

RULES, REGULATIONS AND RESERVATION PROCEDURES

FOR

WATERMARK ON FLATHEAD LAKE

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**WATERMARK ON FLATHEAD LAKE
RULES, REGULATIONS AND RESERVATION PROCEDURES**

THESE RULES, REGULATIONS, AND RESERVATION PROCEDURES (these “**Rules and Regulations**”), are promulgated and effective as of the ___ day of _____, 200__ (the “**Effective Date**”).

I. INTRODUCTION

These Rules and Regulations govern the reservation, use and occupancy of the Units and the Common Elements and Limited Common Elements associated with the Watermark on Flathead Lake condominium (the “**Project**”). They shall remain in effect until amended by the Board of Directors of the Watermark Condo Association, Inc., a Montana nonprofit corporation (the “**Association**”), and shall apply to and be binding upon all Owners and Occupants. Owners and Occupants shall at all times comply with these Rules and Regulations and use their best efforts to ensure that such Rules and Regulations are fully and faithfully observed by other Owners and Occupants. The Owners are also subject to and governed by the Condominium Documents, including but not limited to: (i) the Declaration for Watermark on Flathead Lake (the “**Declaration**”), which created the Project and governs all Units and (ii) and the Articles of Incorporation and Bylaws of the Association.

II. DEFINITIONS

Unless otherwise specifically defined in these Rules and Regulations, all terms used in these Rules and Regulations have the meanings given to them in the Declaration. For your convenience in reading and understanding these Rules and Regulations, certain key definitions are also set forth below and in the text of these Rules and Regulations.

A. “**Managing Agent**” means the person, firm, corporation or other entity employed or engaged as an independent contractor pursuant to a Management Agreement to perform management services for the Association. As of the date of these Rules and Regulations, the Managing Agent for the Project is: Western Mountains, LLC, a Montana limited liability company, having an address at 33 Hunter Circle, Suite 1, Kalispell, Montana 59901.

B. “**Occupant**” means any member of an Owner’s family or an Owner’s guests, invitees, servants, tenants, employees, or licensees who occupy a Unit or are on the Common Elements of the Project for any period of time.

C. “**Sleeping Capacity**” means the number of persons permitted to lodge in a Unit. The Sleeping Capacity of a Unit is the number of bedrooms times two, except as otherwise approved in writing by the Board of Directors, which approval may be given or withheld in the sole discretion of the Board of Directors. Children under the age of sixteen (16) shall not be deemed Occupants for purposes of determining Sleeping Capacity so long as they are in residence at the Project with a parent.

D. “**Use Fees**” means fees charged to Owners for certain services provided by the Association at the Owner’s or Occupant’s request and certain incidental charges not included in Assessments.

III. ASSESSMENTS AND FEES

Section 3.1 **Assessments**. Assessments shall be due monthly and shall be payable on or before the twenty-fifth (25th) day of the calendar month in which it is due. The Association shall bill each Owner monthly; however, an Owner’s failure to receive a bill shall not excuse payment of the Assessment. Failure to pay an installment by the twenty-fifth (25th) day of the calendar month in which it is due shall result in the imposition of a late fee in the amount of five percent (5%) of the unpaid amount, and the unpaid installment plus the late fee shall bear interest at the rate of eighteen percent (18%) per annum from and after the payment date until the unpaid installment, late fee and all accrued interest are paid.

Section 3.2 **Payments**. Payments of Assessments and any other amounts due to the Association shall be made at the office of the Managing Agent, as designated on the bill. Payments made in the form of checks shall be made to the order of such party as the Board shall designate. Payments made by credit card may be assessed an additional three percent (3%) credit card service fee.

Section 3.3 **Failure to Pay Assessments**. In addition to all other remedies available to the Association for collection of delinquent Assessments, the Board may (a) file a lien statement on the Unit and commence foreclosure proceedings, and/or (b) commence collection proceedings against the Owner.

Section 3.4 **Use Fees**. In addition to Assessments, Owners may be charged Use Fees. The rates for Use Fees will be distributed to Owners each year with the draft Budget.

IV. TRANSFERS AND RENTAL

Section 4.1 Transfers.

(A) **Voluntary Transfers**. All transfers of Units and Fractional Interests within the Project shall be governed by the terms, conditions and restrictions contained in the Declaration. Within ten (10) days after any transfer of a Unit or Fractional Interest as permitted by the Declaration, an Owner shall give written notice thereof to the Managing Agent. The written notice shall state the name and address and other applicable information for notice purposes (such as fax number and e-mail address) of the transferee and shall be accompanied by a non-refundable administrative fee of one hundred dollars (\$100.00). The notice shall also be accompanied by a true and correct copy of the applicable recorded Deed or other instrument of transfer, pursuant to which title is vested in the new Owner. Upon any transfer, the transferee must pay or cause the seller to pay all delinquent Assessments and late penalties.

