

FRACTIONAL INTEREST SALES AGREEMENT

LODGES AT CANNON BEACH FRACTIONAL OWNERSHIP PROGRAM

**NOTICE TO PURCHASER
(Right of Cancellation)**

BY SIGNING THIS AGREEMENT YOU ARE INCURRING A CONTRACTUAL OBLIGATION TO PURCHASE A TIMESHARE. HOWEVER, YOU HAVE FIVE (5) CALENDAR DAYS AFTER SIGNING THIS AGREEMENT TO CANCEL THE AGREEMENT BY WRITTEN NOTICE TO THE SELLER OR THE SELLER'S AGENT AT THE FOLLOWING ADDRESS:

**Escape Investments, LLC
P.O. Box 1037
Cannon Beach, Oregon 97110**

BEFORE EXECUTING THIS AGREEMENT, OR BEFORE THE FIVE DAY CANCELLATION PERIOD ENDS, YOU SHOULD CAREFULLY EXAMINE THE PUBLIC REPORT ON THE TIMESHARE PLAN AND ANY ACCOMPANYING INFORMATION DELIVERED BY THE SELLER.

LODGES AT CANNON BEACH, A CONDOMINIUM

Fractional Interest Sales Agreement

DATED: _____, 20__

BETWEEN: **ESCAPE INVESTMENTS, LLC**
PO Box 1037
Cannon Beach, Oregon 97110
Telephone No. 503-436-2480
Fax No. 503-436-2490
Email: Patrick@escapelodging.com
CCB License No. 176761

SELLER

AND: _____

Address _____

Telephone No. _____
Fax No. _____
E-mail _____

PURCHASER

A. Property Being Purchased: Fractional Interest Identification Number(s) _____, being _____ undivided one-twelfth (1/12th) fractional interests in Unit _____ of Lodges at Cannon Beach, A Condominium (the “**Factional Interest**”) under the Lodges at Cannon Beach Fractional Ownership Program (the “**Fractional Program**”) pursuant to the Declaration of Fractional Program for Lodges at Cannon Beach Fractional Ownership Program (the “**Fractional Declaration**”).

B. Estimated Monthly Assessments: \$ _____, to be billed annually with an option to pay quarterly.

C. Closing Date (check one):

Closing shall occur within 15 days following written notice from Seller to Purchaser that the unit will be substantially complete and ready for occupancy. The unit is expected to be ready for occupancy by _____, 20__.

The unit is now substantially complete and ready for occupancy; closing shall occur by _____, 20__.

D. Terms of Payment as follows: (To be payable to and deposited with Escrow Agent)

Earnest money received for herewith\$ _____

Additional earnest money due\$ _____

Balance due within 15 days after notice from Seller

on or before _____, 20__\$ _____

TOTAL PURCHASE PRICE\$ _____

This sale is subject to the following terms and conditions:

1. **AGREEMENT TO SELL AND BUY.** Seller will sell to Purchaser and Purchaser will buy from Seller the Fractional Interest designated on page one of this Agreement, including the right to occupy the unit for Use Periods as provided in the Use Allocation Policies of the Fractional Program.

2. **PURCHASE PRICE.** The purchase price for the Fractional Interest shall be the purchase price set forth on page one above.

3. **PAYMENT OF PURCHASE PRICE.** The total purchase price in the amount set forth above shall be paid as follows:

3.1 **Earnest Money.** Purchaser has paid or within the time provided above shall pay the total earnest money specified above. If Seller fails to execute this Agreement within 10 days following its execution by Purchaser, any earnest money paid by Purchaser, including any interest earned thereon, shall be returned. Upon execution of this Agreement by Seller the entire amount of earnest money then or later received from Purchaser shall be paid into an escrow account with Pacific Title (the "**Escrow Agent**"). Purchaser instructs the Escrow Agent to hold and use such sums and all other sums deposited under this Agreement pursuant to the escrow agreement between the Escrow Agent and Seller (the "**Escrow Agreement**").

3.2 **Credit Approval; Financing Contingency.** Immediately after Purchaser's execution of this Agreement, Purchaser shall apply for loan pre-approval by an institutional lender or if Purchaser plans to pay in cash without obtaining financing, shall furnish Seller with any credit information requested by Seller, to the end that Purchaser shall have satisfied Seller of Purchaser's ability to pay within 10 days after the date this Agreement has been fully signed by both parties. If Purchaser is unable to obtain a loan on terms satisfactory to Purchaser or satisfy Seller of Purchaser's ability to pay within such period after making diligent efforts to do so, either party may elect to terminate this Agreement by written notice to the other party given prior to the expiration of such period, in which case this Agreement shall terminate and Purchaser's earnest money, including any interest earned thereon, shall be refunded, unless the time for obtaining credit approval is extended by the parties. **If this Agreement has not been so terminated within such period, then Purchaser's financing contingency shall be deemed waived. Thereafter, if Purchaser is unable to close the purchase because of inability to obtain a satisfactory loan, a change in financial status, a change in loan terms, or any other reason (other than a breach of this Agreement by Seller), then Purchaser's earnest money deposit shall be paid to and retained by Seller in accordance with Section 9.2 below.**

Prior to the closing date, Seller will deliver to Purchaser a written request that Purchaser provide to Seller and the Escrow Agent a copy of a loan commitment or statement of availability of funds sufficient to complete the purchase. Within 30 days after delivery of such request, Purchaser shall provide to Seller and the Escrow Agent a copy of such evidence of financing, which shall be subject to Seller's approval.

3.3 **Balance of Purchase Price.** The entire unpaid balance of the total purchase price as set forth above shall be paid (a) within the above specified number of days after written notice by Seller to Purchaser that the unit will be substantially complete and ready for occupancy by such date, and Seller is prepared and willing to close, or (b) by the date specified on page one, whichever is checked on page one above. Purchaser shall cause the balance of the purchase price to be deposited with the Escrow Agent on or before such due date.

