

**DECLARATION OF COVENANTS AND RESTRICTIONS
FOR
LAKEWOODS SUBDIVISION, A CLASS I PLANNED COMMUNITY**

THIS DECLARATION, made this 18th day of February, 2002, by Lakewoods Development, LLC, an Oregon limited liability company, ("Declarant").

State of Oregon, County of Klamath
Recorded 02/27/2002 2:11 p m.
Vol M02, Pg 12035-12055
Linda Smith, County Clerk
Fee \$ 121.00 # of Pgs 21

RECITALS

The Declarant is the owner of all the real property described in Exhibit "A" attached hereto in Klamath County, Oregon (the "Property"), and desires to create thereon a Planned Community to be known as Lakewoods Subdivision, with permanent roadways, utility installations and open spaces for the benefit of such community.

The Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in the Property and for the maintenance of the Property and improvements thereon, and to this end desires to subject the Property to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the Property and each owner of any lot thereof.

The Declarant has deemed it desirable for the efficient preservation of the values and amenities in such community to create a non-profit corporation, to which should be delegated and assigned the powers of owning, maintaining and administering the common property and facilities and administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created, and promoting the recreation, health, safety and welfare of the occupants.

NOW, THEREFORE, the Declarant declares that the Property shall be held, transferred, sold, conveyed and occupied subject to the provisions of the Oregon Planned Community Act, ORS 94.550 et seq., and to the covenants, restrictions, easements, charges and liens hereinafter set forth in this Declaration.

**ARTICLE 1
DEFINITIONS**

1.1 "Articles" shall mean the articles of incorporation for the non-profit corporation, Lakewoods Owner's Association, Inc., as filed with the Oregon Corporation Division.

1.2 "Association" shall mean and refer to the Association referred to in the Articles, its successors and assigns.

1.3 "Bylaws" shall mean and refer to the Bylaws of the Association being recorded

Declaration -1-

LAW OFFICES OF
DAVIS, GILSTRAP, HEARN, SALADOFF & SMITH
A Professional Corporation
515 EAST MAIN STREET
ASHLAND, OREGON 97520
(541) 482-3111 FAX (541) 488-4455

Return: Cordy Craner
AmeriTitle
1501 E. McAndrews
Medford OR
97504

herewith in the Official Records of said county.

12036

1.4 "Board" shall refer to the Board of Directors of the Association.

1.5 "Common Property" shall mean and refer to all that portion of the Property owned or leased by the Association, as well as all easements belonging to the Association, including any improvements thereon, which are intended to be devoted to the common use and enjoyment of the members.

1.6 "Declaration" shall mean the covenants, restrictions, and all other provisions set forth in this Declaration of Covenants and Restrictions for the Property.

1.7 "Declarant" shall mean and refer to the undersigned, its successors or assigns.

1.8 "General Plan of Development" shall mean the Declarant's general plan of development of the Property as approved by appropriate governmental agencies and as set forth in this Declaration which shall represent the total general plan and general uses of land within the boundaries of the Property, as may be amended from time to time.

1.9 "Living Unit" or "Unit" shall mean and refer to any portion of a structure situated upon the Property designed and intended for use and occupancy as a residence by a single family.

1.10 "Lot" shall mean and refer to each and any of the Lots identified on the Official Plat of Record, and any which may be subsequently annexed to the Planned Community, together with any other Lots that may be designed as Lots intended for residential use on any supplemental Declaration and plat submitting additional property to the terms of this Declaration. Provided, however, that "Lot" shall not include any lot depicted on any plat of the Property which is designated for use as Common Property on such plat or Declaration of the Property.

1.11 "Member" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession under a land sale contract. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation.

1.12 "Occupant" shall mean and refer to the occupant of a Living Unit who shall be either the Member, lessee or any other person authorized by the Member to occupy the premises.

1.13 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession under a land sale contract. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation.

1.14 "Property" shall mean and refer to all real property, the Common Property and all improvements located on the real property subject to this Declaration, as more particularly set

forth on Exhibit "A" attached hereto, together with such additional Lots and Common Property as may, from time to time, be annexed to the Planned Community. The Property does not include any water or geothermal energy sources in, on, or under any Lot within the subdivision. All such rights are retained by Declarant and under no circumstances shall any member be allowed to use such sources without the prior written consent of the Declarant. These rights may be conveyed to the Association at the sole discretion of the Declarant.

1.15 "Rules and Regulations" shall mean and refer to the documents containing rules and regulations and policies adopted by the Board of Directors of the Association or the Architectural Review Board as may be from time to time amended. These may include restrictions respecting parking and speed of vehicles.

ARTICLE 2 PROPERTY SUBJECT TO THIS DECLARATION

The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is as described on Exhibit "A" attached, and consists of Lots and the adjoining Common Property, together with any Property which may be subsequently annexed to the Planned Community.

