

**WATERMARK ON FLATHEAD LAKE**

**LAKE COUNTY, MONTANA**

**DISCLOSURE DOCUMENT**

**(Montana)**

**WITHIN THREE (3) DAYS AFTER RECEIPT OF THIS DISCLOSURE DOCUMENT OR THE SIGNING OF THE FRACTIONAL INTEREST PURCHASE AGREEMENT, WHICHEVER IS LATER, YOU MAY CANCEL ANY AGREEMENT FOR THE PURCHASE OF A FRACTIONAL INTEREST FROM THE DEVELOPER OR SALESPERSON. CANCELLATION MUST BE IN WRITING AND BE DELIVERED EITHER IN PERSON OR BY CERTIFIED MAIL TO THE DEVELOPER OR THE DEVELOPER'S AGENT AT THE FOLLOWING ADDRESS: 385 CARLETON DRIVE, ST. ALBERT, ALBERTA, CANADA T8N 7L1.**

EFFECTIVE: \_\_\_\_\_, 20\_\_.

**DISCLOSURE DOCUMENT  
FOR  
WATERMARK ON FLATHEAD LAKE**

**This Disclosure Document contains important matters to be considered in acquiring a Fractional Interest in Watermark on Flathead Lake. The statements contained herein are only summary in nature. A purchaser should refer to all references, documents and exhibits hereto, and contract sales materials for complete information.**

The following disclosures are provided in accordance with the requirements of the Montana Timeshare Act, (Title 37, Chapter 53, M.C.A.) in connection with the purchase of a Fractional Interest in Watermark on Flathead Lake (the “**Project**”). Capitalized terms used in this Disclosure Document not otherwise defined herein shall have the meanings given to them in the Condominium Declaration for Watermark on Flathead Lake recorded in the official records of Lake County, Montana (the “**Declaration**”).

**Name and Address of Developer**

The name of the developer of the Project is Mill Creek Lakefront LLC, a Delaware limited liability company (“**Developer**”) and its address is 385 Carleton Drive, St. Albert, Alberta, Canada T8N 7L1. The names and addresses of each director and officer of Developer, and certain financial and other background information about the Developer are set forth on Exhibit A attached hereto.

**Project Location**

The Project is located in Lake County at 1401 Highway 93 East, Polson, Montana 59860.

**General Description of Project**

The Project is a residential condominium located near the shore of Flathead Lake. The Project consists of twelve (12) condominium units, some or all of which are intended to be submitted to the Plan (the “**Fractional Units**”). Developer intends to convey to purchasers undivided one-quarter (1/4) fee simple ownership interests in the Fractional Units (“**Fractional Interests**”) that will permit use of the Fractional Units on a periodic basis in accordance with the Declaration and the Reservation Procedures (defined below). The Project will be governed by the Watermark Condo Association, Inc., a Montana nonprofit mutual benefit corporation (the “**Association**”), as more particularly described in the Declaration and in the Bylaws of the Association.

**List of Fractional Units; Description of Plan**

The Fractional Units currently intended to be dedicated to the Plan and the current selling prices for Fractional Interests therein are listed on Exhibit B attached hereto. The Project currently includes two types of Fractional Units: eight (8) two-bedroom condominium units and four (4) three-bedroom condominium units. Developer has reserved the right under the Declaration to expand the Project the Project and to submit additional Fractional Units to the

Plan. No assurances are given as to how many, if any, additional Fractional Units will be constructed or added to the Plan. The maximum number of Fractional Units that may be a part of the Plan and the maximum number of Fractional Interests that may be created in connection therewith are subject to change based upon Developer's right to expand the Project and the Plan as set forth in the Declaration. In addition to its right to expand the Project and the Plan, Developer has also reserved the right to withdraw one or more Fractional Units from the Plan and no commitments or assurances are made as to which Fractional Units, if any will or will not be withdrawn. Withdrawal of any of the Fractional Units from the Plan may affect the Assessments and other expenses that a Fractional Owner is responsible for paying under the Condominium Documents.

