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PROTECTIVE COVENANTS FOR
AGENCY LAKESHORE ESTATES

WHEREAS, the Declaration, Covenants, Conditions and Restrictions of Agency Lakeshore Estates (the "Declaration") is made this 21ST day of April, 2000 by PERLA DEVELOPMENT CO., INC., an Arizona corporation, as Declarant.

NOW, FURTHER THEREFORE, Declarant hereby declares that all the Properties described as Lots 1 through 28, Tract 1350 - Agency Lakeshore Estates, Klamath County, Oregon, be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of the real property, and which shall run with the real property subjected to this Declaration, and which shall be binding on all parties having any right, title, or interest in the described Properties, or any part thereof, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I: DEFINITIONS

Section 1. "Area of Common Responsibility" shall mean and refer to the Common Areas and Private Ways, together with those areas, if any, within or upon a Lot, the maintenance, repair, or replacement of which is the responsibility of the Association.

Section 2. "Bylaws" shall refer to the Bylaws of AGENCY LAKESHORE ESTATES ASSOCIATION, INC.

Section 3. "Common Area" shall mean the real property described as Lot 6 of the properties, and the personal property now or hereafter owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to the Declaration, the Bylaws, and the Articles of Incorporation of the Association.

Section 5. "Eligible Votes" shall mean those votes available to be cast on the issue at hand. A vote which is for any reason suspended is not available to be cast.

Section 6. "Lot" shall mean a portion of the Properties other than the Common Area intended for any type of independent ownership and use as may be set out in this Declaration and as shall be shown on the plats of survey filed with this Declaration or amendments thereto. Where the context indicates or requires, the term Lot includes any structure on the Lot.

Section 7. "Majority" means those eligible votes, Owners, or other groups as the context may indicate totalling more than fifty (50%) percent of the total eligible number.

Section 8. "Member" shall mean and refer to a person or entity entitled to membership in the Association, as provided herein.

Section 9. "Mortgage" means any mortgage, deed of trust to secure debt, and any and all other similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of an obligation.

Section 10. "Mortgagee" shall include a beneficiary or holder of a deed of trust, as well as a mortgagee.

Section 11. "Mortgagor" shall include the trustor of a deed of trust, as well as a mortgagor.

Section 12. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of any Lot which is part of the Properties, but excluding any party holding the fee simple title merely as security for the performance of an obligation. Owner shall include the Declarant.

Section 13. "Property or Properties" shall mean and refer to the real property described on Page one of this Declaration.

Section 14. "Private Way" means Clearview Drive or other area which is designated as such in the Plat of Agency Lakeshore Estates, or in any Supplemental Declaration submitting property to this Declaration.

ARTICLE II: PROPERTY RIGHTS

Section 1. COMMON AREA. The Declarant hereby sets aside Lot 6, according to the Official Plat of the properties, as a Common Area. This Common Area shall be for the use and enjoyment of the owners of any lot within Agency Lakeshore Estates that does not have lakeshore frontages, except for Lots 5 and 7; said lots being Lot 2 and Lots 17 through 28, according to the Official Plat filed, together with Lots 5 and 7, as previously mentioned. This Common Area may also be used in common with the owner of the real property described as Tax Account No. R-218990, Klamath County, Oregon, or the subsequent owner of the same (even though such parcel is not subject to any assessments provided for herein.) Provided, however, that if any Association funds are used for any capital improvements exceeding \$5,000.00 to be located on said Lot 6, or in the event eight percent (80%) of the non-lake front lots as described above shall consent in writing thereto, said Lot 6 may be opened up for the use and enjoyment of all owners within Agency Lakeshore Estates.

Section 2. PRIVATE WAYS. Each owner shall have a non-exclusive easement for the use of Private Ways for the purposes of walking thereon or traveling thereon by appropriate means. Each owner may permit his guests and invitees to use the Private Ways for such purposes. The easement provided for herein shall be appurtenant to and assignable with the Lot with respect to which it is granted, but shall not be otherwise assignable. The use of Private Ways shall be subject to rules and regulations adopted by the Board of Directors of the Association.

Section 3. SQUARE FOOTAGE AND HEIGHT LIMITATION. The minimum square footage on all lakefront lots shall be 1,800 square feet, excluding the garage. The minimum square footage on all non-lakefront lots shall be 1,600 square feet, excluding the garage. Each house within the properties shall have a minimum of a two-car enclosed garage. No manufactured homes, mobile homes, recreational vehicles or modular homes, with or without wheels, shall be permitted on any lot as a residence. No two-story residence shall be allowed on lakefront lots, unless the first floor contains 2,500 square feet or more (excluding any basement). Building heights shall not exceed 35 feet for a two-story residence and 25 feet for a one-story residence, as measured from the natural grade.

Section 4. AERIALS AND ANTENNAS. No radio or television or other aerial, antenna, dish, tower, ham radio antenna, or other transmitting or receiving structure, or support thereof, shall be erected, installed, placed, or maintained unless the New Construction Committee shall grant a variance according to its rules, except for a television satellite dish not to exceed 20 inches in diameter.

