

AFTER RECORDING RETURN TO:

Tolovana Inn Condominium Homeowners, Assn, Inc.,

BLAINE WHIPPLE REALTY

2041 SW 58th Street #210

Portland, Oregon 97221

BY-LAWS

OF

BOOK 756 PAGE 874

TOLOVANA INN CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I

MEMBERS

Section 1.1 Annual Meetings. The annual meeting of members shall be held on the first Saturday of February of each year or on such other Saturday in February as the Board of Directors may designate. The place of the annual meetings shall be held in such place as may be designated by the Board of Directors. Any proper business may be transacted at an annual meeting.

Section 1.2 Special Meetings. Special meetings of members for any purpose or purposes may be called at any time by the Board of Directors or upon a petition signed by a majority of the members, which petition shall have been presented to the Secretary and shall include a statement of the purpose or purposes for such special meeting.

Section 1.3 Notice of Meetings. Whenever members are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the member at his address as it appears on the records of the Corporation.

Section 1.4 Adjournments. Any meeting of members, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, a notice of the adjourned meeting shall be given to each member of record entitled to vote at the meeting.

Section 1.5 Quorum. At each meeting of members, the members present in person or by proxy shall constitute a quorum for the transaction of all business.

Section 1.6 Organization. Meetings of members shall be presided over by the Chairman of the Board, or in his absence by the Treasurer, or in his absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7 Voting; Proxies. Members shall vote on a percentage basis. The percentage of the vote which each member shall have shall be the same as that member's percentage of the condominium common areas pursuant to the Declaration of the Condominium, which Declaration was recorded September 20, 1972 in Book 368, Page 237,

Clatsop County, Oregon Deed Records, as the same may be now or hereafter amended (herein the "Declaration").

1.7.1 A 51% vote in favor of any motion or matter, shall be required for the adoption or passage of any matter coming before a meeting of members.

1.7.2 Voting may be in person or by proxy. Proxies shall be filed with the Secretary before the appointed time of each meeting. Proxies may require or authorize the Secretary or anyone named therein to cast a vote for or against any proposal set out in the notice calling or giving notice of the meeting. Any proxy is valid for eleven months unless a different period is expressly provided in the proxy appointment form.

Section 1.8 Action by Members Without a Meeting. Unless otherwise restricted by the Articles of Incorporation, any action required or permitted to be taken at any annual or special meeting of the members may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the members having not less than the minimum percentage of votes that would be necessary to authorize or take such action at a meeting at which all members entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to all those members who have not consented in writing.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1 Number and Qualifications. The affairs of the corporation shall be governed by a Board of Directors consisting of seven persons, each of whom must be an owner of interest in units in the Condominium, provided that co-owners or joint owners of a unit may not serve as directors simultaneously. No person shall serve as director more than two consecutive three-year terms or more than seven consecutive years.

Section 2.2 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the corporation and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the owners. In addition to duties imposed by these Bylaws or by resolutions of the corporation, the Board of Directors shall be responsible for designation and collection of monthly assessments from the owners of Tolovana Inn Condominium Homeowners' Association (Unincorporated).

Section 2.3 Election; Resignation; Removal; Vacancies.

2.3.1 At the organizational meeting of members, seven persons shall be elected to serve as directors for terms as follows: two persons shall be elected for one year terms; three persons shall be elected for two-year terms; two persons shall be elected for three-year terms.

Thereafter, persons shall be elected to serve for terms of three years unless elected to fill a vacancy on the Board, in which case the term shall be for the remaining time of the position being filled.

2.3.2 Any director may resign at any time upon giving written notice to the Secretary of his/her intent to resign, which resignation shall declare an effective date.

2.3.3 Members may remove directors at any time with or without cause.

2.3.4 Any vacancy occurring on the Board of Directors for any cause may be filled by a majority of the members of the remaining Board of Directors until the next annual meeting of members, at which time the members shall elect the person to serve for the balance of that term which was vacated.

Section 2.4 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as determined, from time to time, by a majority of Directors. Special meetings of the Board of Directors may be called by the Chairman, or Secretary, or upon written request of at least three Directors, in which case the Secretary shall give notice, either personally, by mail or by such other means as are reasonably calculated to give actual notice thereof, which notice shall state the time, place and purpose of the special meeting.

Section 2.5 Waiver of Notice. Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting shall be a waiver of notice to him of the time, place and purpose thereof. If all of the Directors are present at any meeting, no notice shall be required and any business may be transacted at such meeting.