(B) Death, Divorce and Bankruptcy.

(i) **Death**. Upon the death of an Owner who held a Unit as a tenant in common with one or more other Owners, the surviving Owner(s) shall within sixty (60) days

after the death of the applicable Owner provide written notice to the Association of the death, and the name and address of the personal representative of the estate of the deceased Owner. If the deceased Owner held the Unit as a joint tenant, the surviving joint tenant shall within sixty (60) days after the death of the Owner provide notice of the death to the Association and a copy of the death certificate. The Association may record the death certificate and an affidavit stating that the deceased was a joint tenant in the Unit.

(ii) **Dissolution**. In the event of a dissolution of marriage or of a legal separation of Owners of a Unit, the Owners shall within thirty (30) days after the date the dissolution of marriage or legal separation is final, provide written notice to the Association that a dissolution of marriage or legal separation has occurred. The written notice shall also contain an explanation of the pertinent provisions in the final separation agreement pertaining to disposition of the Unit.

(iii) **Bankruptcy**. Any Owner who voluntarily or involuntarily files for bankruptcy shall provide written notice to the Association of the bankruptcy in accordance with the rules of the Bankruptcy Court, but in no event later than thirty (30) days following the filing of such bankruptcy.

Section 4.2 **Rental/Exchange of Units**. An Owner may rent his Unit to others, and may invite guests to share occupancy of his Unit, provided that the maximum occupancy limits for Units as specified below are not exceeded. Owners are responsible for the conduct of their Occupants, and for all financial obligations incurred by their Occupants at the Project. The Managing Agent will not give access to any Unit without written permission from the Owner otherwise entitled to use the Unit. No Unit shall be occupied overnight by a number of persons in excess of the Sleeping Capacity for the Unit. Violation of the rule will result in a fine of one hundred dollars (\$100.00) per excess Occupant per night. The restrictions set forth in this Section 4.2 may be varied pursuant to any rental management agreement between the Owner and the Managing Agent. **Further restrictions relating to rental of Use Periods in Fractional Units are set forth in Article 7.** Owners may not submit their Units to any external exchange program or similar club or membership program unless they have obtained the prior written consent of the Board, which may be given or withheld in the Board's sole discretion.

Section 4.3 **Enforcement**. If an Owner fails to provide notice of any of the events for which notice is required by this Article, the Association may assess a fine of one hundred dollars (\$100.00) for each instance for which such information was not provided. Such fine, if not timely paid, shall accrue interest at the rate of eighteen percent (18%) per annum until paid. The Association or the Managing Agent shall have the authority to waive the one hundred dollar (\$100.00) fine if the circumstances warrant the waiver.

V. **USE RESTRICTIONS**

Section 5.1 **Pets**. No pets or animals of any kind may be kept in any Unit or elsewhere within the Project, except properly licensed and certified service animals for disabled persons and except as approved in writing by the Board of Directors, which approval may be given or withheld in the sole discretion of the Board of Directors.

Section 5.2 **No Smoking.** No smoking is permitted in the Units or the Common Elements.

Section 5.3 **Debris.** No garbage cans, supplies, milk bottles, fishing poles, boating or water sport equipment, bicycles, or other articles shall be placed on the patios, decks, balconies, or entryways, nor shall any linens, cloths, clothing, curtains, rugs, mops, or laundry of any kind, or other articles be shaken or hung from any of the windows, doors, patios, decks, balconies, or entryways, or exposed on any part of the Common Elements; and the Common Elements shall be kept free and clear of refuse, debris and other unsightly material. Rugs and mats (except those permitted or placed by the Association or its Managing Agent) may not be placed in corridors or hallways outside of the Units.

Section 5.4 **Balconies.** The balconies, terraces, stairways and windows shall be used only for the purposes intended, including barbecuing, and shall not be used for drying or hanging garments, cleaning of rugs, or storing any objects. No Owner or Occupant shall cause or allow anything whatsoever to fall from the windows, patios, decks, balconies, entryways, or doors of his the Project, nor shall he sweep or throw from his Unit any dirt or other substances outside of his Unit or on the Common Elements of the Project.

Section 5.5 **Window Coverings.** No awnings, window guards, light reflective materials, hurricane or storm shutters, ventilator fans or air conditioning devices shall be used in or about the Units except as shall have been approved by the Association in writing, which approval may be given or withheld within the sole discretion of the Board of Directors.

Section 5.6 **Garbage Disposal.** Refuse and bagged garbage shall be deposited only in the areas provided for such purpose.