### **Reservations for Use of Fractional Units**

The Reservation Procedures govern the procedures for reserving use of the Fractional Units by Fractional Owners. In order to maximize the availability of space to fulfill Fractional Owners' desired use, all Fractional Units shall be available for reservation, occupancy and use by Fractional Owners of comparable Fractional Interests of the same Type. By way of example, a Fractional Owner owning a Fractional Interest in a two-bedroom Fractional Unit will be entitled to reserve use of other two-bedroom Fractional Units, but not the use of a three-bedroom Fractional Unit. Fractional Owners may request use of a particular Fractional Unit within their Type at the time reservations are made; however, final assignment of Fractional Units is made at the time of check-in without regard to the specific Fractional Unit in which a Fractional Owner owns a Fractional Interest or the Fractional Unit described in the Fractional Owner's purchase agreement. Fractional Owners will not be entitled to use of a Fractional Unit unless they are current in their payment of Assessments and they properly reserve such use in accordance with the Reservations Procedures.

### **Financing Offered by Developer**

The Developer is not currently offering financing in connection with the purchase of Fractional Interests.

### **Ownership of all Properties Included in Timeshare Offering**

The Developer currently holds title to the real property on which the Project will be constructed. Liens, defects and encumbrances on or affecting the title to the Project are listed on Exhibit C attached hereto. In addition, the Project and the Plan are subject to the Declaration, a copy of which is attached hereto as Exhibit D. The Declaration provides, among other things, for the establishment of the condominium regime and the Plan, the creation of the Association and the maintenance of the Fractional Units and the Fractional Furnishings. The Declaration also sets forth many of the key terms and provisions of ownership of a Fractional Interest.

### **Documents Related to Fractional Interest Purchase**

A copy of the Fractional Interest Purchase Agreement is attached hereto as Exhibit E.

## **Identity of Managing Entity**

The Project will be managed by Western Mountains, LLC, a Montana limited liability company (the “**Manager**”) pursuant to a Management Agreement between the Manager and the Association (“**Management Agreement**”). The address and telephone number of the Manager are: 33 Hunter Circle, Suite 1, Kalispell, Montana 59901; (406) 257-7632. Unless sooner terminated in accordance with the terms thereof, the Management Agreement shall have an initial term of three (3) years.

## **Association Budget and Description of Assessments**

The projected Budget for the Project is attached hereto as Exhibit F. Each purchaser should be aware that the attached Budget is based upon projections only, is based on Developer’s best estimate of costs and revenues and is subject to change without notice except as otherwise required by the Declaration.

Each Fractional Owner is obligated to pay annual Assessments (including Fractional Assessments) as a member of the Association for his, her or its proportionate share of the Common Expenses and expenses related to the operation of the Plan as follows:

A. Common Expenses. The Common Expenses established by the Association provide for the administration, insurance, operation, management, taxes, repair and replacement of the Common Elements. Each Owner, other than Developer, for each Unit or Fractional Interest which it owns, shall be liable for a proportionate share of the Common Expenses based on the relative square footage of the Unit it owns (or Fractional Interest in such Unit) as compared to the aggregate square footage of all Units, provided that all Units with the same number of bedrooms will be assessed an equal share of the Common Expenses.

B. Fractional Expenses. In addition, the Association shall assess all Fractional Owners for the costs of operating the Fractional Interests as part of the Plan, which costs include, without limitation, maintenance and regularly scheduled cleaning of Fractional Units, repair and replacement of Fractional Furnishings, and insurance premiums attributable to the operation of the Plan. Each Fractional Owner, for each Fractional Interest it owns, shall be liable for a proportionate share of these expenses based on the relative square footage of the Fractional Units as compared to the aggregate square footage of all Fractional Units, provided that all Fractional Units with the same number of bedrooms will be assessed equally, and further allocated among the Fractional Owners of each Fractional Unit on the basis of each Fractional Owner’s undivided interest in the Fractional Unit.

C. Working Capital Contribution. In addition to Assessments, at the time of closing of the sale of a Fractional Interest, each Fractional Owner other than the Developer will be required to pay to the Association a working capital contribution (“**Capital Contribution**”). The purpose of the Capital Contribution is to ensure that the Association will have cash available to meet unforeseen expenditures or to acquire additional equipment or services respectively deemed necessary or desirable for operation of the Project by the Association. The amount of the Capital Contribution for each purchaser shall be a sum equal to two (2) monthly installments of the

annual Assessments for his, her or its Fractional Interest unless otherwise determined by Developer or the Board as set forth in the Declaration.

