

when the first building permit is issued for construction of a residential unit on the Project and shall end when the last contract for the sale of a residential unit is closed.

(10) As the lots are developed and residential units constructed thereon and sold, the cash proceeds from the sales shall be applied or distributed in the following order of priority:

- (a) To repayment of the construction account that will be used to pay costs of construction of individual houses to include interest (applicable to the particular house), insurance, the \$1,500 fee to Developer, selling expenses (such as commissions), documentary stamps, fees, taxes, prorations, other usual closing costs, costs of plans and losses on previous units sold.
- (b) To interest to American Service Corporation on funds advanced for acquisition and development of the project. All unpaid interest over thirty (30) days past due shall be treated as principal and bear interest.
- (c) To repayment of funds advanced by American Service Corporation for acquisition and development costs of the project (including the management fee and cost of recreation facility).
- (d) To repayment of funds American Service Corporation is obligated to pay under the purchase money mortgage applicable to the project.
- (e) To fund a reserve account for the future development costs (not residential construction costs) of the life of the Project. The amount to be set aside in this reserve account shall be agreed upon by ASC and Developer. In the event they are unable to agree on an amount, then the parties shall agree on such amounts as the regularly employed engineers of the parties mutually agree is necessary to cover future development costs for the next phase of the project, such phase not to exceed 100 lots. The funds set back for such reserve under this Paragraph shall be deposited in such interest-bearing accounts with such financial institutions as shall be mutually agreed to by all of the parties hereto, it being the intent of the parties that this reserve fund earn the maximum rate of interest available.