Section 5.7 **Deliveries.** All deliveries and moving of furniture, fixtures, equipment and other household or commercial items, including personal property, to and from the Units shall be made by authorized entries and elevators only and shall not cause any unreasonable noise or unreasonable disturbance to the Owners or occupants of any other Units, nor damage to the Common Elements or the Units. Unit Owners shall not place or permit a load on any floor exceeding the floor load per square foot area which the floor was designed to carry and which is allowed by Applicable Law or which may, in the reasonable opinion of the Board or the Managing Agent, constitute a hazard to or may damage any Improvements.

Section 5.8 **Vehicle Storage and Parking.** No Owner or Occupant shall store or leave boats, trailers, mobile homes, recreational vehicles and the like on the Project, except in such areas as may be specifically designated for same, if any. No vehicle repair or service may be undertaken on the Project premises. The parking facilities shall be used in accordance with such Rules and Regulations as may be adopted from time to time by the Board.

Section 5.9 **Association Employees.** No Owner or Occupant shall direct, supervise, or in any manner attempt to assert any control over the employees or contractors of the Association or the Managing Agent. Employees and contractors of the Association or the Managing Agent shall not be sent off the Project premises by any Owner or Occupant at any time for any purpose.

Section 5.10 **Quiet Time**. All Owners and Occupants are encouraged to observe quiet time in or about the Project from 10:00 p.m. each evening to 8:00 a.m. the next morning. No Owner or Occupant shall make or permit any disturbing noises by himself, his family, servants, employees, agents, visitors, and licensees, nor do or permit anything by such persons that will or is likely to interfere with the rights, comforts or convenience of the other Owners. No Owner or Occupant shall allow any musical instrument to be played, or allow the operation of a phonograph, television, radio or sound amplifier in his Unit, in such manner as to disturb or annoy other Owners or Occupants in the Project. The Managing Agent shall have the right to abate all nuisances in or about the Project.

Section 5.11 **Satellite Dishes, Wiring**. No satellite dishes, radio, television installation, or other wiring shall be installed without the prior written consent of the Board.

Section 5.12 **Children**. Owners and Occupants shall be responsible for the conduct of their children and the children of their guests and reasonable supervision of children is required at all times. Children are to play only in areas either designated or clearly intended for play, and they are not to play in corridors or halls, on stairways, or in other Common Element areas which would cause an obstruction. Owners and Occupants shall ensure that such children's behavior is neither offensive to any Owner or Occupant of the Project nor damaging to any Unit or portion of the Project.

Section 5.13 **Signs**. No nameplates, numbers, lighting, doorbells, door knockers, signs, advertisements, notices, or other lettering shall be installed, exhibited, displayed, inscribed, painted or affixed, in, or upon the outside of exterior doors or any other part of a Unit visible from the exterior, or other property in the Project by any Owner or Occupant without the prior written permission of the Board or Managing Agent.

Section 5.14 **Inflammables**. No inflammable, combustible, explosive, or otherwise dangerous fluid, chemical, or substance, and no fluid, chemical or substance prohibited by applicable building codes, shall be kept in any Unit except such as are (i) required for normal household use, and (ii) kept and used in accordance with all applicable laws.

Section 5.15 **Temperature Control**. The Owner of each Unit shall heat such Unit so as to maintain a minimum temperature in the Unit of no less than 55 degrees Fahrenheit from October 1st to May 30th of the year in order to minimize any damage which could result from the freezing of pipes, both Unit specific and common, which pass near or through individual Units. This minimum heating requirement must be met even when the Unit is unoccupied.

Section 5.16 **Solicitation**. There shall be no solicitation by any person anywhere on the Project for any cause, charity or purpose whatsoever, unless specifically authorized in writing by the Board of Directors or the Managing Agent, except for solicitation by the Declarant in marketing the Project and other resorts developed or under development by the Declarant.

Section 5.17 **Swimming Pools/Saunas**.

(A) Swimming in a pool or using a spa is permitted only during the posted hours of operation. Since the pool and spa are not guarded, persons using these facilities do so at their own risk. Persons using all recreational facilities must be appropriately attired. Swimming

in any area posted “NO SWIMMING” shall be strictly prohibited. If any person does not fully understand any posted rules or understand the proper use of the facility, that person shall not use such facility without first receiving instruction and/or direction from a representative of the Association or the Managing Agent. In addition to any other posted rules, the following are the basic rules for persons using a swimming pool or whirlpool:

- (i) Shower thoroughly each and every time before entering.
- (ii) Pneumatic floats or other items of similar nature, except swimming aids, are not permitted in the pool or spa.
- (iii) Pets are forbidden in the pool and spa areas.
- (iv) Running and/or ball playing or throwing objects is not permitted.
- (v) Beverages may be consumed within the pool and spa areas, but extreme care must be taken that absolutely NO GLASS, GLASS BOTTLES or other GLASS CONTAINERS be allowed within the pool and spa areas. Anyone who hosts or participates in serving or consuming beverages will be held strictly responsible for cleaning up after such refreshments have been consumed and will further be held strictly liable for any injury resulting from broken glass.
- (vi) If suntan oils, creams or lotions are used, a towel or other form of protection must be placed on pool furniture to protect the attire of others who use the furniture.
- (vii) Children under the age of twelve (12) must be accompanied and supervised by a responsible adult in order to use any recreational facility.
- (viii) Children must wear appropriate bathing attire at all times including, if necessary, diapers, swim diapers, or any other protective barrier.

To the extent that a recreational facility, or any other space, constitutes a Limited Common Element appurtenant to a specified category of Units, such recreational facility (or other space) shall not be available to Owners or occupants of Units outside of the specified category to which the facility appertains. Owners and Occupants shall observe all posted rules governing the use of all available recreational facilities.

VI. MISCELLANEOUS

Section 6.1 **Authority; Enforcement.** Pursuant to the Declaration, the Association, acting through the Board, has delegated the power and duty to enforce these Rules and Regulations to the Managing Agent. All Owners are subject to and bound by the Association’s delegation of its enforcement rights to the Managing Agent. Any duty or power specified to be exercised by the Association or the Board, or right reserved to the Association or the Board, in these Rules and Regulations may therefore be exercised by the Managing Agent. The Association shall be entitled to recover all Costs of Enforcement incurred in connection with the enforcement of these Rules and Regulations. In addition to the other rights and remedies set

forth in the Condominium Documents, violations of these Rules and Regulations may be remedied by injunction or similar relief.

Section 6.2 **Emergencies**. In case of an emergency originating in or threatening the condition of any Unit, Common Element, property owned by the Association or the health or safety of any person, the Board of Directors, through an authorized representative thereof, including but not limited to the Managing Agent, shall have the right to enter any Unit for the purpose of remedying or abating such emergency. In order to facilitate such right of entry, the Board of Directors and the Managing Agent may retain a pass key or other access device to each Unit within the Project.

Section 6.3 **Additional Rules and Regulations; Amendments**. So long as there is a “Class B” member in the Association, Declarant shall have the unilateral right to amend these Rules and Regulations in such manner as it deems advisable, in its sole discretion, without the consent or vote of any of the other Owners, First Mortgagees or other holder of Security Interests. After the “Class B” membership is converted to “Class A” membership as described in the Declaration, the Board of Directors reserves the right to promulgate from time to time such additional Rules and Regulations and/or to amend these Rules and Regulations as may be deemed necessary or desirable, in the Board of Directors’ sole discretion, without the consent of the Association or its members, but subject to the provisions of the Declaration relating to Sub-Class voting.

Section 6.4 **Attorneys’ Fees**. The Association shall be entitled to recover its reasonable attorneys’ fees and other costs incurred in the event it prevails in any legal action or proceeding brought against an Owner or Occupant to enforce these Rules and Regulations.

VII. PLAN OF FRACTIONAL OWNERSHIP RULES AND RESERVATION

PROCEDURES

Section 7.1 **Generally**. The provisions of this Article VII shall apply only to Fractional Units and Fractional Owners and their Occupants. In addition, the Fractional Owners acknowledge that all references to Owners and to Units include the Fractional Units and Fractional Owners, and references to Units in the preceding Articles of these Rules and Regulations shall expressly be deemed to include Fractional Interests; in particular Section 4.1, regarding Transfers.

Section 7.2 **Reservation Procedures**.

(A) **Definitions**. Certain key definitions applicable only to the Fractional Interests in the Plan are set forth below:

(i) **“Early Season”** means the period of time commencing on the first Saturday in January and ending on the Friday before the commencement of the Summer Season each calendar year.

(ii) **“Fractional Program”** means the program of use rights and services for Fractional Owners.

(iii) **“Fractional Year”** means the annual period commencing with the first day of the Early Season, continuing through the Summer Season and ending on the last day of the Late Season.

(iv) **“Group”** is a group of Fractional Owners, the number of which is equal to the number of Fractional Interests in a Fractional Unit. The Groups are used as a part of the Reservation Priority System to establish priorities in allocating Planned Vacations.

(v) **“Internal Group Rotation”** means the rotation of the priority of the Owner Numbers within each Group by one number each year, so that each Fractional Owner has equitable priority within the Group for selection of Use Periods and Fractional Units. For example, during the first Fractional Year, within Group “A”, Owner Number 1 will have the first priority, Owner Number 2, the second, and so on. During the second year, Owner Number 1 will drop to the last priority within Group “A”, Owner Number 2 will have the first priority, Owner Number 3, the second, and so on.

