

WATERBURY INN OWNERS ASSOCIATION
RENTAL AGREEMENT

I. INTRODUCTION

The Waterbury Inn Rental Service (hereafter referred to as Rental Service) has been established by the Waterbury Inn Owners Association, Inc. (hereafter referred to as the Association), incorporated for the purpose of operating a lodging facility, in accordance with the state of Wisconsin statutes chapters 703 and 704. With the exception of the Bylaws of the Association, this agreement supersedes any other agreement previously signed or orally agreed upon by the unit Owner (hereafter referred to as the Owner), the Association, or Management.

II. ORGANIZATION

The Rental Service is governed by the Board of Directors of the Waterbury Inn Owners Association, Inc. (hereafter referred to as the Board), which oversees the operations of the Rental Service, establishes policy, operational procedures, etc. The Board designates the General Manager (hereafter referred to as the Manager) as the Chief Executive Officer of the Rental Service for the effective management of the property and continued business growth. The Rental Service is responsible for the actions of its employees. Any Owner concerns or comments must be directed in writing to the Waterbury Inn Owners Association, Board of Directors at PO Box 149, 10325 Water Street, Ephraim, Wisconsin, 54211.

III. RENTAL SERVICE

A. OBJECTIVES

1. The intent of the Rental Service is to maintain the highest standards in the lodging industry for our guests thereby maintaining or increasing unit rentals and maintaining the capital investment of the Owners.
2. The annual budget of the Rental Service is predicated on the average revenues of the prior three calendar years and necessary expenditures during the past calendar year with appropriate increases for inflation. The annual budget is intended to break-even at the end of the fiscal year (December 31st). If current revenues are falling below the average revenue of the prior three calendar years or if necessary expenditures with appropriate increases for inflation are exceeding budgeted amounts, then the budget will be recalculated to ensure there are sufficient funds to pay for necessary expenditures.

B. Source of Revenue

The operating funds for the Rental Service are generated from three sources:

- Rental Service fees assessed to the Owner for guest stays.
- Housekeeping and related charges assessed to the Owner for guest/Owner stays.
- Miscellaneous Income (i.e. telephone income, crib rental, vending and video income, etc.).

C. GENERAL SERVICES

1. Definitions

a. "Owner stay" means a stay at the Waterbury Inn by:

1. An owner of record or a spouse/partner of an owner.
2. A charitable contribution stay, which means "a guest who purchased or received a stay by the owner via a donation to a charitable organization." Such charitable contribution stays are limited to three stays per calendar year.
3. A guest-owner stay, which means "a stay by a person other than the owner of record or spouse/partner, who is identified by the owner to the Rental Service as permitted to use the owner's unit. A guest-owner stay includes Resorts Condominium International exchanges.

- b. “Owner referral” means a stay at the Waterbury Inn, which is arranged by an owner, of a person or persons who are not accompanied by an owner or an immediate family member of an owner.
 - c. “Complimentary stay” means a non-owner stay at the Waterbury Inn arranged by the rental services to promote the Waterbury Inn.
 - 2. The Rental Service will provide housekeeping and related services, front desk operations and reservation services. The Rental Service also includes sales, marketing, and general administration (e.g., bookkeeping, staff management, etc.) services.
 - 3. The Rental Service will make every effort to rent each Owner’s unit on a fair and equitable basis. Reservations will be assigned on a rotating basis using these factors: (a) reservations requested, (b) Owner referral, (c) complimentary stay, and (d) unit availability.
 - D. **HOUSEKEEPING AND RELATED SERVICES AND FEES**
 - 1. Definition. Housekeeping and related services and fees consist of:
 - a. Maid Service. Maid service charges are based on a formula established by the Rental Service that includes administrative and staff wages, benefits, payroll taxes, preparation and stock-time, and carpet cleaning of the units.
 - b. Laundry Service. Laundry service charges are based on a formula established by the Rental Service that includes the cost of cleaning, transportation and stock-time. Any excess laundry service funds at the end do the Rental Service's fiscal year will be used for future linen replacement.
 - c. Supplies. Supply charges are based on a formula established by the Rental Service that includes the cost of supplies, replacement of the unit’s light bulbs and smoke alarm batteries as needed. Replacement of broken or missing glassware, silverware, dishes and other items, as determined and approved by the Board, will be billed to the appropriate Owner.
 - 2. **HOUSEKEEPING SERVICES:**
 - a. Daily stay-over service is automatically provided for rental, Owner referral and complimentary stays. For an Owner stay, this service is not provided, unless requested at check-in or when reservation is made. Extra towels are available for Owners and guests, from the front desk.
 - b. Check-out service is automatically provided for all types of stays, including Owner stays. This is a mandatory service provided to ensure that the Rental Service standards are preserved.
 - c. A complete cleaning and linen change is provided midway during stays of five to seven days for rental, group, Rental Service complimentary and Owner referral stays. For an Owner stay, this service is not provided, unless requested at check-in or when reservation is made.
 - d. An annual cleaning of each unit in the Rental Service is to be completed between November 1st and March 1st, funded by the maid service charges.
 - 3. **FEES**
 - a. All housekeeping and related expenses will be charged to each Owner on a percentage of gross room revenue (rack rate, less any discounts given, plus additional guest charges) for a specific time period of a rental or Owner referral stay. A Rental Service complimentary stay’s housekeeping charges will be calculated as outlined above, with the