Section 5. EXTERIOR LIGHTING. No exterior lighting fixture (other than standard fixtures approved by the New Construction Committee or other Modifications Committee or installed by Declarant) shall be installed within or upon any Residential Lot without adequate and proper shielding of the fixture. No lighting fixture shall be installed that may become an annoyance or a nuisance to owners or occupants of adjacent properties. All modifications of exterior lighting must be approved in writing by the Modifications Committee, in advance.

Section 6. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-laws of the Association and subject to reasonable rules, regulations, and limitations as may

be adopted in accordance therewith, his or her right of enjoyment to the Common Area and facilities to the members of his or her family, tenants, and social invitees, up to a maximum of six (6) persons, and shall be deemed to have made a delegation of all such rights to the occupants of any leased Lot.

Section 7. USE OF LOTS. Except as may be otherwise expressly provided in this Declaration, each Lot shall be used for residential purposes only, and no trade or business of any kind may be conducted. Lease or rental of a Lot or any building thereon for residential purposes shall not be considered to be a violation of this covenant, so long as the lease is in compliance with reasonable rules and regulations as the Board of Directors may promulgate. Any lessee or tenant shall in all respects be subject to the terms and conditions of this Declaration, the By-laws, and the rules and regulations adopted hereunder.

Without the prior written consent of the Association's Board of Directors, nothing shall be done or kept on any Lot or on the Common Area or any part thereof to increase the rate of insurance on the Properties or any part thereof over what the Association, but for such activity, would pay. Noxious, destructive, or offensive activity, or any activity constituting an unreasonable source of annoyance, shall not be conducted on any Lot or on the Common Area or any part thereof, and the Association shall have standing to initiate legal proceedings to abate such activity.

Section 8. USE OF COMMON AREA. No planting or gardening shall be done, and no fences, hedges, or walls shall be erected or maintained upon the Common Area or upon any Lot, except in accordance with the initial construction of the improvements located thereon or as approved by the Association's Board of Directors or their designated representatives. Except for the right of ingress and egress, the Owners of Lots may use the property outside their respective Lots only in accordance with reasonable regulations as may be adopted by the Association's Board of Directors or as is expressly provided herein. It is expressly acknowledged and agreed by all parties concerned that this Section is for the mutual benefit of all Owners and is necessary for the protection of all Owners. Declarant shall not be responsible for Common Area maintenance. The homeowner's association shall maintain all Common Areas and Private Ways.

Section 9. SIGNS. Except as hereinafter provided for by Declarant, no advertising signs, except one FOR RENT or FOR SALE sign per Lot of not more than two feet by three feet (2' x 3'), may be placed on any Lot with a residence; no billboards, unsightly objects, or nuisances shall be erected, placed, or permitted to remain on the Property subject to this Declaration.

Section 10. RULES AND REGULATIONS. The Board of Directors may establish reasonable rules and regulations concerning the use of the Common Area, facilities located thereon, and individual Lots. Such regulations shall be binding upon the Owners, their families, tenants, guests, invitees, and agents until and unless such regulation, rule, or requirement shall be specifically overruled, cancelled, or modified by the Board or the Association in a regular or special meeting by the vote of members holding a majority of the total votes in the Association. The Board shall have the authority to impose reasonable monetary fines and other sanctions, and monetary fines may be collected by lien and foreclosure as provided in Article VIII.

Section 11. STORAGE AND PARKING OF VEHICLES. There shall be no outside storage or parking upon any Lot or the Common Area of any automobile, commercial vehicle, truck, tractor, mobile home, recreational vehicle or trailer (either with or without wheels), camper, camper trailer, boat or other watercraft, boat trailer, or any other transportation device of any kind, except for Owners within the parking spaces in the Owner's garage and designated parking spaces on a Lot, and for visitors temporarily parking in spaces and in accordance with rules and regulations designated and promulgated by the Board. No owners or tenants shall repair or restore any vehicle of any kind upon any Lot or Common Area, except for emergency repairs, and then only to the extent necessary to enable movement thereof to a proper repair facility. No garage may be altered in such a manner that the number of automobiles which may reasonably be parked therein after the alteration is less than the

number of automobiles that could have been reasonably parked in the garage as originally constructed.

Section 12. PETS. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on the Properties, except that no more than a total of four (4) dogs, cats, or other normal household pets may be kept in residences subject to rules and regulations adopted by the Association through its Board of Directors, provided that such pets are not kept, bred, or maintained for any commercial purpose.

Section 13. RESIDENTIAL USE. Lots shall only be used for residential purposes. Except with the consent of the Board of Directors of the Association, and as allowed by applicable Klamath County ordinances, no trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any Lot, nor shall any goods, equipment, vehicles, materials or supplies used in connection with any trade, service or business be kept or stored on any Lot. Nothing in this paragraph shall be deemed to prohibit (a) activities relating to the rental or sale of Lots, (b) the right of Declarant or any contractor or home builder to construct living units on any Lot, to store construction materials and equipment on such Lots in the normal course of construction, and to use any living unit as an office or model home for purposes of sales in Agency Lakeshore Estates, and (c) the right of the Owner of a Lot to maintain his or her professional personal library, keep his or her personal business or professional records or accounts, handle his or her personal business or professional telephone calls or confer with business or professional associates, clients or customers, in his or her living unit. The Board of Directors shall not approve commercial activities otherwise prohibited by this paragraph unless the Board of Directors determines that only normal residential activities would be observable outside of the living unit and that the activities would not be in violation of applicable Klamath County ordinances.

