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DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS, RESTRICTIONS AND EASEMENTS FOR
PARADISE HILL

DECLARANT: PARADISE HILL DEVELOPMENT, L.L.C.,
an Oregon Limited Liability Company

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**DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS, RESTRICTIONS AND
EASEMENTS OF PARADISE HILL**

THIS DECLARATION is made this _____ day of _____ of 1997 by Paradise Hill Development, L.L.C., an Oregon Limited Liability Company ("Declarant").

RECITAL: Declarant owns approximately 900 acres within Klamath County, Oregon, adjacent to Klamath Lake. Declarant proposes to develop portions of the property, together with other properties that may subsequently be acquired by declarant, as a planned development to be known as Paradise Hill, the initial development of which is pursuant to a Subdivision Application approved by Klamath County, Oregon, and recorded at Volume M96-2727 microfilm records of Klamath County, Oregon.

Purchasers of property within Paradise Hill hereby consent to these conditions, covenants and restrictions for Paradise Hill and as the same may hereafter be amended. All purchasers who acquire property in the Paradise Hill Subdivision shall purchase the property subject to the conditions as set forth below.

Declarant will record a plat of Paradise Hill in the plat records of Klamath County, Oregon. Additional contiguous property may be acquired and developed by the declarant and become annexed to Paradise Hill in accordance with the provisions set forth in this Declaration.

NOW THEREFORE, Declarant hereby declares that the property described in the plat(s) of Paradise Hill as shown thereon shall be held, sold, and conveyed subject to the following easements, covenants, restrictions and charges, which will run with such property and shall be binding upon all parties having or acquiring any right, title or interest in such property or any part thereof and shall inure to the benefit of each owner thereof.

**ARTICLE 1
DEFINITIONS**

The terms as used in this Declaration are defined in Exhibit "A".

**ARTICLE 2
PROPERTY SUBJECT TO THIS DECLARATION**

2.1 Initial Development. Declarant hereby declares that all the real property described in Exhibit "B" is owned and shall be owned, conveyed, hypothecated, encumbered, used, occupied and improved subject to this Declaration.

The Initial Development, Tract 1316, contains 36 single-family

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Lots of 20 acres or larger in size.

ARTICLE 3 RESTRICTIONS ON USE OF RESIDENTIAL LOTS

Whereas the developers of Paradise Hill desires to preserve its natural qualities and amenities for the benefit of this community, they herewith set forth the following conditions and restrictions on uses of the Lots.

3.1 Use of Parcel and Roads. All parcels, except as designated here otherwise, shall be used as single family residential dwellings with associated outbuildings. All buildings are to be approved by the Architectural review committee. The roads of the subdivision shall be private roads owned by the Home Owners Association. The Lot owners and their invitees shall have the right to use the surface of the roads for motorized vehicle travel and equestrian, pedestrian and bicycle travel. Individual driveways and driveway utility easements will also exist to specific building sites on most parcels. Only the persons owning these driveways and/or owning easements on these driveways have the right to use them (unless designated otherwise).

3.2 Design and Architectural Control. No building nor driveway shall be constructed, placed, or altered on any Lot until the construction plans and specifications (site plan) have been approved by the Architectural Review Committee as to quality of workmanship and material, harmony of external design with existing structures and as to location with respect to topography and compliance with this Declaration. The Architectural Review Committee may impose a reasonable fee to cover plan review costs.

3.3 Residence Buildings. No residence buildings shall be erected, altered, placed or permitted to remain on any Lot other than one single family dwelling not to exceed two stories in height and private garage for at least two and not more than six automobiles. A third story may be included if it is a basement. No residential building, garage or accessory building shall exceed 28 feet in height (measured at the uphill foundation/ground surface level), regardless of the number of stories and unless approved by the Architectural Review Committee. No single family dwelling shall be less than 1,900 square feet for the main structure exclusive of porches and garages.

3.4 Accessory Buildings. In addition to the single family residence and garage described above, no more than one accessory building shall be permitted on each Lot, unless otherwise allowed herein. It shall be constructed in compliance with the set back requirements and the approved material and finishes described in these Articles. In addition thereto, said accessory building may not exceed the total square footage size of the primary residence plus the garage and porches nor exceed 28' in height unless

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approved by the Architectural Review Committee.

3.5 Well House Buildings. Well house facilities are encouraged to be placed within the accessory buildings or residence. If the well location is far removed from either of those then an individual well house may be constructed, provided it's design, size and materials are compatible with those used on the residence.

3.6 Material and Finishes. On each individual Lot the residence, garage and accessory buildings must be finished with the same or complimentary exterior materials. Galvanized metal, tar paper or asphalt composition siding shall not be permitted on any building or structure. No bright galvanized metal or other reflective roof surfaces shall be permitted. Asphaltic tile roofs will be permitted but only in subdued tones as approved by the Architectural Review Committee. Tile roofs of all types will be considered for approval by the committee. All metal surfaces including roofs, flues, exposed flashing vents, pipes, trim, antennas, etc. shall be of good quality and anodized or painted to blend with the exterior colors of the dwelling and shall be non-reflective.

3.7 Painting and Exterior Colors. No bright and/or highly reflective colors shall be used unless approved by the Architectural Review Committee. Natural earth tones are encouraged.

3.8 Mobile and Manufactured Homes. No mobile homes nor manufactured homes shall be permitted on any Lot within Paradise Hill. Similarly, there shall be no tents, trailers, garages, out-buildings of any nature used or permitted as residences upon the Lot. One travel trailer or motor home per residence may be kept on a parcel, in an inconspicuous place, provided there is no residential use of the same.

