

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE
ORCHARD AT CARNEROS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE ORCHARD AT CARNEROS (the “**Declaration**”) is made this _____ day of _____, 2007, by CARNEROS COTTAGES, LLC, a California limited liability company (“**Declarant**”).

R E C I T A L S

A. Declarant is the owner of that certain real property (the “**Property**”) located in the County of Napa, State of California, which Property is more particularly described on Exhibit “A”, attached hereto, and all improvements located thereon, including, without limitation, seventeen (17) Cottages located thereon (the “**Cottages**”), together with related “Common Areas” and “Common Furnishings” (as such quoted terms are hereinafter defined), and commonly known as The Orchard at Carneros.

B. Declarant intends to convey undivided interests (“**Fractional Interests**”) in the lot comprising the Property providing in each deed therefor that the grantee or grantees named therein shall have certain defined rights to occupy a Cottage and to use the Common Area and the Common Furnishings during certain specified time periods subject to the declarations, limitations, covenants, conditions and restrictions set forth in this Declaration (the “**Fractional Program**”).

C. By this Declaration, Declarant intends to establish a common scheme and plan for the use, enjoyment, repair, maintenance, restoration and improvement of the Property and for the payment of taxes, assessments, insurance premiums and other expenses pertaining thereto.

NOW, THEREFORE, in furtherance of such intent, Declarant hereby declares that the Property shall be held, conveyed, hypothecated, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the following easements, covenants, conditions and restrictions set forth in this Declaration, as this Declaration may be amended from time to time, and subject to the Rules and Regulations, all of which easements, covenants, conditions and restrictions and the Rules and Regulations are declared to be in furtherance of a plan established for the purpose of enhancing and perfecting the value, desirability and enjoyment of the Property and the Fractional Interests therein. All such easements, covenants, conditions and restrictions and Rules and Regulations shall constitute covenants running with the land and equitable servitudes and liens, and shall be binding upon and for the benefit of Declarant and each such interest conveyed, to wit, each Fractional Interest, and shall be binding upon and for the benefit of all parties having or acquiring a Fractional Interest, including, but not limited to, the heirs, executors, administrators and assigns of any such parties and all subsequent owners of such Fractional Interests.

ARTICLE I. DEFINITIONS

As used herein, the following terms shall have the following meanings:

1.1 “Annual Report” means a report to Owners comprising (a) a balance sheet relating to the Association as of the last day of a Fiscal Year, (b) an operating statement for such Fiscal Year, (c) a statement of the net changes in financial position of the Association for such Fiscal Year, and (d) a list of the names, mailing addresses and telephone numbers of the members of the Board.

1.2 “Articles” means the Articles of Incorporation of The Orchard at Carneros Association, a California nonprofit mutual benefit corporation which are, or shall be, filed in the Office of the Secretary of State of California, as said Articles may be amended from time to time.

1.3 “Assessments” means, collectively, the Basic Assessment, Tax Assessment, Special Assessment, Supplemental Tax Assessment and Reconstruction Assessment.

1.4 “Assigned Cottage” means any Cottage, the occupancy of which has been assigned to a Member in accordance with the Rules and Regulations or assigned to an Exchange User pursuant to an Exchange Program.

1.5 “Association” means The Orchard at Carneros Association, a California nonprofit mutual benefit corporation.

1.6 “Base Assessed Value” means, for each Tax Year, the sum of the assessed valuation ascribed by the County Assessor to each of the lots within the Property as of the Lien Date next preceding the Starting Date for each such parcel, as such assessed valuations may be adjusted (a) by the Prop. 13 Percentage or (b) by the Association to reflect any “New Base Year Value”, as the quoted term is defined in Section 75.8 of the California Revenue and Taxation Code (Chapter 498 of Statutes of 1983), resulting from the completion of construction of improvements upon such parcel or parcels.

1.7 “Basic Assessment” means, for each Fractional Interest and for each Fiscal Year, an assessment levied by the Association against such Fractional Interest in an amount determined by allocating the Basic Expenses equally to each Cottage. By way of example, if there are seventeen (17) Cottages in the Project, the Basic Assessment for each Fractional Interest would be calculated as the product of $[(1/10\text{th}) \times (\text{the Basic Expenses allocable to each of the 17 Cottages})]$.

1.8 “Basic Expenses” means the estimated aggregate amount of expenses, as set forth in the Budget, to be incurred by the Association during the applicable Fiscal Year:

(a) to operate and manage the Project, including, without limitation, maintenance, improvements and repairs to the Cottages, Common Area and the Common Furnishings;

(b) to provide for the collection of funds on an annual basis over the useful life of the Project components in an amount sufficient to meet the Reserve Expenses;

(c) to provide for a contingency fund in the event that some Assessments may not be paid on a current basis; and

(d) to provide for the payment of the fees of the Manager.

Without limiting the generality of the foregoing, Basic Expenses shall include:

(i) All charges, costs, and expenses whatsoever incurred by the Association for or in connection with the administration and operation of the Project;

(ii) Taxes, including, without limitation, real property taxes, assessed against the Property, Fractional Interests and Common Furnishings and are not separately levied by the County or other governmental agency against each Owner of the Fractional Interests;

(iii) Assessments and other similar governmental charges levied on or attributable to the Project, including, without limitation, any and all Community Facilities District assessments, unless separately levied against each Owner of the Fractional Interests;

(iv) Insurance obtained pursuant to this Declaration;

(v) Any liability whatsoever for loss or damage arising out of or in connection with the Project or any fire, accident, or nuisance within the Project;

(vi) Cost of repair, reinstatement, rebuilding and replacement of the Project;

(vii) The costs of all basic utility services, including water, sewage disposal, electricity, natural gas, garbage disposal, telephone and any other similar service attributable to the Project;

(viii) The unpaid share of any Assessment levied during the previous Fiscal Year against any Fractional Interest for which a default in payment thereof has occurred, to the extent that the same becomes uncollectible;

(ix) Wages, accounting and legal fees, management fees, housekeeping service, and cleaning fees, and other necessary expenses of upkeep, maintenance, management and operation actually incurred with respect to the Project; and

(x) Reimbursement to Declarant of any amount of real property taxes and other taxes and assessments levied against the Property or any off-site Common Area which Declarant has paid prior to the Starting Date but which are applicable to the Property or any off-site Common Areas for periods after the Starting Date.

Basic Expenses shall not include any expense constituting a Personal Charge.

1.9 “Board” means the board of directors of the Association.

1.10 “Budget” means a proforma operating statement setting forth the Basic Expenses for a particular Fiscal Year.

1.11 “Bylaws” means the Bylaws of the Association, as the same may be amended from time to time.

1.12 “Check-In Time” and “Check-Out Time” mean the times designated as such in the then-current Rules and Regulations.

1.13 “Common Area” means all of the Property, excepting the Cottages. Without limitation, Common Areas shall include any real property owned from time to time by the Association. Without limitation, Common Area includes the owners lounge which is located upon the Property. Further, for the limited purpose of defining those areas the Owners have a right to use, and/or those areas which are not necessarily operated and maintained by the Association but the maintenance expenses of which are partially borne by the Association, Common Areas shall also include those off-site areas which are not part of the Property but over which the Association and its Members have an easement or other right of use. For example, it is anticipated that the Association and its Members will (a) hold an irrevocable license to use off-site recreational amenities located on property adjacent to the Property and (b) will hold an easement to use a road which is both part of the Property and which extends to adjacent parcels to the Property. These areas will be Common Areas for purposes of Association and Member use, but not necessarily for purposes of operation and maintenance by the Association.

1.14 “Common Furnishings” means all furniture, furnishings, appliances, telephone system and other personal property from time to time owned, leased or held by the Association (a) for use in common by the Owners in accordance with this Declaration, or (b) for use by the Association in the operation, management, maintenance and repair of the Project.

1.15 “Consent of a Majority of Non-Declarant Owners” means the vote or written assent of Non-Declarant Owners entitled to vote or so assent and who collectively own more than fifty percent (50%) of the total voting power vested in such Non-Declarant Owners.

1.16 “Consent of a Majority of Owners” means the vote or written assent of (a) while there is a Class B membership, (i) Class A Members entitled to vote and who collectively own more than fifty percent (50%) of the total voting power vested in such Class A Members and (ii) Declarant, and (b) after there is no longer a Class B membership, Members entitled to vote and who collectively own more than fifty percent (50%) of the voting power vested in the Members, including Members other than Declarant who are entitled to vote and who collectively own more than fifty percent (50%) of the total voting power vested in such Members.

1.17 “Consent of a Super-Majority of Owners” means the vote or written assent of (a) prior to the Conversion Date, (i) Non-Declarant Owners entitled to vote or so assent and who collectively own seventy-five percent (75%) of the total voting power vested in such Non-Declarant Owners and (ii) Declarant, and (b) from and after the Conversion Date, (i) Owners entitled to vote or so assent and who collectively own more than seventy-five percent (75%) of

the total voting power vested in such Owners and (ii) Non-Declarant Owners entitled to vote or so assent and who collectively own seventy-five percent (75%) of the total voting power vested in such Non-Declarant Owners.

1.18 “Conversion Date” means the date on which the number of Declarant Fractional Interests is less than twenty percent (20%) of the total number of Fractional Interests.

1.19 “Cottage” means each of the dwelling units located upon the Property. Each Cottage shall be identified by reference to a number to distinguish it from the other Cottages on the Property. The relative location of each Cottage is set forth in Exhibit “B” attached hereto and made a part hereof.

1.20 “County Assessor” means the County Assessor of Napa County, California.

1.21 “Current Assessed Value” means, for each Tax Year, the assessed valuation ascribed to the Property by the County Assessor as of the Lien Date next preceding the commencement of such Tax Year.

1.22 “Declarant” means Carneros Cottages, LLC, a California limited liability company, or any successor-in-interest to Declarant either (a) by express assignment of the rights of Declarant hereunder by an instrument executed by Declarant, recorded in the Office of the County Recorder and filed with the Secretary of the Association, or (b) through foreclosure or acceptance of a deed in lieu of foreclosure of the interest of a beneficiary or mortgagee under a Prior Mortgage of Declarant’s interest in the Property provided that such beneficiary or mortgagee also executes, records in the Office of the County Recorder and files with the Secretary of the Association an express assignment of the rights of Declarant hereunder.

1.23 “Declarant Assessed Value” means for each Tax Year and for each Lot, an amount determined by multiplying (i) the Base Assessed Value by (ii) a fraction, (A) the numerator of which is the number of Declarant Fractional Interests in a particular Lot as of the Lien Date next preceding the commencement of such Tax Year, and (B) the denominator of which is the total number of Fractional Interests in the particular Lot as of such Lien Date.

1.24 “Declarant Fractional Interests” means the Fractional Interests owned by Declarant, calculated by subtracting (a) the number of Fractional Interests conveyed to third parties by Original Deed from (b) 170 Fractional Interests.

For example, if at the time of measurement, fifty (50) Fractional Interests have been conveyed, then the number of Declarant Fractional Interests would be 170 total Fractional Interests less 50 = 120 Declarant Fractional Interests.

For purposes of this Declaration, a Fractional Interest that has been conveyed to a third party by Original Deed and subsequently reacquired by Declarant prior to the Conversion Date through foreclosure proceedings or by acceptance by Declarant of a deed-in-lieu of foreclosure shall not be included in the calculation called for under clause (a), above.

1.25 “Declarant’s Report” means a statement containing the following information, where applicable:

(a) A status report covering each improvement, if any, included in the Project which was scheduled for completion during the quarter according to the planned construction statement for the Project and each still uncompleted improvement that was scheduled for completion during an earlier quarter;

(b) The number of Declarant Fractional Interests as of the first and last day of the quarter;

(c) If no Subsidy Agreement is in effect during a quarter, the total Basic and Special Assessments which Declarant became obligated to pay during the quarter;

(d) If no Subsidy Agreement is in effect during a quarter, the total Basic and Special Assessments actually paid by Declarant to the Association during the quarter.

(e) If no Subsidy Agreement is in effect during a quarter, the amount of any delinquency by Declarant in the payment of Basic and Special Assessments that has not been cured as of the date of such Declarant’s Report; and

(f) An itemized report of funds, goods and services furnished by Declarant or caused to be furnished to the Association (if any) under the Subsidy Agreement, if any, including, without limitation, payment of Reserve Expenses thereunder.

1.26 “Declaration” means this Declaration of Covenants, Conditions and Restrictions for The Orchard at Carneros, as the same may be amended or supplemented from time to time in the manner herein provided.

1.27 “Delinquent”, when used to describe a payment, means that such payment is due to the Association hereunder and remains unpaid more than fifteen (15) days after the due date therefor.

1.28 “Detained User” means any Owner, Permitted User or Exchange User prevented from using or occupying his Assigned Cottage or part thereof for all or any portion of his Use Period because of the unauthorized use or occupancy, or uninhabitability of such Assigned Cottage or any portion of the Common Area caused by a Detaining User, because of the unauthorized use or occupancy or uninhabitability of such Cottage caused by a Detaining User.

1.29 “Detaining User” means any Owner, Permitted User or Exchange User who makes unauthorized use or occupancy of a Cottage, or through any act or course of conduct affecting the Project, the Common Area, or any portion thereof, renders a Cottage uninhabitable.

1.30 “Exchange Program” means a service provided by Declarant, an affiliate of Declarant or an independent organization whereby Owners may exchange Planned Vacation Use Periods in a Cottage for use periods in projects in other locations or whereby Owners may obtain

rights to make reservations in another project in exchange for the right of such Owner to make a reservation for use, on an as-available basis, in a Cottage pursuant to a voluntary program.

1.31 “Exchange User” means an owner of a time period in another fractional interest program who, pursuant to an Exchange Program, occupies a Cottage and uses the Common Area.

1.32 “Fair Rental Value” means, for each Cottage, the cost of renting comparable accommodations located in the vicinity of the Project.

1.33 “Fiscal Year” means the one (1) year period commencing on the first day of January of each calendar year, which shall be the fiscal year of the Association; provided, however, that the first Fiscal Year shall be the partial year period commencing on the Starting Date and ending on December 31, 2007; provided, further, that the Fiscal Year shall be subject to change by amendment to the Bylaws.

1.34 “Fractional Assessed Value” means, for each Tax Year, an amount equal to the difference between the Current Assessed Value and the Declarant Assessed Value.

1.35 “Fractional Interest” means an interest, consisting of (a) the undivided 1/170th fee title interest in the Property, together with (b) the right to use and occupy a Cottage, the Common Area, and the Common Furnishings on an annual basis, all as more particularly set forth in Section 2.1, below, and all easements appurtenant thereto as set forth in the Governing Instruments. Each Fractional Interest shall be identified by a number designated in the manner set forth in Exhibit “D” attached hereto.

1.36 “General Account” means the separate federally insured account(s) with a bank and/or savings and loan association located within the State of California and selected by the Association into which all cash and cash equivalent receipts of the Association shall be deposited.

1.37 “Governing Instruments” means this Declaration, the Articles, Bylaws, Rules and Regulations and any policies and procedures adopted by the Association, as the foregoing may be amended or supplemented from time to time.

1.38 “Lien Date” means the date each year established by the State of California as the date upon which the assessed valuation of real property within the State is determined for purposes of calculating real property taxes for any Tax Year.

1.39 “Maintenance Periods” means with respect to each Cottage, (a) the periods of time between Check-In and Check-Out, and (b) the period(s) of time, outside of those described in clause (a), during which any maintenance or repair thereof or of the Common Furnishings in such Cottage that is requested by a Cottage occupant or is reasonably necessary to be performed by or on behalf of the Association.