Section 14. OFFENSIVE OR UNLAWFUL ACTIVITIES. No noxious or offensive activities shall be carried on upon any Lot or Common Area, nor shall anything be done or placed on any Lot or Common area which interferes with or jeopardizes the enjoyment of other Lots or the common Areas, or which is a source of annoyance to residents. No unlawful use shall be made of a Lot nor any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof, shall be observed. Without limiting the generality of the foregoing, no heat pump or other heating, ventilating or air conditioning equipment, the operation of which produces noise at a level higher than 80 decibels, as measured at the lot line, shall be allowed on any Lot or living unit.

Section 15. MAINTENANCE OF STRUCTURES AND GROUNDS. Each Owner shall maintain such Owner's Lot and improvements thereon in a clean and attractive condition, in good repair. Such maintenance shall include, without limitation, painting, repair, replacement and care for roofs, gutters, downspouts, exterior building surfaces, walks and other exterior improvements and glass surfaces. In addition, each Owner shall keep all shrubs, trees, grass and plantings of every kind on such Owner's Lot properly cultivated and free of trash, excessive weeds and other unsightly material. Damage caused by fire, flood, storm, earthquake, vandalism, or other causes shall likewise be the responsibility of each Owner and shall be repaired within a reasonable period of time.

Section 16. RUBBISH AND TRASH. No Lot or part of the common Area shall be used as a dumping ground for trash or rubbish of any kind. All garbage and other waste shall be kept in appropriate sanitary containers for proper disposal and out of public view. Yard rakings, dirt and other material resulting from landscaping work shall not be dumped onto streets or Common Areas or on any Lots. All unimproved Lots shall be kept in a neat and orderly condition, free of vines, weeds and other debris, and grass thereon shall be cut or mowed at sufficient intervals to prevent creation of a nuisance or fire hazard. If any default under this Section exists for a period longer than ten days after written notice of such default is mailed to the responsible Owner by the Association, the Association shall have, in addition to any other rights under this Declaration, or at law or in equity, the remedies specified in this agreement.

Section 17. COMPLETION OF CONSTRUCTION. The construction of any building on any Lot, including painting and all exterior finish, shall be completed within 12 months from the

beginning of construction so as to present a finished appearance when viewed from any angle; 18 months for total completion, including landscaping. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval from the NCC. The building area shall be kept reasonably clean and in workmanlike order during the construction period. The Association may enact restrictions and procedures to control access, parking and disruption of Agency Lakeshore Estates and its environment during construction, including but not limited to restrictions on access, parking, pets, and noise and restriction of individuals working on construction from access to or use of other lots or common areas of Agency Lakeshore Estates, except for purposes directly related to construction, as permitted in writing by the Association on that lot.

Section 18. LANDSCAPE COMPLETION. All landscaping must be completed within sixty (60) days from the date of occupancy of the living unit constructed thereon. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval of the NCC.

Section 19. TEMPORARY STRUCTURES. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuildings shall be used on any Lot at any time as a residence either temporarily or permanently, except for a contractor's structure during construction.

Section 20. SERVICE YARDS AND PUMP HOUSE. Service yards (garbage, fuel tanks, clotheslines, etc.) shall be completely screened so that the elements screened are not visible at any time from the street or any adjoining property. No plastic cover shall be used, for example, to protect wood or structures, unless they are brown or forest green in color, and are not visible at any time from the street or any adjoining property. Each lot shall be allowed one pump house for a domestic water well.

Section 21. SETBACK, MAXIMUM HEIGHT AND MINIMUM YARD REQUIREMENTS. Unless greater setbacks are established herein, each Lot shall be subject to the setback, maximum height, and minimum yard requirements which are established by Klamath County or other governmental entity with jurisdiction over each such Lot and to any land use review procedure established by Klamath County or other government entity with jurisdiction over such Lot for review and approval of variance from such requirements. Setbacks are hereby established as follows: front yard setback = 25 ft.; rear yard setback = 25 ft.; side yard setback = 10 ft.; and, lakefront setback = 100 ft.

Klamath County has established certain maximum height and minimum yard requirements. No improvement shall be constructed or maintained in violation of any setback, maximum height or minimum yard requirement. **Furthermore, there shall be no construction, digging, or other ground disturbing activities permitted within the areas designated as open space on the plat of the properties, or within the 100-foot lake setback line, as shown on the plat.**

Section 22. TRANSIENT RENTAL USE. No Owner or Owners of any Lot within Agency Lakeshore Estates shall be permitted to rent their Lot or living unit to any person or persons for transient occupancy which shall be for a period of 30 days or less. A rental shall be defined as the use or possession or the right to use or possess for lodging or sleeping purposes any Lot or living unit in Agency Lakeshore Estates and rent shall mean the consideration charged whether or not received by the Owner for the occupancy of the Lot or living unit any money, goods, labor, credits, property or other consideration valued in money without any deduction. Transient use shall not include a rental of any Lot or living unit for a period of in excess of 30 consecutive calendar days. Owner and transient occupants shall be responsible for compliance with all provisions of the Declarations, Restrictions, Protective Covenants and Conditions of this document, and any and all rules and regulations promulgated by the Association to protect the natural environment, quiet enjoyment and quality of life of Agency Lakeshore Estates.