During the twelve (12) months after the closing of the first sale of a Unit by Developer to a third party purchaser, Developer shall not be obligated to pay any Assessments on any Unit or Fractional Interest it owns, provided Declarant shall reimburse the Association for any reasonable and necessary expenses incurred by the Association that are not otherwise covered by Assessments levied against other Units and Fractional Interests. After the twelve (12) month period described above, Developer shall pay all Assessments on any Unit or Fractional Interest it owns that become due and payable thereafter.

### **Restrictions on Transfers of a Fractional Interest**

During the twelve (12) month period following the recording of the Declaration, no Owner shall be allowed to sell its Fractional Interest unless it lists the Fractional Interest with Developer or a real estate agent designated by Developer. In addition, during the twenty-four (24) month period following the recording of the Declaration, Developer shall have a right of first refusal to purchase any Fractional Interest offered for sale by any Owner. The terms and conditions of these resale limitations are more fully described in the Declaration. Subject to the foregoing, in order to sell his, her or its Fractional Interest, a Fractional Owner must be current on all Assessments and other related charges; and all conveyances must be only as a complete Fractional Interest. Excluding the initial conveyance of Fractional Interests by Developer, when a Fractional Interest is conveyed, the Association may charge a reasonable transfer fee to cover the cost to the Association of changing its books and records. The Fractional Owners will be restricted in their ability to lease the use of their Fractional Interests as set forth in the Declaration and other documents governing the Plan.

### **Insurance Coverage**

The Board shall obtain and maintain, or cause the Manager to obtain and maintain, at all times insurance of such types and kinds as is customarily carried with respect to projects similar in use to the Common Elements, to protect against any liability to the public, or to any user, arising out of or related to the use of or resulting from any accident occurring in or upon any portion of the Common Elements or any other license or easement granted hereunder.

### **Exchange Company Description**

There is currently no exchange program planned for the Project. Developer reserves the right to establish an optional exchange program for the Project at any time.

The foregoing Disclosure Document was executed this \_\_\_\_\_ day of \_\_\_\_\_,  
2007.

MILL CREEK LAKEFRONT LLC, a Delaware  
limited liability company

By: Mill Creek VII Limited Partnership, a  
Delaware limited partnership, its Sole  
Member

By: Mill Creek Polson Properties, Inc., a  
Delaware corporation, its General  
Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## **EXHIBIT A**

### **Directors and Officers of Developer and Background Information**

#### Scott Nelson

Scott has been in the Construction and Building Materials Supply business since completing High School in 1981. Scott has been involved directly with various successful projects throughout western Canada, as well as participating in numerous projects undertaken by his family's business (Nelson Lumber Co. Ltd. And Nelson Homes) which was active in the building supply and general contracting business throughout Western Canada, in addition to substantial U.S. Real Estate holdings.

#### Sam Fisher

Sam provides financial and legal leadership for The Mill Creek Group, enforcing financial controls over each project. Prior to working with The Mill Creek Group, Sam was CFO of a company that rolled out over \$150,000,000 (C\$) in successful real estate development. Sam earned his MBA at Ivey Business School.

## EXHIBIT B

### Fractional Units and Current Selling Prices

<b>FRACTIONAL UNIT</b>	<b>FRACTIONAL INTEREST PRICE*</b>	<b>FRACTIONAL TYPE</b>
101	\$300,000	¼ Interest (3-bedroom)
102	\$250,000	¼ Interest (2-bedroom)
103	\$250,000	¼ Interest (2-bedroom)
104	\$250,000	¼ Interest (2-bedroom)
105	\$250,000	¼ Interest (2-bedroom)
106	\$300,000	¼ Interest (3-bedroom)
201	\$300,000	¼ Interest (3-bedroom)
202	\$250,000	¼ Interest (2-bedroom)
203	\$250,000	¼ Interest (2-bedroom)
204	\$250,000	¼ Interest (2-bedroom)
205	\$250,000	¼ Interest (2-bedroom)
206	\$300,000	¼ Interest (3-bedroom)

\* Prices are subject to change without notice.

**EXHIBIT C**

**Liens, Defects and Encumbrances**

**See Attached**

**EXHIBIT D**

**Declaration**

**See Attached**

**EXHIBIT E**

**Fractional Interest Purchase Agreement**

**See Attached**

**EXHIBIT F**

**Budget**

**See Attached**