4. CONSTRUCTION.

4.1 **Agreement to Develop.** Seller will develop this stage of the condominium in general conformity with the attached design plans and specifications and the State of Oregon disclosure statement delivered to Purchaser, subject to such modifications as may be authorized by Section 6.1 below.

4.2 **Model Units; Square Footage.** Model units and sales offices and their appurtenances and furnishings are displayed only for illustration purposes and shall not be deemed to be an agreement or commitment by Seller to deliver the unit in accordance with any such model units or their appurtenances and finishes. Condominium unit square footage may be different from the square footage shown on plans and specifications or advertising brochures, which are based on good faith estimates and on architectural measurement standards, rather than condominium survey standards. Minor variations in sizes may be seen even between units having the same floor plan. **Seller does not guarantee any specific square footage.**

4.3 **Acoustics, Light, Air and View.** Purchaser acknowledges that as is typical in residential condominiums, the units are not soundproof and Seller makes no warranty or representation regarding the degree to which sounds will infiltrate the unit. Unit occupants may hear some degree of noise from the nearby streets, from nearby units and from nearby common elements. The Condominium Association, and not Seller, will have the responsibility of enforcing rules against disturbing other occupants; however, noise occurring outside the unit may be audible inside the unit. Purchaser should make Purchaser's own determination as to the acceptability of noise levels in the unit. Purchaser also acknowledges that any removal of the finished flooring or other alterations within the unit or condominium may adversely affect the noise levels within the unit. In addition, future development may affect the light, air or view from the unit or condominium project. **Seller makes no representation or warranty regarding the existence of or changes in the level of noise, light, air or view benefiting or burdening the unit specifically or the condominium generally. In addition, Purchaser acknowledges that the Seller will have no liability if the current level of noise, light, air or view affecting the unit changes due to future developments.**

4.4 **Purchaser's Access During Construction.** Purchaser is expressly denied access to the construction site at any time without the express consent of Seller.

4.5 **Control of Construction.** Control, direction and supervision of all construction personnel at the construction site shall lie exclusively with Seller. Purchaser may not issue any instructions to, or otherwise interfere with construction personnel. Purchaser may not perform any work or engage Seller's contractors or other contractors, interior decorators or others to perform work in or about the unit until title is transferred to Purchaser at closing.

4.6 **Substantial Completion.** Seller will use Seller's best efforts to substantially complete construction of the above unit together with such portion of the common elements as materially affect the enjoyment of the unit by the date indicated on page one of this Agreement, but does not warrant that construction will be substantially complete by such date. For purposes of this Agreement, "substantially complete" means that the unit is ready for occupancy, even though one or more minor items of work remain to be completed or corrected, provided Seller agrees in writing to complete or correct such minor items within a reasonable time thereafter.

4.7 **Delays.** The estimated completion date set forth above is an estimate only, and Seller does not guarantee a completion date. Notice of the closing date will be given 15 days prior to

completion of the Unit. Such completion date shall be extended for delays arising from any act or failure to act of Purchaser, labor disputes, accidents, fire or other casualty, weather conditions, and unavailability of materials, subcontractors or circumstances beyond Seller's control. If delays caused by Purchaser increase Seller's expenses, including but not limited to additional construction financing expense or increased subcontractor or material expense, Seller will be entitled to additional payment, which will be paid by Purchaser at closing. Seller shall not be liable for damages or otherwise for any failure to timely complete construction due to conditions or circumstances beyond Seller's control.

4.8 **Continuing Construction.** Purchaser understands that construction work on the condominium may continue for a period of time following closing. Seller and its agents, contractors and employees shall have the right to enter on the project as necessary to complete the project, but will take reasonable measures relative to the safety of Purchaser and Purchaser's family, lessees, guests and invitees, who shall remain outside of any fenced or posted construction areas and any other area in which work is being performed pending completion of the project.

4.9 **Maintenance Plan and Owner's Manual.** Pursuant to Oregon law the Association will receive a Maintenance Plan describing periodic inspections and maintenance of the common elements as required to keep them in good condition. On or before closing of the sale to Purchaser, Seller may deliver to Purchaser an Owner's Manual describing periodic inspections and maintenance as required to keep the unit in good condition. Purchaser understands and agrees that if the Association or Purchaser fails to follow the inspection and maintenance recommendations contained in the Maintenance Plan or Owner's Manual, neither Purchaser nor the Association shall have any claim against Seller or its design professionals, contractors and subcontractors and their consultants, including without limitation, all of their officers, members, managers, directors, employees, agents, brokers and affiliates, for loss or damage to the extent that they result from failure to follow the Maintenance Plan or Owner's Manual and shall indemnify such persons and entities from and against claims by the Association, unit owners or other persons or entities for loss or damage resulting from such failure.

PURCHASER'S INITIALS: _____

5. **CLOSING PROCEDURE.**

5.1 **Closing.** The sale shall be closed by whichever of the dates described in Section 3.3 is marked on page one at the offices of Pacific Title at PO Box 2488, 3470 Highway 101 North, Suite 101, Gearhart, Oregon 97138 or as soon thereafter as the declaration submitting the condominium to condominium ownership has been recorded.

5.2 **Deed.** At closing, upon payment of the purchase price, Seller shall convey to Purchaser the Fractional Interest described above, along with the common elements pertaining to such unit, by warranty deed free and clear of any liens and encumbrances, except the condominium and Fractional Program 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). The existing trust deed on the project provides for release of individual units as they are sold upon payment of a portion of the sales price to the lender. Closing of this sale is conditioned upon release of the Fractional Interest from such trust deed.

