as to remove the nonconforming use classification, then this paragraph and other applicable paragraphs shall no longer apply since the matter would become academic. However, should the Property remain a nonconforming use and should 50% or more of a building(s) be destroyed by fire or other casualty and due to zoning regulations said building(s) may not be reconstructed as part of the Condominium, the Association agrees that adequate fire and extended coverage insurance shall be maintained so as to pay the insurance trustee for the benefit of each unit owner or his lien creditors, as their interest may appear, in his unit located in said destroyed building, an amount not less than his cost of the unit plus improvement package cost and closing cost at the time of purchase. Should this occur and upon payment in full of said insurance proceeds, the said unit owner shall have no further interest in or obligation to McDaniel Heights Horizontal Property Regime. His pro rata interest in the condominium

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