3.9 Set Back. No dwelling or other building shall be erected within 50 feet of the subdivision's internal property lines, including the property lines along the internal roadways, unless approved by the Architectural Review Committee. Set back lines on the subdivision's external property lines shall be as governed by the County.

3.10 Grading and Fill Restrictions. Mass grading of a site will not be permitted unless approved by the Architectural Review Committee. Permanent earth work shall be that required for building sites, foundations and driveways. Temporary construction disturbances (i.e. for septic tanks, leach lines, utility lines, etc.) shall be restored as much as possible to the original grade or to a natural looking appearance. All construction disturbance shall be corrected so as to restore the ground terrain to a near natural appearance within 90 days following completion or occupancy

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of the structures built on site.

3.11 Surface Drainage. Site surface drainage shall not be so altered, constructed, accelerated or dammed on the subject property so as to adversely affect any neighboring Paradise Hill Subdivision property. All driveway construction on individual lots shall be provided with appropriate culvert construction to avoid blocking roadside ditches and impairing drainage ways.

3.12 Sewage. Sewage disposal systems shall be by septic tank and leach line fields or other permitted disposal systems. Installation and construction of sewage systems shall be pursuant to rules, regulations and permit authority of the State of Oregon, Department of Environmental Quality and its delegated authority and the Klamath County Department of Environmental Health.

3.13 Animals. Up to two horses, cattle, llamas or emus per five acres may be grazed and maintained on each lot unless a greater number is approved by the Architectural Review Committee. No other livestock, poultry or other animals excepting dogs, cats, house birds and domestic swans shall be raised, bred or kept on any Lot. Livestock, which shall be contained by fencing, and household pets shall be limited by number and type so as to constitute no nuisance to adjoining neighbors.

3.14 Antennas. No antennas shall be placed on the premises in front of any residence, garage or accessory building. Satellite receiver discs shall be no larger than 18" in diameter and shall be placed in harmony with the layout of the home, avoiding the front of the residence if possible.

3.15 Storage Areas. All outdoor storage areas, garbage cans, utility boxes, trash areas shall be fenced or screened with material which matches or is compatible with the exterior finish of the residence. No damaged, disabled or other vehicle not readily in driving condition shall be stored on the subject property except if enclosed in a closed garage or accessory building.

3.16 Commercial Venture. No commercial venture shall be allowed on any of the residential property herein which results in the maintenance, repair, storage, fabrication or salvage of vehicles, equipment or hazardous chemicals on the premises.

3.17 Signs. No signs, except for street signs and the subdivision's entrance sign, shall be displayed to the public view on any Lot except one sign of not more than five square feet advertising the property for sale or rent; or signs used by the subdivision developer and/or by a home builder during the construction and sales periods; or one sign of not more than two square feet providing the names of the residents of the property. No signs advertising any on-site home business shall be allowed except as described herein. Signs advertising political candidates

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or issues may be placed on the premises during election periods but must be removed within 7 days of the end of the (appropriate) election.

3.18 Condition of Lot. Each owner shall maintain the Owner's residence and Lot and any other improvements thereon in a clean and attractive condition, in good repair and in such fashion as not to create a fire or other hazard. Such maintenance shall include, without limitations, painting, repair, replacement and care for roofs, gutters, downspouts, exterior building surfaces, walks and other exterior improvements and glass surfaces. All repainting or restaining and exterior remodeling shall be subject to prior review and approval by the Architectural Review Committee. In addition, each Lot Owner shall keep all plantings neatly maintained. Damage caused by fire, flood, storm, earthquake, riot, vandalism or other causes shall likewise be the responsibility of each Lot Owner and shall be restored within a reasonable period of time. No Lot shall be used for storage or as a dumping ground for equipment, vehicles, rubbish, garbage or debris. All waste shall be kept in sanitary containers and shall be protected from animals out of view and reach.

3.19 Driveway Surfaces. All driveways and areas utilized for parking of vehicles shall have a paved, concrete or suitable gravel or cinder surface.

3.20 Nuisances. No noxious or offensive activity shall be carried on upon any parcel nor shall anything be done thereon, which may be or may become an annoyance or nuisance to the neighborhood.

3.21 Lighting. Plans for exterior lighting shall be included in the original site plan reviewed by the Architectural Review Committee if possible. All exterior lighting or noise-making devices shall be installed or maintained on a parcel only after written approval of the Architectural Review Committee.

3.22 Utilities. Klamath County's approval conditions of this initial Paradise Hill Subdivision, Tract 1316, require that all new (after January 19, 1996) utility lines within the Subdivision be placed underground. Utilities on subsequent lands subdivided and/or annexed into Paradise Hill shall be as approved by Klamath County.

3.23 Firearms. Shooting of center-fire or rim-fire rifles or pistols or of rifled slugs shall not be allowed on the Subdivision lands except to protect life and property.

ARTICLE 4 MAINTENANCE OF NATURAL BEAUTY AND WILDLIFE

To help maintain the natural beauty and the natural wildlife

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of the area the following apply:

4.1 Natural Vegetation. All property owners are encouraged to retain the natural vegetation of the properties, especially Ponderosa Pine, Juniper trees, wild plums (bushes) and Mountain Mahogany (bushes), which are particularly desired by deer, and their continued presence will help keep deer "out of the roses". Therefore, cutting of live trees and brush species whose trunks are larger than 5" in diameter, as measured three feet from the ground along the trunk, shall require permission from the Architectural Review Committee, except when the plants or trees are located within 50' of the dwelling or outbuilding, being built or are on driveways to the home or outbuilding. Commercial timber harvesting shall not be allowed on Paradise Hill without the Architectural Review Committee's approval. Trees with commercial value which are removed during construction of residences, driveways or outbuildings may be sold or otherwise utilized by the owner without contacting the Architectural Review Committee.