5.3 **Possession; Closing Costs.** Taxes and maintenance assessments shall be prorated as of (a) date of closing, or (b) the date within which closing must occur as provided in Section 5.1, whichever is first. Seller shall be responsible for the payment of the premium for the owner's title insurance policy, the recording fees for any partial releases, any broker's commission and Seller's portion of the escrow fee. Purchaser shall be responsible for (i) the recording fee for the deed, (ii) any sales or

transfer tax, (iii) a pro rata share of the current year's assessment, (iv) one-twelfth of the working capital assessment for this unit for each fractional interest sold hereunder, (v) Purchaser's portion of the escrow fee, and (vi) all fees, costs and expenses in connection with Purchaser's loan, if any, including the premium for any mortgagee's title insurance policy.

5.4 **Title Insurance.** Within a reasonable time after recording of the deed to Purchaser, Seller shall furnish Purchaser with an owner's policy of title insurance in the amount of the total purchase price, insuring marketable title in Purchaser, except for the usual printed exceptions in such policies and those items mentioned in Section 5.2 above.

5.5 **Potential Construction Liens.** The Homebuyer Protection Act, ORS 87.007 ("HPA") requires a seller of new residential property and the seller of an existing residence with \$50,000 or more in improvements made within ninety (90) days immediately prior to the sale to notify the purchaser of the method the seller has selected to comply with HPA.

NOTICE

Lodges at Cannon Beach, A Condominium is a new construction condominium that is being developed in stages. All contractors and material suppliers and others who have a right to construction liens under ORS 87.010 are being paid in the ordinary course of business. However, each has a right to file liens if the Seller fails to pay any of them.

If you are obtaining a mortgage loan to finance purchase of the Property and having Pacific Title (the "**Title Company**") issue a full extended coverage mortgagee's title insurance policy to your lender, the Title Company will issue an owner's title policy to you insuring you to the extent of the amount of your purchase money loan that the Title Company will protect you pursuant to the terms and conditions of the policy against construction liens. If (1) you are paying cash, (2) your lender does not require construction lien coverage in their policy, or (3) you desire coverage in excess of your loan amount, the Title Company cannot issue this coverage without additional cost. Accordingly, those purchasers will be asked to sign a Waiver of Protections From Subcontractors' Liens at closing. The Notice of Compliance with HPA will be delivered at closing. The purpose of the HPA is intended to provide purchasers of residences additional notice and/or protection against potential liens. It does not affect or reduce the obligation of the Seller to convey title unencumbered by construction liens. The Seller is contractually obligated to convey title to the unit to you free of any such liens.

6. **RIGHTS RESERVED BY SELLER.** Seller reserves the following rights:

6.1 **Variations from or Changes or Modifications to Plans and Specifications.** The project may or may not be built according to the specific plans and specifications in existence on the date of the Agreement, and in any case, no building is built 100 per cent in accordance with its plans and specifications. Seller reserves the right to substitute materials of equal quality, and the right to make changes or modifications in the detail of the plans and specifications of the unit and project as Seller, in Seller's sole opinion, deems appropriate. In the event of a variation, change or modification that materially and adversely reduces the value of the unit, Purchaser shall have the right to terminate this Agreement by notice to Seller and the Escrow Agent given not later than the earlier of (a) within 10 days after notice of the change was given to Purchaser, or (b) at the time of closing. In the event of such termination, Purchaser's sole remedy shall be the return of the earnest money Purchaser previously paid to the Escrow Agent, plus any interest earned on such amount. If Purchaser fails to terminate this Agreement within such period, Purchaser shall be deemed to have accepted such changes and modifications. This Agreement shall not be affected by nor shall consent of or notice to Purchaser be

required with respect to minor variations in unit size or modifications to the design, plan or appearance of other units within the condominium.

6.2 **Change or Modification to Governing Documents.** Seller reserves the right to modify the documents described in Section 12.4 below, as well as the plat for the condominium. In the event of a modification of any of these documents prior to closing that materially and adversely affects Purchaser, Seller shall give Purchaser notice of such modification and Purchaser shall have the right to terminate this Agreement by notice to Seller and the Escrow Agent given during the period ending 10 days after Seller's notice to Purchaser. In the event of such termination, Purchaser's sole remedy shall be the return of the earnest money Purchaser previously paid to the Escrow Agent, plus any interest earned on such amount. If Purchaser fails to terminate this Agreement during that 10 day period, Purchaser shall be deemed to have accepted such modifications. This Agreement shall not be affected by nor shall the consent of or notice to Purchaser be required with respect to (i) modifications of these documents not materially and adversely affecting Purchaser, (ii) reasonable changes to these documents as required by governmental authorities, lenders, or title insurance companies, or (iii) any changes to conform to or utilize the provisions of the Oregon Condominium Act or applicable federal or state law, FannieMae guidelines or FannieMae, Federal Housing Authority or Veterans Affairs regulations, or any amendments or revisions thereto.

6.3 **Adoption of Bylaws and Rules and Regulations.** Seller reserves the right to adopt, on behalf of Purchaser and all other unit buyers, the initial bylaws and administrative rules and regulations of the Condominium and Fractional Associations.

6.4 **Appointment of Interim Board of Directors.** Seller reserves the right to appoint an interim board of directors of the Condominium and Fractional Associations, which directors shall serve until their successors have been elected as provided in the bylaws.

6.5 **Appointment of Manager.** Seller reserves the right to appoint a manager or managing agent or to enter into a management agreement on behalf of the Condominium Association and Fractional Associations.