Section 23. ROOFS. Slate and concrete tiles, concrete and wood simulated shakes, layered fiberglass, fire retardant shakes and shingles and composition shingles are allowed. No metal roofs shall be allowed.

Section 24. FENCES. No chain link fences shall be allowed. All fences shall be made of natural materials. No perimeter fence shall be built higher than five feet. No cement or cinder block fences shall be allowed unless covered with native rock.

ARTICLE III. MEMBERSHIP AND VOTING RIGHTS

Section 1. MEMBERSHIP. Every person or entity who is the record owner of a fee or undivided fee interest in any Residential Lot that is subject to this Declaration shall be deemed to have a membership in the Association. Membership shall be appurtenant to and may not be separated from such ownership. The foregoing is not intended to include persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the Owner's membership. No Owner, whether one or more persons, shall have more than one (1) membership per Residential Lot owned. In the event the Owner of a Residential Lot is more than one person or entity, votes and rights of use and enjoyment shall be as provided herein. The rights and privileges of membership, including the right to vote, may be exercised by a Member or the Member's spouse, but in no event shall more than one (1) vote be cast for each Residential Lot.

Section 2. VOTING RIGHTS. Voting rights within the Association shall be allocated as follows: Each residential lot shall be allocated one (1) vote per Lot.

Section 3. POWERS AND OBLIGATIONS. The Association shall have, exercise and perform all of the following powers, duties and obligations:

(a) Declaration. The powers, duties and obligations granted to the Association by this Declaration.

(b) Statutory Powers. The powers, duties and obligations of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon and of a homeowners association of a planned community pursuant to the Oregon Planned Community Act, as either or both may be amended from time to time.

(c) General. 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 Agency Lakeshore Estates.

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 made in accordance with such instruments and with the nonprofit corporation laws of the State of Oregon.

Section 4. LIABILITY. Neither the Association nor any officer or member of its Board of Directors shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any action or failure to act by the Association, any of its officers or any member of its Board of Directors, provided only that the officer or Board member has acted in good faith in accordance with the actual knowledge possessed by him.

Section 5. INTERIM BOARD; TURNOVER MEETING. Declarant shall have the right to appoint an interim board of three directors or more, who shall serve as the Board of Directors of the Association until replaced by Declarant or their successors have been elected by the Owners at the turnover meeting described in this Article. Declaration shall call a meeting by giving notice to each owner as provided in the Bylaws of the Association for the purpose of turning over administrative responsibility for Agency Lakeshore Estates to the Association not later than one hundred twenty (120) days after seventy-five percent (75%) of the Lots in Agency Lakeshore Estates have been sold and conveyed to Owners than that Declarant. If the Declarant does not call a meeting required by this Section within the required time, the Transitional Advisory Committee described below or any Owner may call a meeting and give notice as required in this Section. At the turnover meeting, the interim directors shall resign and their

successors shall be elected by the Owners and Declarant as provided in this Declaration and the Bylaws of the Association.

Section 6. TRANSITIONAL ADVISORY COMMITTEE. The Declarant or Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by the Declarant of Agency Lakeshore Estates to administrative responsibility by the Association. Not later than the sixtieth (60th) day after the Declarant has conveyed to Owners other than Declarant fifty percent (50%) of the Lots in Agency Lakeshore Estates, the Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. The Transitional Advisory Committee shall consist of three or more members. The Owners, other than the Declarant, shall select two or more members. The Transitional Advisory Committee shall have reasonable access to all information and documents which the Declarant is required to turn over to the Association under ORS 94.616.

(a) Declarant Failure to Call Meeting. An Owner may call a meeting of Owners to select the Transitional Advisory Committee if the Declarant fails to do so as provided above.

(b) Owners' Failure to Select Members. Notwithstanding the foregoing, if the Owners do not select members for the Transitional Advisory Committee as described above, Declarant shall have no further obligation to form the Transitional Advisory Committee.

(c) Turnover Meeting. The requirement for formation of a Transitional Advisory Committee shall not apply once the turnover meeting specified in Section 5 above has been held.

Section 7. DECLARANT CONTROL AFTER TURNOVER. After the turnover meeting described in Section 5 above, Declarant shall continue to have the voting rights described in Section 1 above.

ARTICLE IV. MAINTENANCE

Section 1. ASSOCIATION'S RESPONSIBILITY: The Association shall maintain and keep in good repair the Area of Common Responsibility, such maintenance to be funded as hereinafter provided. This maintenance shall include, but not be limited to, maintenance, repair and replacement, subject to any insurance then in effect, of all landscaping and other flora, structures, and improvements situated upon the Area of Common Responsibility, and road repairs and maintenance.