(vi) **“Late Season”** means the period of time commencing the Saturday following the end of the Summer Season each calendar year.

(vii) **“Owner Number”** means a number permanently assigned to each Fractional Interest in a Fractional Unit within a Fractional Unit Type in order of original purchase of the Fractional Interest from Declarant.

(viii) **“Planned Vacation”** means those pre-reserved Use Periods when a Fractional Owner may use a Fractional Unit or send Unaccompanied Guests to use the Fractional Units at no additional charge, except for any Use Fees incurred. Fractional Owners may reserve up to eight (8) weeks of Planned Vacations each Fractional Year, for a total of three (3) weeks in the Early Season, two (2) weeks in the Summer Season and three (3) weeks in the Late Season, as more particularly described in Subsection (B) of this Section 7.2. Early Season Planned Vacations may be reserved only during the Planned Vacation Reservation Period for the Early Season, Summer Season Planned Vacations may be reserved only during the Planned Vacation Reservation Period for the Summer Season and Late Season Planned Vacations may be reserved only during the Planned Vacation Reservation Period for the Late Season.

(ix) **“Planned Vacation Reservation Periods”** means the period of time each year during which Fractional Owners may reserve their Planned Vacations for each of the upcoming Seasons as more particularly described in Subsection (B) of this Section 7.2.

(x) **“Reservation Form”** means the form or forms published by the Association from time to time, and used by Fractional Owners to request Planned Vacation dates. The Reservation Form shall provide each Fractional Owner with the ability to select at least three (3) alternative dates for each Planned Vacation, so that if a Fractional Owner does not receive his or her first choice of Use Period for a Planned Vacation, such Owner may then receive his or her second or third choice, without submitting another Reservation Form, as further described in Section 7.3 below.

(xi) **“Space Available Vacations”** means the unlimited access to and usage of a Fractional Unit on a space-available basis. Fractional Owners may lodge in a

Fractional Unit during any Space Available Vacation for periods of up to seven (7) days. The Owner of each Fractional Interest may have only one (1) Space Available Vacation Reservation on the Project reservation books at a time (except as detailed below).

(xii) “**Season**” means the Early Season, the Summer Season or the Late Season, as applicable.

(xiii) “**Summer Season**” means the period commencing on the first Saturday of July (or the immediately preceding Saturday if the first Saturday in July is after July 4) and concluding on the Friday that is eight (8) weeks later, such that each Summer Season shall last for eight (8) consecutive weeks each calendar year.

(xiv) “**Unaccompanied Guest**” means any guest who lodges at the Project without a Fractional Owner during a Fractional Owner’s Planned Vacation at the request of such Fractional Owner. A Fractional Owner requesting lodging for an Unaccompanied Guest (a “**Sponsoring Owner**”) must provide the Managing Agent with written notice of the Unaccompanied Guest’s name, address and telephone number at least fourteen (14) days prior to such guest’s arrival so that the Managing Agent can send a notice to that Unaccompanied Guest, confirming the terms of their stay at the Project. Unaccompanied Guests are required to pay all Use Fees upon checkout unless payment has been arranged in advance by the Sponsoring Owner. The Sponsoring Owner is responsible for any damages to Project facilities caused by its Unaccompanied Guests. Unaccompanied Guests may not occupy Space Available Reservations.

(B) **Reservation Procedures.**

(i) **Early Season**

(a) **Early Season Planned Vacations.**

(1) *Reservation Forms.* **On or before August 1st** of each year, the Managing Agent will mail a Planned Vacation Reservation Form to all Fractional Owners, requesting that Fractional Owners select Planned Vacation dates for the following Early Season. The priority position of each Owner Number in the Internal Group Rotation will be noted on that form by the Managing Agent. **If the Planned Vacation Reservation Form for the Early Season is not received by the Fractional Owner by August 14th, the Fractional Owner should immediately notify the Managing Agent.**

On or before September 1st of each year, Fractional Owners must return the completed Planned Vacation Reservation Forms for the Early Season to the Managing Agent. It is the Fractional Owner’s responsibility to complete and return the Planned Vacation Reservation Form by September 1st to preserve priority rights for the upcoming Early Season. Planned Vacation Reservation Forms received after September 1st will be considered on a first-come, first-served basis after all Planned Vacation Reservation Forms for that Early Season received in a timely manner have been processed.