4.2 Fencing. Perimeter and cross fencing is acceptable as long as the fence is not higher than 4 feet and allows deer to safely pass either under, through or over the fence. Deer-proof fencing of greater height is acceptable around residential and outbuilding compounds provided the fenced-in area covers less than 10% of the total area of the Lot.

4.3 Wildlife Conflict. The Oregon Department of Fish and Wildlife asks that the Homeowners Association, through this Declaration, alert all Owners to the human/wildlife conflicts inherent with rural subdivisions such as Paradise Hill. Accordingly, Lot Owners are advised as follows:

(a) Owners should be aware that cougars and rattlesnakes are known to exist in the area and can be a danger to humans, pets and livestock.

(b) Artificial feeding of deer, raccoons and skunks shall not be allowed.

(c) The county leash law shall be adhered to in order to discourage dogs from running free in the Subdivision.

(d) Ornamental plantings will create an attractive nuisance situation with deer and are discouraged.

(e) The above fencing specifications shall be followed to permit deer passage without causing injury to the animals.

4.4 Protection from Adjacent Lands. To protect the views and privacy of the owners of Parcel 14, Tract 1316, the following conditions shall apply: neither the Declarant nor the Homeowners

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Association nor any lot owner shall grant utility or access easements to any portion of the non-Paradise Hill 10 acre parcel described as: the east half of the east half of the northeast quarter of the northeast quarter of Section 7, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, without the written consent of the owner(s) of Parcel 14. Furthermore, to protect the views and privacy of the owners of that part of Parcel 10, Tract 1316, located west of Peregrine Heights road, the following conditions shall apply: neither the Declarant nor the Homeowners Association nor any lot owner shall grant utility or access easements to any portion of the non-Paradise Hill 10 acre parcel described as: the west half of the east half of the northeast quarter of the northeast quarter of Section 7, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon without the written consent of the owner(s) of that part of Parcel 10 located west of Peregrine Heights road.

ARTICLE 5 ARCHITECTURAL REVIEW COMMITTEE

5.1 Architectural Review. No improvement shall be commenced, erected, placed or altered on any Lot, except Lots owned by Declarant and under construction pursuant to Tract 1316, until the construction plans and specifications showing the nature, shape, heights, materials, colors and proposed location of the improvement have been submitted to and approved in writing by the Architectural Review Committee. It is the intent and purpose of this Declaration to assure quality of workmanship and materials, to assure harmony of external design with the existing improvements and as to location with respect to topography and finished grade elevations, and to avoid plan repetition. The procedure and specific requirements for review and approval of residential construction may be set forth in design guidelines adopted from time to time by the Architectural Review Committee. The Committee may charge a reasonable fee to cover the cost of processing the application. In all cases which the Architectural Review Committee consents is required by this Declaration, the provisions of this Article shall apply.

5.2 Committee Decision. The Architectural Review Committee shall render its decision with respect to the construction proposal within thirty (30) working days after it has received all material required by it with respect to the application. In the event the Committee fails to render its approval or disapproval within forty-five (45) working days after the Committee has received all material required by it with respect to the proposal, approval will not be required and the related provisions of this Declaration shall be deemed to have been fully complied with.

5.3 Committee Discretion. The Architectural Review Committee may, at its sole discretion, withhold consent to any proposed work if the Committee finds the proposed work would be inappropriate for

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the particular Lot or incompatible with the design standards that the Committee intends for Paradise Hill. Consideration such as siting, shape, size, color, design, height, solar access, impairment of the view from other Lots within Paradise Hill or other effects on the enjoyment of other Lots, disturbance of existing terrain and vegetation, wildlife protection and any other factors which the Committee reasonably believes to be relevant, may be taken into account by the Committee in determining whether or not to consent to any proposed work.

5.4 Variance. The Architectural Review Committee may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Architectural Review Committee from denying a variance in other circumstances. For purposes of this section, the inability to obtain approval of any governmental agency, the issuance of any permit, the cost of compliance, or the terms of any financing shall not necessarily be considered a hardship warranting a variance.

5.5 Membership; Appointment and Removal. Initially, the Architectural Review Committee shall consist of as many persons, but not less than three, as the Declarant may from time to time appoint. On or before August 1, 2000, the Declarant will appoint three Paradise Hill Subdivision lot owners, and preferably an owner/resident, to serve on the Committee for a period of one, two and three years, respectively. The Declarant may continue to have a representative on the Committee if the representative is also a lot owner of the Subdivision. Once Committee positions are filled by three owners the succeeding representatives shall be designated by a majority vote of the Paradise Hill Homeowners Association in annual meetings. Members of the Architectural Review Committee shall not be entitled to any compensation for services performed pursuant to the provisions of this Declaration.

5.6 Majority Action. Except as otherwise provided in this Declaration, a majority of the members of the Architectural Review Committee shall have the power to act on behalf of the Committee, without the necessity of a meeting and without the necessity of consulting the remaining members of the Committee. The Committee may render its decision only by written instrument setting forth the action taken by the consenting members.

5.7 Liability. Neither the Architectural Review Committee nor any member of the Committee shall be liable to any owner, occupant, builder or developer for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the Committee or a member of the Committee, provided only that the

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member has, in accordance with the actual knowledge possessed by him or her, acted in good faith.

5.8 Nonwaiver. Consent by the Architectural Review Committee to any matter proposed to it or within its jurisdiction shall not be deemed to constitute a precedent or waiver impairing its right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

5.9 Appeal. At any time after Declarant has delegated appointment of the members of the Architectural Review Committee, any owner adversely affected by action of the Architectural Review Committee may appeal such action to the Board of Directors of the Homeowners Association. Appeals shall be made in writing within twenty (20) days of the Committee's action and shall contain specific objections or mitigating circumstances justifying the appeal. A final, conclusive decision shall be made by the Board of Directors of the Homeowners Association within twenty (20) working days after receipt of such notification. If the Board of Directors of the Homeowners Association does not make a decision within thirty (30) days after receipt, the appeal shall be deemed approved.