ARTICLE 3 GENERAL PLAN OF DEVELOPMENT

3.1 **General.** The Declarant is developing the Property as indicated on the map attached as Exhibit "B". The water system easements on one or more lots, represents the water system supplying water to the residences to be constructed in the subdivision. At the sole discretion of the Declarant, additional water sources located on other Lots in the Property may be used to supplement this water system. That water system shall be retained by Declarant and water shall be available to Members on a monthly fee arrangement, however, Declarant retains the right to assign, or sell ownership of this water system to the Association or any other entity Declarant chooses. Walking trails shall also be created adjoining each road in the subdivision, as well as additional trails connecting same as indicated on Exhibit "B".

3.2 **Ownership of Common Property.** The Declarant shall convey the Common Property to the Association within sixty (60) days after 75% of the Lots have been conveyed to purchasers. In the event the Common Property is ever assessed for property tax purposes separately from the Lots, the Association, by and through its Board of Directors, shall take such steps as may be necessary to assess all Members equally for their share of such taxes and to pay such property taxes on a current basis.

ARTICLE 4
USE RESTRICTIONS; ARCHITECTURAL CONTROLS
AND MAINTENANCE RESPONSIBILITIES

4.1 General.

4.1.1 Governmental Restrictions. All uses, occupancy, construction and other activities conducted on any Lot shall conform with and be subject to applicable zoning, use restrictions, setback requirements, construction and building codes of all local, state and federal public authorities.

4.1.2 Outdoor Storage. No outdoor storage of recreational vehicles, trailers or boats shall be allowed on the Common Property or outdoors on any Lot unless screened from street view as approved by the Architectural Review Board. The same shall apply to trash receptacles.

4.1.3 Combination, Division. No Member shall have the right to divide any Lot. Any Member, upon compliance with the requirements of all applicable zoning, building and land use laws, regulations and ordinances, and the architectural requirements of the Declaration and any rules and regulations of the Association may construct (reconstruct or replace) one Unit on 2 or more Lots.

4.2.1 Use. All Lots and Living Units shall be used for residential, recreation and vacation purposes only. No commercial, retail or industrial use shall be allowed on any Lot or in any Living Unit, excepting "home offices" allowed by applicable zoning laws. No trade or business of any kind shall advertise from any part of a Lot. Under no circumstances shall any residence on any Lot be utilized as a daycare facility or foster home of any kind. Notwithstanding, Declarant may be constructing, or cause others to construct, certain commercial facilities to provide goods and services to the Members and the general public. Subject to compliance with applicable laws and any rules or regulations of the Association, a Member may rent his or her Living Unit on a nightly, monthly or other basis, even though such rental activity is considered a commercial use.

4.2.2 Living Unit Construction. The concept of Lakewoods Subdivision is for cabins (Living Units) to be constructed in a planned fashion to enhance the desirability and continue to increase the value for all Members. In order to best facilitate this intent the following is required for all Lot Owners:

(a) All Lot Owners are required to start construction of a Living Unit within one year from the date a Lot is conveyed. This Living Unit is required to be completed in no more than one year from the start of construction. The Board of Directors may grant an extension appropriate to some special circumstances. In the event the Lot Owner does not comply with either of these deadlines, and there has not been any extension granted by the Board, the Declarant shall be entitled to purchase that Lot from the Lot Owner for the same price paid Declarant initially. The payment terms will be identical to the terms in Declarant's initial sale. If

the Owner sells this Lot before construction has commenced or completed, the new Owner must still meet all existing time deadlines, unless granted an extension from the Board.

(b) Before any construction is started, the drawings and specifications for this Living Unit must comply with any applicable city, county, state, and federal rules and regulations that govern said construction, along with the rules and regulations of this Declaration and the Bylaws. The Architectural Review Board must first approve all drawings and specifications in writing before any construction is commenced. After construction is completed and all of the governmental agencies have issued certificates of compliance and completion, the Architectural Review Board will certify the Living Unit for compliance of this Declaration. If this Living Unit fails to meet the standards imposed by the Declaration, in the sole discretion of the Architectural Review Board, the Owner will be instructed in writing to correct the Living Unit deficiencies. The Owner must correct these deficiencies within thirty (30) days from the receipt of written notice by the Board for non-compliance. If any Owner neglects to do so, the Association may undertake to perform such function and the cost thereof shall be assessed against that Member.

4.2.3 Fencing and Screening. The concept of Lakewoods Subdivision contemplates that the natural landscaping and exterior vistas will be a unified concept flowing across the entirety of the subdivision with minimal identification of the boundaries of individual ownerships within the entire area. Under no circumstances will hedges, fences, or walls be permitted near property lines. All fencing will be uniform composition; 6" diameter wood pole posts and 3" diameter wood pole horizontal rails. These fences will be no taller than 5' and have no more than 3 rails. Wood preservatives may be used but no paint or colorized stain. All fencing must enhance the look and functionality of the overall subdivision. The basic concept is that areas surrounding residences blend into each other. Fencing, hedges, walls, or screening shall be permitted for dog runs, wood or outdoor storage, bicycle racks, garbage cans, service meters, propane tanks, and air conditioning condensing units to hide same from view. Such screening shall be of materials and finish consistent with the principal structures on the site.

4.2.4 Landscaping. All the Property will be left completely natural to be consistent with the adjoining National Forest. Any additional landscaping features are to be of similar nature to the natural settings, and must first be approved by the Architectural Review Board.