Section 2. OWNER'S RESPONSIBILITY: Except as provided in Section 1 of this Article, all maintenance of the Lot and all part of the residence thereon shall be the responsibility of the Owner, and each Owner shall maintain and keep in good repair such property and improvements.

ARTICLE V. INSURANCE

Section 1. INSURANCE: The Association's Board of Directors, or its duly authorized agent, shall have the authority to and shall obtain insurance for all insurable improvements on the Common Area subject to this Declaration, assume the insurance responsibility for the Properties subject to this Declaration against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard.

The Board shall also obtain a public liability policy covering the Common Area, the Association, and its Members for all damage or injury caused by the negligence of the Association or any of its Members or agents.

In addition to the other insurance required by this Section, the Board shall obtain, as a common expense, worker's compensation insurance, if and to the extent necessary, and a

fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment, but may not be less than three (3) months' assessments, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association.

Section 2. INDIVIDUAL INSURANCE. By virtue of taking title to a Residential Lot subject to the terms of this Declaration, each Owner covenants and agrees with all other Owners and with the Association to carry blanket all-risk casualty insurance on the residential structures constructed thereon. Each individual Owner further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction, the individual Owner shall proceed promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction. In the event that the structure is totally destroyed and the individual Owner determines not to rebuild or to reconstruct, the individual Owner shall clear the Residential Lot of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction.

Section 3. DISBURSEMENT OF PROCEEDS: Proceeds of insurance policies shall be disbursed as follows:

(a) If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction to the Common Area or, in the event no repair or reconstruction is made, after making such settlement as is necessary and appropriate with the affected Owner or Owners and their mortgagee(s) as their interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of any mortgagee of a Residential Lot and may be enforced by such mortgagee.

(b) If it is determined, as provided for in Section 3 of this Article, that the damage or destruction to the Common Area for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner as provided for excess proceeds in Section 3(a) of this Article V.

ARTICLE VI. NO PARTITION

Except as is permitted in the Declaration or amendments thereto, there shall be no physical partition of any Lot or of the Common Area or any part thereof, nor shall any person acquiring any interest in the Properties or any part thereof seek any such judicial partition until the happening of the conditions set forth in Section 3 of Article V in the case of damage or destruction, or unless the Properties have been removed from the provisions of this Declaration. This Article shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

ARTICLE VII. RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

Section 1. COMMON AREA. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and all improvements therein (including furnishings and equipment related thereto, if any), and shall keep it in good, clean, attractive, sanitary condition, order, and repair, pursuant to the terms and conditions of this Declaration and the Bylaws.

Section 2. SERVICES. The Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall determine to be necessary or desirable for the proper operation of the Properties, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or with

which it contracts. The Association may obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Properties or the enforcement of this Declaration. The Association may, but shall not be required to, arrange as an Association expense with third parties to furnish water, trash collection, sewer service, and other common services to each Lot.

Section 3. PERSONAL PROPERTY AND REAL PROPERTY FOR COMMON USE. The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property for common use.

Section 4. IMPLIED RIGHTS. The Association may exercise any other right or privilege given to it expressly by this Declaration or the By-laws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

Section 5. SELF-HELP. In addition to any other remedies provided for herein, the Association or its duly authorized agent shall have the power to enter upon a Lot or any portion of the Common property to abate or remove, using such force as may be reasonably necessary, any erection, thing or condition which violates this Declaration, the By-laws, the rules and regulations, or the use restrictions. Unless an emergency situation exists, the Board shall give the violating Lot Owner ten (10) days' written notice of its intent to exercise self-help. All costs of self-help, including reasonable attorney's fees actually incurred shall be assessed against the violating Lot Owner and shall be collected as provided for herein for the collection of assessments.

Section 6. RIGHT OF ENTRY. The Association shall have the right, in addition to and not in limitation of all the rights it may have, to enter into Lots for emergency, security, or safety purposes, which right may be exercised by the association's Board of Directors, officers, agents, employees, managers and all police officers, firefighters, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after reasonable notice to the owner or occupant of the Lot.

ARTICLE VIII. ASSESSMENTS

Section 1. PURPOSE OF ASSESSMENT. The assessments provided for herein shall be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit, and enjoyment of the Owners and occupants of Lots, including the maintenance of real and personal property, all as may be more specifically authorized from time to time by the Board of Directors, including but not limited to road maintenance and road improvements.

Section 2. CREATION OF ASSESSMENTS. Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association; (a) annual assessments or charges; (b) special assessments, such assessments to be established and collected as hereinafter provided; and (c) specific assessments against any particular Lot which are established pursuant to the terms of this Declaration, including, but not limited to, reasonable fines as may be imposed in accordance with the terms of this Declaration. All such assessments, together with late charges, interest, not to exceed the maximum legal rate, costs, and reasonable attorney's fees actually incurred, shall be a charge on the land and shall be a continuing lien upon the Lot against which each assessment is made.