Section 2.6 Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.7 Quorum; Vote Required for Action. At all meetings of the Board of Directors, a majority of the whole Board shall constitute a quorum for the transaction of business. The vote of four Directors at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8 Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by the Treasurer, or in his absence, by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9 Informal Action by Directors. Unless restricted by these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 2.10 Unincorporated Association Bylaws. If the Board of Directors shall determine that it is in the best interests of the members of this corporation, and if the Board of Directors of that unincorporated association so agree, that the Board assume all or

part of those powers and duties given to the Board of Directors of the Tolovana Inn Condominium Homeowners' Association (Unincorporated) by the Declaration recorded on September 20, 1972 in Book 368, Page 237, Clatsop County, Oregon Deed Records, as the same may be now or hereafter amended, the Board of this corporation may assume those powers and duties after a resolution of need and intent to do so, in which event this Board shall then have such powers and duties and shall also be governed by the Bylaws of that unincorporated association, including all powers and duties given by any amendments of such Bylaws of the unincorporated association, the same as if such Bylaws had been fully set forth herein.

ARTICLE III

OFFICERS

Section 3.1 Designation. The principal officers of this corporation shall be a Chairman, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Directors may appoint an assistant treasurer and an assistant secretary, and any such other officers as in their judgment may be necessary.

Section 3.2 Election of Officers. The officers of the corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 3.4 Chairman. The Chairman shall be the chief executive officer of the corporation. He shall preside at all meetings of the corporation and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the corporation.

Section 3.5 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the corporation, he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary. The offices of Chairman and of Secretary shall not be in the same person, but must be in different persons.

Section 3.6 Treasurer. The Treasurer shall have responsibility for corporation funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the corporation. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the corporation in such depositories as may from time to time be designated by the Board of Directors.

Section 3.7 Directors as Officers. Any Director may be an officer of the corporation.

ARTICLE IV

BOOK 756 PAGE 878

OBLIGATIONS OF MEMBERS

Section 4.1 Each member shall pay his/her monthly assessments imposed by the Tolovana Inn Condominium Homeowners' Association (Unincorporated), and by this corporation, and shall also pay his/her proportionate share of each installment which becomes due on the purchase contract for the acquisition of the fee title to the common areas of the Condominium. The provisions of Article VI of the unincorporated association, as the same are now or may hereafter be amended, are hereby incorporated into these Bylaws by reference as if fully set forth herein.

ARTICLE V

MISCELLANEOUS

Section 5.1 Indemnification of Directors, Officers and Employees. The corporation shall indemnify to the full extent authorized by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the corporation or any predecessor of the corporation.

Section 5.2 Reimbursement of Disallowed Deductions. Any payments made to an officer, employee, or director of the corporation as compensation, interest, or rent, or to reimburse him for expenses incurred by him on behalf of the corporation, which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service or the Oregon State Department of Revenue, shall be reimbursed by such officer, employee or director to the corporation to the full extent of the amount so disallowed. Any officer, employee, or director of the corporation who shall have received payment of such amounts so disallowed shall promptly, on demand, repay the same to the corporation. The corporation may withhold from further compensation or other payments which may be due or become due any such officer, employee, or director, the amount of any such disallowance if the same is not repaid to the corporation on demand.

ARTICLE VI

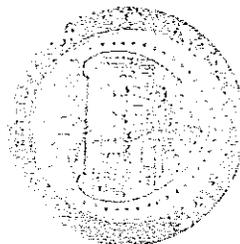
AMENDMENTS

Section 6.1 These Bylaws may be amended at any duly constituted annual or special meeting for that purpose upon a majority vote, by percentage of interest, of all members. Copy of the Bylaws as amended, or any amendments to these Bylaws, certified by the Chairman and Secretary of the Board of Directors as being adopted in accordance with these Bylaws, shall be recorded with the county recorder of Clatsop County, Oregon.

I hereby certify that the within instrument was received for record and recorded in Clatsop County, State of Oregon, Book of Records as indicated herein.

'91 APR 11 15:47

912175



LORI D. DAVIDSON, County Clerk

Lori D. Davidson
Fees \$ 250.00
MSD

Form 103

I hereby certify that the within instrument was received for record and recorded in Clatsop County, State of Oregon, Book of Records as indicated herein.