4.2.5 Temporary Structures. No structure of a temporary character including trailers, tents, shacks, garages, barns, or other outbuildings shall be used on any Lot at any time as a residence either temporarily or permanently.

4.2.6 Signs. No signs of any kind or character shall be exhibited, displayed, or placed upon any portion of a Lot excepting those used for commercial purposes and signs not larger than 10" by 15" bearing the words "For Sale" or "To Rent" together with a name and address of the person to whom inquiries regarding the sale or rental of such property are to be addressed. The Owner or Occupant of a residence may also place one sign upon the premises indicating the name and profession of the Occupant but such sign shall not be larger than 6" by 12".

4.2.7 Pets, Livestock, and Poultry. No animals, livestock, or poultry of any kind shall be raised or bred or kept on any Lot except that dogs, cats, or other household pets may be kept if not bred or maintained for any commercial purpose. Dogs, cats, and other household pets must be kept restrained at all times and at no time allowed to run at large in the subdivision or the adjacent National Forest. Pets and horses must be controlled and all droppings immediately removed by the Owners of the pet. Horses are not allowed to be kept on any Lot and must be maintained only in the equestrian facility.

4.2.8 Garbage and Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish. All of it must be kept in sanitary containers maintained in a clean and sanitary condition.

4.2.9 Clotheslines and Drying of Clothes. No clotheslines, clothing, laundry, or wash shall be aired or dried on any portion of the Lots that would be visible from neighboring Lots, Common Property, pedestrian trails, or the National Forest.

4.2.10 Outside Lighting, Windows, and Exterior Siding. All exterior lighting must be approved by the Architectural Review Board. All window sash are to be constructed of wood, with an exterior transparent, or semi-transparent stain; bronze, brown, or tan metals; or tan vinyl. All exterior siding shall be log construction or wood of the type and quality to accept a transparent stain, and to be finished with a semi-transparent, or transparent stain. Stain color, and type and quality of wood siding are to be approved by the Architectural Review Board. All stains must be of natural colors that blend in with the surrounding forest area.

4.2.11 Roofs and Trees. The main roof structure shall be at a minimum pitch of 8 by 12. Ancillary roofs to the main roof may be of lesser pitch. All roofing shall be a weathering steel roofing material only, with color and type approved by the Architectural Review Board. Existing trees shall not be trimmed or removed without the prior written consent of the Architectural Review Board. Any new trees planted shall be of same or similar species to the natural trees, and must first have prior written consent of the Architectural Review Board.

4.2.12 Walks and Pathways. It shall be the responsibility of each Member to allow maximum ease of pedestrian, equestrian, and vehicular ingress and egress over trails and driveways, and there shall be no obstruction by a Member which would interfere with any other Member's use of said Common Property or access to a Member's Lot.

4.2.13 Size of Residential Units. There shall be no residential unit built on a Lot adjacent to a National Forest any smaller than 1300 square feet in living space. Besides daylight basements, no building shall exceed 2-1/2 stories or 40 feet in height, whichever is less. Exceptions may be permitted for Lots adjacent to National Forest boundaries or Common Property at the sole discretion of the Architectural Review Board.

4.3 Common Property. No Member shall construct or place any structure, material, planting, equipment or any object of any kind on any portion of the Common Property, unless granted written permission by the Board of Directors, and then only in strict compliance with such authorization.

4.4 Exterior Maintenance, Repair and Replacement. The Association shall perform all maintenance concerning all Common Property and each Member shall be responsible for all exterior maintenance, keeping same free of trash and debris, respecting that Member's Lot. If any Owner neglects to so maintain, the Association may undertake to perform such function and the cost thereof shall be assessed against that Member.

4.5 Underground Utilities. No outdoor overhead wire or service drop for the distribution of electric energy or for telecommunication purposes nor any pole, antennae, satellite receiving dish, tower or other structure for independent reception, transmission or support of any of the above shall be erected, placed or maintained within the Property. Small television dish receivers will be allowed.

4.6 Leases/Rentals. Each Member shall have the right to lease or rent his or her Unit for any period of time, subject to full compliance with applicable laws, the Declaration, Bylaws and Rules and Regulations of the Association and applicable local, state and federal laws and regulations. All such leases or rental agreements shall be in writing and shall be deemed to provide that their terms shall be subject in all respects to the provisions of this Declaration, Bylaws and Rules and Regulations of the Association and that any failure by the lessee or renter to comply with the provisions of such documents shall constitute a default under said lease or rental agreement. The lessee's or renter's use and enjoyment of the Common Property under such lease or rental agreement shall be subject to suspension by the Board of Directors for any of the causes set forth elsewhere in this Declaration, including, without limitation, the nonpayment of assessments with respect to the Lot occupied by the lessee or renter. Any such lessee or renter shall be entitled to the use and enjoyment of the Common Property; provided, a Member may not sever the right to the use and enjoyment of the Common Property from the right to occupy his or her Lot and the improvements thereon by means of a lease, rental agreement or otherwise.