Section 3. COMPUTATION OF ASSESSMENT. It shall be the duty of the Board to prepare a budget covering the estimated costs of operating the Association during the coming year, which shall include a capital contribution or reserve in accordance with a capital budget separately prepared. The Board shall cause the budget and the assessments to be levied against each Lot for the following year to be delivered to each member at least thirty (30) days prior to the end of the current fiscal year. The budget and the assessment shall become effective unless disapproved at a meeting by a Majority of the Owners. Notwithstanding the foregoing, however, in the event the membership disapproved the proposed budget or

the Board fails for any reason so to determine the budget for the succeeding year, then and until such time as a budget shall have been determined, as provided herein, the budget in effect for the then current year shall continue for the succeeding year. The initial annual assessment shall be \$300.00.

Section 4. SPECIAL ASSESSMENTS. In addition to the other assessments authorized herein, the Association may levy special assessments in any year. So long as the total amount of special assessments allocable to each Lot does not exceed Five Hundred Dollars (\$500) in any one fiscal year, the Board may impose the special assessment. Any special assessment which would cause the amount of special assessments allocable to any Lot to exceed this limitation shall be effective only if approved by a Majority of the members. Special assessments shall be paid as determined by the Board, and the Board may permit special assessments to be paid in installments extending beyond the fiscal year in which the special assessment is imposed.

Section 5. LIEN FOR ASSESSMENTS. All sums assessed against any Lot for the delinquent payment of dues pursuant to this Declaration, together with late charges, interest, costs, and reasonable attorney's fees actually incurred, as provided herein, shall be secured by a lien on such Lot in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Lot, except for (a) liens for ad valorem taxes; or (b) liens for all sums unpaid on a first Mortgage or on any Mortgage to Declarant duly recorded in the land records of Klamath County, Oregon, and all amounts advanced pursuant to such Mortgage and secured thereby in accordance with the terms of such instrument.

All other persons acquiring liens or encumbrances on any Lot after this Declaration shall have been recorded in such records shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for assessments, as provided herein, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrances.

Section 6. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessments which are not paid when due shall be delinquent. Any assessment delinquent for a period of more than thirty (30) days shall incur a late charge in an amount as the Board may from time to time determine. The Association shall cause a notice of delinquency to be given to any member who has not paid within thirty (30) days following the due date. If the assessment is not paid within an additional thirty (30) days, a lien, as herein provided, shall attach and, in addition, the lien shall include the late charge, interest, not to exceed the maximum legal rate, on the principal amount due, and all late charges from the date first due and payable, all costs of collection, reasonable attorney's fees actually incurred, and any other amounts provided or permitted by law. In the event that the assessment remains unpaid after sixty (60) days, the Association may, as the Board shall determine, institute suit to collect such amounts and to foreclose its lien. Each Owner, by acceptance of a deed or as a party to any other type of a conveyance, vests in the Association or its agents the right and power to bring all actions against him or her, personally, for the collection of such charges as a debt or to foreclose the aforesaid lien in the same manner as other liens for the improvement of real property. The lien provided for in this Article shall be in favor of the Association and shall be for the benefit of all other Owners. The Association, acting on behalf of the Owners, shall have the power to bid on the Lot at any foreclosure sale or to acquire, hold, lease, mortgage, or convey the Lot. No Owner may waive or otherwise except liability for the assessments provided for herein, including, by way of illustration, but not limitation, abandonment of the Lot.

All payments shall be applied first to costs and attorneys' fees, then to late charges, then to interest, then to delinquent assessments, then to any unpaid installments of the annual assessment or special assessments which are not the subject matter of suit in the order of their coming due, and then to any unpaid installments of the annual assessment or special assessments which are the subject matter of suit in the order of their coming due.

Section 7. CAPITAL BUDGET AND CONTRIBUTION. The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement

cost. The Board shall set the required capital contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital budget, with respect to both amount and timing by annual assessments over the period of the budget. The capital contribution required shall be fixed by the Board and included within the budget and assessments, as provided in Section 3 of this Article. A copy of the capital budget shall be distributed to each member in the same manner as the operating budget.

Section 8. SUBORDINATION OF THE LIEN TO FIRST DEEDS OF TRUST AND FIRST MORTGAGES. The lien of the assessments, including interest, late charges, costs (including attorneys' fees) provided for herein, shall be subordinate to the lien of any first Mortgage upon any Lot. The sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record or other purchaser of a Lot obtains title, his or her successors and assigns shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all the Lots, including such acquirer, his or her successors and assigns.

Section 9. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS. The annual assessments provided for herein shall commence as to all Lots then existing and subject to assessment under the Declaration on the first day of the month following the conveyance of the first Lot by the Declarant, and shall be due and payable in a manner and on a schedule as the Board of Directors may provide. The first annual assessment shall be adjusted according to the number of months then remaining in that fiscal year. The date any Lot becomes subject to assessment hereunder shall be the date on which the Lot becomes subject to the Declaration.

Section 10. ASSESSMENTS BY DECLARANT. Declarant shall not be subject to any assessments for any unimproved Lot it continues to own until 75% of the Lots have been sold.

ARTICLE IX. ARCHITECTURAL STANDARDS

The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce in courts of competent jurisdictions decisions of either Committee established in subsections 1 and 2 of this Article IX. This Article may not be amended without the Declarant's written consent, so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

No construction, which term shall include within its definition staking, clearing, excavation, grading, and other site work, and no plantings or removal of plants, trees, or shrubs shall take place except in strict compliance with this Section, until the requirements thereof have been fully met, and until the approval of the appropriate Committee has been obtained.