7. **STATUTORY WARRANTY.**

7.1 **Express Warranty.** Pursuant to ORS 100.185, Seller warrants to Purchaser for a period of one year from date of possession that the unit and related limited common elements sold under this Agreement will be free of defects in materials or workmanship. In addition, Seller warrants that the general common elements shall be free of defects in materials or workmanship for a period of one year from the date of the first conveyance of a unit in the condominium to a buyer or one year from the date of completion of the specific general common element, whichever is later. This warranty applies only to those items that are integral component parts of the structure, and is not applicable to "consumer products" as defined in the Magnuson-Moss Warranty Act. The latter items may be covered by manufacturer's warranties, which are available for inspection at Seller's office.

7.2 **Seller's Obligations and Limitations on Seller's Obligations.** In the event of any defects covered by such warranty, Seller, at Seller's option, shall either repair or replace the defective item. Seller will be responsible for repairing any actual damages directly resulting from the defect, but shall not be responsible for any consequential damages arising out of such defect. Seller shall not be responsible for any damages resulting from lack of or improper maintenance or monitoring of the property by Purchaser or the Condominium or Fractional Association or from failure of Purchaser or the Condominium or Fractional Association to provide Seller with prompt notice of the defect. See the

attached Disclaimer and Waiver – Mold and Dry Rot for additional limitations on claims for mold and dry rot damage.

7.3 **Implied Warranties Excluded.** THIS WARRANTY IS GIVEN BY SELLER AND ACCEPTED BY PURCHASER IN LIEU OF ANY IMPLIED WARRANTIES AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE ARE EXCLUDED.

7.4 **Association as Beneficiary.** The Condominium Association shall be a beneficiary of this warranty with respect to the general common elements.

7.5 **Time Period Within Which Claim Must Be Asserted.** A written claim reasonably specifying a breach of this warranty on the unit and the related limited common elements must be delivered to Seller before the expiration of such warranty. A written claim reasonably specifying a breach of the warranty on the general common elements must be delivered to Seller within two years of expiration of such warranty, but the claim must be for a defect existing prior to the expiration of the warranty. An action to enforce the warranty shall not be commenced later than four years after expiration of the warranty.

7.6 **Procedure for Asserting Claims; Seller's Right to View, Inspect and Respond.** Purchaser may not commence arbitration or litigation against Seller or any contractor, subcontractor or supplier for construction defects unless Purchaser has given written notice of the claim and permitted them to view, inspect and respond to the claimed defect, as provided in ORS 701.550 to 701.595.

OREGON LAW CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY COMMENCE ARBITRATION OR A COURT ACTION AGAINST ANY CONTRACTOR, SUBCONTRACTOR OR SUPPLIER FOR CONSTRUCTION DEFECTS. BEFORE YOU COMMENCE ARBITRATION OR A COURT ACTION YOU MUST DELIVER A WRITTEN NOTICE OF ANY CONDITIONS YOU ALLEGE ARE DEFECTIVE TO THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER YOU BELIEVE IS RESPONSIBLE FOR THE ALLEGED DEFECT AND PROVIDE THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER STATE LAW. FAILURE TO MEET THOSE DEADLINES OR FOLLOW THOSE PROCEDURES WILL AFFECT YOUR ABILITY TO COMMENCE ARBITRATION OR A COURT ACTION.

7.7 **Personal Property.** Purchaser acknowledges that any warranties on appliances, equipment, and other consumer products as defined in the Magnuson-Moss Warranty Act or the Uniform Commercial Code installed in the unit are those of the manufacturer or supplier only and that Seller does not warrant such items, but to the extent assignable, these manufacturers' or suppliers' warranties will be assigned to Purchaser effective on the closing date. Seller shall reasonably cooperate with any such claims Purchaser may elect to pursue against the manufacturer, provided there is no cost or liability to Seller. If Seller receives any payment from a manufacturer after closing as a result of product deficiencies applicable to the unit, Seller shall deliver such payment to Purchaser after deduction of Seller's costs. Seller does not represent or guarantee the existence or validity of any manufacturer or supplier warranties or the performance by any manufacturer or supplier of its warranty obligations. With

respect to any manufactured products, Purchaser expressly assumes the risk, as against Seller, that such products may be deficient, substandard or defective. Purchaser also acknowledges that the warranty of all appliances, equipment and other consumer products placed in the common elements by Declarant, if any, are those of the manufacturer or supplier only and that Seller does not warrant such items.

8. CLAIMS OTHER THAN CLAIMS BASED ON STATUTORY WARRANTY.

8.1 Release and Waiver of Past, Present, and Future Claims Other Than Statutory Warranty Claims Regarding Condition of Property. Except with respect to warranty claims under Section 7 above, **Purchaser hereby releases and waives any claim whenever arising against Seller or its agents, brokers, successors, employees, affiliates, contractors, representatives, officers, directors, members and managers, against any contractors, subcontractors, suppliers, consultants or design professionals of every tier performing any work or services in connection with the project at any time before this sale is final, and their insurers and reinsurers, or against the Condominium or Fractional Association or any board member thereof (collectively, the “Seller Parties”), relating to or arising from the condition of the Property at any time.** This waiver is absolute and unconditional, and this release and waiver applies whether or not Purchaser has knowledge of any actual or potential cause of action for such claims. This waiver applies to claims under any legal theory, including but not limited to negligence, negligence per se, negligent misrepresentation, defective construction, breach of contract or express or implied warranty (except as set forth in Section 7 above), unlawful trade practice, breach of fiduciary duty, strict liability, nuisance, trespass or any other theory, whether arising from statute, contract, tort or otherwise. This waiver includes, without limitation, claims relating to construction defects, design defects, inspection defects, water intrusion, mold, mildew, dry rot, fungus and/or odors in the unit or common elements; products or conditions in the unit or common elements, including for example carbon monoxide, radon or carpet glue; noise or sound transmission; loss of use; emotional distress; incidental or consequential damages; attorney fees and costs; or relocation expenses (temporary or otherwise). Purchaser acknowledges that Seller would have required a significantly higher purchase price for the unit if Purchaser refused to accept the Property on such basis, required any further warranty, or declined to provide the foregoing release and waiver. This release and waiver shall be binding upon Purchaser, all successor owners, buyers or occupants of the unit, the Condominium and Fractional Associations, and their respective employees, contractors, property managers, brokers, heirs, successors, assigns, guests and invitees. Purchaser agrees that claims of the Condominium and Fractional Associations are derivative of claims of unit owners and that the Condominium and Fractional Associations will be bound by the foregoing waiver. This waiver shall act as a complete bar and defense against any released or waived claim. Purchaser agrees to require this release and waiver be included as a term in any future sale or lease of the Fractional Interest, the project or the Property, and that Purchaser shall indemnify, defend, reimburse and hold the Seller Parties harmless from any claim, suit, demand, damage, liability or expense resulting from the failure to do so. **Purchaser acknowledges that Purchaser has read and understands this waiver, that it has had an opportunity to seek and consult counsel regarding this waiver, and will have further opportunity to do so until the expiration of Purchaser’s five-day right of cancellation set forth in the Notice to Purchaser (Right of Cancellation) attached to the front of this Agreement.**