1.40 “Manager” means the agent engaged by the Board pursuant to Section 4.4, below. The first Manager shall be appointed by Declarant and may be Declarant or an affiliate of Declarant.

1.41 “Management Agreement” means an agreement between the Association and the Manager, which agreement shall initially be substantially in the form attached hereto as Exhibit “E”.

1.42 “Member” means a member of the Association.

1.43 “Mortgage” means a mortgage or deed of trust.

1.44 “Mortgagee” means the beneficiary pursuant to a Mortgage recorded in the Office of the County Recorder.

1.45 “Non-Dedicated Cottage” means a Cottage which is subject to this Declaration but which has not been dedicated to the Fractional Program pursuant to the provisions of Article VIII of this Declaration, or which has been previously dedicated but subsequently removed from the Fractional Program in accordance with Article VIII of this Declaration.

1.46 “Non-Declarant Owners” means all Owners other than Declarant.

1.47 “Office of the County Recorder” means the Office of the County Recorder of Napa County, California.

1.48 “Original Fractional Interests” means, with respect to each Tax Year, all Declarant Fractional Interests as of the Lien Date next preceding the commencement of such Tax Year and all other Fractional Interests which are not Reassessed Fractional Interests.

1.49 “Original Deed” means each grant deed from Declarant first recorded after the date hereof conveying a Fractional Interest, excluding, however, any deed which conveys all or substantially all of the interest in the Property then owned by Declarant and which expressly recites that it is not an Original Deed within the meaning of this Declaration.

1.50 “Owner” means and includes (a) the grantee(s) named in each Original Deed and successor(s)-in-interest to such grantee(s) and (b) Declarant with respect to each Declarant Fractional Interest.

1.51 “Permitted User” means any person (including, without limitation, members of an Owner’s family, his guests, licensees or invitees), other than an Exchange User, who occupies a Cottage with the permission of the Owner assigned to such Cottage or who occupies a Cottage other than the Owner’s Assigned Cottage concurrently with the occupation of the Assigned Cottage by the Sponsoring Owner.

1.52 “Personal Charges” means (a) any expense resulting from the act or omission of any Owner or his Permitted User, including, without limitation, (i) the cost of long distance telephone charges or telephone message unit charges and other special services or supplies

attributable to the occupancy of such Owner's Assigned Cottage during such Owner's Use Period or the occupancy of a Cottage by a Sponsored Guest and the expense of additional housekeeping services requested by such Owner or his Permitted User during such Owner's Use Period; (ii) the cost to repair any damage to any portion of the Project or to repair or replace any Common Furnishings on account of loss or damage caused by such Owner or his Permitted User; or (iii) the cost to satisfy any expense to any other Owner(s) or to the Association due to any intentional or negligent act or omission of such Owner or his Permitted User, or resulting from the breach by such Owner or his Permitted User of any provisions of the Governing Instruments, and (b) any transient occupancy tax levied pursuant to the laws of the State of California and payable by any Owner which the Association is or shall be required or entitled to collect on behalf of the levying authority. In amplification of the foregoing, the act or negligence of a Permitted User shall be deemed to be the act or negligence of the Owner who permits such Permitted User to use and occupy any portion of the Project.

1.53 "Prior Mortgage" means, with respect to each Fractional Interest, any first Mortgage made in good faith and for value.

1.54 "Project" means the Property, the Common Furnishings, other real and personal property owned by the Association, and any and all easements appurtenant to the foregoing or otherwise owned or held in connection therewith.

1.55 "Prop. 13 Percentage" means the percentage increase or decrease, if any, applied by the County in any Tax Year pursuant to California Constitution, Article 13A, Section 2, and any other applicable laws, ordinances or rules and regulations, enacted, adopted or promulgated thereunder, as the same may be amended from time to time.

1.56 "Property" means that certain real property located in Napa County, California, and more particularly described on Exhibit "A" attached hereto.

1.57 "Purchase Agreement" means a purchase and sale agreement by and among Declarant and the person or entity named therein as "Buyer" or "Purchaser" providing for the sale by Declarant and the purchase by the Buyer or Purchaser of a Fractional Interest.

1.58 "Reassessed Fractional Interest" means (a) with respect to each Tax Year and the Tax Assessment therefor, each Fractional Interest conveyed by Original Deed recorded prior to the Lien Date next preceding the commencement of such Tax Year and (b) with respect to any Supplemental Tax Assessment, each Fractional Interest conveyed subsequent to the most recent Lien Date.

1.59 "Reconstruction Assessment" means an assessment levied by the Association against each Fractional Interest for the purpose of raising funds to rebuild, restore or replace any portion of the Cottages and the Common Furnishings suffering material damage.

1.60 "Reservation Priority Chart" means the chart attached hereto as Exhibit "C", as such Reservation Priority Chart may be supplemented by the Association as provided in Paragraph 4.2(v), below.

1.61 “Reserve Account” means (a) one or more federally insured interest bearing accounts with one or more banks and/or savings and loan associations selected by the Association, or (b) one or more Treasury Bills and/or Certificates of Deposit, which account(s), Treasury Bills and/or Certificates of Deposit shall contain funds collected as and for Reserve Expenses.

1.62 “Reserve Expenses” means the specific capital expenditures required to be made at any time and from time to time to provide for the repair, replacement or restoration of any portion of the Cottages or the Common Furnishings and for such other purposes as prudent business practice requires.

1.63 “Roster” means a compilation of the names and addresses of each Owner.

1.64 “Rules and Regulations” means the Rules and Regulations relating to the possession, use and enjoyment of the Project.

1.65 “Season” means either the Summer/Harvest Season, the Winter Season or the Spring Season, which Seasons shall be, with respect to the:

(a) Summer/Harvest Season, July through October of each Use Year;

(b) Winter Season, November through February of each Use Year;

(c) Spring Season, March through June of each Use Year.

1.66 “Special Assessment” means an assessment levied against each Fractional Interest to provide funds to the Association in the event the Basic Assessment proves inadequate, in an aggregate amount sufficient to provide for such inadequacy.

1.67 “Sponsored Guest” means (i) a Permitted User who occupies or intends to occupy an Assigned Cottage without being accompanied by his Sponsoring Owner, or (ii) a Permitted User who, concurrently with the occupation or intended occupation of an Assigned Cottage by his Sponsoring Owner, occupies or intends to occupy a separate Cottage.

1.68 “Sponsoring Owner” means the Owner in whose name or under whose authority a reservation of an Assigned Cottage is made or sought to be made.

1.69 “Starting Date” means the date on which the first Original Deed for a Fractional Interest specifying the Property is recorded in the Office of the County Recorder.

1.70 “Statement of Status” means a written statement setting forth the amount of any delinquent Assessments, Personal Charges or any other amounts unpaid with respect to a Fractional Interest.

1.71 “Subsidy Agreement” means an agreement between the Association and Declarant substantially in the form attached hereto as Exhibit “F”.

1.72 “Supplemental Tax Assessment” means, for each Reassessed Fractional Interest, an amount levied by the Association against such Reassessed Fractional Interest in an amount determined by the Association and required to be paid pursuant to the provisions of California Revenue and Taxation Code Sections 75 through 75.80 (Chapter 498 of Statutes of 1983).

1.73 “Tax Assessment” means, for each Fractional Interest and for each Tax Year, an amount levied by the Association against such Fractional Interest equal to a portion of the real property taxes levied against the Property and not billed directly to Owners by the County.

1.74 “Tax Year” means the one (1) year period beginning July 1 each year and ending June 30 of the following year, or such other tax year established by the State of California for the assessment and collection of real property taxes attributable to the Project and/or the Fractional Interests.

1.75 “Use Period” means the time period(s) during which an Owner has reserved the use and occupancy of a Cottage in accordance with the provisions of this Declaration and the Rules and Regulations or during which an Exchange User has reserved the use and occupancy of a Cottage in accordance with an Exchange Program. The Rules and Regulations shall include restrictions deemed necessary by the Board regarding the commencement and ending dates for any Use Period in order to maximize the use of the Cottages by the Owners.

1.76 “Use Year” means the approximate one year period commencing on Check-In Time on the first Friday in July of each calendar year and ending on the day before the first Friday in July of the next succeeding calendar year.

ARTICLE II. USE RIGHTS AND RESTRICTIONS

2.1 Use Rights.

Subject to all the terms and conditions contained elsewhere in this Declaration and the other Governing Instruments, the ownership of a Fractional Interest shall entitle the Owner thereof to the following:

(a) Planned Vacation Use. During each Use Year and for each Fractional Interest owned by such Owner, the right to reserve the exclusive use and occupancy of an Assigned Cottage for one seven (7) consecutive night Use Period in each of the three (3) Seasons, provided that:

(i) the reservation for any such Planned Vacation Use Period in any of the three (3) Seasons may not be made earlier than ninety (90) days prior to the commencement such Season,

(ii) only one Planned Vacation Use Period in each Season shall include a Friday or Saturday night respectively; and

(iii) any such reservation shall be subject to the availability of Cottages not earlier reserved by another Owner or by the Association as a Maintenance Period,

together with the non-exclusive right to use and enjoy the Common Area as set forth in this Declaration during such Planned Vacations, all in accordance with the provisions of such Owner's Purchase Agreement, this Declaration and the Rules and Regulations. The Rules and Regulations, among other provisions, may provide that an Owner shall have the right to split the use of each of his three (3) Planned Vacation Use Periods into two (2) Use Periods of any length, but together not to exceed seven (7) consecutive nights.

(b) Space Available Vacation Use. During each Use Year, and for each Fractional Interest owned by such Owner, the right to reserve the exclusive use and occupancy of an Assigned Cottage for one (1) or more Use Periods of up to seven (7) consecutive nights, provided that:

(i) the reservation for any such Space Available Vacation Use Period shall not be made earlier than sixty (60) days prior to the commencement of such Use Period,

(ii) an additional Space Available Vacation Use Period may not be reserved until the day prior to scheduled end of such Use Period,

(iii) no Owner may have more than one Space Available Vacation Use Period reserved at any time, except as described in Section 2.1 (b)(ii) above, and

(iv) any such reservation shall be subject to the availability of Cottages not otherwise reserved by another Owner or by the Association as a Maintenance Period,

together with the non-exclusive right to use and enjoy the Common Area as set forth in this Declaration during such Space Available Vacation, all in accordance with the provisions of such Owner's Purchase Agreement, this Declaration and the Rules and Regulations.

(c) Getaway Vacation Use. During each Use Year, and for each Fractional Interest owned by such Owner, the right to reserve the exclusive use and occupancy of an Assigned Cottage in any Season for one or more Use Periods of up to seven (7) consecutive nights, provided that:

(i) the reservation for any such Getaway Use Period is not made earlier than seven (7) days prior to the commencement of such Use Period,

(ii) an additional Getaway Use Period may not be reserved until the day prior to the scheduled end of such Use Period,

(iii) no Owner may have more than one Getaway Use Period reserved at any time, except as described in 2.1 (c)(ii) above, and

(iv) any such reservation shall be subject to the availability of Cottages not otherwise reserved by another Owner or by the Association as a Maintenance Period;

together with the non-exclusive right to use and enjoy the Common Area as set forth in this Declaration during such Getaway Vacation, all in accordance with the provisions of such Owner's Purchase Agreement, this Declaration and the Rules and Regulations.

(d) Use of Priority Reservation Chart for Planned Vacation Use Conflicts; Use of First Reserved, First Served Reservation System for Space Available and Getaway Vacation Use Conflicts. With respect to Planned Vacation Use reservation requests, the Association shall prioritize reservation requests in accordance with the Priority Reservation Chart if there are more requests for a Use Period than there are Cottages. With respect to Space Available Vacation Use reservation requests and Getaway Vacation Use reservation requests, the Association shall prioritize reservation requests for all Use Periods in the order they are received by the Manager.

(e) Reservation Window Periods. Notwithstanding the ninety (90) day, the sixty (60) day and the seven (7) day reservation window periods set forth in Sections 2.1 (a), (b) and (c), above, for reservations of Planned Vacation Use Periods, Space Available Vacation Use Periods and for Getaway Vacation Use Periods, respectively, the Board shall have the power to amend these reservation windows and to establish, in the Rules and Regulations, the earliest and latest dates for the making of reservations for Cottages with respect to Planned Vacation Use, Space Available Vacation Use and Getaway Vacation Use, upon the adoption of a finding that it is in the best interest of the Association to do so.

(f) Prohibition against Use. Notwithstanding anything in this Section 2.1, no reservation, use or occupancy by any Owner will be permitted if such Owner is delinquent in the payment of any amounts owed to the Association by such Owner, as more particularly described in Article VI, below.

2.2 Occupancy.

(a) No Owner shall occupy any Cottage or exercise any other rights of ownership with respect to any Cottage or the Common Area other than the rights provided to him in this Article II.

(b) Each Owner shall keep his Assigned Cottage and the Common Furnishings therein in good condition and repair during his Use Periods, vacate his Assigned Cottage at the expiration of his Use Periods, remove all persons and property therefrom, excluding only the Common Furnishings, leave his Assigned Cottage and the Common Furnishings therein in good and sanitary condition and repair and otherwise comply with such check-out and other procedures and regulations as may from time to time be contained in the Rules and Regulations.

(c) Unless included as a Basic Expense by the Board, each Owner, when using his Assigned Cottage, shall pay, at Check-Out Time any Personal Charges as described in Section 5.9(b)(i), below.

(d) Any Owner who permits his Assigned Cottage to be occupied by other persons (but only in accordance with the Rules and Regulations) during his Use Periods shall be responsible for any loss, damage, destruction or violation of this Declaration or the Rules and

Regulations (except on the part of an Exchange User) which occurs during such occupancy as if such Owner were the sole occupant of the Assigned Cottage.

(e) The occupancy of a Cottage for Planned Vacation Use by a Sponsored Guest shall be subject to the discretion of the Manager as set forth in the then-current Rules and Regulations. Sponsored Guests shall not occupy Cottages for Getaway Vacation use.

2.3 Failure to Vacate.

(a) A Detaining User shall (i) be subject to immediate removal, eviction or ejection from the Cottage or portion of the Common Area wrongfully used or occupied; (ii) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection (to the extent that such notices may be waived under California law); (iii) reimburse the Association and the Detained User for all costs and expenses incurred by such party as a result of such conduct, including, but not limited to, costs of alternate accommodations, travel costs, court costs and reasonable attorneys' fees incurred in connection with removing, evicting or ejecting the Detaining User from such Cottage or Common Area, and costs (including reasonable attorneys' fees) incurred in collecting such reimbursement(s); and (iv) pay to the Detained User entitled to use and occupy such Cottage during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth in subsection 2.3(a)(iii), above), a sum equal to 200% of the Fair Rental Value per day of the Cottage for each day or portion thereof, including the day of surrender, during which the Detaining User prevents use and occupancy of such Cottage.

(b) The Association shall be responsible for determining the Fair Rental Value of a Cottage.

(c) The Association shall use reasonable efforts to attempt to remove such Detaining User from the Cottage and/or to assist the Detained User in finding alternate accommodations during such holdover period and to secure, at the expense of the Association, alternate accommodations for any Detained User which alternate accommodations shall be as near in value to the Detained User's Assigned Cottage as possible and the cost thereof shall be assessed to the Detaining User as a Personal Charge.

(d) In the event that the Association, in its sole discretion, deems it necessary to contract for a period greater than the actual period for which the use is prevented in order to secure alternate accommodations as set forth above, the cost of the entire period shall be assessed to the Detaining User as a Personal Charge.

(e) By accepting an Original Deed or any other transfer of a Fractional Interest, each Owner agrees that, in the event of a wrongful occupancy or use by him or his Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy.