Section 1. NEW CONSTRUCTION COMMITTEE. The New Construction Committee (NCC) shall have exclusive jurisdiction over all original construction on any portion of the Properties. The NCC shall prepare and, on behalf of the Board of Directors, shall promulgate design guidelines and application procedures. The standards and procedures shall be those of the Association, and the NCC shall have sole and full authority to prepare and to amend the standards and procedures. It shall make both available to Owners, builders, and developers who seek to engage in development of, or construction upon, all or any portion of the Properties and who shall conduct their operations strictly in accordance therewith. The Declarant retains the right to appoint all members of the NCC, which shall consist of at least three (3), but no more than five (5), persons until Declarant elects to surrender that right to the Board of Directors. There shall be no surrender of this right prior to that time, except in a written instrument in recordable form executed by Declarant. Upon the surrender of such right, the Board of Directors shall appoint the members in the same manner as provided in

subsection 2 for the Modifications Committee.

Section 2. MODIFICATIONS COMMITTEE. The Modifications Committee (MC) shall consist of at least three (3) and no more than five (5) members, all of whom shall be appointed by the Board of Directors. At the time of Turnover as designated in Article III above, the MC shall be turned over to Agency Lakeshore Estates Owners Association, Inc. The MC shall have exclusive jurisdiction over modifications, additions, or alterations made on or to existing Lots or structures containing on the Lots and the open space, if any, appurtenant thereto; provided, however, the MC may delegate this authority to the appropriate board or committee of any residential association subsequently created or subsequently subjected to this Declaration so long as the MC has determined that such board or committee has in force review and enforcement practices, procedures and appropriate standards at least equal to those of the MC. Such delegation may be revoked and jurisdiction reassumed at any time by written notice.

The MC shall promulgate detailed Standards and Procedure governing its area of responsibility and practice. In addition thereto, the following shall apply. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of such modifications, additions, or alterations, shall be submitted to the Modifications Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finish grade elevation. No permission or approval shall be required to repaint in accordance with an originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of an owner to remodel the interior of his or her residence, or to paint the interior of his or her residence any color desired. In the event the MC fails to approve or to disapprove such plans or to request additional information reasonably required within forty-five (45) days after submission, the plans shall be deemed approved.

Section 3. LIABILITY. The scope of the NCC's review is not intended to include any review or analysis of structural, geophysical, engineering or other similar considerations. Neither the NCC, nor any member thereof, 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 NCC or a member thereof, provided only that the NCC has, or the member has, in accordance with the actual knowledge possessed by the NCC or by such member, acted in good faith.

Section 4. NONWAIVER. Consent by the NCC 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.

Section 5. EFFECTIVE PERIOD OF CONSENT. The NCC's consent to any proposed Improvement shall automatically be revoked one year after issuance unless construction of the Improvement has been commenced or the Owner has applied for and received an extension of time from the Committee.

Section 6. ENFORCEMENT PROCEDURES. In the event that any owner constructs or permits to be constructed on said owner's property an improvement contrary to the provisions of the Agency Lakeshore Estates Declaration or of the New Construction Committee Rules and Guidelines, or in the event that an owner maintains or permits any improvement, condition or other thing on his or her property contrary to the provisions of the Agency Lakeshore Estates Declaration or the New Construction Committee Rules and Guidelines, the Agency Lakeshore Estates Owners Association, Inc. and/or the NCC may, no sooner than thirty (30) days after delivery to such owner of written notice of the violation, order the owner to cease and desist all work, construction, repair, alteration, landscaping and excavation of any kind, until such breach is remedied, and certified in writing by the NCC. The stop work order shall continue until the violation has been corrected as authorized by the Committee, as certified in writing by the Committee. If the owner/contractor/subcontractor refuses to stop work, a certified letter shall be sent to the property owner who is in violation. The letter shall describe what the violation is and require that all work be discontinued until the problem is rectified. A limit shall be placed on the amount of time allowed to correct the problem. In most cases, the time limit will be set at either

twenty-four (24) or forty-eight (48) hours. In the event the written notice is ineffective or is breached, the Agency Lakeshore Estates Owners Association, Inc. may seek an injunction to force compliance. A fine may also be levied in conjunction with the stop work order, in conjunction with a schedule of fines reviewed and approved on an annual basis by Committee, and subject to the oversight and approval of the Agency Lakeshore Estates Owners Association, Inc.

ARTICLE X. GENERAL PROVISIONS

Section 1. DURATION. The covenants and restrictions of this Declaration shall run with and bind the Properties, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Properties subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate the same.

Section 2. AMENDMENT. This Declaration may be amended unilaterally at any time and from time to time by Declarant (a) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, or regulation or judicial determination which shall be in conflict therewith; (b) if such amendment is reasonably necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Lots subject to this Declaration; (c) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Lots subject to this Declaration; or (d) if such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on Lots subject to this Declaration, provided, however, any such amendment shall not adversely affect the title to any Owner's Lot. Declarant may unilaterally amend this Declaration while it continues to own any undeveloped lot for any other purposes; provided, however, any such amendment shall not materially adversely affect the substantive rights of any Lot Owner hereunder, nor shall it adversely affect title to any Lot without the consent of the affected Lot Owner.