8.2 Time Periods Within Which Claims Must be Asserted. It is the intent of the parties that the releases and waivers of claims in this Section 8 be comprehensive and final. To the extent that it is determined that any claim against any Seller Party, under any legal theory, including, without limitation, those claims listed in Section 8.1 above, survives the foregoing release and waiver for any reason, such claim must be brought under the initial dispute resolution procedures set forth in Section 10.2(a) of the Bylaws within 90 days after the date the Condominium or Fractional Association or Purchaser knew or reasonably should have known of facts sufficient to put them on notice of the claim, **or**

if earlier, with respect to the unit and related limited common elements, by no later than the first anniversary of the closing date of this sale or, with respect to the general common elements, within 90 days after the date of the turnover meeting as described in Section 2.2 of the Bylaws. Any arbitration or litigation based on such claims must be instituted within 90 days after completion of the mediation proceedings under Section 10.2(b) of the Bylaws, or if shorter, the applicable statute of limitations. **Any and all such claims not brought within these time periods will be deemed time barred, regardless of when the Condominium or Fractional Association or owners actually discovered the alleged basis for the claim.**

PURCHASER'S INITIALS: _____

9. **DEFAULT.**

9.1 **By Seller.** If Seller shall fail to carry out the obligations that it has assumed under this Agreement within the time provided, Purchaser shall have the right to terminate this Agreement. Upon termination Purchaser shall be entitled to recover the entire amount paid to the Escrow Agent, together with any interest earned on such funds. In no event shall Purchaser be entitled to special or consequential damages beyond actual damages for the breach. Special or consequential damages for purposes of this Agreement shall include, without limitation, any loss of use, income, or profit, emotional distress, moving or lodging expenses, and any loss of or damage to property.

9.2 **By Purchaser.** Time of Purchaser's performance is of the essence of this Agreement. If Purchaser shall fail to make any deposit or payment required under this Agreement within the time set forth in this Agreement, Seller may declare Purchaser to be in default and the entire amount deposited by Purchaser, including any interest earned on such sums, may, at Seller's option, be forfeited to Seller and retained by Seller as liquidated damages on account of failure of Purchaser to comply with the terms of this Agreement. The parties acknowledge the difficulty of determining the actual damages caused by a default and the reasonableness of such deposits as an estimate of such damages. Such remedy shall be in addition to any other remedies of Seller, including Seller's right to specifically enforce Purchaser's performance. If Purchaser fails to deposit the balance of the purchase price with the Escrow Agent within the time set for closing under Section 5.1 above, Seller may, in lieu of terminating this Agreement, require Purchaser to pay to Seller at closing (a) 12 percent per annum of total purchase price, plus tax and assessment prorates, from such date to the date of actual closing, or (b) \$50 per day, whichever is greater. Seller's election not to terminate shall not preclude Seller from thereafter electing to terminate this Agreement and declare a forfeiture or seek other recourse against Purchaser, provided Purchaser still has not fully performed.

10. **DISPUTE RESOLUTION – OTHER THAN FOR NEGLIGENT OR DEFECTIVE CONSTRUCTION OR CONDITION.**

10.1 **Dispute Resolution.** Seller and Purchaser agree that all claims, controversies and disputes, including, but not limited to, those for rescission (collectively, "**Claims**"), relating directly or indirectly to this Agreement or the transactions contemplated by this Agreement shall be resolved in accordance with the procedures set forth in this Section 10, which shall expressly survive closing; provided, however, the following matters shall not constitute Claims: (a) any termination of this Agreement for failure to close the purchase within the time required by this Agreement, (b) any proceeding to collect, interpret or enforce any mortgage, trust deed, land sale contract or recorded construction lien; (c) a forcible entry and detainer action; (d) any matter subject to other dispute resolution procedures specifically set forth in the condominium documents, (e) any dispute solely between REALTORS® that is subject to the Professional Standards Arbitration provisions of the National Association of REALTORS®, (f) all claims within the jurisdiction of the Small Claims Court, which shall

be brought and decided there, in lieu of arbitration or litigation in any other court of law, and (g) claims for negligent or defective construction or condition as described in Section 11 below. The filing of a notice of pending action (“**lis pendens**”) or the application to any court for the issuance of any provisional process or similar remedy described in the Oregon or Federal Rules of Civil Procedures shall not constitute a waiver of the right or duty to utilize the procedures specified in this Section 10.