(f) For the purposes of this Section 2.3, the act or negligence of a Permitted User shall be deemed to be the act of the Owner; provided, however, that if the Detaining User is an

Exchange User, the Owner whose Use Period was used by the Exchange User shall have no liability pursuant to the provisions of this Section 2.3.

2.4 Use Restrictions.

(a) The maximum occupancy of any Cottage shall be as provided in the Rules and Regulations.

(b) No Owner shall make or authorize any alterations, additions or improvements to the Project, or any portion thereof, including, but not limited to, the Common Area, the improvements, landscaping, or any personal property thereon, or the Common Furnishings; or paint, repaint, tile, paper or otherwise refinish or redecorate the inner surfaces of the walls, ceilings, floors, windows or doors bounding any Cottage or remove, alter or replace any portion of the Common Furnishings without the prior written consent of the Association. The right to perform all of the foregoing acts, with respect to the Project and the Common Furnishings, has been delegated to the Association by this Declaration. The foregoing prohibitions, however, shall not modify or affect the obligation of each Owner for the prudent care and ordinary maintenance and upkeep of all property subject to his or his Permitted User's use.

(c) Without the Consent of a Majority of Non-Declarant Owners, and of Declarant, so long as Declarant owns an interest in the Property, no Cottage within the Project may be used for any fractional program or timeshare program other than that administered by the Association pursuant to this Declaration.

(d) In order to create a sufficient amount of Space Available Vacation use and Getaway Vacation use for all Owners to enjoy, no Owner shall reserve and rent to any person any Cottage during a Space Available Vacation Use Period or during a Getaway Vacation Use Period. In addition to its powers of enforcement under Article VI, below, the Board shall have the power to suspend, for a number of Use Years it finds reasonable under the circumstances, the right of any Owner to reserve Space Available Vacation and Getaway Vacation reservation and use rights of any Owner found to be renting Space Available Vacation Use Periods or Getaway Vacation Use Periods. In clarification of the foregoing, an Owner shall have the right to reserve and to rent a Planned Vacation Use Period, through any agent of its choice, including, without limitation, the manager of the adjoining Carneros Inn.

(e) Declarant and each Owner, by accepting an Original Deed or any other transfer of a Fractional Interest, hereby covenants and agrees to abide by the Governing Instruments, including, without limitation, the Rules and Regulations. Use and occupancy of the Cottages is limited to private, residential use, and non-residential and/or commercial use of the Cottages by any Owner is prohibited except as expressly provided otherwise in this Article II.

2.5 Transfer of Interest.

No Owner shall sell, assign transfer, hypothecate or encumber less than all of his interest in his Fractional Interest; provided, however, that nothing herein contained shall restrict the manner in which title to a Fractional Interest may lawfully be held under California law (e.g. joint tenants, tenants-in-common, or the like). Any sale, assignment, transfer, hypothecation or

encumbrance by any Owner which would have the effect of separating the Fractional Interest from an Owner's rights as a Member of the Association shall be null, void and of no effect. The transfer of any Fractional Interest shall operate to transfer to the new owner of the Fractional Interest the interest of the prior Owner in funds in the hands of the Association even though not expressly mentioned or described in the instrument of transfer and without further instrument of transfer.

2.6 Separate Mortgages.

Each Owner shall have the right to mortgage or otherwise to encumber all, but not less than all, of his interest in his Fractional Interest. Subject to the provisions of Article V of this Declaration, any Mortgage shall be subordinate to all of the provisions of the Governing Instruments and in the event of foreclosure, the provisions of the Governing Instruments shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure or otherwise. Notwithstanding any other provision of the Governing Instruments, no breach of the provisions herein contained, nor the enforcement of any lien created pursuant to the provisions hereof shall impair, defeat or render invalid the priority of the lien of any Prior Mortgage of any Owner's Fractional Interest if such Prior Mortgage is recorded in the Office of the County Recorder and is given in good faith and for value.

2.7 Partition and Subordination of Tenancy-in-Common Attributes.

(a) It is intended that this Declaration shall govern all rights with respect to the use, possession, enjoyment, management and disposition of the Project and the interests therein. Accordingly, all rights with respect to the use, possession, enjoyment, management or disposition of a Fractional Interest and the Project which an Owner might otherwise have as a tenant-in-common (including, but not limited to, any common law or statutory right jointly to use, possess or manage commonly owned property) are hereby unconditionally and irrevocably subordinated to this Declaration for so long as this Declaration shall remain in effect; provided, however, that in the event that an election to terminate this Declaration is made pursuant to Section 9.2, an Owner shall have the rights specified in Section 9.2.

(b) Except as provided in Section 9.2, no Owner or other person or entity acquiring any right, lien or interest in the Project shall seek or obtain, through any legal procedures, judicial partition of the Property or the sale thereof in lieu of partition. If, however, any Fractional Interest is owned by two (2) or more persons as tenants-in-common or as joint tenants or as community property, nothing herein contained shall prohibit a judicial sale of such Fractional Interest in lieu of partition as between such co-tenants or joint tenants.

2.8 Protection of Interest.

Except as provided in Section 2.6, no Owner shall permit his Fractional Interest to be subject to any lien (other than the liens of current real property taxes), claim or charge, the enforcement of which may result in a sale or threatened sale of the Fractional Interest of any other Owner or any part thereof or in any interference in the use or enjoyment thereof by any other Owner. In the event of a threatened sale of the Project or any part thereof or of the

Fractional Interest of any Owner, or should the use and enjoyment of any portion thereof by any Owner be threatened by reason of any lien, claim or charge against the Fractional Interest of any other Owner (the “**Owner in Violation**”), or should proceedings be instituted to effect any such sale or interference, any Owner (the “**Curing Owner**”) acting on his own behalf or through the Association or the Association acting on behalf of any one or more Owners (if promptly indemnified to his or its satisfaction) may, but shall not be required to, pay or compromise the lien, claim or charge without inquiry into the proper amount or validity thereof and, in such event, the Owner In Violation shall forthwith pay the amount so paid or expended to the Curing Owner or the Association, whosoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys’ fees and related costs as he or it may have incurred. No Owner shall permit his interest in any funds from time to time in possession of the Association to be subjected to any attachment, lien, claim or charge or other legal process, and each Owner shall promptly restore any funds held by the Association with respect to his Fractional Interest to the extent depleted by the reason of the assertion of any such attachment, lien, claim, charge or other legal process and shall reimburse the Association for all reasonable attorneys’ fees or other costs incurred in respect thereof.

2.9 Easements.

(a) Easement for Management, Operation, Maintenance, Use and Repair. The Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors, and other authorized personnel, shall have the right and is hereby granted, for so long as the Association or its successors and assigns shall be required hereunder to manage and maintain the Project, an exclusive easement in gross in, over and through the Property for the management, operation, repair and maintenance of the Project and the Common Furnishings and the administration and operation of the Project; provided, however, that use of such easement shall not (1) unreasonably interfere with or diminish the rights of Owners, Permitted Users, Exchange Users or Declarant to occupy the Project and the Common Area and to use the Common Furnishings, or (2) interfere with the occupancy of Cottages and of the Common Area by Declarant. In amplification and not in limitation thereof, the Association and its successors and assigns shall have the right during Maintenance Periods and upon giving reasonable notice if a Cottage is occupied, to enter such Cottage for the purpose of cleaning, housekeeping service, painting, maintenance and repair, and at any reasonably necessary time, whether or not in the presence of the Owner thereof, to enter upon any Cottage for the purpose of (1) making emergency repairs therein, (2) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Cottage, (3) protecting property rights and welfare of any Owner, Permitted User or Exchange User, or (4) for any other purpose reasonably related to the performance by the Association of its duties and obligations under the terms of this Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the rightful occupant of such Cottage and shall be preceded by reasonable notice to such occupant, and prior to the Conversion Date, to Declarant, whenever the circumstances permit.

(b) Easement for Operation of Exchange Program. The Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors and other authorized personnel shall have the right and is hereby granted, for so long as the Association or

its successors and assigns shall be required hereunder to manage and maintain the Project, a non-exclusive easement in, over and through the Cottages and the Common Area for the purpose of providing accommodations to owners of fractional interests in other projects managed by the Manager or with which the Board may contract, which contract will permit such owners to make reservations for a Cottage on the same terms and conditions under which Owners can make reservations in such other projects as more particularly provided in the governing documents of each applicable Exchange Program. In amplification and not in limitation thereof, the use of such easement (i) shall not interfere with the ability of Owners to make reservations for Use Periods during that period reserved therefor to Owners, (ii) shall not interfere with the Association's use of the Project or Common Area as necessary to perform its duties and obligations hereunder and pursuant to the Rules and Regulations; and (iii) shall not interfere with the use and occupancy of the Common Area by Declarant.

(c) Easement for Improvements. Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves, for a period commencing on the Starting Date and terminating fifteen (15) years following the Starting Date, the exclusive right in, over and through the Property to construct the Cottages and improvements to the Common Areas, and to perform such maintenance and repair work thereon as may be reasonably required, in Declarant's discretion, under any warranties provided by Declarant as "Seller" under the terms of the Purchase Agreements.

(d) Easement for Utilities. Declarant reserves to itself and grants to the Association (but without relinquishing the reservation to itself) easements over the Property for the installation and maintenance of electric, telephone, water, cable TV, gas and sanitary sewer lines and facilities, and for drainage facilities as required for the subdivision map of the Project, and as may hereafter be required or needed to service the Project, or for the benefit of the owners of any real property adjoining or in the vicinity of the Project, or for the construction of all improvements to the Project to be made by Declarant. Declarant and the Association each shall have the power to grant and convey to any third party such easements. Each Owner, in accepting a deed to a Fractional Interest, expressly consents to such easements and authorizes and appoints Declarant (so long as Declarant owns one or more Fractional Interests) or the President of the Association, or his or her attorney-in-fact, to execute any and all instruments conveying or creating such easements. The power of attorney created hereunder is coupled with an interest and shall be irrevocable, and shall be a covenant running with the land and an equitable servitude.

(e) Rental of Cottages by Declarant. Declarant shall have the exclusive right to occupy those Cottages in which a Fractional Interest has not been conveyed by Original Deed and to rent such Cottages to the general public. Any rentals received by Declarant shall inure to the benefit of Declarant. Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves an exclusive easement in gross in, over and through the Property for the purpose of conducting rental activities under this Section, including, without limitation, the right (i) to utilize the Common Area for the administration of rental activities, (ii) to use the Common Area for access purposes to such Cottages, and (iii) to furnish, repair and maintain such Cottages; provided, however, that Declarant shall be obligated to renovate a Cottage to "new" condition prior to the close of escrow

for the first Fractional Interest in such Cottage. The use of such easement shall not unreasonably interfere with the Association's use of the Project as necessary to perform its duties and obligations pursuant to this Declaration and the Rules and Regulations, or the rights of Owners other than Declarant to use and occupy their Assigned Cottages and the Common Area.

(f) Easement for Sales, Resales, Customer Service and Related Purposes.

Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves, for a period commencing on the Starting Date and terminating fifteen (15) years following the Starting Date, an exclusive easement in gross in, over and through the Property, for the purposes of (i) marketing and selling the Fractional Interests; (ii) maintaining customer relations and providing post-sales service to Owners; (iii) displaying signs and erecting, maintaining and operating, for sales and administrative purposes, model units and a customer relations, customer service and sales office complex in the Project; and (iv) showing the Cottages; provided, however, that use of such easement shall not (1) interfere with or diminish the rights of Owners to use and occupy their Assigned Cottages and the Common Area, or (2) interfere with the use and occupancy of the Project and the Common Area by the Association as reasonably required for the Association to administer the Project or perform its other obligations hereunder, all as provided in this Declaration and the Rules and Regulations.

(g) Easement for Use of Project by Owners. In order to permit the use and occupancy of all Cottages in accordance with the provisions of this Declaration and the Rules and Regulations, each Owner of a Fractional Interest shall have and is hereby granted (i) a non-exclusive easement over the Project for use and occupancy of all Cottages in which a Fractional Interest has been conveyed, and (ii) a non-exclusive easement over the Common Area, subject to all of the provisions of the Governing Instruments.

(h) Exclusive Easement for Catering. Declarant hereby reserves a perpetual, exclusive easement in gross to itself, together with the right to assign such easement to any other person, for the provision of all food and beverage catering services to the owner's lounge and the decking area surrounding the owner's lounge located upon the Property. The easement granted herein may be terminated at any time and for any reason by the Association upon a vote of not less than seventy-five percent (75%) of the voting power of the Association residing in persons other than the Declarant.

2.10 Animals.

In general, no animals, livestock, birds, fish or poultry of any kind shall be kept in or brought upon the Project, including, without limitation, any Cottage, except animals which are certified to provide aid to the disabled and which are accompanied by a disabled individual. Notwithstanding the foregoing prohibition, in the event that an Owner violates the foregoing prohibition, such Owner shall be liable to each and all remaining Owners and the Permitted Users thereof, and to the Association for any and all damage to person or property caused by such violation. Notwithstanding the foregoing provisions, the Board shall have the power to promulgate, in the Rules and Regulations, exceptions to the foregoing general prohibition against

animals, so that certain types of pets may be kept in certain of the Cottages under conditions specified in the Rules and Regulations, or pursuant to the judgment of the Manager.

2.11 Offensive Activity.

No noxious or offensive activity or conduct shall be carried on within any portion of the Project nor shall anything be done therein or thereon which may or would become an annoyance or nuisance to other Owners or occupants. No Cottage shall be used for any trade, business or other commercial activity or solicitation except as expressly permitted by this Declaration. Except as expressly permitted by this Declaration, no Owner shall cause or permit the display of any sign or advertising matter within any Cottage or any other portion of the Project.

2.12 Compliance With Laws.

No Owner or his Permitted User shall permit anything to be done or kept in his Assigned Cottage or within any other portion of the Project which violates any law, ordinance, statute, rule or regulation of any local, county, state or federal government or agency thereof.

2.13 No Increased Insurance.

Nothing shall be done or kept within any other portion of the Project which will increase the rate of insurance on the Project without the prior written consent of the Board. No Owner shall permit anything to be done or kept in his Assigned Cottage, or do or place anything elsewhere in the Project, which would result in the cancellation of insurance for the Project, or any portion thereof.

**ARTICLE III.
THE ASSOCIATION**

3.1 Membership in Association.

Each Owner, including Declarant but excluding persons or entities who hold an interest merely as security for the performance of an obligation, shall automatically, upon becoming an Owner, become a Member of the Association and shall remain a Member thereof until he ceases to be an Owner.

3.2 Membership Rights and Duties.

Each Member shall have the rights, duties and obligations set forth in this Declaration and the other Governing Instruments, as said documents may be amended from time to time.

3.3 Transfer of Membership.

The membership of each Owner in the Association is appurtenant to and inseparable from his ownership of a Fractional Interest and shall be automatically transferred upon any authorized assignment or transfer of the ownership of his Fractional Interest to any assignee or

transferee and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon the transfer of title to said Fractional Interest. Any attempt to make a prohibited transfer shall be void.

3.4 Voting and Types of Fractional Interests.

(a) Number of Votes. The Association shall have two (2) classes of voting membership:

(i) Class A. Class A Members shall be all Owners except Declarant (and upon conversion of the Declarant's membership from Class B membership to Class A membership, all Owners, including Declarant). The number of Class A votes to which a Fractional Owner shall be entitled, for each Fractional Interest owned, shall be one (1).

When more than one (1) person is the Owner of a Fractional Interest, all such persons shall be Members; provided, however, that in no event shall more than the vote specified above be cast with respect to any Fractional Interest except as set forth in clause (ii), below.