(2) *Priority Assignment of Use Periods.* **After September 5th**, the Managing Agent will allocate the Planned Vacations for the Early Season as follows:

First Planned Vacation - Fractional Owners are confirmed for a maximum of fourteen (14) consecutive days based on their requests and their spot in the Internal Group Rotation. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Early Season will be confirmed (as determined by the Internal Group Rotation).

Second Planned Vacation - After the first Planned Vacations are confirmed for Fractional Owners, reservations are confirmed for up to seven (7) additional consecutive days. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Early Season will be confirmed (as determined by the Internal Group Rotation).

Third Planned Vacation - After the second Planned Vacations are confirmed for Fractional Owners, reservations are confirmed for the remaining amount of unused Planned Vacation days for the Early Season held by each Fractional Owner (not to exceed seven (7) days), if any. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Early Season will be confirmed (as determined by the Internal Group Rotation).

(3) *Written Confirmation.* **On July 20th**, the Managing Agent will send written confirmation of the Planned Vacations for the Early Season to each Fractional Owner. Additionally, a reservation calendar will be sent indicating which dates have been reserved by Fractional Owners and which are available for Space Available Vacation reservations.

(b) Early Season Space Available Vacations. **Starting on October 20th**, Fractional Owners may reserve Space Available Vacations at any time during the remainder of the Early Season. All Space Available Vacation requests will be processed on a first-come, first-served basis. The Managing Agent will randomly process Space Available Vacation requests received on the same day.

(ii) Summer Season.

(a) Summer Season Planned Vacations.

(1) *Reservation Forms.* **On or before December 1st** of each year, the Managing Agent will mail a Planned Vacation Reservation Form to all Fractional Owners, requesting that Fractional Owners select Planned Vacation dates for the following Summer Season. The priority position of each Owner Number in the Internal Group Rotation will be noted on that form by the Managing Agent. **If the Planned Vacation Reservation Form for the Summer Season is not received by the Fractional Owner by December 14th, the Fractional Owner should immediately notify the Managing Agent.**

On or before January 1st of each year, Fractional Owners must return the completed Planned Vacation Reservation Forms for the Summer Season to the Managing

Agent. It is the Fractional Owner's responsibility to complete and return the Planned Vacation Reservation Form by January 1st to preserve priority rights for the upcoming Summer Season. Planned Vacation Reservation Forms received after January 1st will be considered on a first-come, first-served basis after all Planned Vacation Reservation Forms received in a timely manner have been processed.

(2) *Priority Assignment of Use Periods.* **After January 5th**, the Managing Agent will allocate the Planned Vacations for the Summer Season as follows:

First Planned Vacation - Fractional Owners are confirmed for a maximum of fourteen (14) days (in increments of seven (7) day vacations) based on their requests and their spot in the Internal Group Rotation. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Summer Season will be confirmed (as determined by the Internal Group Rotation).

Second Planned Vacation - After the first Planned Vacations are confirmed for Fractional Owners, reservations are confirmed for the remaining amount of unused Planned Vacation days for the Summer Season held by each Fractional Owner (not to exceed seven (7) days), if any. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Summer Season will be confirmed (as determined by the Internal Group Rotation).

(3) *Written Confirmation.* **On January 20th**, the Managing Agent will send written confirmation of the Planned Vacations for the Summer Season to each Fractional Owner. Additionally, a reservation calendar will be sent indicating which dates have been reserved by Fractional Owners and which are available for Space Available Vacation reservations.

(b) Summer Season Space Available Vacations. **Starting On April 20th**, Fractional Owners may reserve Space Available Vacations at any time during the remainder of the Summer Season. All Space Available Vacation requests will be processed on a first-come, first-served basis. The Managing Agent will randomly process Space Available Vacation requests received on the same day.

(iii) Late Season

(a) Late Season Planned Vacations.

(1) *Reservation Forms.* **On or before March 1st** of each year, the Managing Agent will mail a Planned Vacation Reservation Form to all Fractional Owners, requesting that Fractional Owners select Planned Vacation dates for the following Late Season. The priority position of each Owner Number in the Internal Group Rotation will be noted on that form by the Managing Agent. **If the Planned Vacation Reservation Form for the Late Season is not received by the Fractional Owner by March 14th, the Fractional Owner should immediately notify the Managing Agent.**

On or before April 1st of each year, Fractional Owners must return the completed Planned Vacation Reservation Forms for the Late Season to the Managing Agent. It is the Fractional Owner's responsibility to complete and return the Planned Vacation Reservation Form by April 1st to preserve priority rights for the upcoming Late Season. Planned Vacation Reservation Forms received after April 1st will be considered on a first-come, first-served basis after all Planned Vacation Reservation Forms received in a timely manner have been processed.