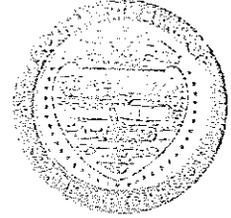
AFTER RECORDING RETURN TO:

Tolovana Inn Condominium Homeowners, Assn, Inc.,
BLAINE WHIPPLE REALTY
2041 SW 58th Street #210
Portland, Oregon 97221

BOOK 756 PAGE 845

'91 APR 11 12:20

912167



BYLAWS

OF

TOLOVANA INN CONDOMINIUM

AMENDED AT THE ANNUAL MEETING
IN CANNON BEACH
FEBRUARY 2, 1991

ARTICLE I

PLAN OF FAMILY UNIT OWNERSHIP

(misc) K
LORI D. DAVIDSON, County Clerk
Lori D. Davidson
Form 103 Fees \$ 75-

14-17353

Section 1. Family Unit Ownership. The project located in the City of Cannon Beach, County of Clatsop, State of Oregon, known as TOLOVANA INN CONDOMINIUM is submitted to the provisions of Oregon Revised Statutes, Sections 91.505 and 91.675.

Section 2. Bylaws Applicability. The provisions of these Bylaws are applicable to the project, the owners, Association and the entire management structure thereof. (The term "project" as used herein shall include the land.)

Section 3. Personal Application. All present or future owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the project in any manner, are subject to the regulations set forth in these Bylaws.

The mere acquisition or rental of any of the family units (hereinafter referred to as "units") of the project or the mere act of occupancy of any said units will signify that these Bylaws are accepted, ratified, and will be compiled with.

ARTICLE II

VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

Section 1. Voting. Voting shall be on a percentage basis and the percentage of the vote to which the owner is entitled shall be the percentage rights in common elements assigned to the family unit or units in the Declaration.

Section 2. Majority of Owners. As used in these Bylaws the term "majority of owners" shall mean those owners holding 51% of the votes in accordance with the percentages assigned in the Declaration.

75-

Section 3. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of a "majority of owners" as defined in Section 2 of this Article shall constitute a quorum.

Section 4. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting. The proxies may require the Secretary or anyone named therein to cast a vote for or against any special proposal set out in the notice calling or giving notice of the meeting.

ARTICLE III

ADMINISTRATION

Section 1. Association Responsibilities. The owners of the family units will constitute the Association of Owners (hereinafter referred to as "Association") who will have the responsibility of administering the project, approving the annual budget, establishing and collecting monthly assessments and arranging for the management of the project pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the management agent. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a majority of owners.

Section 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the project or such other suitable place convenient to the owners as may be designated by the Board of Directors.

Section 3. Initial Meeting. The initial organizational meeting will be held immediately after the completion of the Condominium structures by notice to all owners of units not less than seven (7) days before the meeting as to the time and place thereof. All owners will execute a Memorandum of Action of that meeting in the escrow closing for their unit.

Section 4. Annual Meetings. The first annual meeting of the Association shall be held on the first Saturday of each February or such other Saturday in February as the Board of Directors may designate. At such meetings there shall be elected by ballot of the owners a Board of Directors in accordance with the requirements of Section 5 of Article IV of these Bylaws. The owners may also transact such other business of the Association as may properly come before them.

Section 5. Special Meetings. It shall be the duty of the President to call a special meeting of the owners as directed by resolution of the Board of Directors or upon a petition signed by a majority of the owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of all the owners of the family units.

Section 6. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each owner of the record at least 10 but not more than 60 days prior to such meeting. The mailing shall be to the address last given the Secretary in writing by the unit owner or his vendee. If unit ownership is split or being sold on a contract, all shall be given notice. If no address is given, then mailing to the condominium unit will be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice served.

Section 7. Adjourned Meetings. If any meeting of owners cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 8. Order of Business. The order of business at all meetings of the owners of units shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Report of committees.
- (f) Election of inspectors of election.
- (g) Election of directors.
- (h) Unfinished business.
- (i) New business.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of seven (7) persons, all of whom must be owners of an interest in units in the project, provided that co-owners or joint owners of a unit may not serve as Directors simultaneously.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the owners.

Section 3. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following:

- (a) Care, upkeep and surveillance of the project and the general common elements and the limited common elements and to perform all duties, make all lease payments, and otherwise perform all of the covenants of the sub-lease of the land on which said condominium is built, which sub-lease has been (or will be) signed and accepted by the Association.
- (b) Designation and collection of monthly assessments from the owners in accordance with these Bylaws and the Oregon Unit Ownership Law.
- (c) Pay all common expenses of the Association and set up a voucher system for such payment acceptable and approved by the Board of Directors with the proper number of signatories thereon as other designated by said Board.
- (d) Designation and dismissal of the personnel necessary for the maintenance and operation of the project, the general common elements and the limited common elements.
- (e) Promulgation and enforcement of rules of conduct of Condominium owners, employees, and invitees and the use or restrictions thereof relative to all common elements.