(ii) Class B. The Class B Member shall be the Declarant who shall be entitled to one (1) vote for each Declarant Fractional Interest owned:

Declarant's membership shall be converted to Class A membership when the total outstanding votes held by the Class B Member falls below twenty percent (20%) of the total voting power of the Association.

(b) Joint Owners Disputes. The vote for each Fractional Interest must be cast as a unit and fractional votes shall not be allowed. In the event that the joint Owners of a Fractional Interest are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any Non-Declarant Owner or Non-Declarant Owners cast a vote representing a Fractional Interest, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all Owners of the same Fractional Interest. In the event more than the specified vote is cast for a particular Fractional Interest owned by a Non-Declarant Owner, none of said votes shall be counted and said votes shall be deemed void.

(c) Board of Directors Voting for members of the Board shall be by secret written ballot. Every Owner entitled to vote may cumulate his votes and give one (1) candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which his Fractional Interest is entitled, or may distribute his votes on the same principle among as many candidates as he desires; provided, that the procedural prerequisites to cumulative voting set forth in Section 7615(b) of the California Corporations Code are satisfied. The entire Board or any individual director may be removed from office with the Consent of a Majority of Owners; provided, however, that unless the entire Board is removed, no individual director shall be removed prior to the expiration of his term of office if the number of votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of the

director were then being elected. If any or all of the directors are so removed, new directors may be elected at the same meeting. Each director must be a Member of the Association or a representative of Declarant designated by Declarant. The Board shall initially consist of the persons appointed by Declarant. At the time of the first annual meeting of Owners, the Owners shall elect, in accordance with the Bylaws, a Board replacing the initial Board. To assure Non-Declarant Owners representation on the Board, at least twenty percent (20%) of the directors on the Board shall be elected solely by the vote of Members other than Declarant for so long as a majority of the voting power of the Association resides in Declarant. Notwithstanding anything to the contrary set forth herein, a director who has been elected to office solely by the vote of the Members other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

(d) Commencement of Voting Rights. Voting rights attributable to the Fractional Interests shall not vest until assessments have been levied in accordance with the provisions of Section 5.5, below.

ARTICLE IV. MANAGEMENT

4.1 Powers and Duties Generally.

The operation and administration of the Fractional program, and the maintenance and repair of the Cottages, Common Area and Common Furnishings, and any alterations or additions thereto, shall be vested in the Association. The Association, acting alone (through the Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Governing Instruments, exercise any and all rights and powers herein enumerated and, except as specifically limited herein, all the rights and powers of a nonprofit mutual benefit corporation under the laws of the State of California.

4.2 Specific Powers and Duties of the Association.

The Association shall have the power and the duty to maintain and repair the Project, to administer the affairs of the Owners and the operation of the Project as provided herein, to acquire (by lease or purchase), maintain, repair and replace the Common Furnishings, to levy, collect, and enforce the Assessments and Personal Charges enumerated in this Declaration, and to pay, as agent, the expenses and costs enumerated in this Declaration. The Association shall have the exclusive possession of each Cottage during the Maintenance Periods for the performance of maintenance and repairs on such Cottage. The Association shall have the power to do all things that are required to be done by it pursuant to this Declaration. The following powers and duties are in amplification and not limitation of the foregoing powers and duties:

(a) Bank Accounts. The Association shall have the power and duty to deposit all funds collected from Owners by the Association in connection with its rights and duties hereunder as follows:

(i) All funds shall be deposited in the General Account. Funds deposited in the General Account(s) may be used by the Association only for the purposes for which such funds have been collected.

(ii) Within twenty (20) days after deposit in the General Account, all amounts collected for Reserve Expenses shall be deposited in the Reserve Account. The Association shall keep accurate books and records reflecting the amount in the Reserve Account attributable to each Owner. Funds deposited in the Reserve Account shall be held in trust and, except in an emergency, may be used by the Association only for the specific purposes for which such funds have been collected. Funds held in the Reserve Account and used in an emergency shall be replaced in the Reserve Account as soon as practicable after the date upon which emergency arose but in no event later than the end of the Fiscal Year immediately following the Fiscal Year in which such emergency occurred. Interest, if any, earned on funds deposited in the Reserve Account shall be accumulated therein and shall be used only for payment of Reserve Expenses and any taxes incurred by the Association as a result of the earning of such interest.

(b) Cleaning and Housekeeping Service. The Association shall have the power and duty to do the following for each Cottage: (i) provide a full annual cleaning during the Maintenance Period described in Section 1.39(b), above, (ii) clean and provide full housekeeping service during the Maintenance Period immediately prior to Check-In Time for any Use Period for each Cottage, (iii) provide such cleaning as may be necessary during Maintenance Periods during a Use Period so that such Cottage is maintained in good order and repair, and (iv) provide additional housekeeping service during a Use Period if requested by the occupant of such Cottage for fees established in the Rules and Regulations.

(c) Collection of Damages. The Association shall have the power and duty to use reasonable efforts to collect from each Exchange User who causes loss, damage or destruction to the Project or the Common Furnishings (other than by ordinary wear and tear) the cost of the repair, restoration or replacement of the same to the extent such loss, damage or destruction is not covered by insurance proceeds paid to the Association, and to use reasonable efforts to collect from any Exchange User who is a Detaining User the amount for which such Exchange User would be liable under Section 2.3 if he were an Owner.

(d) Compensating Use. The Association shall have the power and duty to compensate each Owner who, through an error on the part of the Association or Manager, is prevented from occupying his Assigned Cottage during his Use Period, by either (i) paying to such Owner a sum equal to 100% of the Fair Rental Value of his Assigned Cottage during his Use Period, or (ii) procuring alternate accommodations reasonably acceptable to such Owner for his Use Period. Whether such Owner is compensated through the method provided in subsection (i) or (ii) shall be at the Association's discretion.

(e) Delegation. The Association shall have the power to delegate the authority and responsibilities of the Association hereunder to one or more agents, including, without limitation, the Manager as provided for in Section 4.3 below.

(f) Exchange Program. Except as otherwise limited by this Declaration, the Association shall have the power to enter into agreements with the Manager or other organizations to provide for participation by the Owners in one or more Exchange Programs and to collect and disburse funds in connection therewith.

(g) Financial Statements. The Association shall have the power and duty to cause to be regularly prepared financial statements for the Association and copies thereof to be distributed to all Owners as follows:

(i) A Budget shall be distributed to Owners not less than forty-five (45) days nor more than sixty (60) days before the beginning of each Fiscal Year, except the first Fiscal Year with respect to which the Budget shall be distributed as soon as reasonably possible. The Budget shall contain at least the following information:

(A) Estimated revenue and expenses on an accrual basis;

(B) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Cottages and Common Furnishings and for contingencies;

(C) An itemized estimate of the remaining life of the Cottages and Common Furnishings and the methods of funding to defray Reserve Expenses; and

(D) A general statement setting forth the procedures used by the Board in the calculation and establishment of Reserve Expenses.

(ii) An Annual Report shall be distributed within 120 days after the end of each Fiscal Year. The Annual Report shall be prepared by a licensee of the California Society of Certified Public Accountants or by a non-licensee, if allowed by then applicable law and if so decided by the Board. The Annual Report shall include a statement as to if the Annual Statement has been audited or simply reviewed, as then required by applicable law. If the Annual Report is not prepared by a licensee, the Annual Report shall be prepared by a non-licensee who is a person permitted to do so by then existing law and shall be accompanied by the certificate of the person preparing the Annual Report that the Annual Report was prepared by a non-licensee, without formal review or audit by a licensee from the books and records of the Association. In lieu of the distribution of the Budget and the Annual Report, the Board may elect to distribute a summary of the Budget and the Annual Report to each Owner with a written notice, in 10-point bold print type on the front page of the summary, that the Budget and the Annual Report are available at the business office of the Association and that copies will be provided upon an Owner's request at the expense of the Association. Any such summary requested shall be mailed to the requesting Owner by First Class United States Mail at the expense of the Association.

(h) Inspection of Books and Records.

(i) The Association shall have the power and duty to open, at any reasonable time during usual business hours, the books and records of the Association for inspection by any Member or Declarant's Mortgagee upon the written demand by such Member or Declarant's Mortgagee; provided, however, that the Association shall be obligated to open its books and records for inspection by a Member only if the Member requests such inspection for a purpose reasonably related to the Member's interests as a Member. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts.

(ii) The Board shall have the power and duty to establish reasonable rules with respect to (A) notice to be given to the custodian of records by the person desiring to make the inspection; (B) hours and days of the week when such an inspection may be made; and (C) payment of the cost of reproducing copies of documents requested by a Member or Mortgagee.

Each director of the Association shall have the absolute right at any time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director of the Association includes the right to make extracts and copies of documents.

(i) Insurance. The Association shall have the power and duty to obtain and pay the cost of:

(i) On and after the Starting Date, insurance against loss or damage to the Project /and Common Furnishings, including, without limitation, machinery used in the service of the Project, by fire and other risks and hazards customarily covered by an insurance policy written on an all risk basis, including, to the extent available at a reasonable cost, earthquakes and environmental risks. The stipulated amount of such insurance shall be based on the full replacement cost thereof at the time and place of loss, and the Association shall either (A) annually update such stipulated full replacement cost amount to reflect the then-current estimated full replacement cost thereof, or (B) procure and maintain an endorsement which provides for full reimbursement for the actual cost of repair or replacement thereof, without deduction for depreciation.

(ii) On and after the Starting Date, insurance against hazards such as burglary and theft covering the Common Furnishings and to the extent available at a reasonable cost, the personal property on the Project owned by any Owner, Permitted User or Exchange User or in the possession of the Association, its agents or employees.

(iii) To the extent available at a reasonable cost, insurance against loss in the operation of the Project of earnings, continuing charges and expenses, and such other risks and hazards customarily covered by business interruption insurance policies. Such business interruption insurance shall be combined with insurance against loss due to extra expenses arising out of operating the Project and the cost of temporary quarters for Owners, Permitted Users and Exchange Users due to damage to, or uninhabitability of, the Project or Common Furnishings and such other risks and hazards customarily covered by such extra expense insurance policies.

(iv) Insurance against loss or liability due to injury to, or destruction of personal property belonging to Owners, Permitted Users and Exchange Users while located in the Project, including without limitation loss due to claims for bodily injury, death and property damage with a combined single limit liability with regard thereto of not less than \$1,000,000.00 per occurrence. The Association shall also procure and maintain one or more umbrella liability insurance policies against loss or damage due to claims for personal injury, death and property damage with a limit with regard thereto of not less than \$5,000,000.00 per occurrence.

(v) To the extent available at a reasonable cost, directors' and officers' liability insurance, Workers' Compensation Insurance and any other insurance deemed necessary or desirable by the Association. Such other policies of insurance shall cover such risks, be written by such insurers, and be in such amounts as the Association shall deem necessary and proper under the circumstances. The Association shall cause to be covered by a fidelity bond or insurance providing for a blanket crime endorsement, any employee or agent of the Manager or the Association who may have charge of funds of any Owner, Permitted User, Exchange User or of the Association. The loss coverage under any such bond or policy shall not be less than the maximum amount of funds of the Association over which the principals under the bond or policy may reasonably be expected to have control or access at any time.

All insurance policies obtained by the Association hereunder shall name all Owners (as a class) and Declarant (individually) as additional insureds. Liability insurance shall contain appropriate waivers of subrogation against any Owner or member of such Owner's household, and a provision that no act or omission by an Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or operate as a condition to recovery by any other person under such policy.

(j) Legal and Accounting. The Association shall have the power to obtain and pay the cost of legal and accounting services necessary or proper in the operation of the Project and maintenance and repair of the Project and Common Furnishings and the enforcement of the Governing Instruments.

(k) Levy and Collection of Assessments. The Association shall have the power, and shall have the duty to take such action as the Board deems reasonable, (i) to establish the frequency of collection of Assessments by the Association, (ii) to levy, collect and enforce Assessments against the Owners in the manner provided in Articles VI and VII hereof in order to pay the expenses of operating the Project and the expenses of maintaining and repairing the Project and Common Furnishings (including the fee of the Manager), and (iii) to do all things necessary to enforce each Owner's obligations hereunder.

(l) Rules and Regulations. The Association shall have the power and duty, to adopt, publish and enforce (to the extent deemed necessary and proper by the Board), from time to time, Rules and Regulations relating to the possession, use and enjoyment of the Project which Rules and Regulations shall be consistent with the provisions of the Governing Instruments.

(m) Maintenance and Repair. The Association shall have the power (and each Owner by accepting a grant deed for a Fractional Interest delegates to Association such power),

and to the extent deemed necessary or proper by the Board for the management and operation of the Project and the maintenance and repair of the Cottages and Common Furnishings, the duty, to do the following: (i) repair, maintain, repaint, furnish or refurnish the Cottages; (ii) repair, maintain or replace the Common Furnishings; (iii) establish reserves for anticipated costs, including the costs of acquisition and replacement of Common Furnishings; and (iv) acquire and pay for materials, supplies, furniture, furnishings, labor or services.

(n) Minutes, Agenda and Policies. The Association shall have the power and duty to provide each Owner with (1) a copy of the minutes of Board meetings within sixty (60) days following the date of such meeting, (2) a list of the orders of business to be considered at the annual meeting of Members not later than thirty (30) days prior to the date for such meeting, which list shall contain the name, address and a brief biographical sketch (if available) of each Member nominated to stand for election to the Board, and (3) within sixty (60) days prior to the beginning of each Fiscal Year, a statement of the Association's policies and practices relative to the enforcement of its remedies against Owners for defaults in the payment of any amounts due to the Association, including, without limitation, the recording and foreclosing of liens against Fractional Interests.

(o) Other Necessary Acts. The Association shall have the power to do all other things or acts deemed by the Association to be necessary, desirable or appropriate for the operation and administration of the Project and maintenance, repair and replacement of the Project and the Common Furnishings.

(p) Representation in Condemnation Proceedings. The Association shall have the power and duty to represent the Owners in any and all proceedings related to or arising out of condemnation or eminent domain proceedings. Upon receipt of notice of intention or notice of proceedings whereby all or any part of the Project is to be taken by any governmental body by exercise of the power of condemnation or eminent domain, all Owners and Mortgagees shall be immediately notified by the Association thereof. The Association shall represent the Owners in any condemnation or eminent domain proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any part of the Project, and every Owner appoints the Association his attorney-in-fact for this purpose. The entire award made as compensation for such taking, including but not limited to any amount awarded as severance damages, or the entire amount received and paid in anticipation and settlement for such taking, after deducting therefrom, in each case, reasonable and necessary costs and expenses, including but not limited to attorneys' fees, appraisers' fees and court costs (which net amount shall hereinafter be referred to as the "Award"), shall be paid to the Association as trustee for the use and benefit of the Owners and their Mortgagees as their interests may appear. The Association has no obligation to distribute funds under this subsection other than those received by the Association as part of the Award.

(q) Right of Entry. The Association shall have the right, during Maintenance Periods and upon giving reasonable notice if a Cottage is occupied, to enter such Cottage for the purpose of cleaning, housekeeping service, painting, maintenance and repair. The Association and its successors and assigns further shall have the right at any reasonably necessary time, whether or not in the presence of an Owner, to enter upon any Cottage within the Project for the

purpose of (1) making emergency repairs therein, (2) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Cottage, (3) protecting property rights and welfare of any Owner, Permitted User or Exchange User, or (4) for any other purpose reasonably related to the performance by the Association of its duties and obligations under the terms of this Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the rightful occupant of such Cottage and shall be preceded by reasonable notice to such occupant whenever the circumstances permit. Any action taken by the Association pursuant to the foregoing provisions of this subsection must be reasonably related to the performance by the Association of its responsibilities under the terms of this Declaration.