5.10 Effective Period of Consent. The Architectural Review Committee's consent to any proposed work shall automatically be revoked two years after issuance unless construction of the work has been commenced or the owner has applied for and received an extension of time from the Committee.

ARTICLE 6 LAND DESIGNATION AND PROPERTY RIGHTS

6.1 Use and Occupancy. The Owner of a Lot in Paradise Hill shall be entitled to the exclusive use and benefit of such Lot, except as otherwise expressly provided in this Declaration. The Lot shall be bound by and the Owner shall comply with the restrictions made applicable to such Lot by this Declaration or by any supplement to this Declaration.

6.2 Easements Reserved. In addition to any easements shown on the recorded plats as set forth in the real property records of Klamath County, Declarant hereby reserves the following easements for the benefit of Declarant and the Association:

6.2.1 Right of Entry. Declarant, the Architectural Review Committee and any representative of the Association authorized by it may at any reasonable time, and from time to time at reasonable intervals, enter upon any Lot for the purpose of determining whether or not the use and/or improvements of such Lot are then in compliance with this Declaration. In addition, the utility service provider and its agents or employees shall have authority to access all parts of the Owners's Lot on which common

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utilities (electricity and telephone) may be located, for the purpose of operating, maintaining or constructing such facilities, inspecting the condition of the facilities, and completing repairs. The Owner will be given advance notice if possible. In the case of an emergency, as determined solely by the utility service provider, no prior notice will be required. No such entry shall be deemed to constitute a trespass or otherwise create any right of action in the Owner of such Lot.

6.2.2 Utility Easements. Easements for installation and maintenance of utilities and potential drainage facilities may be reserved over portions of certain Lots, as shown on or described in the recorded plat. Within the easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation or maintenance of utilities.

6.3 Consolidation of Lots. The Owner of two adjoining Lots, may elect to consolidate such Lots into one Lot. The consolidation shall be effectuated by the owner recording in the deed records of Klamath County a declaration stating that the two Lots are consolidated. Thereafter, the consolidated Lots shall constitute one Lot for all purposes of this Declaration, including voting rights and assessments.

6.4 Additional Partitions of Lots. The Owner of a Lot or lots, may elect to further partition their Lot into smaller Lots. The Owner of a Lot who desires to partition shall obtain, at the Owners' sole cost, the approval of the Klamath County Planning Department and shall file all appropriate requests with the Klamath County Planning Department and obtain County approval for the partition.

6.5 Owners' Easements of Enjoyment. Subject to provisions of this Article, every Owner and his or her invitees shall have a right and easement of enjoyment in and to the roads within the Paradise Hill subdivision as existing or may be later acquired or constructed (including road to and from the cinder pit within the subdivision). Said easements shall be appurtenant to and shall pass with the title to every Lot.

6.6 Title to roads. Title to all roads (Peregrine Heights, Apogee Way, Troubador Trail, Hanks Marsh Vista and Shady Pine Road) shall be conveyed to the Association by Declarant free and clear of monetary liens prior to the date on which Declarant shall close and sell the Lots to individual Owners.

6.7 Cinder Pit Use. The roads to Paradise Hill Subdivision are surfaced with cinders from the existing "subdivision cinder pit", located adjacent to and immediately east of parcel 3, south of Troubador Trail and west of the west line of Section 5, Township 38 South, Range 9 East of the Willamette Meridian. A perpetual

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nonexclusive easement reservation is hereby granted to the Owner's Association to use cinders and earth materials from the pit for the subdivision roads, driveways and for ornamental uses on subdivision lands. Paradise Hill Homeowners Association shall have exclusive control and authority over use of materials from the pit on subdivision lands and responsibility for maintenance of the pit contours in an unobtrusive manner.

6.8 Possible Riding Stable Use of Parcel 10. The lands of parcel 10 are particularly suitable for eventual use as a commercial riding stable. Therefore, the use of those portions of parcel 10 located east of Peregrine Heights road as a commercial riding stable and operation, including appropriate additional accessory buildings and fences and signs, is considered an acceptable use of Paradise Hill land, if appropriate county permits are obtained.

6.9 Easements Reserved by Declarant. So long as Declarant owns any Lot, Declarant reserves an easement over, under and across the roads in order to carry out sales and rental activities necessary or convenient for the sale or rental of Lots. In addition, Declarant hereby reserves to itself and for the Owner of Lots in all future annexations of Paradise Hill a perpetual easement and right-of-way for access over, under and across the roads for construction, utilities, communication lines, drainage, and ingress and egress for the benefit of other property Owners by Declarant. Declarant, to all extent possible, shall not unreasonably interfere with the occupancy, use, enjoyment or access to an Owners' Lot by that Owner or the Owners' family, guests or invitees.

6.10 Chaffin Easement. The Declarant and James T. Chaffin and Shauna R. Chaffin, husband and wife, have entered into an easement and agreement for a perpetual, non-exclusive easement, 60' in width, for access to and from Paradise Hill. The easement is evidenced on the final plat of the subdivision. Chaffin owns the following described real property to wit:

That portion of Lot 6 of Section 36, Township 37 S, Range 8 east of the Willamette Meridian, Klamath County and that portion of Lot 6, Section 31, Township 37 S, Range 9 east of the Willamette Meridian, Klamath County, Oregon, lying southeasterly of Shady Pine Road.