4.7 Architectural Review Board.

4.7.1 Composition. The Declarant shall appoint and replace, when necessary, an Architectural Review Board. After residences have been constructed on all of the Lots, the Board of Directors shall assume that responsibility. The Declarant may, however, turn over the Architectural Review Board responsibilities to the Board of Directors at any time prior to the completion of all construction, at the sole discretion of the Declarant. A quorum for the Architectural Review Board action shall be a majority of its members.

4.7.2 Duties. It shall be the duty of the Architectural Review Board to regulate the external design, appearance, location and maintenance of all the Property and of improvements

thereon, whether on a Lot or Common Property, and to regulate use of such Property as described in this Declaration. Upon conveyance of the first Lot to a Member, the Architectural Review Board shall adopt general rules to implement the purposes and interpret the covenants of this Article, including, but not limited to, rules not less restrictive than those contained in this Declaration to regulate animals and tenants, storage and use of recreational vehicles, storage and use of machinery, use of outdoor drying lines, trash containers, planting, maintenance and removal of vegetation of the Property.

4.7.3 Approval Required. No residence, outbuilding, fence, wall or other structure of any type shall be erected upon the Property, nor shall any exterior addition to, change in, painting or staining of, or alteration to any Unit, outbuilding, fence, wall, or other structure on the Property of any type be made until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing by the Architectural Review Board as to the harmony of external design, materials, color and location in relation to surrounding structures and topography.

4.7.4 Procedure. A Member wishing to take any action requiring approval under this Article shall give notice of such proposed action to the Architectural Review Board, together with complete plans and specifications therefore. The Architectural Review Board shall meet to review the Member's request within 10 days of receipt and shall render a decision by the vote of a majority of Board Members present within 15 days of receipt. Interested Members shall have an opportunity to comment on the request at all such meetings, which shall be open to all Members.

If the Architectural Review Board fails to render a written decision within the time allowed, the request shall be deemed to be approved.

4.7.5 Appeal. The decision of the Architectural Review Board under this Article (including any failure to approve or disapprove within the time allowed) shall be final and binding on the Members.

4.7.6 Exemptions. The following actions by the following persons shall be exempt from the provisions of this Article.

(a) The planting of any shrubs, flowers or other plants (including trees) by any Member within a fenced courtyard.

(b) Any act of the Declarant in implementing the Declarant's General Plan of Development with respect to any Lot or any portion of the Common Property in the development.

4.7.7 Delegation. After the Board of Directors assume the responsibilities of the Architectural Review Board, as outlined in Section 4.7.1, it may delegate the duties of the Architectural Review Board to a committee appointed by the Board of Directors composed of not less than 3 Members.

4.7.8 Enforcement. In the event of contravention of the foregoing, the improvement shall be restored to its original condition by the Association and the cost thereof assessed against the Member.

ARTICLE 5 ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

Each Member shall be a mandatory member of the Association as provided in the Bylaws and subject to all the terms thereof. Voting rights shall be as set forth in Article III of the Bylaws.

ARTICLE 6 DECLARANT CONTROL

The Declarant hereby reserves administrative control of the Association as provided in the Bylaws.

ARTICLE 7 COMMON PROPERTY

7.1 Obligations of the Association. Subject to the rights of Members set forth in this Declaration, the Association shall be responsible for the exclusive management and control of the Common Property and any improvements thereon as set forth in the Bylaws.

7.2 Members' Easement of Enjoyment. Subject to the provisions of this Declaration, the Bylaws, and Rules and Regulations of the Association, every Member shall have a nonexclusive right and easement of enjoyment in and to the Common Property, which shall be appurtenant to and shall pass with the title to every Lot.

7.3 Extent of Members' Easements. The members' easements of enjoyment created hereby shall be subject to the following:

7.3.1 Subject to Rules and Fees. The right of the Association to establish reasonable rules and to charge reasonable assessments and fees for capital expenditures on the Common Property and the maintenance and upkeep of the Common Property and payment of all Association expenses.

7.3.2 Suspension of Member's Right. The right of the Association to suspend the right of a Member or any occupant of a Lot to use the Common Property and facilities for any period during which any assessment against such Member or occupant's Lot remains unpaid for more than 30 days after notice of such nonpayment and the right of the Association to suspend the right of a member to use any Common Property for a period not to exceed 60 days for any other infraction of the Declaration, Bylaws or the Rules and Regulations of the Association. Provided, however, that no such suspension pursuant to this subsection shall deprive a Member of access to his or her Lot.

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LAW OFFICES OF
DAVIS, GILSTRAP, HEARN, SALADOFF & SMITH
A Professional Corporation
515 EAST MAIN STREET
ASHLAND, OREGON 97520
(541) 482-3111 FAX (541) 488-4455

7.3.3 Sale of Common Property. The Association has the right to sell, dedicate or transfer any portion of the Common Property or to create a security interest therein. Except as to the grant of easements for utilities and similar or related purposes, no such sale, dedication or transfer shall be effective unless approved by 80 percent of the votes held by Members other than the Declarant. A sale of the Common Property may provide that it be released from any restriction imposed by this Declaration, however, it may not deprive any Lot of its right of access to, or support for, the Lot without the consent of its Owner.

7.4 Declaration of Use. Any Member may delegate his or her right of enjoyment to the Common Property and facilities to the members of the Member's family, tenants, and to a reasonable number of guests subject to Rules and Regulations as may be established from time to time by the Association.