(r) Roster. The Association shall have the power and duty to compile the Roster. Upon the written request of an Owner stating the purpose for which the request is made, the Association shall furnish such Owner with a copy of the Roster and may charge such Owner a reasonable fee therefor. Each Owner who requests and receives a copy of the Roster hereby agrees not to make any use of the Roster prohibited by Section 8338 of the California Corporations Code (including, without limitation, use of the Roster to solicit money or property or for any other commercial purpose) or to distribute a copy of the Roster to any person who is not an Owner or for any purpose unrelated to any Owner's interest as an Owner and Member. Any Owner who uses or distributes the Roster in a manner prohibited under this subsection shall, in addition to all other rights, powers and remedies available to the Association under this Declaration, be subject to all of the liabilities imposed under Section 8338 of the California Corporations Code, and agrees to indemnify and defend the Association, the Board and the Manager against and to hold the Association harmless from any and all claims arising from or related to such Owner's use of the Roster.

(s) Statements of Status; Project Documents.

(i) The Association shall have the power and duty to issue a Statement of Status within ten (10) days of the mailing or delivery of a request therefor by any Owner, Mortgagee, prospective Mortgagee, purchaser or other prospective transferee of a Fractional Interest. Such Statement of Status shall be binding upon the Association in favor of any person who may rely thereon in good faith.

(ii) The Association shall have the power and duty to provide a copy of the Declaration, Articles, Bylaws and the Rules and Regulations within ten (10) days of the mailing or delivery of a request therefor by any Owner.

(iii) The Association shall have the power to charge a fee for providing the Statement of Status or the requested documents, which fee shall not exceed the reasonable cost of preparation and/or reproduction thereof.

(t) Taxes and Assessments. The Association shall have the power and duty to pay all taxes and assessments and other costs affecting or relating to the Project, Common Furnishings or the Project not otherwise directly assessed against each Owner and shall have the power to discharge, contest or protest liens or charges affecting the Project.

(u) Utilities. The Association shall have the power and duty to obtain and pay the costs of water, electrical, telephone, cable television, gas, refuse pick-up, garbage disposal and other utility services for the Project.

(v) Reservation Priority Chart. The Board shall have the power and duty to update and expand the Reservation Priority Chart from time to time upon a finding by the Board that it is inadequate to fairly allocate reservation priorities between the owners of Fractional Interests.

4.3 Authority and Duty to Engage Manager.

The Association shall have the authority to engage and the obligation to use its best efforts to engage and maintain a reputable firm as the Manager for the Project and operation of the Project pursuant to a Management Agreement. Each Management Agreement shall be substantially in the form attached hereto as Exhibit "E".

4.4 Limitation on Powers of the Manager.

The Manager shall not enter into a contract with a third person or entity whereby such person or entity will furnish goods or services for a term longer than one (1) year for the Project or Common Furnishings without the Consent of a Majority of Owners except as follows:

(a) A contract with a public utility company if the rates charged for the materials or services are regulated by the California Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(b) Prepaid casualty and/or liability insurance policies not to exceed three (3) years duration provided that the policy permits short-rate cancellation by the insured.

(c) The following types of contracts provided that the lessor or provider is not an entity in which the Declarant or the Manager has a direct or indirect interest of ten percent (10%) or more:

- (i) A lease of Common Furnishings;
- (ii) Agreements for cable television services and equipment or satellite television services and equipment;
- (iii) Agreements for burglar alarm services and equipment; and
- (iv) Fidelity insurance for the Manager.

(d) Contracts providing for the implementation of an Exchange Program at the Project.

4.5 Limited Liability.

Neither the Association nor the Manager shall be responsible for the acts, omissions or conduct of any Owner, Permitted User or Exchange User, or for the breach of any of the obligations of any Owner, Permitted User or Exchange User.

4.6 Declarant's Obligations to the Project.

For so long as (a) an improvement to be constructed by Declarant as a part of the Project (for which a bond or other security posted by Declarant to assure completion of such improvement remains unexonerated) has not been completed, or (b) a Subsidy Agreement continues in effect, Declarant shall, within thirty (30) days after the end of each quarter of the Fiscal Year, furnish to each member of the Board at his or her residence address a Declarant's Report.

If the Declarant's Report is not received by the Board members within forty-five (45) days after the end of a quarter, or if the Declarant's Report received evidences a failure by Declarant to fulfill any obligation of Declarant to the Association, the Board shall hold a special meeting to consider and to vote on the question of initiating action against the Declarant and/or the Declarant's surety to enforce Declarant's unfulfilled obligations.

If, within seventy-five (75) days following the end of the calendar quarter with respect to which the Declarant's Report was either not submitted or reflected a failure by Declarant to fulfill its obligations to the Association, the Board fails to meet to consider and vote on the question of enforcing Declarant's obligations or if, within said seventy-five (75) day period, the Board refuses to initiate action to enforce the Declarant's unfulfilled obligations, the director of the Association elected solely by the votes of Non-Declarant Owners shall be empowered to initiate action in the name of the Association and at the Association's expense, including, without limitation, arbitration proceedings as more particularly provided below. If such director initiates an action in the name of the Association, the Board shall thereafter take such steps as are necessary and appropriate in furtherance of the purpose of the action.

Any disagreement or controversy between the Declarant and the Association with respect to the question of the fulfillment of Declarant's obligations to complete and pay for improvements included in the Project, to pay for Basic, Special and Reconstruction Assessments, or to pay the costs of operating and maintaining the Project and Common Furnishings under a Subsidy Agreement shall, at the request of either party, be submitted to arbitration in accordance with the commercial Arbitration Rules of the American Arbitration Association.

The fee necessary to commence arbitration shall be paid by the party initiating the arbitration proceedings. The cost of arbitration shall ultimately be borne as determined by the arbitrator. If arbitration is requested by the director elected solely by the votes of Non-Declarant Owners as provided above, the Association shall promptly reimburse such director for that and any other costs reasonably incurred in initiating the arbitration proceedings.

**ARTICLE V.
ASSESSMENTS AND PERSONAL CHARGES**

5.1 Creation of Personal Obligations For Assessments. From and after the Starting Date, Declarant, for each Declarant Fractional Interest, hereby covenants, and each Owner accepting the conveyance of a Fractional Interest, whether or not it shall be so expressed in the Original Deed, shall be deemed to have covenanted and agreed, for each such Fractional Interest owned, to pay to the Association all Assessments which shall be established, made and collected as hereinafter provided. Personal Charges shall not be deemed to be Assessments for any purposes hereunder. Declarant may, in lieu of payment of the Basic Assessment, enter into a Subsidy Agreement with the Association substantially in the form attached hereto as Exhibit "F". The Assessments, together with interest thereon, costs and reasonable attorneys' fees shall be the personal obligation of each Owner at the time each Assessment becomes due and payable and shall be a lien and charge upon the Fractional Interest against which such Assessment is made. Subject to the provisions of subsection 6.2(b), below, the personal obligation for delinquent Assessments shall not pass to successors-in-title unless expressly assumed. No Owner may waive or otherwise avoid liability for the Assessments by non-use of his Fractional Interest or any part thereof or any abandonment thereof.

5.2 Purpose of Assessments.

Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Owners, to maintain, repair and improve the Project and Common Furnishings, to pay for the operation and administration of the Project, and to reimburse expenses incurred by the Association and other expenditures incurred in the performance of the duties of the Association as set forth in this Declaration.

5.3 Limitation on Basic Expenses.

Except as provided in Section 5.4, below, without the Consent of a Majority of Owners, the Basic Expenses for any applicable Fiscal Year subsequent to the 2007 Fiscal Year shall not exceed 120% of the Basic Expenses for the preceding Fiscal Year (without regard to any increase or decrease as set forth in Section 5.4, below, and without regard to increases in real property taxes).

5.4 Reduction of Budget.

(a) In the event of deannexation pursuant to Article VIII, the Board shall, not later than sixty (60) days following the Deannexation Date, cause to be prepared a supplemental Budget showing a decrease in the Basic Expenses for the applicable Fiscal Year attributable to the deannexation of Cottages, Fractional Interests and Common Furnishings from the Project caused by such deannexation prorated for the remainder of the Fiscal Year from such Deannexation Date.

(b) Each Owner hereby further agrees that in the event the Board shall determine at any time during the Fiscal Year that the Budget is, or will be, in excess of the amounts needed to meet the Basic Expenses (other than Reserve Expenses), respectively, for such Fiscal Year,

the Board shall have the authority, exercisable in its sole discretion, to cause to be prepared an estimate of the amount of such excess, which excess shall then be subtracted from the previously prepared Budget, respectively, for the Fiscal Year to which such excess is applicable. The Basic Expenses reflected in the reduced total Budget shall then be allocated among the Owners in the same ratio as provided in Section 1.7 of this Declaration. Except as may be determined by the Owners on an annual basis, (i) no Owner shall, by reason of such reduction, be entitled to a refund of all or any portion of any Basic Assessment previously paid, and (ii) each Owner hereby agrees that any amount assessed and collected in excess of the amount required to meet the Basic Expenses (other than Reserve Expenses) shall be applied to reduce the amount assessed to meet the Basic Expenses, respectively, for the next succeeding Fiscal Year. Any reduction in the Budget, as provided herein, shall not relieve any Owner from his obligation to pay any past due Basic Assessment.

5.5 Basic Assessment.

The Basic Assessment shall commence as to each Fractional Interest on the Starting Date for such Fractional Interest. The initial Basic Assessment for each Fractional Interest other than a Declarant Fractional Interest may be prorated between the Declarant and the grantee thereof as more particularly provided in the Purchase Agreement for such Fractional Interest.

5.6 Tax Assessment and Supplemental Tax Assessment.

The Tax Assessment and Supplemental Tax Assessment shall be determined as follows:

(a) Tax Assessment. If real property taxes are not separately assessed against each Fractional Interest by the County, the Association shall use its best efforts to effect the Tax Assessment as a private separate assessment against the Fractional Interests as if the County Assessor had done so. Unless the Association shall determine that another method of calculation of the Tax Assessment is required by law or would be more equitable under the circumstances, the Association shall determine and levy the Tax Assessment in accordance with the following provisions; provided, however, no Tax Assessment shall be levied by the Association in the event real property taxes are separately assessed and billed by the County Assessor against the Fractional Interests.

(i) Reassessed Fractional Interest Tax Assessment. The Tax Assessment for each Reassessed Fractional Interest shall be determined (A) by multiplying the product of (y) the Fractional Assessed Value times the tax rate established for the applicable Tax Year by (z) a fraction, the numerator of which is the purchase price paid for the Reassessed Fractional Interest and the denominator of which is the aggregate of the purchase prices for all Reassessed Fractional Interests, or (B) by multiplying the assessed value attributed to such Reassessed Fractional Interest by the County Assessor for the County by the tax rate established for the applicable Tax Year.

(ii) Original Fractional Interest. The Tax Assessment for each Original Fractional Interest shall be determined by multiplying (A) the product of (y) the

Declarant Assessed Value times (z) the tax rate established for the applicable Tax Year by (B) a fraction, the numerator of which is one (1) and the denominator of which is 170.

(b) Supplemental Tax Assessment. Upon receipt by the Association of a supplemental tax bill from the County Assessor, the Association shall levy a Supplemental Tax Assessment against the Fractional Interests, the conveyance of which have caused the supplemental assessment producing such bill.

5.7 Payment of Basic Assessment, Tax Assessment and Supplemental Tax Assessment.

The Basic Assessment, Tax Assessment and Supplemental Tax Assessment shall be paid as follows:

(a) The Basic Assessment shall be paid as follows:

(i) Each Non-Declarant Owner, for each Fractional Interest owned by such Owner, shall pay to the Association, for the Fiscal Year in which such Non-Declarant Owner acquired such Fractional Interest, the Basic Assessment for each such Fractional Interest as provided in the Purchase Agreement between such Owner and Declarant.

(ii) For each Fiscal Year thereafter, such Non-Declarant Owner shall pay the Basic Assessment with respect to each Fractional Interest within the Project which he owns to the Association either (A) in one lump sum due on or before the date determined by the Board, or (B) in installments payable no more frequently than quarterly. Whether such Basic Assessment is paid through the method provided in (A) or (B) of the foregoing sentence shall be at the Board's sole discretion. Any Basic Assessment shall be delinquent if not paid on or before thirty (30) days after the date so established by the Board.

(iii) For each Fiscal Year in which there is no Subsidy Agreement, Declarant, with respect to each Fractional Interest owned by Declarant, shall pay to the Association the Basic Assessment in four (4) equal quarterly installments, commencing on January 1 of each Fiscal Year and continuing on the first day of each month thereafter until paid.

(iv) That portion of the Basic Assessment which is attributable to Reserve Expenses shall be deposited in the Reserve Account.

(b) The Tax Assessment shall be paid as follows:

(i) Each Non-Declarant Owner shall pay the Tax Assessment for each Fractional Interest which he owns in the Tax Year in which he became the Owner thereof as provided in the Purchase Agreement between Declarant and such Owner, and for each Tax Year thereafter, such Non-Declarant Owner shall pay the Tax Assessment for each such Fractional Interest concurrently with payment of the Basic Assessment;

(ii) For each Tax Year, the Tax Assessment attributable to each Declarant Fractional Interest shall be payable by the Declarant in two (2) equal semi-annual installments, payable on such dates as the Association may determine; provided, however, that

(i) upon conveyance by Declarant of a Declarant Fractional Interest within the Project by Original Deed, the Tax Assessment attributed thereto shall be paid by the purchaser thereof as set forth in Subsection 5.7(b)(1), above.

(c) The Supplemental Tax Assessment shall be payable within ten (10) days after receipt of a statement therefor from the Association.

5.8 Special Assessments.

(a) If the Basic Assessments collected or to be collected for a particular Fiscal Year are, or will be, inadequate to meet all expenses incurred by the Association hereunder (other than for items constituting Personal Charges) for any reason, the Association shall immediately determine the approximate amount of such inadequacy (the “**Shortfall**”), prepare and distribute a supplemental budget and levy against each Fractional Interest a Special Assessment as set forth below in this Section 5.8. The Special Assessment for each Fractional Interest shall be determined in the same method as used to determine the Basic Assessment as set forth in Section 1.7 except that the term “Special Assessment” shall be substituted for the term “Basic Assessment” and the term “Shortfall” shall be substituted for the term “Basic Expenses”.

(b) Notwithstanding the foregoing, without the Consent of a Majority of Owners, the Special Assessments shall not, in the aggregate in any particular Fiscal Year, exceed five percent (5%) of the Basic Expenses for such Fiscal Year. Notwithstanding the foregoing, Special Assessment increases shall not be limited in the case of any of the following “emergency situations”:

(i) an extraordinary expense required by court order;

(ii) an extraordinary expense for repair or maintenance of the Project or Common Furnishings where a threat to personal safety is discovered; or

(iii) an extraordinary expense for repair or maintenance of the Project or Common Furnishings which expense could not have been reasonably foreseen in preparing the budget; provided, however, that prior to imposition of such an assessment, the Board shall make written findings as to the necessity of the expense and why such expense could not have been reasonably foreseen and such findings shall be distributed to the Members with the notice of assessment.

Any Special Assessment shall be payable in one lump sum or periodically, as determined by the Association.

5.9 Personal Charges.

(a) Personal Charges are not Assessments and the remedies available to the Association against any Owner for nonpayment of such Owner’s Personal Charges are those remedies provided in Section 6.1 and subsection 6.2(a), below.