The easement described above is one of perpetuity which allows Chaffin, the Declarant and Lot Owners the use for ingress and egress of the easement. In return, the Paradise Hill Subdivision Homeowners Association is obligated to maintain the road through the 48 acres at the Homeowners Association's cost.

Other rights hereby granted to the Chaffin property are: the nonexclusive right for present and future owners of the Chaffin

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property to use the Paradise Hill Subdivision's roads for access and utility purposes; the right to construct a road, at Chaffin's cost, through the northwest corner of parcel 25 back into Chaffin's 48 acres; the right for present and future owners of the Chaffin property to share the use of Paradise Hill's fire protection facilities; the right for Chaffin, for a period up to one year from the recording of this Declaration, to include the Chaffin property into the Paradise Hill Homeowners Association with the further provision that the Chaffin property lands if included in the Home Owners Association must accept the same conditions and restrictions as the Paradise Hill Subdivision and the owners of Chaffin's property shall likewise pay the same homeowner dues per parcel.

ARTICLE 7 HOMEOWNERS ASSOCIATION

Declarant shall organize an Association of all of the Owners within Paradise Hill Subdivision. Such Association, its successors and assigns, shall be organized under the name "Paradise Hill Homeowners Association" or such similar name as Declarant shall designate, and shall have such property, powers and obligations as are set forth in this Declaration for the benefit of the Subdivision and all owners of property located therein.

7.1 Organization. Declarant shall, before the first Lot is conveyed to an owner, organize the Association as a Subchapter C corporation under the corporation laws of the State of Oregon. The Articles of Incorporation of the Association shall provide for its perpetual existence, but in the event the Association is at any time dissolved, whether inadvertently or deliberately, it shall automatically be succeeded by an unincorporated association of the same name. In that event all of the property, powers and obligations of the incorporated association existing immediately prior to its dissolution shall thereupon automatically vest in the successor unincorporated association, and such vesting shall thereafter be confirmed as evidenced by appropriate conveyances and assignments by the incorporated association. To the greatest extent possible, any successor unincorporated association shall be governed by the Articles of Incorporation and Bylaws of the Association as if they had been made to constitute the governing documents of the unincorporated association.

7.2 Membership. Every owner of one or more Lots within the Subdivision shall, immediately upon creation of the Association and thereafter during the entire period of such owner's ownership of one or more Lots within the Subdivision, be a member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

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7.3 Voting Rights. Voting rights within the Association shall be allocated as follows:

7.3.1 Lot Owners. Lot Owners shall be allocated one (1) voting unit per Lot. Each Lot Owner shall be able to cast their voting unit regardless of whether a living structure has been erected upon the Lot. All assessments shall be divided equally among lot owners. All liability for common expenses and common profits shall be allocated evenly among lot owners.

7.3.2 Classes of Voting Membership. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Class B member and shall be entitled to one voting unit for each Lot owned.

Class B. The Class B member shall be the Declarant and shall be entitled to three times the voting unit per Lot owned by the Declarant, i.e., Declarant shall receive three votes for each Lot owned by Declarant. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) Declarant has completed development of all Lots representing 75% of the voting units computed in accordance with this section and have sold and conveyed to Owners other than Declarant; or

(2) At such earlier time as Declarant may elect in writing to terminate Class B membership.

7.4 General Powers and Obligations. the Association shall have, exercise and perform all of the following powers, duties and obligations:

7.4.1 The powers, duties and obligations granted to the Association by this Declaration and those powers enumerated in ORS 94.630.

7.4.2 The powers, duties and obligations of a Homeowners Association pursuant to the Oregon Planned Community Act, whether or not such Act is applicable to the Association. Such duties include the establishment of a reserve account as is required by ORS 94.595.

7.4.3 The Homeowners Association shall maintain and provide snow removal, as needed, on the Paradise Hill Subdivision roads which shall include all the main roads as named on the final tract 1316 plat and also future roads to parcels included in the Homeowners Association by Paradise Hill Development, L.L.C.

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7.4.4 Private driveways shall be similarly maintained (maintenance and snow removal) by the Homeowners Association when specifically requested in writing by an individual having rights to said private driveway. The charge for maintaining private driveways shall be an additional fee, beyond the normal Homeowners Association dues, and shall be paid by the specific Homeowners Association member requesting the driveway service.

7.4.5 Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Association pursuant to this Declaration or otherwise promoting the general benefit of the Owners within the Subdivision.

7.4.6 The powers and obligations of the Association may from time to time be amended, repealed, enlarged or restricted by changes in this Declaration made in accordance with the provisions herein, accompanied by changes in the Articles of Incorporation or Bylaws of the Association.

7.5 Assessments. The Association shall adopt budgets and impose and collect Assessments as provided in this Declaration.

7.6 Enforcement. The Association shall perform such acts, whether or not expressly authorized by this Declaration, as may be reasonably necessary to enforce the provisions of this Declaration and the Policies and Procedures adopted by the Association, including, without limitation, enforcement of the decisions of the Architectural Review Committee.

7.7 Employment of Agents, Advisers and Contractors. The Association, through its Board of Directors, may employ the services of any person or corporation as managers, hire employees to manage, conduct and perform the business, obligations and duties of the Association, employ professional counsel and obtain advice from such persons or firms or corporations necessary or convenient for the management, maintenance and operation of the Subdivision.

7.8 Borrow Money, Hold Title and Make Conveyances. The Association may borrow and repay moneys for the purpose of maintaining and improving the roadways in the Subdivision. The Association may acquire, hold title to and convey, with or without consideration, real and personal property and interest therein, including but not limited to easements across all or any portion of the Subdivision, except as otherwise limited herein.