The Directors shall have the right to settle all insurance claims of the Condominium Association or owner or owners thereof and give releases and proofs of loss to any insurance carrier, provided any two Directors sign the same.

Section 4. Management Agent. The Board of Directors may employ for the Association a management agent at a compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article. The managing agent shall have the right to contract with or lease from any unit owner, for the management of said unit, individually or collectively with other unit owners.

Section 5. Election and Term of Office. At the initial meeting of the Association the term of office of two Directors shall be fixed for three (3) years. The term of office of two Directors shall be fixed at two (2) years, and the term of office of one Director shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Directors, his successor shall be elected to serve a term of three (3) years. The Director shall hold office until their successors have been elected and hold their first meeting. (If a larger Board of Directors is contemplated, the terms of office should be established in a similar manner so that they will expire in different years.) In no event shall any Director serve more than two (2) consecutive three-year terms or more than seven (7) consecutive years.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association may be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected for the unexpired term at the next annual meeting of the Association.

Section 7. Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

Section 8. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting providing a majority of the whole Board shall be present.

Section 9. Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Regular meetings of the Board of Directors may be called by the chairman on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the Chairman or Secretary in like manner and on like notice upon the written request of at least three (3) Directors.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 11. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE V

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a Chairman, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Directors may appoint an assistant treasurer and an assistant secretary, and any such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. Chairman. The Chairman shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an Association, including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The Chairman shall be entitled to vote only in case of a tie vote at any such meeting and his vote shall be final.

Section 5. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association, he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 6. Treasurer. The Treasurer shall have the responsibility for Association funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

Section 7. Directors as Officers. Any Director may be an officer of the Association.

ARTICLE VI

OBLIGATIONS OF THE OWNERS

Section 1. Assessments. All owners are obligated to pay monthly assessments imposed by the Association to meet all the Condominium's common expenses, which shall include premiums for insurance required or permitted under Article XII of these Bylaws. All of the reserve accounts set up pursuant to these Bylaws shall be funded by allocation and payment from the monthly assessment of unit owners.

Each unit will be liable for the common expense in proportion to the value of such unit relative to the value of all units as stipulated in the Declaration, except that the assessment attributable to property tax reserves, if any, shall be assessed against units in proportion to their benefit from such reserve.

The monthly assessment of units shall include the following items which shall be common expenses:

(A) Expense Items:

- (i) Expenses of administration.
- (ii) Expenses of maintenance, repair or replacement of common elements.
- (iii) Any deficit in common expenses for any prior period.
- (iv) Utilities for the common elements and other utilities with a common meter or commonly billed.
- (v) The cost of any professional management.
- (vi) Any other items properly chargeable as an expense of the Association.
- (vii) Cost of insurance or bonds obtained in accordance with these Bylaws, if not funded through reserves.
- (viii) Costs to acquire the fee title to the land described on Exhibit A, which costs may include principal and interest thereon payable in installments over a time period which shall not extend beyond May 31, 2031.

(B) Reserve Items:

- (i) Cost of insurance or bonds obtained in accordance with these Bylaws, if not funded as an expense item.
- (ii) A reserve account for replacements by the allocation and payment monthly to such reserve account of an amount determined by the Directors. The reserve account is for the purpose of effecting replacements of structural elements, mechanical equipment and other common elements of the Condominium. Payment into this account shall be deemed a contribution to capital improvement as and when made. The Board of Directors shall establish a reserve account for replacement of those common elements all or part of which will normally require replacement in more than three (3) years and less than thirty (30) years. Such reserve accounts shall take into consideration the estimated remaining life of the items for which the reserves are created and the estimated replacement cost of such items. The amount of the periodic payments to the reserve accounts shall be adjusted at regular intervals to recognize changes in replacement costs over a period of time. The

reserve accounts shall be used only for replacement of common elements and shall be kept separate from accounts for maintenance.

- (iii) If desired by the Board of Directors, a general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors. The existence of this reserve fund shall be discretionary with the Board of Directors.
- (iv) In addition to the above, there may be created a Real and/or Personal Property Tax Fund. This fund shall be for the payment of real and personal property taxes of the project. It may include the real property taxes on the individual units and any personal property taxes that may be applicable thereto. This fund may be partial in that it may cover only a portion of the units of the project as the Board of Directors may determine.
- (v) Such other special reserve funds as may be set up by the Directors by special assessments of the unit owners who benefit thereby as may be required by the Declaration or otherwise determined by the Association of unit owners to be appropriate, including a reserve fund for any lease payments.

