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BY-LAWS

OF

PACIFIC TERRACE

HOME OWNERS ASSOCIATION

ARTICLE I

APPLICABILITY OF BY-LAWS

Section 1. By-Laws Applicability: The provisions of these By-Laws are applicable to "Pacific Terrace", a condominium located at the City of Gearhart, State of Oregon.

Section 2. Personal Application: All present or future owners, tenants, future tenants, or their employees, or any other person that might use the facilities of Pacific Terrace in any manner, are subject to the regulations set forth in these By-Laws.

The mere acquisition or rental of any of the units of Pacific Terrace or the mere act of occupancy of any of said units will signify that these By-Laws are accepted, ratified, and will be complied with.

ARTICLE II

VOTING, MAJORITY OF MEMBERS, QUORUM, PROXIES

Section 1. Voting: Voting shall be on a percentage basis and the percentage of the vote to which a member is entitled is the percentage assigned to his unit or units in the Declaration.

Section 2. Majority of Members: As used in these By-Laws the term "majority of members" shall mean those

members holding 51% of the votes in accordance with the percentages assigned in the Declaration.

Section 3. Quorum: Except as otherwise provided in these By-Laws, the presence in person or by proxy of a "majority of members" 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.

ARTICLE III ADMINISTRATION

Section 1. Association Responsibilities: The owners of the units will constitute the membership of the Pacific Terrace Home Owners Association (hereinafter referred to as "Association") who will have the responsibility of administering the condominium, approving the annual budget, establishing and collecting monthly assessments and arranging for the management of the condominium 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 members.

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

Section 3. Annual Meetings: The first annual meeting of the Association shall be held on Jan. 17, 1966. Thereafter the annual meetings of the Association shall be held on the second Monday of June each succeeding year. At such meetings there shall be elected by ballot of the members a Board of

Directors in accordance with the requirements of Section 5 of Article IV of these By-Laws. The members may also transact such other business of the Association as may properly come before them.

Section 4. Special Meetings: It shall be the duty of the Chairman to call a special meeting of the members as directed by resolution of the Board of Directors or upon a petition signed by a majority of the members 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 four-fifths of the members present, either in person or by proxy.

Section 5. 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 member of record, at least 5 but not more than 10 days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served.

Section 6. Adjourned Meetings: If any meeting of members cannot be organized because a quorum has not attended, the members 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 7. Order of Business: The order of business at all meetings of the members 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 the Board of Directors composed of nine persons, all of whom must be owners of units in the condominium.

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 By-Laws directed to be exercised and done by members.

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

- (a) Care, upkeep and surveillance of the condominium and the general common elements and the limited common elements.
- (b) Collection of monthly assessments from the owners.
- (c) Employment and dismissal of the personnel necessary for the maintenance and operation of the condominium, the general common elements and the limited common elements.
- (d) Adopt such rules and regulations governing the use of the general common elements as the Board shall deem necessary or desirable.
- (e) No expenses of the Association shall be paid until a payment voucher therefor has been approved by the Board, the Chairman or the Management Agent.

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.

Section 5. Election and Term of Office: At the first annual meeting of the Association the term of office of three Directors shall be fixed for three (3) years. The term of office of three Directors shall be fixed at two (2) years, and the term of office of three Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

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 shall 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 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 members and a successor may then and there be elected to fill the vacancy thus created. Any Directors whose removal has been proposed by the members 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 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, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 10. Special Meetings: Special meetings of the Board of Directors may be called by the President 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 President or Secretary in like manner and on like notice on the written request of at least three (3) Directors.

Section 11. 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 12. 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 present at a meeting at which a quorum is present 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 13. 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 Vice Chairman, a Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors. The Directors may appoint an assistant treasurer, and an assistant secretary, and 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 Chairman of an association, including but not limited to the power to appoint committees from among the members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice Chairman: The Vice Chairman shall take the place of the Chairman and perform his duties whenever the Chairman shall be absent or unable to act. If neither the Chairman nor the Vice Chairman is able to act, the Board of Directors shall appoint some other members of the Board to do so on an interim basis. The Vice Chairman shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. 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 7. Treasurer: The Treasurer shall have responsibility for Association funds and securities 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 moneys and other valuable effects in the name, and to the credit, of the Association in such depositaries as may from time to time be designated by the Board of Directors.