7.5 Damage or Destruction of Common Property by Member. In the event any Common Property is damaged or destroyed by a Member or any of his or her guests, tenants, licensees, agents or members of his or her family in a manner that would subject such Member to liability for such damage under Oregon law, such Member does hereby authorize the Association to repair such damage; the Association shall repair damage in a good and workmanlike manner as originally constituted or as the area may be modified or altered subsequently by the Association in the discretion of the Association. The reasonable cost necessary for such repairs shall become a special assessment upon the Lot of the Member who caused or is otherwise responsible for such damage.

ARTICLE 8 COVENANTS FOR MAINTENANCE ASSESSMENTS/SPECIAL ASSESSMENTS; AND COMMON PROFITS

8.1 Creation of the Lien and Personal Obligation of Assessments. The Declarant hereby covenants, and each Member of any Lot by acceptance of a deed thereof, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay the Association (1) regular assessments or charges for common expenses, and (2) special assessments as provided in Section 8.7. All such assessments, together with interest thereon at the rate established from time to time by resolution of the Board of Directors and together with all costs, fees, charges and fines allowed by law, shall be a lien and charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Such lien shall exist and be executed, recorded and foreclosed in the manner provided by law.

8.2 General Assessments.

8.2.1 Purpose of Assessments. The assessments levied under this Article shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the Property, and for the improvement and maintenance of such Property, including payment of premiums for insurance of the Association and to fund a replacement reserve for those items of

which the Association has maintenance responsibility, and for payment of any common operating expenses such as landscaping, maintenance, Association water, sewer, power, and garbage collection, management services, geothermal system, sprinkler systems, lighting systems, legal and accounting services and the like. Neither the Association, nor any assessments of the Members shall be used to engage in lobbying or to exert political influence.

8.2.2 Basis for Assessment. Each Lot shall be assessed equally by the Association to meet the financial needs of the Association.

8.2.3 Method of Assessment. Until the turnover meeting, as provided in the Bylaws, the assessment amount shall be established by the Declarant, and may be modified at any time provided each member receives 30 days written notice of same. Thereafter, the Board of Directors shall determine the annual assessment in accordance with the provisions hereof, provided, however, the annual assessment shall be sufficient to meet the obligations imposed by the Declaration. The budget shall be presented to the Association and may be amended by a majority of the votes of the Members. Both annual and special assessments must be fixed at a uniform rate for all Lots. The Board shall set the date(s) such assessment shall become due. The Board may provide for collection of assessments annually or in monthly, quarterly or semi-annual installments; provided, however, upon the default in the payment of any one or more installments, the entire balance of such assessment may be accelerated at the option of the Board and be declared due and payable in full, together with interest and attorney fees and costs as hereinafter provided. The Board shall have authority to assess fewer than all lots for common expenses benefiting those fewer Lots. If the Board determines that any common expenses are the fault of any Owner, it may assess the expense exclusively against the Lot of that Owner. Notwithstanding any other provisions of this Section 8.2, the general assessments of the Association may not be increased by more than 20 percent in any one year without approval of a majority of the Members at a meeting at which a quorum exists, or a majority of the votes of all Members, if the vote is taken by written ballot.

8.3 Date of Commencement of Annual Assessments. Initially, the Declarant shall pay all common expenses. The general assessments with respect to the Lots shall commence at the time the Declarant declares, but in no event later than the first day of the month following the conveyance of the first Lot to a Member other than the Declarant. The Declarant shall pay the assessments for each Lot unsold until it shall be conveyed, and this includes contributions to reserve accounts.

8.4 Initial Assessment. Upon the closing of the sale of each Lot to a Member other than the Declarant, each Member shall contribute a sum equal to 2 times the monthly assessment as a one-time contribution to the working capital of the Association, together with such other sums as may be called for by the sales agreement and Bylaws. If the Declarant has made such contribution, no further contributions shall be required to the Association, but each purchaser, upon closing, shall reimburse the Declarant for the amount of such contribution made by the Declarant in respect to the Lot conveyed.

8.5 Common Property Reserve Study. Declarant has performed a Reserve Study to establish the initial assessment for the Reserve Account. The Board shall conduct an annual update to the Reserve Study performed by the Declarant to determine the reserve account requirements and may adjust the amount of payments as indicated by the study or update and provide for other reserve items that the Board may deem appropriate. The study shall include identification of all items for which reserves are required to be established, their estimated remaining useful life, the estimated cost of maintenance, repair or replacement of each item at the end of its useful life, and a 30 year plan to meet that maintenance, repair and replacement schedule.

