

**ESCROW AGREEMENT
FOR
LODGES AT CANNON BEACH FRACTIONAL OWNERSHIP PROGRAM**

DATED: January 1, 2009

BETWEEN: **ESCAPE INVESTMENTS, LLC**
PO Box 1037
Cannon Beach, Oregon 97110

SELLER

AND: **PACIFIC TITLE,**
a title insurance company authorized to act as
escrow agent in the State of Oregon
PO Box 2488
Gearhart, Oregon 97138

ESCROW

Seller proposes to develop a fractional interest program to be known as “**Lodges at Cannon Beach Fractional Ownership Program**” for certain units within Lodges at Cannon Beach, A Condominium, which will be located in Cannon Beach, Clatsop County, Oregon. Seller will sell fractional interests in units of the condominium through sales agreements that will require all purchasers to make payments to Escrow in accordance with the provisions of this Agreement. Escrow has consented to hold and disburse all payments received from the fractional interest sales and any other funds received by Escrow under this Agreement pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. **SAMPLE DOCUMENTS.** Immediately following execution of this Agreement, Seller shall deposit with Escrow a copy of the proposed form of Fractional Interest Sales Agreement, Declaration of Fractional Program for Lodges at Cannon Beach Fractional Ownership Program, the Declaration Submitting Lodges at Cannon Beach, A Condominium to Condominium Ownership and form of deed. Seller reserves the right, however, to change or amend such documents to the extent Seller is permitted to do so by law and any then existing sales agreements.

2. **SALES AGREEMENTS.** When and as Seller and purchasers execute reservation and sales agreements, Seller shall deposit such instruments with Escrow together with all purchase moneys received by Seller or its brokers from the respective purchasers. In accordance with the provisions of the sales agreement, the purchasers are required to deposit all future payments with Escrow.

3. **LOAN APPROVAL.** Within the time specified in the sales agreement, purchaser shall have received a loan commitment and approval of such purchaser from the institutional lender selected by the purchaser; or, if the purchaser will be paying the entire purchase price in cash without obtaining financing, satisfied Seller as to purchaser’s ability to

pay. Subject to Section 14 below, if Seller notifies Escrow that purchaser has not met this condition and that Seller is terminating the purchase, then purchaser's earnest money, including any interest earned thereon, shall be refunded unless the time for obtaining approval is extended by the parties.

4. **RESERVATIONS**. Prior to the issuance of a State of Oregon Public Report, Escrow shall accept reservation deposits from prospective purchasers under reservation agreements. Escrow shall refund such deposits to any such purchasers who request a refund prior to their execution of a sales agreement, or if Seller informs Escrow that a purchaser has not signed a sales agreement within 10 days after delivery of the disclosure statement and sales agreement to the purchaser. Deposits made by prospective purchasers who do execute sales agreements shall be treated as deposits under the sales agreements.

5. **RECORDING OF CONDOMINIUM DOCUMENTS**. Escrow shall cause to be recorded at Seller's expense the documents necessary to submit each stage of the condominium to the Oregon Condominium Act and to submit each fractional interest to the fractional program.

6. **CLOSING PROCEDURE**. Escrow shall take the following actions to the end that the closings of sales may occur as expeditiously as practicable and within the time specified by the sales agreement:

6.1 Escrow shall request each purchaser to deposit the balance of the purchase price with Escrow and to execute all documents necessary to obtain the proceeds of any loan for the remaining portion of the purchase price.

6.2 Escrow shall not close any sale until it has obtained from the holders of any existing mortgages, trust deeds or other liens commitments for partial releases of the lien of such mortgages, trust deeds, liens and financing statements for each fractional interest to be conveyed to purchasers who have fulfilled their respective obligations under their sales agreements. It is understood that the holders may require that such partial releases can be recorded only if the lenders receive the portion of the sales proceeds that they may specify.

6.3 Escrow shall request from Seller, and Seller shall provide, deeds of all fractional interests to be conveyed to purchasers. Prior to closing of each sale, Escrow shall deliver to each purchaser a copy of the purchaser's escrow instructions applying to the transaction.

6.4 Upon deposit by each purchaser of all sums due under his or her sales agreement, receipt of any partial releases, receipt from Seller of the deed, and recording of the documents necessary to submit the property to condominium ownership and the fractional program, Escrow shall record the releases, deed and purchaser's mortgage or trust deed, if any; provided, however, Escrow can cause to be issued an owner's title insurance policy in standard form, insuring for the amount of the purchase price the purchaser's interest in his or her fractional interest free and clear of all liens and encumbrances except for the usual printed exceptions in such policies, the condominium and fractional interest documents, the provisions of the Oregon Condominium and Timeshare Acts, any utility or access easements of record, any

taxes that are a lien but not yet due, and any other liens or encumbrances of record (other than Seller's financing). If so requested by the purchaser's lender, Escrow shall also cause to be issued a mortgagee's title insurance policy insuring the mortgagee's interest of the lender, subject to such exceptions as may be approved by the lender. If the owner's policy is to be issued prior to expiration of the lien period and purchaser's lender is obtaining an extended coverage title policy, Escrow shall issue to purchaser an extended coverage owner's policy insuring against such liens. If no extended coverage lender's policy is being issued, then the purchaser shall sign a Waiver of Protection from Subcontractors' Liens.

7. **NOTICES; SUPPLEMENTARY INSTRUCTIONS; TIME SEQUENCES.** In order to facilitate the performance of its obligations under this Agreement, Escrow may notify each purchaser that sums are due and payable under the purchaser's sales agreement, prepare and forward to all interested parties any supplementary closing instructions that Escrow deems necessary or desirable, and vary the time sequence of the performance required of Escrow under this Agreement.