ARTICLE VI

OBLIGATIONS OF MEMBERS OF THE ASSOCIATION

Section 1. Assessments:

(a) All members are obligated to pay monthly assessments imposed by the Board of Directors of the Association to cover the following:

- (1) All condominium and Association communal expenses.
- (2) A reserve for depreciation of the general common elements.
- (3) Premiums for liability insurance.
- (4) Premiums for fire insurance. The Board shall obtain fire insurance covering the full replacement value of the entire real property. Said policy or policies shall include inter alia the following provisions: Standard mortgagee clauses; waiver of subrogation against unit owners; a requirement that a mortgagee must be allowed to participate in the adjustment of all losses; that notice of cancellation must be given to each unit owner. The Board shall cause the property to be reappraised for insurance purposes at least once each five years.

(b) No member shall have the right to encumber his unit by liens or mortgages totaling more than seventy-five per cent (75%) of the fair market value of his unit.

Section 2. Maintenance and Repair:

(a) Every member must perform promptly all maintenance and repair work within his own unit, which if omitted would

affect the condominium in its entirety or in a part belonging to the other members, 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, lights, gas, power, sewage, telephone, air conditioners, sanitary installations, doors, windows, lamps and all other accessories belonging to the unit area shall be at the members' expense.

(c) A member shall reimburse the Association for any expenditures incurred in repairing or replacing any common area and facility damaged through his fault.

Section 3. Use of Units - Internal Changes:

(a) All units shall be utilized for residential purposes only.

(b) A member 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 thirty (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:

(a) A member shall not place or cause to be placed in the stairways, walkways, driveways, and other common areas and facilities of a similar nature (both general common elements and limited common elements) any furniture, packages

or objects of any kind. Such areas shall be used for no other purpose than for normal transit through them.

Section 5. Right of Entry:

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

(b) A member shall permit other members, 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 member. In case of an 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 of any kind in or on the project except as authorized by the Association.

(b) Residents shall exercise extreme care about making noise or the use of musical instruments, radios, television and amplifiers that may disturb other residents.

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

(d) No member, 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.

ARTICLE VII

AMENDMENTS TO BY-LAWS

Section 1. By-Laws: These By-Laws may be amended by the Association in a duly constituted meeting for such purpose and no amendment shall take effect unless approved by members representing at least seventy-five per cent (75%) of the total value of all units in the condominium as shown in the Declaration.

ARTICLE VIII

MORTGAGEES

Section 1. Notice to Association: A member 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 at the request of a mortgagee of a unit report any unpaid assessments due from the owner of such unit.

Section 3. Foreclosure: In the event of a foreclosure suit against a unit, the unit owner shall be required to pay a reasonable rental for the unit during the pendency of the foreclosure suit. The plaintiff in the foreclosure suit shall be entitled to the appointment of a receiver to collect the rents during said period.

ARTICLE IX

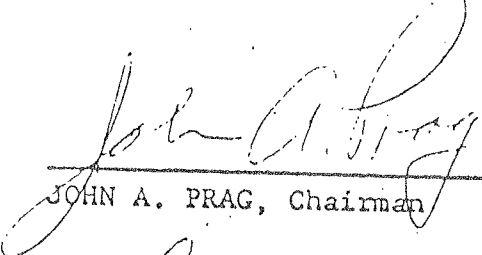
COMPLIANCE

These By-Laws are set forth to comply with the requirements of ORS 91.555 and ORS 91.560. In case any of

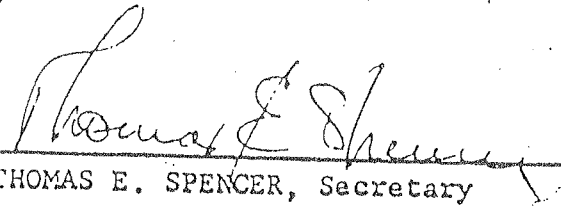
these By-Laws conflict with the provisions of said statute,
it is hereby agreed and accepted that the provisions of the
statute will apply.

STATE OF OREGON)
County of Clatsop) ss.

We, JOHN A. PRAG, Chairman of Pacific Terrace
Home Owners Association, and THOMAS E. SPENCER, Secretary
of Pacific Terrace Home Owners Association, hereby certify
that the foregoing By-Laws are true, correct and complete
copies of the By-Laws adopted by the members of said
Association.



JOHN A. PRAG, Chairman



THOMAS E. SPENCER, Secretary