8.6 Common Property Reserve Account. The assessment against each Lot, regardless of whether it has been improved, shall include an amount allocated to a reserve account established for the purpose of funding replacements of those elements of the Common Property that will normally require replacement, in whole or in part, in more than 3 and less than 30 years. The account shall be in the name of the Association and separated from other funds. It shall be used only for the purposes for which the reserves have been established. The account shall also fund other items, whether or not involving Common Property, if the Association has responsibility to maintain the items unless they could reasonably be funded from operating assessments. Amounts assessed with respect to reserves shall take into account the estimated remaining life of the items for which the reserve is created and the current replacement cost of such items based on the results of the Reserve Study described in section 8.5. The reserve account need not include reserves for those items for which one or more Members are responsible for maintenance and replacement under the provisions of this Declaration or the Bylaws. The assessments pursuant to this section shall accrue from the date of conveyance of the first Lot in the Property. The Board may borrow funds from this reserve account to meet high demands on the regular operating funds or to meet other unexpected increases in expenses. The Board shall repay such funds according to a written payment plan adopted no later than the date the budget is adopted for the following year, said plan providing for repayment within a reasonable period. The Association may, on an annual basis by a unanimous vote, elect not to fund the reserve account. By a vote of at least 75% of the members, the Association may also elect to reduce or increase future assessments for the account.

8.7 Special Assessments. The Declarant and the Board of Directors after it assumes administrative control of the Association shall have the power to levy special assessments against a Member or all Members in the following manner for the following purposes:

- (a) To correct a deficit in the operating budget;
- (b) To collect amounts due to the Association from a Member for breach of the Member's obligations under the Declaration, these Bylaws, or the Association's Rules and Regulations.
- (c) To make repairs or renovations to the common property if sufficient funds are not available from the operating budget or replacement reserve accounts; or

(d) To make capital acquisitions, additions or improvements, provided they are approved by vote of at least 50 percent of all votes allocated to the Lots.

8.8 Effect of Non-Payment of Assessments: Remedies of the Association. Any assessment unpaid within 20 days of its due date shall incur a late fee of 10 percent of the delinquent installment. In addition to any other remedies provided by law, the Association may bring an action at law against the Member personally obligated to pay the same or foreclose a lien upon the Member's Unit. No such action or judgment entered therein shall be a waiver of the lien of the Association. The Board shall have authority to compromise overdue assessment claims if it benefits the Association. No Member may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Property or abandonment of his or her Lot. An Owner may not claim to offset an assessment for failure of the Association to perform the Association's obligations. The Declarant shall have this power prior to the initial meeting of the Association.

8.9 Subordination of the Lien to Mortgages. The lien with respect to any assessment provided for herein shall be prior to any homestead exemption and all other liens and encumbrances on a Lot, except:

- (a) A lien for real estate taxes and other governmental assessments or charges; and
- (b) Liens and encumbrances recorded before the recordation of this Declaration.

Sale or transfer of any Lot shall not affect the assessment lien.

8.10 Common Expenses and Profits. Profits arising from any operation or from the sale of any Association asset shall be shared among the Members in proportion to their liability for payment of assessments, i.e. equally. That the Association receives assessments for the maintenance of the Common Property does not prohibit it from also charging fees for the use of Common Property to those who use same. Common expenses shall be, similarly, shared equally.

ARTICLE 9 DECLARANT'S SPECIAL RIGHTS

Until the improvements on all Lots on the Property have been constructed, fully completed and sold, with respect to the Common Property and each Lot on the Property, the Declarant shall have the following special rights:

9.1 Sales Office and Model. The Declarant's designee shall have the right to maintain a sales office and model on one or more of the Lots which the Declarant or the designee owns. The Declarant or the designee and prospective purchasers and their agents shall have the right to use and occupy the sales office and models during reasonable hours any day of the week.

Declaration -13-

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9.2 "For Sale" Signs. The Declarant or the designee may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, the Common Property.

9.3 Declarant Easements. The Declarant has reserved easements over the Property as more fully described in Article 12 hereof.

ARTICLE 10 DAMAGE AND DESTRUCTION

10.1 Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty, or any other damage and destruction, the insurance proceeds of the master policy, if sufficient to reconstruct the damaged or destroyed improvements, shall be applied to such reconstruction which shall commence within 120 days of such damage, or as soon thereafter as proceeds are available. Reconstruction of the damaged or destroyed improvements, as used in this paragraph, means restoring the improvements to substantially the same condition in which they existed prior to the fire, casualty or disaster. Such reconstruction shall be accomplished under the direction of the Board of Directors.

10.2 Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed improvements, the damage to, or destruction of, such improvements shall be promptly repaired and restored under supervision of the Board of Directors, using the proceeds of insurance, if any, on the improvements for that purpose and all the Members shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the Member's contribution any individual policy insurance proceeds provided by such Member. Such reconstruction shall commence within 120 days of such damage, or as soon thereafter as proceeds are available.

10.3 Insurance for Residences. Each Member shall cause that Member's residence to be insured to its full insurable value with extended coverage and special form endorsements purchased through an insurance company duly licensed or admitted to transact business in the State of Oregon, and holding a "General Policyholders Rating" of at least "A" and a financial rating of not less than Class XII, or such higher ratings as may be required by a lender having a lien on the property, as set forth in the most current issue of "Best's Insurance Guide", and naming the Association as an additional insured, and shall cause the insurance company to furnish the Association with a certificate showing such insurance to be in effect. If any Member fails to furnish said certificate, the Association may obtain such insurance with the proceeds payable to the Member and the Association. The cost thereof shall be assessed against the Member. All proceeds shall be utilized in the repair and restoration of any damage to improvements on said Lot. Any uninsured losses shall be borne by the Member owning said Lot.