Each reserve account shall be kept in an account with a safe and responsible depository and shall be accounted for separately. If invested, the obligation or security shall either be fully guaranteed as to principal by the United States of America or one of its agencies or shall be otherwise prudently invested, with the paramount goal of preservation of principal. Assessments paid into the reserve accounts are the property of the Association and are not refundable to owners or sellers of units. Provided, however, nothing herein shall prevent sellers of unit from treating their outstanding allocable share of reserve accounts as a separate or reimbursable item in a sales agreement. No unit owner shall have any individual rights in any of these reserves, although it is understood that the value of their respective units may increase in proportion to each unit's right to receive repair, maintenance and replacement therefrom.

The Board of Directors shall not make any expenditure from any reserve account exceeding sixty-five percent (65%) of such reserve account without first giving notice to owners prior to the Board meeting at which such expenditure is to be considered.

Section 2. Maintenance and Repair.

(a) Every owner must perform promptly all maintenance and repair work within his own unit, which if omitted would affect the project in its entirety or in a part belonging to other owners, each owner being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, lamps and all other accessories belonging to the unit area shall be at the owner's expense.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area and facility damaged through his fault, not otherwise covered by insurance owned by the Condominium Association for the owner's and Association's benefit.

Section 3. Use of Family Units - Internal Changes.

(a) All family units shall be utilized for residential or commercial family living only.

(b) An owner shall not make structural modifications or alterations in his unit or installations located therein without previously notifying the Association in writing, through the Management Agent, if any, or through the Chairman of the Board of Directors, if no management agent is employed. The Association shall have the obligation to answer within 30 days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

Section 4. Use of General Common Elements and Limited Common Elements.

An owner shall not place or cause to be placed in the lobbies, decks, ramps, vestibules, stairways and other project areas and facilities of a similar nature, both common and limited, any furniture, packages or objects of any kind. Such areas shall be used for no purpose other than that which is normal.

Section 5. Right of Entry.

(a) In case of an emergency originating in or threatening his unit, an owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the owner is present at the time or not.

(b) An owner shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of emergency, such right of entry shall be immediate.

Section 6. Rules of Conduct.

(a) No resident of the project shall post any advertisements, or posters or signs of any kind in or on the project except as authorized by the Association.

(b) Residents shall exercise extreme care about creating disturbances, making noises, or the use of musical instruments, radios, television and amplifiers that may disturb other residents. Those keeping domestic animals will abide by the Municipal Sanitary Regulations, leash laws, and other applicable regulations or regulations of the Association created under authority of these Bylaws.

(c) It is prohibited to hang garments, rugs, etc. from the windows or from any of the facades or decks or terraces of the project.

(d) It is prohibited to hang or shake dust rags, mops, etc. from the windows or porches or terraces, or to clean rugs, mops, etc. by beating in any exterior part of the project.

(e) It is prohibited to throw garbage or trash outside the disposal installations provided for such purposes in the service areas.

(f) No owner, resident or lessee shall install wiring for electrical or telephone installation, television antennae, machines or air conditioning units, etc., on the exterior of the project or that protrude through the walls or the roof of the project except as authorized by the Association. No window guards, awnings or shades shall be installed without prior consent.

(g) No exterior antennas shall be allowed except those installed by the Association.

(h) Curtains and drapes shall be lined with white for pleasing aesthetics for the building.

(i) The parking spaces designated as general common elements in the Declaration are intended for use of the owner's automobiles. There shall be no parking of boats, trailers, trucks (larger than 3/4 ton panel or pick-up types), house

trailers, or like equipment in the parking area without the specific consent of the Directors.

(j) Vehicular traffic on the streets and drives within the property will be limited to five (5) miles per hour as a safety precaution. This speed limit shall apply to bicycles, motor scooters, motorcycles, automobiles and trucks.

(k) Recreation and play areas, all common garden and patio areas are provided for the use of the owners and their guests. Rules and Regulations will be posted setting out the hours the various facilities will be available and the conditions attendant thereto. Compliance with the rules as determined by the Association is essential to the harmonious operation of the facilities.

(l) The Directors may restrict the use of the general common elements to specific unit owners as may be necessary and reasonable in the over-all use of said elements and for the best interest of the Condominium as a whole.