8. **PRORATES AND CLOSING COSTS.**

8.1 **Prorates.** Escrow shall prorate between Seller and each purchaser all taxes, Association assessments, and rentals, if any, as of the earlier of (a) the actual date of closing, or (b) the date by which closing was to have occurred as provided in the sales agreement. Fire insurance shall not be prorated.

8.2 **Charges Against Seller.** Seller shall be responsible for payment of the premium for the owner's title insurance policy as provided in the sales agreement, any broker's commission, recording fees for any partial releases, Seller's portion of the escrow fee and any additional charges approved by Seller.

8.3 **Charges Against Purchasers.** Each purchaser shall be responsible for the recording fee for the deed, any sales or transfer tax, any charge for delay in closing as provided in the sales agreement, a pro rata share of the current year's assessment, one-twelfth the working capital assessment for the unit for each fractional interest purchased, purchaser's portion of the escrow fee, all fees, costs and expenses in connection with purchaser's loan, if any, including mortgagee's title insurance premium, and any additional charges approved by purchaser.

9. **DISBURSEMENTS.** After closing, the total purchase price, plus or minus the adjustments described above, shall be delivered as required by the holders of the existing encumbrances, if any, with the balance to Seller. The recorded deed and the owner's policy of title insurance shall be delivered to the purchaser.

10. **REFUND TO PURCHASER.** Subject to the provisions of Section 14 below, if at any time Escrow receives notice of termination from a purchaser based on default by Seller as provided in the sales agreement, Escrow shall notify Seller of such notice and, in the absence of any dispute by Seller, pay the funds to such purchaser.

11. **ACCEPTANCE OF PAYMENTS.** Escrow is authorized and empowered to accept any payments tendered to it to be applied upon a sales agreement, whether such payments

constitute all or only a portion of any payment due, unless and until Seller shall have notified Escrow in writing to the contrary.

12. **DEFAULT BY PURCHASER.** Subject to the provisions of Section 14 below, the following shall apply with regard to any default by a purchaser under the terms of the sales agreement.

12.1 If a purchaser fails to deposit the balance of the purchase price with Escrow within the time set for closing under the sales agreement, Seller may notify Escrow to collect from the purchaser at closing an additional sum in the amount of 12 percent per annum of the total purchase price, plus tax and assessment prorates, from such date to date of actual closing, or pay \$50 per day, whichever is greater.

12.2 If at any time Seller shall certify in writing to Escrow that a purchaser has defaulted under the terms of purchaser's sales agreement, that Seller has notified the purchaser of such default, and that the purchaser within 20 days after receipt of such notice has failed to cure such default, Escrow shall, upon instruction by Seller, thereafter treat all moneys of such purchaser paid on account of purchaser's sales agreement as funds of Seller and not as funds of such purchaser.

13. **INVESTMENT OF SUMS DEPOSITED IN ESCROW.** Escrow shall not be required to invest deposited funds in an interest-bearing account unless expressly instructed to do so by Seller and the purchaser.

14. **LIABILITY OF ESCROW; DISPUTES.**

14.1 In consideration of Escrow's acceptance of this escrow, its obligations and duties as escrow agent in connection with this Agreement are confined to those specifically enumerated in these instructions. Escrow shall not be in any manner liable or responsible for the sufficiency, correctness, genuineness, or validity of any instruments deposited with it, or with reference to the form of execution thereof or the identity, authority or rights of any person executing or depositing them. It is under no obligation to ascertain the terms or conditions of any such instruments or to comply in any respect with the terms thereof, and it shall not be liable for any loss that may occur by reason of forgeries, false representations or the exercise of Seller's discretion in any particular manner, or for any other reason except Escrow's own negligence or misconduct.

14.2 If any controversy arises between the purchaser or Seller or with any third person, Escrow shall not be required to determine it or to take any action in the premises, but it may await the settlement of any such controversy by final, appropriate legal proceedings or otherwise as it may require; or it may, in its discretion, institute such appropriate interpleader or other proceedings in connection therewith as it may deem proper, notwithstanding anything in these instructions to the contrary. In any of such events, it shall not be liable for interest or damage. If Escrow should become a party to any such legal proceedings, Seller and the respective purchasers jointly and severally agree to pay and hold Escrow harmless from and against any and all costs, charges, attorneys' fees or other expenses that Escrow in good faith may incur.

15. **TERMINATION**. This Agreement will be terminated upon the recordation and delivery of all pertinent documents relating to this project and final disbursement of all escrow funds. Subject to Section 14, Seller may terminate this Agreement by giving 30 days' notice in writing to Escrow, whereupon Escrow shall promptly deliver all moneys and any interest earned thereon to a new escrow holder as provided in this section and give Seller a final accounting of all sums received, held and disbursed by Escrow within 14 days thereafter. If this Agreement is so terminated, Seller shall appoint as the new escrow holder a state or nationally chartered bank or savings and loan institution or a title insurance or escrow company authorized to act as escrow agent in the State of Oregon.

16. **REPORTS**. During the term of this Agreement, Escrow shall render to Seller once every 30 days, or upon demand by Seller, an accounting of all funds received, held and disbursed by Escrow. Escrow recognizes that time and performance are of the essence to Seller in the sales of fractional interests and agrees to undertake promptly and faithfully all actions required of Escrow under this Agreement to close such sales and to report to Seller all delays and defaults existing for a period in excess of 10 days.

17. **BINDING EFFECT**. This Agreement shall be binding upon and inure to the benefit of the parties, the purchasers and their respective heirs, representatives, successors and assigns.

IN WITNESS WHEREOF, the parties have executed this escrow agreement as of the date set forth above.

SELLER: **ESCAPE INVESTMENTS, LLC,**
an Oregon limited liability company

By: _____
Patrick Nofield, Member

AND: **PACIFIC TITLE,**

By: _____
Authorized Signer