

Section 3. Use of Proceeds.

(a) All insurance policies purchased by and in the name of the Association shall provide that proceeds covering Property losses shall be paid to the Association.

(b) The duty of the Board of Directors, upon receiving any insurance proceeds, shall be to hold such proceeds in trust for the benefit of the Owners and their mortgagees in the following shares. An undivided share of such proceeds on account of damage or destruction to the General or Limited Common Elements shall be held in trust for the Owners in accordance with their respective percentages of undivided interest in and to the General Common Elements. Proceeds on account of damage or destruction to Townhomes shall be held in trust for the Owners of the damaged or destroyed Townhomes in proportion to the cost of repairing or reconstructing the damage or destruction suffered by each such Owner. In the event that a mortgagee endorsement has been issued as to any particular Townhome, the share of such Townhome Owner shall be held in trust for such Owner and his mortgagee as their interests may appear.

(c) Proceeds of insurance policies received by the Board shall be disbursed as follows:

- (1) If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, all expenses of the Board incurred in handling these funds shall be first paid and the remaining proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment for such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such expenses of the Board and paying the cost of repairs or reconstruction shall be disbursed to the beneficial owners, remittances to Townhome Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Townhome and may be enforced by such mortgagee.
- (2) If it is determined as provided for in Section 4 of this Section XIII that the damage or destruction for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed to such Persons as therein provided.

9.0.6.3

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