10.4 Liability Insurance. The Association shall obtain liability insurance coverage which names the Association and Declarant as insureds with respect to any liability related to the Property, and shall cause the insurance company to furnish the Association and the Declarant with a certificate showing such insurance to be in effect. The amount of the liability coverage is to be determined by the Board of Directors annually.

ARTICLE 11 CONDEMNATION OF COMMON PROPERTY

In the event that all or any portion of the Common Property is appropriated as the result of condemnation or threat or imminence thereof, the following rules and guidelines shall apply:

11.1 Representation by Association. The Board of Directors of the Association shall have the sole authority, right and duty to represent each of the Members for the purpose of negotiating and contesting, if it deems so doing to be necessary or appropriate, any condemnation award offered by the condemning authority in question and may authorize expenditures and assessments to retain adequate counsel or other experts for such purposes.

11.2 Allocation of Condemnation Award. The Board of Directors of the Association shall allocate and distribute any condemnation award received by it with respect to the Common Property to the Members in proportion to the diminution in fair market value incurred by them with respect to their respective Lots and improvements as a result of said condemnation.

11.3 Arbitration. In the event of any controversy by, among or between any Member or Members and the Board of Directors arising under this Section, each of the disputing parties shall choose one (1) arbitrator and such arbitrators shall choose one (1) additional arbitrator. The 3 arbitrators shall resolve the controversy by majority vote and said decision shall be final, binding and unappealable upon the disputing parties. Any action or decision of the Board of Directors pursuant to this Section shall carry a rebuttable presumption of correctness for purposes of arbitration pursuant to this Section. The disputing parties each shall pay all the fees and expenses of the arbitrator designated by each of them and shall pay equally all fees and expenses of the third arbitrator. The disputing parties each shall pay their own expenses in connection with the arbitration.

11.4 Retention of Rights. No provision of this Section shall be construed as negating the right of the individual Members to such incidental relief as the law may provide as a result of the condemnation of the Common Property.

ARTICLE 12 EASEMENTS

12.1 Association's Easements. The Declarant hereby grants to the Association a blanket easement with respect to all Lots on the Property for the purpose of installing, maintaining,

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LAW OFFICES OF
DAVIS, GILSTRAP, HEARN, SALADOFF & SMITH
A Professional Corporation
515 EAST MAIN STREET
ASHLAND, OREGON 97520
(541) 482-3111 FAX (541) 488-4455

repairing and replacing utilities lines and facilities located on the Lots and the Association shall have an easement on each Lot situated within 15 feet of each roadway for installation and maintenance of utilities' lines and pedestrian and equestrian trails.

Easements (15' in width) for same shall also be situated:

Lot 7, Block 1, Unit No. 1 - North line.
 Lot 16, Block 2, Unit No. 1 - South line.
 Lot 6, Block 2, Unit No. 1 - North line.
 Lot 20, Block 2, Unit No. 1 - North and East lines.
 Lot 19, Block 2, Unit No. 1 - North line.
 Lot 14, Block 2, Unit No. 1 - North line.
 Lot 6, Block 3, Unit No. 2 - West line.
 Lot 11, Block 3, Unit No. 2 - West line.
 Lot 10, Block 5, Unit No. 2 - North line.
 Lot 6, Block 5, Unit No. 2 - North line.
 Lot 45, Block 1, Unit No. 3 - Northeast line.
 Lot 30, Block 1, Unit No. 3 - Northeast line.
 Lot 27, Block 1, Unit No. 3 - Southeast line.

These easement areas may also be utilized by the Association for any other desired improvements such as entry systems, retaining walls, landscape, lighting and sprinkler systems, water features and systems, mailbox areas, and signage. The easements granted in this Section shall be perpetual and shall run with the land.

12.2 Declarant's Easements. The Declarant hereby reserves to itself a blanket easement over, upon, through and under the Property, including, without limitation, all Lots and Common Property, for all purposes reasonably required in carrying out the General Plan of Development including, without limitation, ingress and egress, the construction, alteration, completion and decoration of Units or improvements developed on the Property, the installation, maintenance, repair and replacement of all utility and service lines and systems serving Units, and the sale of Lots and Units. The easement herein reserved shall include the right to store materials on the Common Property at such places and for such periods as may be reasonably required to effect the purposes for which this easement is reserved. The Declarant shall also have an easement for accessing water and geothermal energy sources under any Lot or the Common Property. The easements shall be perpetual and shall run with the land and shall be freely assignable by the Declarant.

12.3 Members Easements. The Declarant hereby grants to each Member an easement over the Common Property and over other Lots for driveways and other minor encroachments into the Common Property or other Lots arising from the Unit having not been constructed, or not having been reconstructed, precisely within the Lot line. Each Member shall also have an easement to construct or maintain slopes or drainage ways on neighboring Lots. This easement shall be perpetual and run with the land.