7.9 Liability. A member of the Board of Directors or an officer of the Association shall not be liable for the Association or any member of the Association for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or duties, except for acts of gross negligence of intentional acts. In the event any member of the

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Board of Directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall indemnify such individual against liability and expenses incurred for the maximum extent permitted by law.

7.10 Interim Board. Declarant shall have the right to appoint an interim board of three directors, who shall serve as the Board of Directors of the Association until replaced by a majority vote of those entitled to cast votes at an annual or special meeting of the homeowners association.

7.11 Turnover Meeting. Declarant shall call a meeting of the Association for the purpose of turning over administrative responsibility for the Subdivision not later than 120 days after Lots representing 75% of the total lots in the Subdivision have been sold and conveyed to Owners other than the Declarant. If the Declarant fails to call the turnover meeting as required by this section, any Owner or mortgagee of a Lot may call the meeting by giving notice as provided in the Bylaws.

7.12 Transitional Advisory Committee. Pursuant to ORS 94.604, not later than the 60th day after the declarant has conveyed the lots representing 50 percent of the votes in Paradise Hill, the declarant or the owners of lots in the community shall form a transitional advisory committee. The committee shall operate in accordance with ORS 94.604.

ARTICLE 3 ASSESSMENTS

8.1 Purpose of Assessments. The assessments levied by the Association shall be used to maintain the roads within the Subdivision and to review proposed construction plans. Sufficient dues shall be collected annually from the Owner of each parcel to allow good maintenance of the roads and good snow plowing during the winter months. Each Lot Owner shall pay the same amount regardless of the size of the parcel and whether a residence has been constructed upon the parcel. The Homeowners Association shall have the exclusive right to convey the roads or easements to the roads and utilities to the public or to other lands except as reserved by the developers, Paradise Hill Development, L.L.C.

8.2 Types of Assessments. The Association may levy annual assessments, and may levy special assessments and individual assessments, all as more particularly described below.

8.3 Apportionment of Assessments. All Lot Owners, including those Lots owned by the Declarant, shall pay equal assessments. All Lot Owners shall pay the prorata share of the annual assessments, special assessments, and emergency assessments commencing upon the date such Lots are made subject to this

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Declaration. The prorata share shall be based upon the total amount of each such assessment divided by the total number of assessment Lots subject to the assessment.

8.4 Annual Assessments. The Board of Directors of the Association shall from time to time and at least annually, prepare an operating budget for the Association, taking into account the current costs of maintenance and services for future needs of the Association and any previous over-assessments.

8.5 Special Assessments. In addition to the annual assessment authorized above, the Board of Directors may levy during any fiscal year a special assessment applicable to that year only, for the purpose of deferring all or any part of the cost of any construction or reconstruction, unexpected repair or acquisition or replacement of a capital improvement or for any other one-time expenditure not to be paid for out of annual assessments. Special assessments which in the aggregate in any fiscal year exceed an amount equal to 5% of the budgeted gross expenses of the Association for the fiscal year may be levied only if approved by a majority vote of the Homeowners Association.

8.6 Individual Assessments. Any common expense or any part of a common expense benefitting fewer than all of the Lots may be assessed exclusively against the Lots benefitted. Individual assessments include any default assessments levied against any Lot to reimburse the Association for costs incurred in bringing such Lot or its Owner into compliance with the provisions of this Declaration or any policy and procedures of the Association for fines or other charges imposed pursuant to this Declaration for violation thereof. Unless otherwise provided by the Board of Directors, individual assessments shall be due thirty (30) days after the Board of Directors has given written notice thereof to the Owners subject to individual assessments.

8.7 Annexation of Additional Property. If additional properties are annexed to the Paradise Hill Subdivision, the Lots included therein shall become subject to assessments from the date of such annexation. All other Lots shall pay such assessments in the amount then being paid by other Lots in the Subdivision. The Board of Directors of the Association, however, at its option, may elect to recompute the budget based upon the additional Lots subject to the assessment.

8.8 Creation of Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it within the Subdivision, does hereby covenant and each Owner of any Lot by acceptance of a conveyance thereof, whether or not so expressed in any such conveyance, shall be deemed a covenant to pay to the Association all assessments or other charges as may be fixed, established and collected from time to time in the manner provided in this Declaration or the Association Bylaws. Such assessments and

16. DECLARATION

charges, together with any interest, expenses or attorneys' fees imposed shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment or charge is made. Such assessments, charges and other costs shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment or charge became due. Such liens and personal obligations shall be enforced in the manner set forth below.

ARTICLE 9 ENFORCEMENT

9.1 Non-qualifying Improvements and Violation of General Protective Covenants. In the event any Owner constructs or permits to be constructed on his Lot an improvement contrary to the provisions of this Declaration, or causes or permits any improvement, activity, condition or nuisance contrary to the provisions of this Declaration to remain uncorrected or unabated on the Owner's Lot, then the Association acting through its Board of Directors shall notify the Owner in writing of any such specific violations of this Declaration and shall require the Owner to remedy or abate the same in order to bring his Lot, the improvements thereon and the uses thereof, into conformance with this Declaration. If the Owner is unable, unwilling or refuses to comply with the Association's specific directives for remedy or abatement, or the Owner and the Association cannot agree to a mutually acceptable solution within the framework and intent of this Declaration, after notice and opportunity to be heard and within sixty (60) days of written notice to the Owner, then the Association acting through its Board of Directors, shall have the right to do any or all of the following:

9.1.1 Assess reasonable fines against such Owner in the manner and amount the Board deems appropriate in relation to the violation, which fines shall constitute individual assessments for purposes of this Declaration;

9.1.2 Enter the offending Lot and remove the cause of such violation, or alter, repair or change the item which is in violation of this Declaration in such a manner as to make it conform thereto, in which case the Association may assess such Owner for the entire cost of the work done, which amount shall be payable to the Board of Directors as an individual assessment, provided that no items of construction shall be altered or demolished in the absence of judicial proceedings, or

9.1.3 Bring suit or action against the Owner on behalf of the Association and other Owners to enforce this Declaration.

9.2 Default in Payment of Assessments; Enforcement of Lien. If an assessment or other charge levied under this Declaration is not paid within thirty (30) days of its due date, such assessment

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or charge shall become delinquent and shall bear interest from the due date at the rate of nine (9) percent per annum. In such event the Association may exercise any or all of the following remedies;

9.2.1 The Association may suspend such Owner's voting rights until such amounts, plus other charges under this Declaration, are paid in full and may declare all remaining installments of any annual assessment immediately due and payable. In no event, however, shall the Association deprive any Owner of access to and from the Owner's Lot.

