



CONDOMINIUM ASSOCIATION
FRACTIONAL OWNERSHIP CONDOMINIUM ASSOCIATION
TIMESHARE OWNERS ASSOCIATION

Mountainside at Silvercreek Timeshare Owners Association

April 28, 2021

Dear Owners:

The Board of Directors of the Timeshare Owners Association (“Timeshare Association”) has been concerned for some time about declining ownerships in the timeshare program resulting from an aging population and increased delinquencies. It has concluded that there are too many condominium units that have been committed to the timeshare program and recommends that the number be reduced. The removed units will be sold and the proceeds will be held by the Association to be used as determined by the Board.

The removal process is called “deannexation” under the timeshare declaration (the Second Supplement to the Condominium Declaration (“Second Supplement”)); however, the language restricts its use to the developer of the condominium under limited circumstances. Recently, the developer assigned all of its rights under the Second Supplement to the Timeshare Association, but the language of the deannexation section requires amendment in order for it to be used under these circumstances. Additionally, the Board has concluded that there are other provisions of the Second Supplement that need to be amended to reflect the current conditions under the program and that voting provisions of the Bylaws of the Timeshare Association also need to be amended for the same reason.

More specifically, the Board recommends that the following amendments be adopted for the Second Supplement and the Bylaws (a copy of the full text of the amendments is attached hereto):

1. To amend Section 1.25 of the Second Supplement to define the Declarant as the Timeshare Association to reflect the fact that the original developer is no longer involved.
2. To amend Section 1.39 of the Second Supplement to define the “Majority of Owners” as more than 50% of the Owners eligible to vote, including the Timeshare Association, for the same reason as discussed in Paragraph 1.
3. To amend Section 1.71 of the Second Supplement to define “Super-Majority of Owners” as more than 75% of the Owners eligible to vote, including the Timeshare Association, for the same reason as discussed in Paragraph 1.
4. To amend Section 3.4 of the Second Supplement to provide that the Board of Directors of the Timeshare Association shall be elected by the Owners pursuant to the Bylaws for the same reason as discussed in Paragraph 1.
5. To amend Section 6.2(a) of the Second Supplement to clarify provisions relating to the automatic suspension of an Owner’s privileges if he or she shall fail to pay any

assessment or personal charges on or before the due date therefor, including monetary penalties as provided in the Bylaws. Any other breach of the terms and conditions by an Owner requires the Board to give notice of the breach to the Owner and give him or her an opportunity to present his or her arguments as to why a suspension is not justified under the circumstances before acting.

6. To amend Article IX of the Second Supplement to revise the deannexation procedures to permit the Timeshare Association to deannex from the Second Supplement any Condominium Unit with respect to which the Timeshare Association owns in its own right more than 80% of the timeshares in the Condominium Unit, provided that at least 6 units remain.
7. To amend Section 10.1 of the Second Supplement to provide that it may be amended by vote of a Majority of Owners, except that a vote to terminate the program requires a vote of a Super-Majority of Owners.
8. To delete Sections 1.26, 1.40, 1.48, 1.70 and 4.6 and Exhibit E of the Second Supplement because they relate to the time period when the original developer was involved.
9. To amend Article II, Section 2 of the Bylaws of the Association to provide that each Owner shall be entitled to cast one (1) vote for each Timeshare owned by the Owner.

An amendment of the Second Supplement and Bylaws may be approved through a ballot process in which each eligible owner is permitted to express his or her preference on the vote. Since all of the amendments to the Second Supplement and the Bylaws work together to update the documents the Board is recommending that you cast your ballot to approve all of the proposed changes.

THE BOARD HAS DETERMINED THAT THE REQUIRED VOTE TO APPROVE THE PROPOSALS IS A VOTE OF A MAJORITY OF THE OWNERS. ONLY OWNERS WHO ARE CURRENT IN THE PAYMENT OF THE CURRENT ASSESSMENT AND ALL PRIOR ASSESSMENTS WILL BE ELIGIBLE TO VOTE.

EVERY ELIGIBLE OWNER IS ENCOURAGED TO PARTICIPATE AND MAIL HIS OR HER BALLOT IMMEDIATELY. THE BALLOTS ARE SELF-ADDRESSED AND STAMPED TO MAKE IT EASY FOR YOU TO VOTE.

By order of the Board of Directors

President

Secretary

Dated: April 28, 2021

Mountainside at Silvercreek Timeshare Owners Association

Ballot

The undersigned casts a vote on the following proposal:

- (1) To approve the amendments to the Second Supplement and Bylaws as proposed by the Board of Directors of the Timeshare Association.

Time Share Interest: Unit _____ and Week _____

Names and Addresses of all Owners:

Signatures

Date: _____

AMENDMENTS TO SECOND SUPPLEMENT

8. Section 1.25 of the Second Supplement is hereby amended by deleting the section in its entirety and substituting the following Section 1.25 therefor:

8.25 "Declarant" means the Timeshare Association, as successor-in-interest to Krause-Anderson Mountain Resorts, Inc.

