

be held in trust for the mortgagee and the unit 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, and no mortgagee shall have the right to apply or have applied to the reduction of any mortgage debt any insurance proceeds except distributions of such proceeds made to the owner of the unit and mortgagee pursuant to the provisions of this Declaration.

(E) Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the unit owners in the following manner:

(1) All expenses connected with the adjustment of the loss and the collection of such proceeds, including expenses of the Insurance Trustee, shall be first paid or provisions made for the payment thereof.

(2) If the damage for which such proceeds are paid is to be repaired, restored, reconstructed, or rebuilt, the remaining proceeds shall be paid to defray the cost thereof upon approval of an architect qualified to practice in South Carolina and employed by the Board of Directors to supervise the work. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners, remittances to unit owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a unit owner and may be enforced by it.

(3) If it is determined in the manner elsewhere provided herein that the damage for which such proceeds are paid shall not be repaired and restored, the