9.2.2 The Association shall have a lien against each Lot for any assessment levied against the Lot, including any fines or other charges imposed under this Declaration or the Bylaws against the Owner of the Lot from the date on which the assessment is due. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.704 to 94.716, as the same may be amended, shall apply to the Association's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Association, through its duly authorized agents, may bid on the Lot at such foreclosure sale, and may acquire and hold, lease, mortgage and convey the Lot.

9.2.3 The Association may bring an action to recover a money judgment for unpaid assessments under this Declaration without foreclosing or waiving the lien described in paragraph (10.2.2 above. Recovery on any such action, however, shall operate to satisfy the lien, or the portion thereof, for which recovery is made.

9.3 The Association shall have any other remedy available to it by law or in equity.

9.4 Notification of First Mortgagee. The Board of Directors shall notify any first mortgagee of any individual Lot of any default in performance of this Declaration by the Lot Owner which is not cured within sixty (60) days after notice of default to the Owner. Any sale or transfer of any Lot subject to a lien shall not affect the assessment lien and shall not release the Lot from any liability from any assessment or charges.

9.5 Expenses and Attorneys' Fees. A late charge may be charged for each delinquent assessment in an amount established from time to time by resolution of the Board of Directors of the Association not to exceed thirty percent (30%) of such assessment. In the event the Association shall file a notice of lien, the lien amount shall also include the recording fees associated with filing the notice, and a fee for preparing the notice of lien established from time to time by resolution of the Board of Directors of the Association. In the event the Association shall bring any suit or action to enforce this Declaration, or to collect any money due

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under this Declaration or to foreclose a lien the Owner-defendant shall pay to the Association all costs and expenses incurred by it in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable attorneys' fees at trial and upon appeal.

9.6 Non-exclusiveness and Accumulation of Remedies. An election by the Association to pursue any remedy provided for violation of this Declaration shall not prevent concurrent or subsequent exercise of another remedy permitted under this Declaration or permitted by law. The remedies provided in this Declaration are not exclusive. In addition, any aggrieved Owner may bring an action against another Owner or the Association to recover damages or to enjoin, abate or remedy any violation of this Declaration by appropriate legal proceedings.

ARTICLE 10 MISCELLANEOUS PROVISIONS

10.1 Amendment and Repeal. Pursuant to ORS 94.590, this Declaration, or any provision thereof, may be amended or repealed by the vote or written consent of Owners holding not less than seventy-five percent (75%) of the Lots, together with the written consent of Class B member, if Class B membership has not been terminated as provided in this Declaration. Any such amendment or repeal shall become effective only upon recordation in the Deed Records of Klamath County, Oregon, of a certificate of the president or secretary of the Association setting forth in full the amendment, amendments or repeal so approved and certifying that said amendment, amendments or repeal have been approved in the manner required by this Declaration. In no event shall an amendment under this section create, limit or diminish special Declarant rights without Declarant's written consent, or change the boundaries of any Lot.

10.2 Association Policies and Procedures. In addition, the Association from time to time may adopt, modify and revoke, in accordance with the voting procedures contained herein, policies and procedures governing the conduct of persons and the operation and use of residential Lots as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of Paradise Hill.

10.3 Regulatory Amendments. Notwithstanding the above-mentioned provisions, until termination of the Class B membership, Declarant shall have the right to amend this Declaration and the Articles of Incorporation and Bylaws of the Association in order to comply with the requirements of any applicable statute, ordinance or regulation of governmental agencies of the United States or the State of Oregon.

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10.4 Duration. This Declaration shall run with the land and shall be and remain in full force and effect at all times with respect to all property included within the Paradise Hills Subdivision and shall be binding upon the grantors, grantees, the heirs, successors and assigns.

10.5 Invitees. All Invitees, contractors, family members and other persons entering the Subdivision under rights derived from the Owner shall comply with all of the provisions of this Declaration restricting or regulating the Owner's use, improvement or enjoyment of his Lot and other areas within the Subdivision. The owner shall be responsible for obtaining such compliance and shall be liable for any failure of compliance by such persons in the same manner and to the same extent as if the failure had been committed by the Owner himself.

10.6 Parcel Changes. In the event an Owner of a Parcel subsequently divides a Parcel into smaller Lots, with appropriate governmental agency approvals, and each of the new Lots shall be subject to the provisions of this Declaration and shall be subject to the Homeowner's Associations dues and assessments.

10.7 Roads and Development Reservations. The developers, Paradise Hill Development L.L.C., their heirs, successors or assigns hereby retain the perpetual right to improve and pave the roads in Paradise Hill, to add additional nearby lands to Paradise Hill Subdivision and to grant non-exclusive easements to third parties. The Developers further retain the right to further subdivide unsold Parcels of the Paradise Hill Subdivision.