10.2 **Mediation**. The parties shall first attempt in good faith to resolve the Claims. If the parties are unable to resolve the Claims, the parties shall then engage in mediation to resolve the Claims. The fees of any mediator and the costs of mediation shall be divided and paid equally by the parties. Each party shall pay its own attorneys' fees and costs in connection with any mediation. Completion of the mediation process under this section shall be a condition precedent to the filing of any arbitration or litigation proceedings under Sections 10.3 or 10.4 or any claims relating to the matter with the Oregon Construction Contractors Board, and Purchaser waives any right to file any such claims if Purchaser has not fully complied with this section.

10.3 **Arbitration**. All Claims that have not been resolved by mediation shall be submitted to final and binding private arbitration in accordance with the arbitration statutes of the State of Oregon. The arbitration shall be conducted by a single arbitrator selected by mutual agreement of the parties. The arbitrator selected shall be neutral and unbiased, except to the extent that the arbitrator's prior relationship with any party is fully disclosed and consented to by the other party or parties. If the parties are unable to agree on the arbitrator within 60 days after a party's demand for arbitration, upon application of any party, the presiding judge of the Circuit Court of Clatsop County, Oregon shall designate the arbitrator. Filing for arbitration shall be treated the same as filing in court for purposes of meeting any applicable statutes of limitation or for purposes of filing a lis pendens. The arbitration shall be conducted within 180 days following appointment of the arbitrator, and the decision shall be rendered within 30 days following completion of the arbitration proceedings.

10.4 **Third Party Claims**. Upon demand by any party, claims between or among the parties and third parties shall be submitted in a single, consolidated arbitration. Notwithstanding the provisions of Section 10.3 above, if any Claim involves a claim by either party against a third party who is not required to and does not voluntarily agree to submit such claim to arbitration, then either party may elect to have the Claim and the third party claim determined by a court of law in a consolidated proceeding, rather than by arbitration. **In such case, the parties hereby waive trial by jury and agree that the matter shall be determined by a judge sitting without a jury.**

10.5 **Attorney Fees and Costs**. The fees of any arbitrator and the costs of arbitration shall be paid by the nonprevailing party or parties; if none, such fees and costs shall be divided and paid equally by the parties. Should any suit, action or arbitration be commenced in connection with any dispute related to or arising out of this Agreement or the transactions contemplated hereunder, to obtain a judicial construction of any provision of this Agreement, to rescind this Agreement or to enforce or collect any judgment or decree of any court or any award obtained during arbitration, the prevailing party shall be entitled to recover its costs and disbursements, together with such investigation, expert witness and attorneys' fees incurred in connection with such dispute, as the court or arbitrator may adjudge reasonable, at trial, in the arbitration, upon any motion for reconsideration, upon petition for review, and on any appeal of such suit, action or arbitration proceeding. The determination of who is the prevailing party and the amount of reasonable attorneys' fees to be paid to the prevailing party shall be decided by the arbitrator (with respect to attorneys' fees incurred prior to and during the arbitration proceeding) and by the court or courts, including any appellate or review court, in which such matter is tried, heard or decided, including a court that hears a request to compel or enjoin arbitration or that hears exceptions made to an arbitration award submitted to it for confirmation as a judgment (with respect to attorneys' fees incurred in such proceedings).

10.6 **Confidentiality**. Purchaser shall keep all discussions of disputes with Seller and Seller's representatives, all settlements and arbitration awards and decisions confidential and shall not disclose any such information, whether directly or indirectly to any third parties other than Purchaser's attorneys and consultants, unless compelled to do so by an order of a court of competent jurisdiction. Purchaser agrees that if Purchaser breaches this confidentiality obligation that Seller shall be entitled to seek and obtain any and all equitable remedies, including injunctive relief and specific performance, and Purchaser hereby waives any claim or defense that Seller has an adequate remedy at law for any such breach. Purchaser agrees that Seller shall not be required to post any bond or other security in connection with any such equitable relief.

11. **DISPUTE RESOLUTION—CLAIMS FOR NEGLIGENT OR DEFECTIVE CONSTRUCTION OR CONDITION**. Any claim by the Condominium or Fractional Association or any unit owner or fractional owner against Seller or any contractor, subcontractor, supplier, consultant or design professional of every tier performing any work or services in connection with the Condominium, and their agents, brokers, successors, employees, affiliates, representatives, officers, directors, managers and members, and their insurers and reinsurers, related to the design, construction or condition of the Condominium, including, but not limited to, claims for defective or negligent construction or design or failure to disclose a defective condition, shall be resolved in accordance with the dispute resolution procedures set forth in Sections 10.2 and 10.3 of the Condominium Bylaws.

12. **GENERAL PROVISIONS**.

12.1 **Notice**. Notices to either party under this Agreement shall be made in writing and shall be effective when actually delivered or when deposited in the United States mail, postage prepaid, addressed to the addresses stated in this Agreement or otherwise as either party may designate by written notice to the other.

12.2 **Assignment**. Without Seller's prior written consent, Purchaser shall not assign this Agreement prior to delivery of the deed to Purchaser, except by devise or inheritance. Subject to such limitation, this Agreement shall be binding on and inure to the benefit of the parties, their successors and assigns. Seller's refusal to consent to an assignment of this Agreement will not entitle Purchaser to terminate this Agreement, or give Purchaser any rights or claims for damages against Seller. Seller may assign its rights under this Agreement to a successor developer or as security to a lender for the purpose of financing. If any such assignment is made by Seller for financing, then Purchaser hereby agrees to recognize the rights of the lender under the assignment and other loan documents, and at the option of the lender, Purchaser's rights under this Agreement will be subject and subordinate to the rights of the lender. In the event of a conflict between this section and any other section of this Agreement, this section shall prevail.