Section 7. Default. Failure by the owner to pay any assessment by the Association shall be a default by the owner and subject the owner and the family unit to the obligations of these Bylaws and of the Oregon Unit Ownership Law, and in addition thereto, any default by the owner in any provision of these Bylaws or of the Oregon Unit Ownership Law shall be deemed to be a default by the owner of any mortgage to which the owner is a party or to which the family unit is subject.

ARTICLE VII

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Association in a duly constituted annual or special meeting and no amendment shall take effect unless approved by owners holding a majority of the voting rights set forth in the Declaration, except that any amendment relating to occupancy restrictions or restrictions on the leasing or renting of units shall not take effect unless approved by owners holding at least seventy-five percent (75%) of the voting rights set forth in the Declaration. Copy of the Bylaws as amended, or any amendments to those Bylaws, certified by the Chairman and Secretary of the Board of Directors as being adopted in accordance with these Bylaws, shall be recorded with the County Recorder of Clatsop County, Oregon.

MORTGAGEES

Section 1. Notice to Association. An owner who mortgages his unit, shall notify the Association through the Management Agent, if any, or the Chairman of the Board of Directors in the event there is no Management Agent, the name and address of his mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units".

Section 2. Notice of Unpaid Assessments. The Association shall report, at the request of the mortgagee of a unit, any unpaid assessments due from the owner of such unit.

ARTICLE IX

COMPLIANCE

These Bylaws are set forth to comply with the requirements of the Oregon Unit Ownership Law, which are incorporated herein. In case any of these Bylaws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

ARTICLE X

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) judgments, other enterprise, against expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonable incurred by said person in connection with such suit, action or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order,

settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that a person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action suit or proceeding as and when incurred, subject only to the right of the Association should it be proven at a later time that said person had no rights to payments made. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

ARTICLE XI

SUITS AND ACTIONS

In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Bylaws or of the Oregon Unit Ownership Law, the owner or owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action including a reasonable attorney's fee to be fixed by the trial court and in the event of an appeal of the cost of the appeal, together with a reasonable attorney's fee in the appellate court to be fixed by such court. In any foreclosure suit against a unit, the unit owner or owners may be required to pay a reasonable rental for the unit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect the rent.

ARTICLE XII

INSURANCE

The Association has the sole authority to decide whether to repair or reconstruct a unit that has suffered damage or that a unit must be repaired or reconstructed. The Board of Directors shall obtain and maintain at all times and shall pay for out of the common expense funds, the following insurance covering both the common elements and individual units:

- a) Property insurance, including, but not limited to, fire, extended coverage, vandalism and malicious mischief; and
- (b) Insurance covering the legal liability of the Association, the unit owners individually and the manager,

including, but not limited to, the Board of Directors, the public and the unit owners and their invitees or tenants, incident to ownership, supervision, control or use of the property. There may be excluded from the policy required under this section, coverage of a unit owner, other than coverage as a member of the Association or Board of Directors, for liability arising out of acts or omissions of that unit owner and liability incident to the ownership or use of the part of the property as to which that unit owner has the exclusive use or occupancy. Liability insurance required under this section shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement providing that the rights of a named insured under the policy shall not prejudice any action against another named insured.

(c) Such other insurance as the Board of Directors deems desirable.

EXHIBIT A

TOLOVANA INN CONDOMINIUM HOMEOWNERS ASSOCIATION
BYLAWS

Bylaws amended at the annual meeting in Cannon Beach, February 2, 1991. The following is the legal description of the land under the Inn and restaurant referred to in Article VI, Section 1, (A), (viii).

A tract of land located in Section 31, Township 5 North, Range 10 West, Willamette Meridian, in the City of Cannon Beach, County of Clatsop and State of Oregon, more particularly described as follows:

Beginning at a point 30 feet North of the Northeast corner of Block 1, of the Plat of Haystack Rock Park; thence North 360 feet to a point on the West boundary line of the Oregon Coast Highway; thence running in a Northwesterly direction 496 feet to a point on the Ocean Beach; thence South along the Ocean Beach 475 feet, more or less, to a point 30 feet North of the Northwest corner of Block 2, in said Haystack Rock Park; thence East 465 feet to the place of beginning.

EXCEPTING THEREFROM that portion of the above describes premises conveyed to Clatsop County, Oregon for road purposes.

ALSO EXCEPTION THEREFROM that portion conveyed to the City of Cannon Beach in Deed Recorded November 15, 1972, in Book 370, Page 115, Deed Records of Clatsop County, Oregon.