(2) *Priority Assignment of Use Periods.* **After April 5th**, the Managing Agent will allocate the Planned Vacations for the Late Season as follows:

First Planned Vacation - Fractional Owners are confirmed for a maximum of fourteen (14) consecutive days based on their requests and their spot in the Internal Group Rotation. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Late Season will be confirmed (as determined by the Internal Group Rotation).

Second Planned Vacation - After the first Planned Vacations are confirmed for Fractional Owners, reservations are confirmed for up to seven (7) additional consecutive days. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Late Season will be confirmed (as determined by the Internal Group Rotation).

Third Planned Vacation - After the second Planned Vacations are confirmed for Fractional Owners, reservations are confirmed for the remaining amount of unused Planned Vacation days for the Late Season held by each Fractional Owner (not to exceed seven (7) days), if any. When demand for certain dates exceeds lodging supply, the Fractional Owner with the highest priority for the Planned Vacations for the Late Season will be confirmed (as determined by the Internal Group Rotation).

(3) *Written Confirmation.* **On April 20th**, the Managing Agent will send written confirmation of the Planned Vacations for the Late Season to each Fractional Owner. Additionally, a reservation calendar will be sent indicating which dates have been reserved by Fractional Owners and which are available for Space Available Vacation reservations.

(b) Late Season Space Available Vacations. **Starting on July 20th**, Fractional Owners may reserve Space Available Vacations at any time during the remainder of the Summer Season. All Space Available Vacation requests will be processed on a first-come, first-served basis. The Managing Agent will randomly process Space Available Vacation requests received on the same day

(C) Cancellation/Failure to Cancel or Use. If an Owner of a Fractional Interest wants to cancel a Planned Vacation, but retain the usage rights associated with the canceled Planned Vacation, a written request for cancellation must be received by the Managing

Agent, at least twenty-one (21) days prior to the Fractional Owner's scheduled arrival at the Project. If the notice of cancellation is not received in writing at least twenty-one (21) days prior to the scheduled arrival, the Managing Agent will deem all of the Planned Vacation days for which proper notification was not received to have been used and the Managing Agent may assess a \$250 fee for the failure to cancel at least 21 days prior to the scheduled arrival. There is no guarantee that a canceling Fractional Owner will be able to secure another reservation in that same Fractional Year, but the Fractional Owner may request the reservation of another Use Period in the same Fractional Year on a space-available basis. A Fractional Owner must give notice to the Managing Agent at least forty-eight (48) hours prior to scheduled check-in if a Fractional Owner will not be using the Fractional Unit during such Space Available Vacation ("**Failed Space Available Vacation Reservation**"). If a Fractional Owner cancels or otherwise fails to use more than one scheduled Space Available Vacation during a Fractional Year, then for each such additional scheduled but unused Space Available Vacation, such Fractional Owners will be prohibited from making another Space Available Vacation reservation for a period of ninety (90) days from the scheduled check-out date of the Failed Space Available Vacation Reservation and will be charged a \$250 fee for the Failed Space Available Vacation Reservation.

(D) **Internal Exchanging of Planned Vacations.** Fractional Owners may exchange their confirmed Planned Vacations with other Fractional Owners. Fractional Owners will be provided a reservations calendar after Planned Vacations have been confirmed for the Early, Summer and Late Seasons, respectively. Exchanges may be arranged directly between Fractional Owners or through the Managing Agent. Written notice of an exchange must be provided to the Managing Agent at least seven (7) days prior to the arrival date of the Fractional Owner using the earliest Planned Vacation involved in the exchange. Management encourages and will make all reasonable efforts to facilitate such exchanges between Fractional Owners. The Managing Agent may, but shall not be obligated to, maintain a website to facilitate such exchanges.

Section 7.3 **Notices and Requests.** Except as otherwise provided herein, all written Reservation Forms and all notices or requests pursuant to this Article 7 shall be sent to the Managing Agent via first-class mail or facsimile (with electronic confirmation of receipt) at the address set forth in the definition of "Managing Agent" above or at such other address as the Managing Agent designates from time to time by written notice to all Fractional Owners. The Managing Agent may, but shall not be obligated to, create and maintain a website for the Plan, in which case all reservation requests may be submitted on-line through such website.

Section 7.4 **No Carry Forward of Use Rights.** If, for whatever reason, a Fractional Owner or his or her Occupants do not use all of the Use Period(s) the Fractional Owner is entitled to reserve or use in a particular Fractional Year, the unused time cannot be accumulated and carried forward for future use at the Project, and the Fractional Owner shall remain responsible for complying with all the provisions of the Condominium Documents, including but not limited to the payment of all Assessments and other amounts levied by the Association against his or her Fractional Interest.

