Padre Canyon Escrow Cash and Funds Control Flow Chart

DEPOSITS AND PROGRESS PAYMENTS FROM BUYERS

1. Based on status of each Villa contract or construction progress benchmark;
2. Status submitted by Development Manager (DDRM);
3. Status Certified by Villa Architect (Architect);
4. Status inspected and approved by Funds Control Manager (Funds Manager)
5. Funds Manager notifies Bank to formally request Buyer to transfer funds

BANK ESCROW AND TRUST ACCOUNT

1. Buyer Funds held each in a segregated trust accounts at Bank
2. Funds required to pay subsequently approved monthly Draw Requests in accordance with the "Monthly Procedures" will be transferred from Bank to Funds Manager Funds Manager (includes both Villa and Hotel Development Costs)
3. All funds in excess of the Approved Cost Budget for each Villa ("Remaining Funds") will stay in the Bank Trust Account and be disbursed only for the future development and construction costs of the Hotel and Amenities, consistent with the Approved Cost Budget
4. All funds, including funds for Hotel Amenities, will be disbursed by the Funds Manager in accordance with the Monthly Procedures below upon proper notice.

FUNDS CONTROL MANAGER FUNDS CONTROL SERVICES AND TRUST ACCOUNT

- Funds to pay each approved Pay Application are disbursed by Funds Manager after compliance with the Monthly Procedures and upon receipt of satisfactory lien releases from recipients
- Short payments can be made to the General Contractor for the Hotel by temporarily withholding payments to subcontractors failing to provide proper lien releases.
- Such withheld amounts can be disbursed when proper lien releases are received, without having to wait for next cycle

MONTHLY PROCEDURES FOR PAY APPLICATIONS FOR VILLAS AND HOTEL

1. Development Manager submits monthly pay application for each Villa based on Owner's Approved Budget for such Villa
2. Development Manager submits monthly pay application for the Hotel development (includes overall project development and infrastructure costs) based on Owner's Approved Budget
3. The Villa Architect inspects and the Hotel Architect review the work for each and certifies construction completion percentage for each
4. Funds Manger inspects the work, and verifies each construction completion percentage included in the pay application submitted by the Development Manager
5. Based on the construction completion percentage, the Funds Control Manager reviews all pay applications and confirms the compliance with the Approved Budget for each of the Villas and for the Hotel Building(s)

Cash Transfer →

Compliance - - - →

Note: This process is devised to prevent any expenditure by the Owner which is not a true development or construction cost of a Villa or of the Hotel Facilities and shared areas.