12.3 **Waiver**. Waiver of performance of any provision of this Agreement shall not be a waiver of or prejudice the party's right otherwise to require performance of the same provision or any other provision.

12.4 **Inspection of Documents**. Seller has furnished to Purchaser the following documents:

- (a) State of Oregon Public Report for the Fractional Program,
- (b) copies of the proposed or final Declaration Submitting Lodges at Cannon Beach, A Condominium to Condominium Ownership and any amendments or supplements to such declaration,

(c) the Bylaws of the Association of Unit Owners of Lodges at Cannon Beach, A Condominium (the “**Condominium Association**”),

(d) the Fractional Declaration for the Fractional Program, including the Use Allocation Policies and Bylaws of the Lodges at Cannon Beach Fractional Owners Association (the “**Factional Association**”), and

(e) the Escrow Agreement.

12.5 **Risk of Loss, Casualty.** Seller shall bear the risk of loss to the unit until closing. After closing, Purchaser shall bear all such risk of loss. If prior to closing casualty by fire or otherwise damages more than 20 percent of the building in which the unit is located, or more than 30 percent of the unit, then Seller shall have the right to terminate this Agreement by giving notice to Purchaser within 20 days after the date of the casualty damage. With any such notice, Seller shall return to Purchaser any earnest money deposited under this Agreement. Purchaser acknowledges that Purchaser shall have no other remedy for Seller’s failure to proceed to close this sale because of such damage, and the parties shall be released from all other obligations under this Agreement. If (i) the casualty damage exceeds the percentage limitations set forth above, and if Seller does not give Purchaser notice of Seller’s intent to terminate this Agreement within 20 days as provided above, or (ii) the casualty damage does not exceed such percentage limitations set forth above, then in either case, Seller shall repair the damage and rebuild the unit as soon as reasonably practicable, and the closing shall be delayed as necessary to allow the completion of such repair and rebuilding work. The architects who designed the project shall be the sole party responsible for determining the percentage of damages for purposes of this section.

12.6 **Survival.** All provisions of this Agreement, the full performance of which are not required prior to or at closing, shall survive closing and be fully enforceable thereafter, except as provided in this Agreement.

12.7 **Invalidity.** If any provision of this Agreement is held to be unenforceable or contrary to any present or future statute, law, ordinance or regulation, the provision of this Agreement that is so affected shall be curtailed and limited only to the extent necessary to bring this Agreement within the requirements of the law, and the purchase price set forth herein shall be adjusted to reflect the greater or lesser obligations and risks imposed on the respective parties as a result of such modification of this Agreement.

12.8 **Association Assessments.** Pursuant to the Fractional Declaration, all owners of Fractional Interests are obligated to pay assessments imposed by the Fractional Association. The amount of the assessment has been estimated by Seller as the developer. Seller does not represent or guarantee that the assessment, based on such estimated budget, will be sufficient to meet the common expenses of the fractional program. After all amounts necessary for maintenance, insurance, common expenses and replacement reserves are more precisely determined, and any additional items are included, the assessment may be amended by the Board of Directors to reflect such changes.

12.9 **Insulation.** The various parts of the condominium project will contain fiberglass batt insulation with the following R-values:

Walls Insulation:	R-21
Underfloor Insulation:	R-25
Flat Ceiling Insulation:	R-38
Vaulted Ceiling Insulation:	R-30

Basement Wall Insulation: R-21
Forced Air Duct Insulation: R-8

R-values are based on information furnished by the manufacturer, installer or supplier. Seller reserves the right to substitute materials of equal or better type, thickness and R-value and will notify Purchaser of any change.

12.10 **Entire Agreement.** This Agreement constitutes the entire agreement between Purchaser and Seller with respect to the matters contemplated by this Agreement, and there are no other agreements, understandings, warranties or representations between Purchaser and Seller except as set forth in or referred to in this Agreement. This Agreement may not be amended except by a written instrument executed by both Purchaser and Seller.

12.11 **Representations.**

(a) **By Seller.** Purchaser acknowledges that this Agreement supersedes any prior written or oral representations, warranties or statements of either Seller, any employee of Seller or any agent in connection with any aspect of the unit or project, and that Purchaser is not relying on any such representation by either Seller, any employee of Seller or any agent, except as set forth in this Agreement or in the Disclosure Statement delivered simultaneously herewith. Purchaser understands and acknowledges that any statements contained in marketing literature (including Seller's website, if any), flyers, advertisements and listing agreements are not representations and are subject to changes, and therefore, are not to be interpreted to expand or modify any terms or conditions contained in this Agreement.

(b) **By Purchaser.** Purchaser represents that there are no contingencies unless shown in this Agreement. For example, if Purchaser is relying on gift funds, Seller is entitled to rely on Purchaser's representation that gift funds are already in place and that performance of this Agreement is not "subject to" Purchaser's arranging gift funds.

12.12 **Notice Required by Statute.** ORS 93.040 requires that the following provision be inserted in all instruments contracting to convey fee title to real property:

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL,

AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007.

Purchaser has executed this Agreement this _____ day of _____, 20____. Purchaser certifies that Purchaser has received and read the documents listed in Section 12.4 above and accepts and agrees to be bound by the provisions contained in such documents.

Seller hereby accepts the foregoing offer and has executed this Agreement this ____ day of _____, 20 ____.

ESCAPE INVESTMENTS, LLC,
an Oregon limited liability company

By: _____
Patrick Nofield, Member

The following Final Agency Acknowledgment shall be attached to the Fractional Interest Sales Agreement between **ESCAPE INVESTMENTS, LLC**, an Oregon limited liability company (“**Seller**”) and _____ (“**Buyer**”) pertaining to the sale of Fractional Interest No. _____ of Lodges at Cannon Beach, A Condominium.