Section 7.5 **External Exchanges.** Managing Agent or the Association may, but shall have no obligation to, enter into agreements with providers of travel and leisure benefits and offer Fractional Owners the opportunity to contract with these providers to exchange Use Periods

for use rights at other resorts or other travel and leisure benefits. Space Available Vacations may not be exchanged through any such program. All Occupants are subject to these Rules and Regulations and the other Condominium Documents. However, parties who use Fractional Units through a program made available through an agreement with the Association and the provider of such program, if any, shall not be considered Unaccompanied Guests for purposes of these Rules and Regulations. Fractional Owners may not enter into any external exchange arrangement that has not been approved by the Association and Use Periods may not be submitted to an external exchange program or similar club or membership program without the prior written consent of the Board, which may be given or withheld in the Board's sole discretion.

Section 7.6 **Occupancy of Fractional Units.**

(A) **Check-In and Check-Out Time.** Check-in time shall be 4:30 p.m. (“**Check-In Time**”) on Saturdays, the first day of any Use Period. All Fractional Owners and Occupants shall vacate and remove all personal belongings from their Fractional Units no later than 11:00 a.m. (“**Check-Out Time**”) on the last day of their reserved Use Periods. The period between Check-Out Time and Check-In Time is to permit the routine cleaning and maintenance of Fractional Units by the Association. However, a Fractional Owner or Occupant who has reserved or is otherwise entitled to consecutive Use Periods in the same Fractional Unit shall not be required to vacate his or her Fractional Unit during the period of time between such check-out and check-in times.

(B) **Failure to Vacate.** If a Fractional Owner or Occupant fails to vacate his or her Fractional Unit at the prescribed time, the Managing Agent shall take such prompt action as may be necessary to remove such Fractional Owner or Occupant, together with the personal belongings thereof, from the Fractional Unit wrongfully occupied and such Fractional Owner will be responsible for whatever costs and expenses are incurred by the Managing Agent or the Association in connection with such wrongful occupancy as described in the Declaration. In addition, such Fractional Owner will be charged a fee in the amount specified in the Declaration.

(C) **Housekeeping Service.** In general, full housekeeping services will be provided to ensure that each Fractional Unit is clean and neat at the start of a Fractional Owner's or Occupant's Use Period. The Association reserves the right to provide a more in-depth, mid-week “touch-up” as well. If a Fractional Owner or Occupant desires additional housekeeping services, or causes additional cleaning or housekeeping services to be required over and above that which would ordinarily be provided, then such Fractional Owner or Occupant may be charged a Use Fee for such additional service.

(D) **Rental Guests.** Fractional Owners may rent their Use Periods other than Space Available Vacations time, provided that Fractional Owners are responsible for compliance with any applicable laws and regulations relating to such rental and provided further that Fractional Owners may not rent Space Available Vacations and may not rent to a number of guests in excess of the Sleeping Capacity for a Fractional Unit. Each Fractional Owner is responsible for the conduct of all Occupants of such Fractional Owner's Fractional Unit, and for all financial obligations incurred by such persons at the Project. Each Fractional Owner must notify the Managing Agent in writing of the arrival and departure dates for any Unaccompanied

Guests. Upon check-in at the Project, such Unaccompanied Guests shall present identification in a form acceptable to the Managing Agent, together with written authorization to enter and use such Fractional Owner's Fractional Unit for the Use Period(s) in question. The Managing Agent, in its discretion, may decline access to such Fractional Unit in the event such identification is not provided. To the extent a Fractional Owner enters into a rental management arrangement with the Managing Agent, the restrictions set forth in this Section may be varied pursuant to a rental management agreement between such Owner and the Managing Agent.

(E) **Keys.** Each Fractional Owner and Occupant shall return to the Managing Agent upon check-out all keys, pass cards, or other access devices to his or her Fractional Unit. Fractional Owners and Occupants shall be responsible for all lost keys, pass cards, or other access devices. No Fractional Owner or Occupant shall alter any lock or install a new lock or access system on the door of any Fractional Unit or Common Element within the Project.

Section 7.7 **Storage/Personal Property.** Except in areas that may be designated for such purpose by the Board of Directors or the Managing Agent (such as the Project's long term clothing and equipment storage facility, if any, or off-site facilities made available to Fractional Owners), the personal property of all Fractional Owners and Occupants shall be kept within their Fractional Units during their visits and, except in any lock-off or owner's closet within the Unit designed for permanent storage, removed at check-out. Neither the Association, the Board of Directors, nor the Managing Agent shall be liable or responsible in any manner whatsoever for the value of any personal effects left in a Fractional Unit or elsewhere in or about the Project at the end of a reserved Use Period. All such personal effects shall be considered abandoned and may be sold or otherwise disposed of by the Managing Agent.

EXHIBIT A

Reservation Procedures