10.8 Annexation of Additional Property. Declarant may from time to time and in its sole discretion annex to Paradise Hill, as additional property any real property now or hereafter acquired by it, and may also from time to time and in its sole discretion permit other holders of real property to annex the real property owned by them to Paradise Hill, providing said property is or becomes contiguous with the original development lands of Tract 1316. The annexation of such real property shall be accomplished as follows:

10.8.1 The owner or owners of such real property shall record a declaration which shall be executed by or bear the approval of Declarant and shall, among other things, describe the real property to be annexed, designate the Project of which such property is a part, establish land classifications for the additional property.

10.8.2 The property included in any such annexation shall thereby become a part of Paradise Hill and this Declaration. Declarant and the association shall have and shall accept and exercise administration of this Declaration with respect to such additional property.

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10.8.3 Upon annexation, additional Lots so annexed shall be entitled to the same voting rights as other lot owners in Paradise Hill as set forth in Article 7 of this Declaration.

10.9 Nonwaiver. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

10.10 Construction; Severability; Number; Captions. This Declaration shall be liberally construed as an entire document to accomplish the purposes thereof as stated in the introductory paragraphs hereof. Nevertheless, each provision of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining portions of this Declaration. As used in this Declaration, the singular shall include the plural and the plural the singular, and the masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for the convenience of reference and shall in no way limit any of the provisions of the Declaration.

10.11 Notices and Other Documents. Any notice or other document permitted or required by this Declaration may be delivered either personally or by mail. Delivery by mail shall be deemed made twenty-four (24) hours after having been deposited in the United States mail as certified or registered mail, with postage prepaid, and addressed to the Lot Owner or the Declarant.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the day and year first written above.

PARADISE HILL DEVELOPMENT, LLC.


By: Mark Wendt


By: L. Frank Goodson

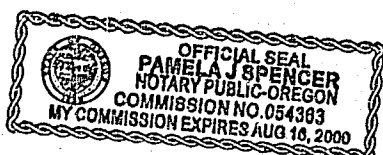
STATE OF OREGON)
) ss. September 10, 1997
County of Klamath)

Personally appeared L. Frank Goodson and Mark Wendt who, being duly sworn, stated they are Members of PARADISE HILL DEVELOPMENT, L.L.C. and that said instrument was signed on behalf of said

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L.L.C.; and they acknowledged said instrument to be its voluntary act and deed. Before me:



Pamela J. Spencer
Notary Public for Oregon
My Commission expires: 8/16/2000

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EXHIBIT "A"

Assessments: All assessments and other charges, fines and fees imposed by the association on an owner in accordance with this Declaration, including, without limitations, annual assessments, special assessments and emergency assessments.

Association and Homeowners Association: The corporation to be formed to serve as the owners association as provided, and its successors and assigns.

Architectural Review Committee or "Committee": means the committee appointed pursuant to Article 5.

Declarant: Paradise Hill Development L.L.C., an Oregon Limited Liability Company and its successors or assignees who should acquire declarant's interest in the remainder of the proposed development, or less than all of such property if a recorded instrument executed by declarant assigns to the transferee all of declarant's rights under this Declaration.

Improvement: Every structure or improvement of any kind, including, but not limited to, roads, utilities, fences, walls, driveways, swimming pools, storage shelters or other products of construction efforts on or in respect to the property.

Lot: A platted or partition plot or track within the property, with the exception of any track or lot marked on a plat of the property as being common or open space or so designated in this Declaration or the declaration annexing such property to Paradise Hill.

Owner: The person or persons, including declarant, owning any lot in the property, but does not include a holder of a leasehold interest or a person holding only a security interest in a lot. The rights, obligations and other status of being an owner commences upon acquisition of the ownership of a lot and terminates upon disposition of such ownership, the termination of such ownership shall not discharge an owner from obligations incurred prior to termination.

Policies and procedures: Those policies, procedures, rules and regulations adopted by the association pursuant to the authority granted in this Declaration, as the same may be amended from time to time.

Sold: That legal title has been conveyed or that a contract of sale has been executed and recorded under which the purchaser has obtained the right to possession.

This Declaration: All the easements, covenants, restrictions

and charges set forth in this Declaration together with any policies and procedures promulgated hereunder by an architectural review committee as the same may be amended or supplemented from time to time in accordance with the provisions hereof.

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EXHIBIT "B"

The NE $\frac{1}{4}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$; S $\frac{1}{2}$ SE $\frac{1}{4}$; and that portion of Government Lots 4 and 5 lying Southerly and Easterly of the County Road formerly the Dalles-California Highway of Section 31, Township 37 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

That portion of Government Lots 1 and 2 lying East of the State Highway as described in Deed Volume 138 page 81 of Section 1, Township 38 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon, SAVING AND EXCEPTING THEREFROM any portion of Upper Lake Garden Tracts, as same is now platted that may lie in said Government Lot 2.

The W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

The NE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$; S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$; N $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$; S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ and the SW $\frac{1}{4}$ SW $\frac{1}{4}$ all in Section 5, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

The NE $\frac{1}{4}$; NW $\frac{1}{4}$; N $\frac{1}{2}$ SE $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$; NE $\frac{1}{4}$ SW $\frac{1}{4}$ and that portion of Government Lot 1 lying Northeasterly of the County Road, formerly the Dalles-California Highway of Section 6, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon. SAVING AND EXCEPTING that portion conveyed to C.N. Hurtgen by deed executed on November 8, 1943, recorded December 20, 1943, Deed Volume 160 at page 527.

Said properties being those contained in the final plat of the Paradise Hill Subdivision, Tract 1316.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 11th day
of September A.D., 19 97 at 11:42 o'clock A M., and duly recorded in Vol. M97
of Deeds on Page 29802.

FEE \$150.00

By Bernetha G. Letsch, County Clerk
Kathleen Rose