(b) Personal Charges shall be paid by each Owner as follows:

(i) If the Manager is able to determine the amount of Personal Charges at Check-Out Time (for example, Personal Charges constituting long distance telephone charges, optional housekeeping service, etc.), such Personal Charges shall be payable at the termination of the Owner's Use Period, unless the Board elects to establish credit accounts for Members pursuant to the Rules and Regulations.

(ii) Except as provided in Section 9.5, below, Personal Charges which are not ascertainable at the time of termination of an Owner's Use Period shall be payable as determined by the Board.

ARTICLE VI. ENFORCEMENT OF RESTRICTIONS

6.1 In General.

In the event that any Owner, Exchange User or Owner's Permitted User(s) should fail to comply with any of the provisions of the Governing Instruments, the Association or any other Owner(s) shall have full power and authority to enforce compliance with the Governing Instruments in any manner provided for therein, by law or in equity, including, without limitation, the right to enforce the Governing Instruments by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of the Governing Instruments, to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner and the right to take possession of the Fractional Interest of such Owner in any lawful manner. In the event the Association or any Owner(s) shall employ an attorney to enforce the provisions of the Governing Instruments against any Owner, the party engaging the attorney shall be entitled to recover from such Owner, Permitted User or Exchange User violating any such provisions reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by an Owner which become Delinquent shall bear interest at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less, from the due date, or if advanced or incurred by the Association, or any other Owner pursuant to authorization contained in this Declaration, commencing ten (10) days after repayment is requested. Each Owner who becomes Delinquent in the payment of any amount due the Association shall pay to the Association a late charge of (a) ten (10) percent of the delinquent amount or \$10.00 (whichever is greater) or (b) the maximum late charge permitted by law, whichever is less, for each payment which is delinquent. All enforcement powers of the Association shall be cumulative. Declarant and each Owner, by accepting the conveyance of a Fractional Interest, shall be deemed to have covenanted and agreed that the Association shall have all of the rights, powers and remedies set forth in this Article VI and elsewhere in this Declaration.

6.2 Certain Specific Enforcement Powers.

In amplification of, and not in limitation of, the general powers specified in Section 6.1 above, the Association shall have the following rights and powers:

(a) Suspension of Privileges and Imposition of Monetary Penalties. If any Owner or his Permitted User shall be in breach of the Governing Instruments, including but not limited to the failure of such Owner to pay any Assessment or Personal Charges on or before the due date therefor, subject to the limitations hereinafter set forth in this subsection 6.2(a), the Association may suspend the right of such Owner to reserve or occupy an Assigned Cottage and the right of such Owner to participate in any vote or other determination provided for herein, and may assess monetary penalties therefor. No such suspension or imposition of monetary penalties, except a suspension of privileges or imposition of monetary penalties for the failure of such Owner to pay any Assessments or Personal Charges, any portion thereof or any other amount(s) due hereunder on or before the due date therefor, shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in the Bylaws for the noticing, calling and holding of a meeting of the Board. Written notice of such meeting, the purpose thereof, including the reasons for the suspension sought or the monetary penalties sought to be imposed, and whether the Owner's defense shall be oral or written, shall be given to the Owner whose privileges are being sought to be suspended or against whom monetary penalties are sought to be imposed at least fifteen (15) days prior to the holding of such meeting. Such notice shall be given as provided at Section 9.3, below. Such Owner shall be entitled to appear at such meeting and present his case, either orally or in writing as designated by the Board, as to why his privileges should not be suspended or such monetary penalties should not be imposed. The decision as to whether such privileges should be suspended or such monetary penalties imposed shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension, the length thereof or monetary penalties imposed and the reasons therefor shall be given to the affected Owner and the suspension or monetary penalties shall become effective five (5) days following the date such notice is given. If such suspension of privileges or imposition of monetary penalties is based on the failure of an Owner to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspension shall become effective upon the date of the Board's decision to suspend such privileges and such suspended privileges of such Owner shall be reinstated automatically at such time as the Owner shall have paid to the Association, in cash or by cashier's or certified check, all amounts past due as of the date of such reinstatement, together with accrued and unpaid interest and any late charges or other monetary penalties imposed. If such suspension of privileges is based on any act or omission other than the failure of an Owner to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspended privileges shall be automatically reinstated upon the expiration of the period stated in the suspension notice. In case of any emergency situation which, in the reasonable judgment of the Manager requires an immediate suspension of the rights or privileges of an occupant of an Assigned Cottage in order to protect persons or property at the Project, the Association delegates to the Manager the power to suspend the privileges of any Owner, Exchange User or Permitted User during the period of time that such Owner, Exchange User or Permitted User is in violation of the Governing Instrument. Further, the Association delegates to the Manager the power to suspend the privileges of any Owner, Exchange User or Permitted User during the period of time that such Owner, Exchange User or Permitted User is Delinquent in the payment of an Assessment or Personal Charge duly levied by the Association, subject to the provisions of this subsection.

(b) Enforcement by Lien. There is hereby created a claim of lien, with power of sale, on each and every Fractional Interest to secure the prompt and faithful performance of each Owner's obligations under the Governing Instruments for the payment to the Association of any and all Assessments levied against any and all Fractional Interests, together with interest thereon at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less, from the date such payment becomes Delinquent, and all late charges and costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees. At any time within ninety (90) days after the occurrence of any default in the payment of such Assessment or performance secured, the Association or any authorized representative may, but shall not be required to make a written demand for payment to the defaulting Owner. Said demand shall state the date and amount of the delinquency with respect to which the Owner is in default. Each default shall constitute a separate basis for a demand or claim of lien or a lien, but any number of defaults may be included within a single demand or claim of lien. If such delinquency is not paid or default is not cured within ten (10) days after delivery of such demand, or within 100 days after the date of delinquency or default if no written demand is made, the Association may elect to file and record a notice of default and claim of lien (with a copy to the Mortgagee of such defaulting Owner if such Mortgagee has requested a copy and furnished its name and address to the Association) on behalf of the Association against the Fractional Interest of the defaulting Owner in the Office of the County Recorder. Such a notice of default and claim of lien shall be executed and acknowledged by any officer of the Association, and shall contain substantially the following information:

- (i) The name of the defaulting Owner;
- (ii) The total amount of the delinquency, interest thereon, late charges, collection costs and reasonable attorneys' fees;
- (iii) A statement that the notice of default and claim of lien is made by the Association pursuant to this Declaration; and
- (iv) A statement that a lien is claimed and will be foreclosed against the Fractional Interest in an amount equal to the amount stated.

The recordation of a duly executed original or copy of such a notice of default and claim of lien, and mailing a copy thereof to the defaulting Owner, shall not constitute a condition precedent to nor delay the attachment of the lien. The lien claimed in such a notice of default and claim of lien shall attach to the Fractional Interest without notice at the beginning of the first day of any period for which any Assessment is levied. Any such lien may be foreclosed by appropriate action in court or in the manner provided by law for the foreclosure of a deed of trust by exercise of a power of sale contained therein or in the manner provided by law for the enforcement of a judgment as the laws of the State of California may from time to time be changed or amended. The Association shall have the power to bid in at any foreclosure sale, trustee's sale or judgment sale, and to purchase, acquire, lease, hold, mortgage and convey any Fractional Interest acquired at such sale subject to the provisions of this Declaration. Reasonable attorneys' fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by law.

The proceeds of any foreclosure, trustee's or judgment sale provided for in this Declaration shall first be paid to discharge court costs, court reporter charges, reasonable attorneys' fees, title costs and costs of the sale, and all other expenses of the proceedings and sale, and the balance of the proceeds, after satisfaction of all charges, monetary penalties and unpaid Assessments hereunder or any liens, and subject to the rights of any Mortgagee, shall be paid to the defaulting Owner. The purchaser at any such sale shall obtain title to the Fractional Interest free from the sums or performance claimed (except as stated in this subsection) but otherwise subject to the provisions of the Governing Instruments; and no such sale or transfer shall relieve such Fractional Interest or the purchaser thereof from liability for any Assessments, other payments or performance thereafter becoming due or from the lien therefor as provided for in this subsection. All sums assessed hereunder but still unpaid shall remain the obligation of and shall be payable by the person foreclosed upon; but if such sum should prove uncollectible, then, with regard to a Fractional Interest, it shall be deemed to be a Basic Expense, and shall be shared among the Owners in the same manner as other Basic Expenses are shared.

Upon the timely curing of any default for which a notice of default or claim of lien was filed by the Association, the officers of the Association are hereby authorized to record an appropriate release of such lien in the Office of the County Recorder.

6.3 Subordination to Certain Mortgages.

The lien provided for herein shall be prior to all encumbrances made by an Owner or imposed by legal process upon any Owner except taxes, bonds, assessments and other levies which by law are prior thereto, whether the notice of lien is recorded prior or subsequent to any such encumbrances, except that the lien provided for herein shall be subordinate to the lien of any Prior Mortgage. The sale or transfer of any Fractional Interest shall not defeat or affect the lien provided for herein; provided, however, that the sale or transfer of any such interest which is subject to any Prior Mortgage pursuant to a foreclosure under such Prior Mortgage shall extinguish the lien provided for herein as to payments which became due prior to such sale or transfer. No such sale or transfer shall relieve such Fractional Interest or the purchaser thereof from liability for any Assessment(s) thereafter becoming due or from the lien thereof.

ARTICLE VII. DAMAGE, DESTRUCTION, OR CONDEMNATION

7.1 Damage or Destruction to Contents.

In the event of any damage or destruction other than by ordinary wear and tear, whether resulting from an insured or uninsured casualty, to all or any portion of the Project or any Common Furnishings, the Association shall promptly cause such to be repaired, restored or replaced as near as may be possible to its condition immediately prior to such damage or destruction. The Board shall obtain firm bids from two (2) or more responsible contractors to rebuild such damaged or destroyed portion of the Project as nearly as possible to its condition immediately prior to such damage or destruction and shall accept the bid it considers most favorable. If a bid is accepted, the Board shall levy a Reconstruction Assessment on all of the

Owners in accordance with the method set forth below for the amount required to make up any deficiencies between the total insurance proceeds and the contract price for such repair and rebuilding (the “**Reconstruction Shortfall**”). The Reconstruction Assessment for each Fractional Interest shall be determined in the same method as used to determine the Basic Assessment for each such interest as set forth in Section 1.7 except that the term “Reconstruction Assessment” shall be substituted for the term “Basic Assessment” and the term “Reconstruction Shortfall” shall be substituted for the term “Basic Expenses”.

Notwithstanding the foregoing, (a) if the loss, damage or destruction was caused by the intentional or negligent act or failure to act of any Owner or his Permitted User(s), the cost of such repair shall be a Personal Charge of, and be paid by, such Owner as provided in Section 5.9, above, to the extent such loss, damage or destruction is not covered by insurance, and (b) if the loss, damage or destruction was caused by an intentional or negligent act or omission to act of any Exchange User, the Association shall, and if caused by a guest of Declarant, the Declarant shall, use reasonable efforts to collect from such person the cost of such repair to the extent such loss, damage or destruction is not covered by insurance. The insurance proceeds available to the Association on account of said damage or destruction shall be paid to the Board. All insurance monies recovered on account of such damage or destruction, less the cost, if any, of such recovery, shall be applied to the payment of the cost of repairing, replacing and rebuilding, and shall be paid out from time to time by the Board as such work progresses upon the written certification of the architect or engineer if applicable, or the contractor in charge of such work, stating that the sum requested is justly due to those persons rendering services or furnishing materials in connection with such work.

7.2 Extensive Damage or Destruction; Condemnation.

In the event that the Reconstruction Shortfall exceeds ten percent (10%) of the amount of Basic Expenses for such Fiscal Year, the Reconstruction Assessment shall not be levied (a) prior to the Conversion Date unless the Board shall first pass a resolution approving such Reconstruction Assessment and containing written findings as to the necessity of the extraordinary expense involved and why the expense could not have been reasonably foreseen in the budgeting process and shall distribute such resolution to the Members with the notice of Reconstruction Assessment, and (b) on or after the Conversion Date without the Consent of a Majority of Owners. If such Reconstruction Assessment is not so approved or if no action is taken with respect to such Reconstruction Assessment within 180 days following the date of such damage or destruction or in the event the entire Project shall be taken by eminent domain, this Declaration shall terminate upon the consummation of the sale of the Property, pursuant to Section 9.2, below, and the recordation in the Office of the County Recorder of an amendment stating that the Declaration has been terminated in accordance with the provisions of this Section 7.2. The proceeds arising from such sale, together with any insurance proceeds or condemnation proceeds received as a result of such damage, destruction or condemnation (collectively, the “**Proceeds**”), shall be distributed by the Association, as trustee, to each Owner, including Declarant (subject to the rights of Mortgagees as reserved in Prior Mortgages) as provided below; provided, however, there shall be deducted from the amount due any Owner, and retained by the Association, the amount, if any, of all sums due to the Association from such Owner. For

each Fractional Interest, a distribution shall be made to the Owner of such Fractional Interest in an amount determined by dividing the Proceeds by the total number of Fractional Interests.

ARTICLE VIII. DEANNEXATION

8.1 Deannexation. Declarant may deannex from this Declaration, in accordance with the procedures set forth in Section 8.2, below:

(a) Prior to the Starting Date, any particular lot or parcel of the Property (created either by subdivision of the Property or by a lot line adjustment) and all of the Cottages thereon;

(b) Subsequent to the Starting Date, all of the Cottages on any particular lot or parcel within the Property (created either by subdivision of the Property or by a lot line adjustment) in which no associated Fractional Interest has been conveyed by Original Deed; and

(c) Subsequent to the Starting Date, all of the Cottages on any particular lot or parcel within the Property with the Consent of a Majority of Non-Declarant Owners.

8.2 Deannexation Procedures. Any deannexation authorized by Section 8.1, above, shall be made by recording in the Office of the County Recorder a Declaration of Deannexation with respect to that portion of the Property to be deannexed thereby. The Declaration of Deannexation shall contain at least the following:

(a) a legal description of the lot or parcel being deannexed and the location thereof;

(b) a statement deannexing such lot or parcel from this Declaration, which shall be referred to by title and date and instrument number of recording; and

(c) such other terms and conditions as Declarant deems advisable or necessary; provided, however, that such terms and conditions shall not be inconsistent or in conflict with the terms and provisions of this Declaration and shall not adversely or materially affect the interests of Owners hereunder.

8.3 Effect of Deannexation. Upon any deannexation pursuant to this Article VIII, and at all times thereafter, this Declaration shall no longer govern the use, enjoyment, repair, maintenance, restoration and improvement of the property so deannexed, and Declarant shall have no obligation to subsidize or pay the installments of the Basic Assessment with respect to such property.

ARTICLE IX. MISCELLANEOUS PROVISIONS

9.1 Amendment.

This Declaration may be amended as set forth below:

(a) This Declaration may be amended by Declarant as follows:

(1) In its sole and absolute discretion and without the consent of any other party at any time prior to the Starting Date;

(2) From and after the Starting Date, this Declaration may be amended by Declarant in its sole and absolute discretion and without the consent of any other party if such an amendment is necessary in order to comply with the laws of any jurisdiction in which the sale of Fractional Interests is to be undertaken by Declarant or if the changes are made to correct any scrivener error, provided such amendment does not have a material adverse effect on any Owner.

Any amendment authorized by this Section 9.1(a) shall be evidenced by an instrument in writing, signed and acknowledged by Declarant.

(b) This Declaration may be amended from and after the Starting Date with the Consent of a Majority of Owners. Any amendment authorized pursuant to this Section 9.1(b) shall be evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the Association.