FINAL AGENCY ACKNOWLEDGEMENT

Both Buyer and Seller acknowledge having received the Oregon Real Estate Agency Disclosure Pamphlet, and hereby acknowledge and consent to the following agency relationships in this transaction:

1. _____ (Name of Selling Licensee) of _____ (Name of Real Estate Firm) is the agent of (check one) The Buyer exclusively. The Seller exclusively (“**Seller Agency**”). Both the Buyer and the Seller (“**Disclosed Limited Agency**”).

2. _____ (Name of Listing Licensee) of _____ (Name of Real Estate Firm) is the agent of (check one) The Seller exclusively. Both the Buyer and the Seller (“**Disclosed Limited Agency**”).

3. If both parties are each represented by one or more licensees in the same real estate firm, and the licensees are supervised by the same principal broker in that real estate firm, Buyer and Seller acknowledge that said principal broker shall become the disclosed limited agent for both Buyer and Seller as more fully explained in the disclosed Limited Agency Agreements that have been reviewed and signed by Buyer, Seller and Licensee(s).

Buyer shall sign this acknowledgement at the time of signing this Agreement before submission to Seller. Seller shall sign this acknowledgement at the time this Agreement is first submitted to Seller, even if this Agreement will be rejected or a counteroffer will be made. Seller’s signature to this Final Agency Acknowledgement shall not constitute acceptance of the Agreement or any terms therein.

ACKNOWLEDGED

Buyer: _____ Print _____ Dated: _____

Buyer: _____ Print _____ Dated: _____

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

By: _____
Patrick Nofield, Member

Dated: _____

CO-OP SALES

This is a co-op transaction between _____ (Listing Agent) and _____ (Selling Agent). Selling Agent to receive a commission in the amount of _____ % of purchase price, to be deducted from the commission otherwise payable to Listing Agent.

Selling Agent's address: _____

Phone Number: _____

Fax Number: _____

Listing Agent's Initials: _____

Selling Agent's Initials: _____

RECEIPT FOR EARNEST MONEY

_____, 20____

The undersigned hereby acknowledges receipt of earnest money in the amount of \$ _____
in form of Cash, Check No. _____, or Promissory Note due by _____, 20____,
and agrees that such earnest money shall be deposited by it with Pacific Title as provided in the Escrow
Agreement.

By _____
Sales Agent

RECEIPT FOR GOVERNING DOCUMENTS

We hereby acknowledge receipt of a copy of the Declaration Submitting Lodges at Cannon Beach, A Condominium to Condominium Ownership, Supplemental Declaration for Stage 2, the Fractional Declaration, the Bylaws of the Condominium and Fractional Associations and the Escrow Agreement. We also acknowledge receipt of a copy of the Public Report issued by the Oregon Real Estate Commissioner on _____, 20____.

We further acknowledge that such documents were delivered to us prior to the time the sales agreement was fully executed by all parties.

DATED this _____ day of _____, 20____.

PURCHASER

SELLER IS REQUIRED TO RETAIN THIS RECEIPT FOR THREE YEARS.

RECEIPT FOR EXECUTED COPY OF FRACTIONAL INTEREST SALES AGREEMENT

We acknowledge receipt of a fully executed copy of the Fractional Interest sales agreement relating to our purchase of Fractional Interest No(s). ____, in Unit ____ of Lodges at Cannon Beach, A Condominium, together with the “Notice to Purchaser” attached thereto.

DATED this ____ day of _____, 20____.

PURCHASER

DISCLAIMER AND WAIVER – MOLD AND DRY ROT

The responsibility of the developer is limited to those things that can be controlled during construction. By the same token, it is the responsibility of the unit owner or the unit owners' association to properly monitor, manage, and maintain the project after purchase. This includes elimination of other sources of moisture, a regular program of caulking, sealing and replacing as needed of all surfaces including but not limited to roofs, decks, doors, vents, and window and wall systems against leaks and continued monitoring for signs of water intrusion, moisture, mold or dry rot.

Accordingly, the Seller's responsibility for mold or dry rot damage will be limited to such damage as may be caused by construction defects and will not apply to damage relating to mold or dry rot (a) caused by sources other than construction defects, including, but not limited to, living conditions or personal living habits, (b) to the extent resulting from failure of the owner or the Condominium or Fractional Association to properly manage and maintain the project, including, without limitation, failure to regularly inspect for water intrusion or to maintain caulking and seals, or (c) to the extent resulting from failure to promptly notify the Seller of evidence of moisture penetration, mold or dry rot or to permit Seller to inspect or remedy the problem. Seller's responsibility is limited to correcting the construction defect and repairing the resulting damages to the project. Seller will not be responsible under any legal theory (including, but not limited to, negligence) for consequential damages such as damages to personal property, personal injury or illness, loss of income or emotional distress. Claims regarding mold or dry rot must be asserted within the time periods and in the same manner as any other warranty claims as provided in the Statutory Warranty contained in Section 7 of the Sales Agreement.

Purchaser hereby expressly waives all claims and causes of action against the Seller in connection with mold or dry rot or other fungal growth and any damages related thereto, except to the extent expressly set forth in this Addendum.

This Addendum is hereby appended to and made a part of the Sales Agreement. The consideration for this Disclaimer and Waiver shall be the same consideration as stated in the Sales Agreement. Should any term or provision of this Addendum be ruled invalid or unenforceable by a court of competent jurisdiction, the remainder of this Addendum shall nonetheless remain in full force and effect.

The undersigned acknowledge receipt of this Addendum. The undersigned have carefully read and reviewed its contents and agree to its provisions.

PURCHASER:

Purchaser
Date: _____

Purchaser
Date: _____

SELLER:

ESCAPE INVESTMENTS, LLC,
an Oregon limited liability company

By: _____
Patrick Nofield, Member

Date: _____