In addition to the above, this Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of at least seventy-five percent (75%) of the members and the consent of the Declarant, so long as Declarant has an unexpired option to subject property to this Declaration. Amendments to this Declaration shall become effective upon recordation in the Klamath County, Oregon records, unless a later effective date is specified therein.

Section 3. INDEMNIFICATION. The Association shall indemnify every officer and director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or directors, may be entitled. The Association shall, as a common expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 4. EASEMENTS FOR UTILITIES. There is hereby reserved to the Association easements as shown on the plat for access, ingress, egress, installation, repairing, replacing, and maintaining all utilities serving the Community or any portion thereof, including, but not limited to, gas, water, sanitary sewer, telephone, and electricity, as well as storm drainage and any other service such as, but not limited to, a master television antenna system, cable television system, or security system which the Association might decide to have installed to serve the Community. All such utilities shall be installed underground. It shall be expressly permissible for the Association or its designee, as the case may be, to install, repair, replace, and maintain or to authorize the installation, repairing, replacing, and maintaining of such wire, conduits, cables, and other equipment related to the providing of any such utility or service. Should any party furnishing any such utility or service request a specific license or easement by separate recordable document, the Board shall have the right to grant such easement. **ALL UTILITIES, INCLUDING THE EXTENSION FROM THE FRONT OF THE LOTS TO THE RESIDENCES, SHALL BE UNDERGROUND.**

Section 5. CONSTRUCTION AND SALE. Notwithstanding any provisions contained in the Declaration to the contrary, so long as construction and initial sale of Residential Lots shall continue, it shall be expressly permissible for Declarant to maintain and carry on upon portions of the Common Area or property owned by Declarant, such facilities and activities as, in the sole opinion of Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such residences, including, but not limited to, business offices, signs, project signs, model units, and sale offices, and the Declarant shall have an easement for access to such facilities. The right to maintain and carry on such facilities and activities shall include specifically the right to use residences owned by the Declarant and the clubhouse complex, if any, which may be owned by the Association, as models and sales offices. This Section may not be amended without the express written consent of the Declarant; provided, however, the rights contained in this Section 5 shall terminate upon the earlier of (a) twenty-five (25) years from the date this Declaration is recorded, or (b) upon the Declarant's recording a written statement that all sales activity has ceased.

Section 6. ENFORCEMENT; ATTORNEYS' FEES. The Association and the Owners within the Property of any mortgagee on any Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens and charges now or hereinafter imposed by any of the provisions of this Declaration as may pertain specifically to such parties or owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter.

In the event suit or action is commenced to enforce the terms and provisions of this Declaration, the Bylaws, or any Rule or Regulation, the prevailing party shall be entitled to its attorney fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal or review, the cost of the appeal or review, together with reasonable attorney fees, to be set by the appellate court. In addition thereto, the Association shall be entitled to its reasonable attorney fees incurred in any enforcement activity taken to collect delinquent assessments, whether or not suit or action is filed.

Section 7. GENDER AND GRAMMAR. The singular, wherever used herein, shall be construed to mean the plural, when applicable, and the use of the masculine pronoun shall include the neuter and feminine.

Section 8. SEVERABILITY. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and, to this end, the provisions of this Declaration are declared to be severable.

Section 9. CAPTIONS. The captions of each Article and Section hereof, as to the contents of each Article and Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer.

Section 10. PERPETUITIES. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now-living descendants of Elizabeth, Queen of England.

IN WITNESS WHEREOF, the undersigned Declaration has been executed this 21st day of April, 2000.

PERLA DEVELOPMENT CO., INC.

By: [Signature] PRESIDENT
ROBERT M. PERLA, President

By: [Signature]
GLENN SPULLER, Secretary

STATE OF CALIFORNIA, County of Los Angeles) ss.

On April 21st, 2000, the undersigned, a Notary Public in and for said County and State, personally appeared Robert M. Perla, President of Perla Development Co., Inc., and known to me to be the Declarant of Agency Lakeshore Estates, and executed the within instrument and acknowledged to me that he is authorized to execute the foregoing instrument on behalf of the corporation.



[Signature]
Notary Public for California
My Commission Expires: Sept 11, 2003

STATE OF OREGON, County of Klamath) ss.

On APRIL 24th, 2000, the undersigned, a Notary Public in and for said County and State, personally appeared Glenn Spuller, Secretary of Perla Development Co., Inc., and known to me to be the Declarant of Agency Lakeshore Estates, and executed the within instrument and acknowledged to me that he is authorized to execute the foregoing instrument on behalf of the corporation.



[Signature]
Notary Public for Oregon
My Commission Expires: 12/8/2000

OC: Inuline

State of Oregon, County of Klamath
Recorded 04/25/00, at 8:50 a.m.
In Vol. M00 Page 14130
Linda Smith,
County Clerk Fee\$ 91.00