(c) Notwithstanding the provisions of Section 9.1(b), above,

(i) The specific percentages of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes required for action to be taken under such clause or provision;

(ii) No amendment which would defeat the obligations of the Association to maintain the Cottages in a first-class condition and good state of repair and administer and operate the Project, or which would defeat the assessment procedures which assure the collection of funds for such maintenance and administration shall be made unless such instrument is (i) signed (A) prior to the Conversion Date, by Declarant and two (2) officers of the Association and provided that such amendment has been approved by the vote or written assent of seventy-five percent (75%) of the Owners other than Declarant or (B) on or after the Conversion Date, by two (2) officers of the Association and provided that such amendment has been approved by the vote or written assent of seventy-five percent (75%) of the Owners, including seventy-five percent (75%) of the Owners other than Declarant; and (ii) approved by seventy-five percent (75%) of the beneficiaries of first trust deeds of record against the Fractional Interests; and

(d) Without the prior written consent of the Declarant,

(A) The provisions of Sections 2.9(d), 5.1 and 8.1 of this Declaration shall not be amended; and

(B) The provisions of Sections 2.9(c) and 2.9(f) of this Declaration shall not be amended until the rights of Declarant under such Sections have expired in accordance with the provisions of such Sections.

(e) The Association, or any Owner may petition the superior court of Napa County, California, for an order reducing the percentage of the affirmative votes necessary to amend this Declaration. The petition shall describe the effort that has been made to solicit approval of the Members in the manner provided in this Declaration. The petition shall also describe the number of affirmative and negative votes actually received, the percentage of affirmative votes required to effect the amendment in accordance with this Declaration, and other matters the petitioner considers relevant to the court's determination. The petition shall also contain as exhibits thereto, copies of all of the following: (1) the Governing Instruments, (2) a complete text of the amendment, (3) copies of solicitation and notice materials utilized in the solicitation of owner approvals, (4) a short explanation of the reason for the amendment, and (5) any other documentation relevant to the court's determination.

(f) Notwithstanding the foregoing provisions of this Section 9.1, if, by law, any different consent or agreement is required for any action, then any instrument changing, modifying or rescinding any provision of this Declaration with respect to such action shall be effective only if taken and made as required by law.

(g) No provision in this Declaration may be changed, modified or rescinded so as to conflict with the provisions of any law. No amendment or termination of this Declaration which does not apply to all of the Project then covered by this Declaration shall be made or recorded as to any portion of the Project without the written consent of all of the record Owners of such affected portion.

(h) Any amendment must be recorded prior to becoming effective. Any amendment shall be binding upon every Owner and Fractional Interest within the Project whether the burdens thereon are increased or decreased. No amendment shall require the consent or approval of any Mortgagee. Any amendment authorized hereby shall be evidenced by an instrument in writing, signed and acknowledged, and in the event of an amendment requiring the signature of Association, shall be executed by any two officers of the Association.

(i) Notwithstanding any other provision in this Declaration, neither an amendment to Exhibit "D" (Fractional Interest Numbering System), Exhibit "C" (Reservation Priority Chart), Exhibit "E" (Management Agreement) or Exhibit "F" (Subsidy Agreement), nor the provisions of any Declaration of Deannexation, shall be deemed to be an amendment of the Declaration for purposes of this Section 9.1. Declarant shall have the sole right and power to amend Exhibits "C" and "D," and to record a Declaration of Deannexation without a vote of the Membership or the consent of the Board. The Board and the Managing Agent shall have the power and right to amend any Management Agreement without a vote of the Membership, provided, however, that no provision of the Management Agreement which is required by Business and Professions Code Section 11267 may be amended without the Consent of a Majority of Non-Declarant Owners. The Board and Declarant shall have the power and right to

amend any Subsidy Agreement and/or Reservation Priority Chart without a vote of the Membership.

(j) The provisions of this Declaration regarding Reserve Expenses may be amended by the Board as the Board deems to be in the best interests of the Association upon prior written notice to the Members and provided that no more than forty-nine percent (49%) of the Members entitled to vote object to such amendment.

9.2 Termination.

(a) Subject to the provisions of Article VII of this Declaration and subsection 9.2(b), below, this Declaration shall remain in effect for a period of sixty (60) years from the date of recordation hereof and thereafter shall remain in effect for successive periods of ten (10) years each. This provision may not be amended without the vote or written assent of Owners entitled to vote or so assent and who collectively own more than ninety percent (90%) of the total voting power vested in such Owners.

(b) This Declaration may be terminated at any time (i) after fifty (50) years from the date of recordation of this Declaration, upon the Consent of a Super-Majority of Owners electing to terminate the Declaration and authorizing the Association, as Declarant for all Owners, to sell the Project, or (ii) if under the provisions of Article VII of this Declaration, the provisions of this Section 9.2 are applicable. In such event, Declarant for each Declarant Fractional Interest and each Non-Declarant Owner, by accepting the conveyance of a Fractional Interest (whether or not it shall be so expressed in the Original Deed therefor) hereby confers upon the Association, as trustee, the power and authority to sell, convey or otherwise transfer the interests of the Owners in the Project. This Declaration shall terminate upon the consummation of such sale and the recordation in the Office of the County Recorder of an instrument stating that this Declaration is terminated pursuant to this subsection 9.2(b). Notwithstanding the termination of this Declaration as hereinabove provided in this subsection 9.2(b) and the termination thereby of all of the covenants, conditions, restrictions, easements, rules and regulations, liens and equitable servitudes created by this Declaration, the existence of the Association shall continue for so long as reasonably required to provide for the collection and disbursement of the proceeds from the sale, conveyance or transfer of the interests of the Owners in the Project.

(c) In the event that no conveyance, sale or transfer of the interests of the Owners in the Project shall have been effected by the Association within nine (9) months after (i) the event described in clause (i) or (ii) of subsection 9.2(b) occurred, any Owner, including Declarant, shall have the right to petition a court of competent jurisdiction for the sale of the interests of the Owners in the Project in lieu of partition. Such court shall recognize and give effect to any agreement, document or instrument made or entered into by the Association within said nine (9) month period, and pursuant to which the interests of the Owners in the Project shall be conveyed, sold or transferred.

(d) The proceeds from a sale of the interests of the Owners in the Project (i) by the Association pursuant to the power of sale conferred upon the Association, as set forth in

subsection 9.2(b), or (ii) by a referee appointed to do so pursuant to a decree of partition obtained pursuant to subsection 9.2(c), above, shall be distributed by the Association, as Declarant, to each Owner, including Declarant, (subject to the rights of each Owner's Mortgagee) in accordance with the method for determining the Basic Assessment; provided, however, that there shall be deducted from the amount due any Owner, the amount, if any, of all sums due to the Association from such Owner.

9.3 Notices.

Notices provided for in this Declaration shall be in writing and shall be deemed sufficiently given either when delivered personally at the appropriate address set forth below (in which event, such notice shall be deemed effective only upon such delivery) or 48 hours after deposit of same in any United States post office box in the state to which the notice is addressed, 72 hours after deposit of same in any such post office box other than in the state to which the notice is addressed, postage prepaid, addressed as set forth below. Any notice to an Owner required under this Declaration shall be addressed to the Owner at the last address for such Owner appearing in the records of the Association or, if there be none, at the address of the Project. Notices to the Association shall be addressed to:

The Orchard at Carneros Association
c/o Carneros Cottages, LLC,
4048 Sonoma Highway
Napa, California, 94559
Attn: President

Notices to the Manager shall be addressed to the address designated by the Manager by written notice to all Owners.

Notices to Declarant shall be addressed to

Carneros Cottages, LLC,
4048 Sonoma Highway
Napa, California, 94559
Attn: Nick Monroe

The addresses and addressees for purposes of this Section 9.3 may be changed by giving notice of such change in the manner herein provided for giving notice. Unless and until such notice is received, the last address and addressee as stated by notice or as provided herein, if no notice of change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

9.4 Resales.

(a) Right of First Refusal. If a Owner desires to sell, convey, or otherwise transfer ownership of his Fractional Interest, the Owner shall notify Declarant in writing and

shall deliver a copy of such Owner's original purchase agreement and all exhibits thereto. Declarant shall then have the right and option to purchase the Fractional Interest for the then fair market price of the Fractional Interest, subject to such additional reasonable terms as shall appear in the Owner's original purchase agreement. For purposes of this Section 9.4 (a), the then fair market price of the Fractional Interest shall be determined by the average of the previous ten (10) closed sales of Fractional Interests by Owners and/or Declarant, or if fewer than ten (10) sales have closed, the average sales price of the lesser number of sales which have closed. If Declarant elects to exercise its option under this Section and to purchase the Fractional Interest as provided herein, such election shall be made by written notice, sent to the Owner within thirty (30) days following receipt by Declarant of the Owner's notice. Such notice from Declarant shall be deemed to create a binding contract between the Owner and Declarant for Declarant to purchase the Fractional Interest.

(b) Option. If Declarant does not notify the Owner of its election to purchase the Fractional Interest within such thirty (30) day period described in Section 9.4 (a), above, in consideration of Declarant's agreement to use reasonable efforts to resell one (1) Fractional Interest owned by a Non-Declarant Owner for every four (4) Fractional Interests owned by Declarant and sold in the ordinary course of Declarant's business of selling Fractional Interests, the Declarant shall have a second option to purchase the Non-Declarant Fractional Interest subject to terms and conditions equivalent to those offered by a purchaser with whom Declarant has entered into an agreement to resell the Fractional Interest. Declarant shall establish a waiting list of all Non-Declarant Fractional Interests which are subject to its second option under this Section, and provided that Declarant procures a purchaser for a Non-Declarant Fractional Interest, shall select Non-Declarant Fractional Interests for resale in the order of the waiting list. The option described in this Section 9.4(b) shall be exercised by Declarant, if at all, in writing not later than twenty-four (24) months after the expiration of its first thirty (30) day option to purchase the Fractional Interest described in Section 9.4(a), above. Such notice from Declarant shall be deemed to create a binding contract between the Owner and Declarant for Declarant to purchase the Fractional Interest. Upon the written request of a Owner, Declarant shall promptly execute a duly executed release after expiration of its option under this Section 9.4(b). Notwithstanding Declarant's option described in this Section 9.4(b), an Owner shall have the right to convey and to transfer his Fractional Interest without regard to such option, if the conveyance and transfer is bone fide and:

(i) results from the death of the Owner;

(ii) is to the spouse of the Owner;

(iii) results from a decree of dissolution of marriage or legal separation or from a property settlement agreement incidental to such decree;

(iv) is to a revocable inter vivos trust in which the Owner is the sole life beneficiary; and

(v) arises by personal property security instrument or deed of trust to secure the performance of a monetary obligation, or is a conveyance and transfer (excluding any conveyance and transfer by assignment or deed in lieu of foreclosure) upon the foreclosure of

such security interest, if the security interest will be released and reconveyed upon the completion of the performance;

provided, however, that Declarant shall have the options which are specified under Section 9.4 (a) and this Section 9.4(b), to purchase any Fractional Interest conveyed and transferred to and owned by the transferees identified in Sections 9.4(b)(i) through (v), above. Without limiting the generality of the foregoing proviso, any person specified in Sections 9.4(b)(i) through (v), above, shall hold and use the Fractional Interest transferred subject to the provisions of the Governing Instruments, including this Section 9.4.

(c) Option Exercise Period; Right to Directly Re-sell. Notwithstanding Section 9.4 (b), above, if Declarant has not exercised its second option to purchase the Fractional Interest, within twenty-four (24) months after the expiration of its first thirty (30) day option to purchase the Fractional Interest described in Section 9.4(a), above, such Owner shall have the right to directly re-sell his Fractional Interest subject to the provisions of this Declaration and the other Governing Instruments. During the option periods set forth in Sections 9.4(a) and (b), above, until the date Declarant exercises its option(s), the Owner shall continue to have all of the rights and obligations of a Owner hereunder, including, without limitation, the right to reserve an Assigned Cottage, the right to vote and the duty to pay Assessments.

(d) Power of Attorney. Each Owner hereby appoints Declarant as such Owner's attorney-in-fact to execute all instruments reasonably necessary to further establish the right and power granted to Declarant hereunder, which power of attorney is hereby declared to be coupled with an interest and irrevocable.

(e) Exceptions. Notwithstanding this Section 9.4, an Owner may lease, sell or convey his or her Fractional Interest to a spouse, adult child or grandchild, parent, grandparent or adult sibling, may convey his or her Fractional Interest by gift, devise his or her Fractional Interest by will, or have it pass by intestacy, without complying with the foregoing restrictions; provided, however, that each succeeding Owner shall be bound by the restrictions of this Section 9.4.

(f) Exceptions for Mortgagees. Notwithstanding anything to the contrary set forth above, this Section 9.4 shall not apply to transfers by foreclosure or deed in lieu of foreclosure of a Fractional Interest by an Owner to a Mortgagee under a Prior Mortgage encumbering that Fractional Interest, nor to the sale, conveyance or other transfer of a Fractional Interest by a Owner who previously was the Mortgagee under a Prior Mortgage encumbering that Fractional Interest and who acquired title thereto by foreclosure or deed in lieu of foreclosure.

(g) Effect of Non-compliance. Any conveyance of a Fractional Interest not in compliance with this Section shall be void, of no effect and shall not be recognized by the Association for any purpose.

(h) Covenant Running with the Land. The provisions of this Section 9.4 shall be deemed to be a covenant running with the land as regards each Fractional Interest and the failure

by any Owner to notify Declarant shall not affect Declarant's rights hereunder to purchase the Fractional Interest on the stated terms.

(i) Declarant's Consent to Amendment Required. This Section 9.4 shall not be amended without the written consent of Declarant.

9.5 Notification of Sale of Fractional Interest.

No later than thirty (30) days after the sale or transfer of any Fractional Interest under circumstances whereby the transferee becomes the Owner thereof, the transferor or the transferee shall notify the Association in writing of (a) the name and address of the transferee and transferor, (b) the date on which such sale or transfer is to be or was consummated, (c) a statement, executed by the transferee, that the transferee has received, and acknowledges receipt of a copy of the Governing Instruments and a Statement of Status, (e) a statement, executed by the transferee, that the transferee has received a copy of the then effective Association budget, (f) a statement, executed by the transferee, that the transferee agrees to be bound by all of the provisions of the Governing Instruments, and (g) the name and address of any Mortgagee of such transferor and transferee. Any outstanding and unpaid Assessments and Personal Charges shall be paid to the Association prior to the transfer of such Fractional Interest. Unless and until such notice is given and any unpaid Assessments and Personal Charges have been paid to the Association on behalf of the transferor, the Association shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as an Owner may be recognized by the Association. Prior to (a) receipt of any such notification by the Association or the Manager, (b) the payment of Assessments and Personal Charges by the transferor, any and all communications required or permitted to be given by the Association shall be deemed duly given and made to the transferee if duly and timely made and given to such transferee's transferor.

9.6 Severability.

If any provision of this Declaration, or any section, sentence, clause, phrase or word or the application thereof in any circumstances, shall be held invalid, the validity of the remainder of this Declaration and of the application of such provision, sentence, clause, phrase or word under any other circumstances shall not be affected thereby.

9.7 Successors.

The provisions of this Declaration shall be binding upon all parties having or acquiring any Fractional Interest or any right, title or interest therein and shall be for the benefit of each Owner and his heirs, successors and assigns. Each Owner (including Declarant) shall be fully discharged and relieved of liability on the covenants herein insofar as such covenants relate to each Fractional Interest upon ceasing to own such Fractional Interest and paying all sums and performing all obligations hereunder insofar as the same relate to such Fractional Interest up to the time his ownership interest terminated.