9. Section 1.39 of the Second Supplement is hereby amended by deleting the section in its entirety and substituting the following Section 1.39 therefor:

1.39 "Majority of Owners" means more than 50% of the Owners eligible to vote, including the Timeshare Association.

10. Section 1.71 of the Second Supplement is hereby amended by deleting the section in its entirety and substituting the following Section 1.71 therefor:

1.71 "Super-Majority of Owners" means more than 75% of the Owners eligible to vote, including the Timeshare Association.

11. Section 3.4 of the Second Supplement is hereby amended by deleting the section in its entirety and substituting the following Section 3.4 therefor:

Section 3.4 Board of Directors. The Board of Directors of the Timeshare Association shall be elected by the Owners pursuant to the Bylaws.

12. Section 6.2(a) of the Second Supplement is hereby amended by deleting the section in its entirety and substituting the following Section 6.2(a) therefor:

6.2(a) Suspension of Privileges. (i) If any Owner shall fail to pay any Assessment or Personal Charges on or before the due date therefor, including monetary penalties as provided in the Bylaws, all of his or her rights, including without limitation the right of such Owner to reserve or occupy any Condominium Unit and the right of such Owner to participate in any vote or other determination provided for herein, shall be automatically suspended until he or she pays, in cash or by cashier's or certified check, all amounts past-due as of the date of such reinstatement and all monetary penalties imposed, together with accrued and unpaid interest and any late charges imposed. (ii) If any Owner or his Permitted User shall be in breach of any other provisions of the Governing Instruments, subject to the limitations hereinafter set forth in this subparagraph 6.2(a), the Timeshare Association may suspend all of the rights of such Owner, as stated above, and may also assess monetary penalties as may be provided in the Bylaws. No such suspension, except

a suspension of privileges 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, or imposition of monetary penalties, shall be made until 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 against whom such activity is to be taken at least 15 days prior to the holding of such meeting. Such notice shall be given as provided at Paragraph 10.3 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 monetary penalties imposed. The decision as to whether such privileges should be suspended or monetary penalties imposed shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension or monetary penalties imposed, the reasons therefor and the length or amount thereof shall be given to the affected Owner and the suspension or penalties shall become effective on the date such notice is given, which date shall be not less than five days after the date of such meeting. If such suspension of privileges or imposition of monetary penalties 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 or payment of the monetary penalties imposed.

13. Article IX of the Second Supplement is hereby amended by deleting the Article in its entirety and substituting the following Article IX therefor:

ARTICLE IX

DEANNEXATION

9.1 Deannexation. The Timeshare Association may deannex from this Second Supplement any Condominium Unit with respect to which the Timeshare Association owns in its own right or as successor to the Declarant more than 80% of the Timeshares in the Condominium Unit upon the recordation of a Declaration of Deannexation in the Official records of Grand County, provided, however, (i) if there are any Owners other than the Association, such other Owners shall share pro rata in the net sales proceeds arising from the sale of the Condominium Unit after deduction of all expenses relating to the deannexation and sale and (ii) the Timeshare Association shall deannex no Condominium Unit if the number of remaining Condominium Units subject to this Second supplement, shall be, after such deannexation, less than 6. More than one Condominium Unit may be deannexed at the same time.

9.2 Procedure of Deannexation. The deannexation of any Condominium Unit from the scheme of this Second Supplement shall be effected by recording in the Office of the County Recorder of Grand County a Declaration of Deannexation which shall contain the following:

(a) A statement that the Timeshare Association is the owner of all of the Timeshares in the Condominium Unit.

(b) A legal description of the Condominium Unit being deannexed and location thereof.

(c) Such other terms that the Timeshare Association deems advisable or necessary; provided, however, that such terms and conditions shall not be inconsistent or in conflict with the terms and provisions hereof nor adversely or materially affect the interests of the Owners hereunder.

9.3 Effect of Deannexation. Upon any deannexation pursuant to Paragraphs 9.1 and 9.2, above, and at all times thereafter, this Second Supplement shall no longer govern the use, enjoyment, repair, maintenance, restoration and improvement of any Condominium Unit so deannexed.

7. Section 10.1 of the Second Supplement is hereby amended by deleting the section in its entirety and substituting the following Section 10.1 therefor:

Section 10.1 Amendment. This Second Supplement may be amended by Majority Vote of Owners, except as provided in Section 10.2.

10. Sections 1.26, 1.40, 1.48, 1.70 and 4.6 and Exhibit E of the Second Supplement are hereby deleted in their entirety.

AMENDMENT TO BYLAWS

11. Article II, Section 2 of the Bylaws of the Timeshare Association is hereby amended by deleting the section in its entirety and substituting the following Section 2 therefor:

Section 2. Voting. Each Owner shall be entitled to cast one (1) vote for each Timeshare owned by the Owner. An Owner whose privileges are suspended pursuant to Section 6.2(a) of the Second Supplement and Section 10.1 of these Bylaws is not eligible to vote on any matter and his or her voting interest will not be included in the determination of the required voting percentage.