ARTICLE 13 GENERAL PROVISIONS

13.1 Enforcement. The Declarant, the Association and the Members within the Property or 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 appertain specifically to such parties or Members by any proceeding at law or in equity. Failure by the Declarant, the Association or by a Member or mortgagee to enforce any covenant 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 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, the cost of the appeal, together with reasonable attorney fees, to be set by the appellate court. In addition thereto, the Declarant or 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. The same shall apply in any litigation brought by the Declarant, the Association or a member to enforce compliance with Rules and Regulations enacted by the Association.

13.2 Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall not affect the other provisions hereof and the same shall remain in full force and effect.

13.3 Duration. The covenants and restrictions of this Declaration shall run with and bind the land for a term of 35 years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of 10 years, unless rescinded by a vote of at least 90 percent of the Members. Provided however, amendments which do not constitute rescission of the planned community may be adopted as provided in Section 13.4.

13.4 Amendment. An amendment to the Declaration or recorded Plat may be proposed by a majority of the Board or by at least 30 percent of the Members. Except as otherwise provided in Sections 13.3 and 13.9, and the restrictions set forth elsewhere herein, this Declaration or the recorded Plat may be amended at any time by an instrument approved by not less than 75 percent of the total votes of members that are eligible to vote. Any amendment must be executed and certified on behalf of the Association by the President and Secretary as being adopted in accordance with the Declaration and applicable law. It shall be acknowledged as for deeds and recorded as the Declaration is recorded. It shall be effective only upon recording. Provided, however, that no amendment of this Declaration shall effect an amendment of the Bylaws without compliance with the provisions of such documents, and the Oregon Non-Profit Corporation Act. Provided further, no amendment affecting the general plan of development or any other special right of the Declarant herein contained may be effected without the express written consent of the Declarant or its successors and assigns. Provided further, no amendment changing the boundaries or uses of any Lot may be effected unless the Owners of the affected

Lots unanimously consent to the amendment.

13.5 Rights of Mortgagees. Any holder of a first mortgage or equivalent lien on any Lot and/or the improvements located thereon, upon written request to the Board of Directors of the Association, shall have the right to:

- (a) Receive timely written notice of meetings of the Association;
- (b) Receive timely written notice of any proposed abandonment, termination or contraction of this planned unit development;
- (c) Receive timely written notice of any material amendment of the Declaration or the Articles of Incorporation or Bylaws of the Association;
- (d) Receive timely written notice of any decision by the Association to terminate professional management and to assume self-management of the Property, if the Association previously has retained professional management services;
- (e) Inspect the financial records and similar documents of the Association at reasonable intervals during normal business hours;
- (f) Receive written notice of substantial damage or destruction of any Lot and/or the improvements thereon or the Common Property and/or any improvements thereon; and
- (g) Receive timely written notice of any condemnation or eminent domain proceeding affecting the Common Property or any portion thereof.

13.6 Release of Right of Control. The Declarant may give up its right of control in writing at any time by notice to the Association.

13.7 Unilateral Amendment by Declarant. The Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the United States Department of Veterans Affairs, the Farmers Home Administration, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or the City and County in which the project is situated, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee or provide financing in connection with the development of the Property and sale of Lots. Prior to the turnover meeting referred to in the Bylaws, no such amendment shall require notice to or approval by any Member.

13.8 HUD/VA Financing. If any Living Units are subject to financing through HUD or Federal VA programs, there shall be no annexation of additional properties, dedication of Common Area, or amendment of this Declaration without prior approval of said agency or until the initial meeting of the Association.

IN WITNESS WHEREOF, the undersigned being Developer herein, has executed this instrument this 20th day of February, 2002.

LAKEWOODS DEVELOPMENT, LLC

By: 

DAVID W. HAMMONDS

STATE OF OREGON)
) §
COUNTY OF JACKSON)

On this 20 day of February, 2002, personally appeared the above-named David W. Hammonds, who is the Managing Member of Lakewoods Development, LLC, and acknowledged the foregoing instrument to be a voluntary act. Before me:

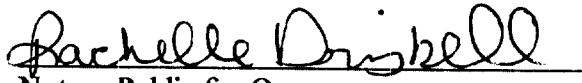
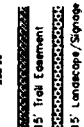

Notary Public for Oregon
My Commission Expires July 29, 2005



Exhibit "A"

All of Blocks 1 and 2, TRACT NO. 1034, LAKEWOODS SUBDIVISION UNIT NO. 1; Block 3, TRACT NO. 1051, LAKEWOODS SUBDIVISION UNIT NO. 2, All of Block 4, TRACT NO. 1051, LAKEWOODS SUBDIVISION UNIT NO. 2; All of Blocks 1 and 5, TRACT NO. 1077, LAKEWOODS SUBDIVISION UNIT NO. 3, according to the official plats thereof on file in the office of the County Clerk of Klamath County, Oregon.



Lakewoods Subdivision Unit No.1
Sited in Gov't Lots 2 & 3, Section 5,
TWP 38S, R5E, W.M., Klamath County, Ore

Lakewoods Subdivision Unit No.2
Situating in Gov't Lots 1, 2 & 3, Section 5,
TWP 38S, R5E, W.M., Klamath County, Oregon

Lakewoods Subdivision Unit No.3
Situating in Gov't Lots 1 & 2, Section 5,
TWP 38S, R5E, W.M., Klamath County, Oregon