

1. The sums paid upon assessments to defray estimated costs of repair, reconstruction and rebuilding shall be deposited by the Manager with the Insurance Trustee.

2. The proceeds of Insurance collected on account of a casualty and the sums deposited with the Insurance Trustee by the Manager from collections of assessments against residence owners on account of such casualty, shall constitute a construction fund which shall be held by the Insurance Trustee in separate accounts for repair, reconstruction and rebuilding of the damaged property, one such account for each damaged residence and one for any common areas, limited common areas and facilities sustaining damage, except, however, in the event the amount of damage is less than \$500.00, the insurance proceeds may be held by the Manager or Association and disbursed as a construction fund.

(a) Disbursement. The construction fund shall be disbursed in payment of costs of repair, reconstruction and rebuilding upon the order of the Manager; provided, however, that upon request to the Insurance Trustee by a mortgagee which is a beneficiary of an insurance policy the proceeds of which are included in any component account of the construction fund, disbursements from such account shall be made upon order of the Manager and upon approval of an architect qualified to practice in South Carolina and employed by the Manager to supervise the work.

(b) Surplus. It shall be presumed that the first monies disbursed from the construction fund in payment of costs of repair, reconstruction and rebuilding shall be from insurance funds; and if there is a balance in the construction fund after payment of all costs for which the fund is established, such balance shall be repaid to the residence owners as their interests may appear.

(c) Certificate. Notwithstanding any provisions to the contrary contained herein, the Insurance Trustee shall not be required to determine whether or not a disbursement is to be made from the construction fund nor to determine the payee nor the amounts to be paid. Instead, the Insurance Trustee may rely upon a certificate of the Manager stating that the sums to be paid are due and properly payable and stating the name of the payee and the amount to be paid; provided however that when a mortgagee is herein required to be named as payee, the Manager and Insurance Trustee shall also name the mortgagee as payee of any disbursement from the construction fund. Where a mortgagee is a beneficiary of an insurance policy the proceeds of which are included in the construction fund, and the mortgagee so requires, the approval of an architect named by the Manager shall

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