9.8 Violation or Nuisance.

Every act or omission whereby any provision of the Governing Instruments is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated whether or not the relief sought is for negative or affirmative action, by Declarant, the Association or any Owner.

9.9 Interpretation.

The captions of the Articles, Sections and subsections hereof are for convenience only and shall not be considered to expand, modify or aid in the interpretation, construction or meaning of this Declaration. As used herein the singular shall include the plural and the masculine shall include the feminine and neuter.

9.10 No Waiver.

The failure to enforce any provision of this Declaration shall not constitute a waiver thereof or of the right to enforce such provision thereafter.

9.11 Judicial Reference.

(a) Notwithstanding any other provision of this Declaration, in the event of a controversy, breach, injury or dispute between an Owner, the Association and the Declarant arising out of or relating to the condition of the Project (including, without limitation, any dispute between Declarant and any Owner relating to the development of the Project, or the design, specifications, surveying, planning, supervision, testing or observation of construction or construction of an improvement to, or survey of, the Project), the parties to the dispute shall endeavor to resolve such dispute in a prompt and expeditious manner. Each Owner, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to the provisions of this Section. This covenants runs with the land and is for the mutual benefit of the Declarant, each Owner and the Association and shall be binding upon the successors and assigns of all Owners and Declarant. Accordingly, any controversy, breach, injury or dispute arising out of or relating to the condition of the Project, or relating to the interpretation of any term or provision of this Declaration, shall be heard by a referee pursuant to the provisions of the California Code of Civil Procedure, §§638 - 645.1, inclusive.

(b) The parties to the dispute shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms of this Section.

(c) The referee shall have the power to decide all issues of fact and law and report his/her statement of decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her.

(d) The parties to the dispute shall agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the parties to the dispute are unable to agree upon a referee within ten (10) days of a written request to do so by any party to the dispute, then any party to the dispute may seek to have a referee appointed pursuant to the California Code of Civil Procedure §§ 638 and 640.

(e) The cost of such proceeding shall be borne equally by the parties to the dispute.

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

“DECLARANT”

CARNEROS COTTAGES, LLC,
a California limited liability company

By: CARNEROS HOLDINGS, LLC,
a California limited liability company,
Its Manager

By: THE RONALD FAMILY TRUST A,
a family trust created under Nevada law,
Its Manager

By: NEWSOM INVESTMENTS, Ltd.,
a Nevada corporation,
Its Trustee

By: _____
(Trustee Signature)
Name: William A. Newsom
Its: President

STATE OF CALIFORNIA)
) ss:
COUNTY OF NAPA)

On _____, 2007 before me, _____ (here insert name of the officer), Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.
Notary Public

SUBORDINATION

The undersigned, as holder of the beneficial interest in and under that certain Deed of Trust recorded on May 28, 2004 as Instrument No. 2004-0022603 in the Office of the County Recorder of Napa County, as amended, which Deed of Trust is by and between Carneros Holdings, LLC, a California limited liability company, Carneros Inn, LLC, a California limited liability company and Carneros Courtyard Homes, LLC, a California limited liability company and Carneros Lodge, LLC, a California limited liability company, as Trustor, First American Title Insurance Company as Trustee, and The Ronald Family Trust A, a family trust created under Nevada law, as Beneficiary, hereby expressly subordinates said Deed of Trust and its beneficial interest thereunder to the Declaration to which this certificate is attached, as this Declaration may be amended from time to time.

Date: _____, 2007

“Beneficiary”

The Ronald Family Trust A,
a family trust created under Nevada law

By: Newsom Investments, Ltd.,
a Nevada corporation
Its: Trustee

By: _____
(Trustee Signature)
Name: William A. Newsom
Its: President

STATE OF CALIFORNIA)
) ss:
COUNTY OF NAPA)

On _____, 2007 before me, _____ (here insert name of the officer), Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.
Notary Public

EXHIBIT A
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE
ORCHARD AT CARNEROS

DESCRIPTION OF PROPERTY

That certain real property situated in the unincorporated area of the County of Napa, State of California, described as follows:

BEGINNING at the most northern corner of Parcel One of Tract One as described in the Deed from 452 First Street East, a Limited Partnership to Caneros Inn, LLC, a California Limited Liability Company, filed on May 20, 1998 under Series Number 1998-013761 Napa County Records, said corner also being the ½ rebar tagged LS 6436 marking the most western corner of the Lands of Zopfi as shown on that certain Record of Survey filed on July 26, 1991 in Book 28 of Surveys at Page 19, Napa County Records; thence along the northwestern line of said Parcel One South 49°24'46" West (North 49°30' East per 1998-013761) 379.78 feet; thence leaving said northwestern line South 40°35'14" East 27.00 feet; thence North 49°24'46" East 28.50 feet; thence South 40°35'14" East 37.00 feet; thence South 49°24'46" West 22.00 feet; thence South 40°35'14" East 104.88 feet; thence North 49°24'46" East 129.75 feet; thence South 40°35'14" East 281.40 feet; thence North 49°24'46" East 193.82 feet to the southwestern line of said Lands of Zopfi; thence along said southwestern line North 34°17'17" West (South 38 ½° East per 1998-013761) 453.02 feet to the POINT OF BEGINNING.

EXHIBIT B
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE
ORCHARD AT CARNEROS

RELATIVE LOCATION OF COTTAGES

EXHIBIT B
RELATIVE LOCATION OF 17 COTTAGES

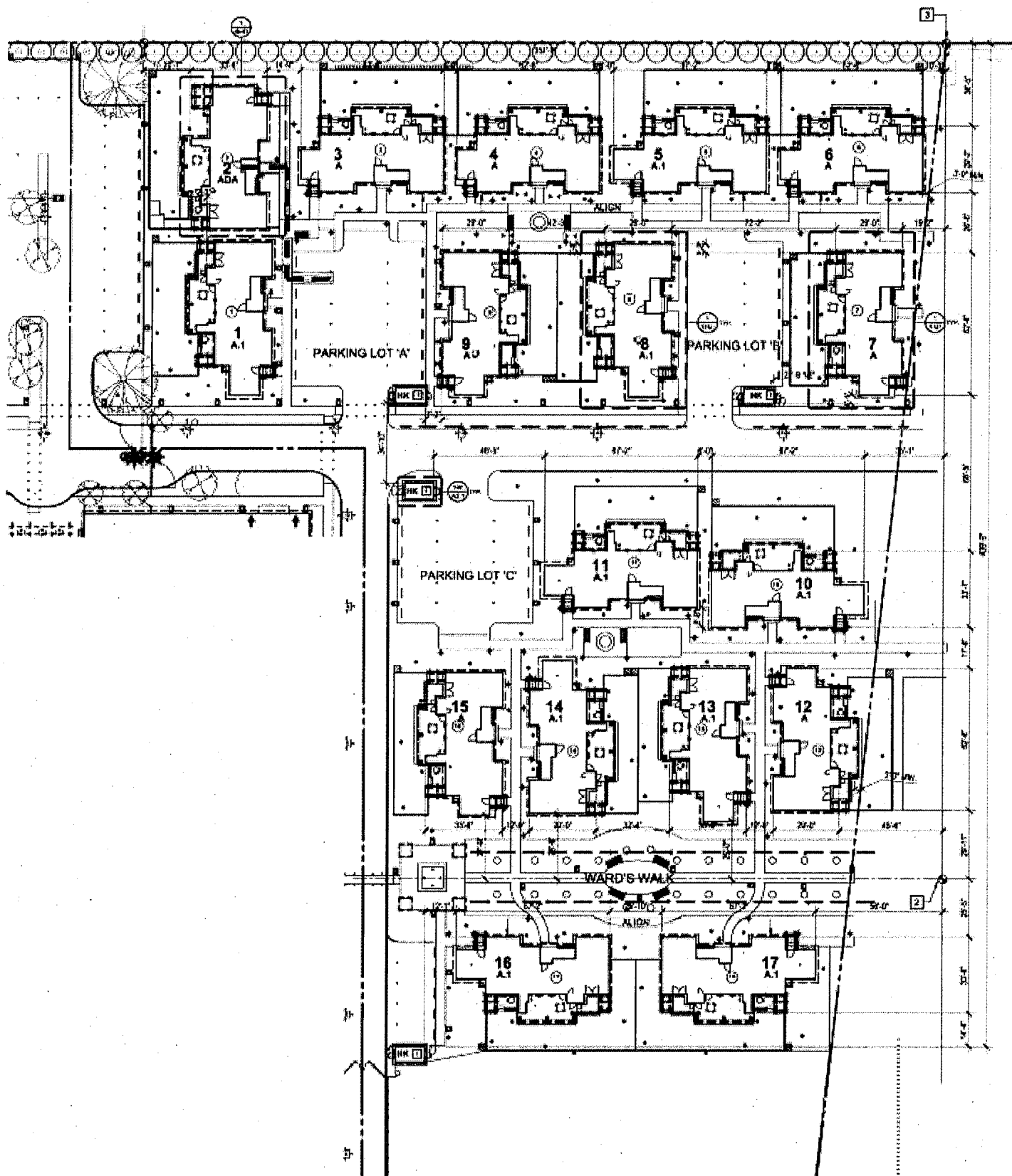


EXHIBIT C
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE
ORCHARD AT CARNEROS

EXEMPLAR RESERVATION PRIORITY CHART

OWNERS	1 - 17	18 - 34	35 - 51	52 - 68	69 - 85	86 - 102	103 - 119	120 - 136	137 - 153	154 - 170
GROUPS	A	B	C	D	E	F	G	H	I	J

RESERVATION PRIORITY	YEAR ONE			YEAR TWO			YEAR THREE			YEAR FOUR		
	SU	WN	SP	SU	WN	SP	SU	WN	SP	SU	WN	SP
1	A	J	A	B	A	B	C	B	C	D	C	D
2	B	I	B	C	J	C	D	A	D	E	B	E
3	C	H	C	D	I	D	E	J	E	F	A	F
4	D	G	D	E	H	E	F	I	F	G	J	G
5	E	F	E	F	G	F	G	H	G	H	I	H
6	F	E	F	G	F	G	H	G	H	I	H	I
7	G	D	G	H	E	H	I	F	I	J	G	J
8	H	C	H	I	D	I	J	E	J	A	F	A
9	I	B	I	J	C	J	A	D	A	B	E	B
10	J	A	J	A	B	A	B	C	B	C	D	C

Explanatory Notes for Use of Reservation Priority Chart:

1. The objective is for the Manager to confirm all reservation requests in by Owners for Cottages in a fair and equitable manner. As set forth in Section 2.1 of the Declaration to which this Reservation Priority Chart is attached, this Chart will be used by the Manager if there are more Planned Vacation Use Period reservation requests for a particular Use Period than there are Cottages to accommodate all such requests for a particular Use Period. However, with respect to Space Available Vacation Use Period reservation requests and Getaway Vacation Use Period reservation requests, this Reservation Priority Chart will not be used by Manager, but instead, Manager will confirm such reservation requests on a first-reserved, first-served basis, in accordance with Section 2.1 of the Declaration until such time, if ever, that the Board determines that it is not in the interest of the Association to continue the first come, first served reservation system, in which case the Manager shall use this Reservation Priority Chart, as expanded in time

from time to time by the Board, to equitably confirm reservation requests for Space Available and Getaway Vacation Use Periods.

2. There are 17 Fractional Interests assigned to each of the Groups A through J, inclusive. This is because, at any given time when there are more Owners who wish to reserve a Cottage than there are Cottages, there are 17 Cottages available for use. Accordingly, there is one Group of 17 Owners who can be accommodated in the 17 Cottages at any one time.

3. Each Fractional Interest Number includes a Group Number. Because a Fractional Interest Number appears on each Original Deed, each Original Deed includes a Group Number which is used by the Manager in confirming reservation requests for Cottages in accordance with this Reservation Priority Chart.

4. If more than 17 Owners wish to reserve the use of a Cottage during a particular Use Period, then the Manager refers to the Group letter of each of the Owners, determines the order each Owner reservation request should be given priority by reference to this Reservation Priority Chart, and confirms the reservation requests accordingly.

5. If there are fewer than 17 Owners who wish to reserve the use of a Cottage during a particular Use Period, then the Manager confirms all of the reservations requested, without referring to this Reservation Priority Chart.

EXHIBIT D
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE
ORCHARD AT CARNEROS

FRACTIONAL INTEREST NUMBERING SYSTEM

* the letter in each Identification Number establishes the priority for making Cottage reservations. See explanatory notes in Exhibit C

Cottage Number	Fractional Interest Identification Numbers
1	1-A
	2-A
	3-A
	4-A
	5-A
	6-A
	7-A
	8-A
	9-A
	10-A
2	11-A
	12-A
	13-A
	14-A
	15-A
	16-A
	17-A
	18-B
	19-B
	20-B
3	21-B
	22-B
	23-B
	24-B
	25-B
	26-B
	27-B
	28-B
	29-B
	30-B

Cottage Number	Fractional Interest Identification Numbers
4	31-B
	32-B
	33-B
	34-B
	35-C
	36-C
	37-C
	38-C
	39-C
	40-C
5	41-C
	42-C
	43-C
	44-C
	45-C
	46-C
	47-C
	48-C
	49-C
	50-C
6	51-C
	52-D
	53-D
	54-D
	55-D
	56-D
	57-D
	58-D
	59-D
	60-D
7	61-D
	62-D
	63-D
	64-D
	65-D
	66-D
	67-D
	68-D
	69-E

Cottage Number	Fractional Interest Identification Numbers
	70-E
8	71-E
	72-E
	73-E
	74-E
	75-E
	76-E
	77-E
	78-E
	79-E
	80-E
9	81-E
	82-E
	83-E
	84-E
	85-E
	86-F
	87-F
	88-F
	89-F
	90-F
10	91-F
	92-F
	93-F
	94-F
	95-F
	96-F
	97-F
	98-F
	99-F
	100-F
11	101-F
	102-F
	103-G
	104-G
	105-G
	106-G
	107-G
	108-G
	109-G

Cottage Number	Fractional Interest Identification Numbers
	110-G
12	111-G
	112-G
	113-G
	114-G
	115-G
	116-G
	117-G
	118-G
	119-G
	120-H
13	121-H
	122-H
	123-H
	124-H
	125-H
	126-H
	127-H
	128-H
	129-H
	130-H
14	131-H
	132-H
	133-H
	134-H
	135-H
	136-H
	137-I
	138-I
	139-I
	140-I
15	141-I
	142-I
	143-I
	144-I
	145-I
	146-I
	147-I
	148-I
	149-I

Cottage Number	Fractional Interest Identification Numbers
	150-I
16	151-I
	152-I
	153-I
	154-J
	155-J
	156-J
	157-J
	158-J
	159-J
	160-J
17	161-J
	162-J
	163-J
	164-J
	165-J
	166-J
	167-J
	168-J
	169-J
	160-J

EXHIBIT E
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE
ORCHARD AT CARNEROS
FORM OF MANAGEMENT AGREEMENT

See attached.

EXHIBIT F
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE
ORCHARD AT CARNEROS
FORM OF SUBSIDY AGREEMENT

See attached.

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List of Exhibits

- A – Property
- B – Relative Location of Cottages
- C – Reservation Priority Chart
- D – Fractional Interest Numbering System
- E – Form of Management Agreement
- F -- Form of Subsidy Agreement

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)

Carneros Cottages, LLC,)
c/o Cox, Castle & Nicholson, LLP)
19800 MacArthur Blvd., Suite 500)
Irvine, California 92612)
Attn: D. Scott Turner, Esq.)

**DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
THE ORCHARD AT CARNEROS**