Rental Service absorbing the cost. Owner stays will be charged a set charge, approved by the Board for check-out service provided. Note: Provision #4.7 of the Association's By-Laws state that housekeeping charges will be paid by the Association (Rental Service) for Board members and Owners' representatives who are in attendance at a Board meeting.

- b. The housekeeping charges can be adjusted at any time by a majority vote of the Board. Adjustments to the housekeeping charges are effective after thirty (30) days advance written notice to the unit Owner at the address maintained by the Association.

E. FRONT DESK OPERATIONS AND RESERVATIONS

1. Front desk operations and reservations are provided to all Owners of the Association. All guests and Owners will check-in at the front desk upon their arrival. This service is funded by the Rental Service fee and miscellaneous income.
2. The Rental Service shall assess fees for services provided to the Owners in the rental agreement established by the Board. These fees are a percentage of each Owner's monthly gross room revenue to partially fund the cost of the Rental Service other than housekeeping and related services. The percentage of each Owner's monthly gross room revenue to partially fund the cost of the Rental Service can be adjusted at any time by a majority vote of the Board. Any adjustment will be effective after a thirty (30) day written notice is issued to all Owners at the address maintained by the Association.
3. The Rental Service will collect all room revenue and disburse on a monthly basis, subject to the below note, to the Owner minus the Rental Service fee and housekeeping and related fees, along with any miscellaneous charges. An itemized statement of revenue and fees will provided will be sent to each Owner on a monthly basis. In addition, rotation and other pertinent information will be provided.

NOTE: It is the policy of the Rental Service that all disbursements of rental income will be mailed on or about the 12th of each month covering the previous month's receipts. In the event that the Rental Service does not have sufficient funds to cover both Owners' proceeds and current obligations (e.g., payroll, utilities, Visitor Bureau dues, taxes, etc.), then the Owners' proceeds will be held until there are sufficient funds available. Owners still will receive an itemized monthly statement of the above financial data if the proceeds checks are held. Any exception to this policy will require approval of the Board.

4. The Rental Service will establish its advertised rental rates on a calendar year basis and will notify Owners of the new rate structure, at the annual meeting. All rate changes must be approved by a majority vote of the Board.
5. The Rental Service will advertise in various media, based on the funds available for advertising, demonstrated efficacy of an advertising vendor (e.g., a specific newspaper), and direction from the Board. The Waterbury Inn will be a member of the Door County Visitor Bureau. The Rental Service may, with the approval of the Board, advertise special promotional packages, offering lower rental rates than published. Every attempt will be made to balance the use of units for special packages equally among all units. The Rental Service will notify Owners in writing of special promotional packages. The Rental Service has the discretion to offer a discount to persons who are seeking immediate lodging (walk-ins) for the purpose of increasing the number of rentals.

6. The Rental Service will establish and adhere to an advance deposit policy appropriate to current market trends.
7. The Rental Service will not procure a rental for a unit that exceeds the maximum occupancy allowable.
8. The Rental Service may use a unit as a complimentary stay for promotional purposes (e.g., familiarization trips, tourism officials, travel agents, advertising media, meeting planners, etc.) deemed effective by the Rental Service. No unit will be used more than two (2) nights per year for this purpose. All housekeeping service charges will be paid by the Rental Service.
9. The Rental Service is authorized to offer a travel agency commission or a special group rate at the General Manager's discretion that will not exceed 10% of daily room rate.
10. The Rental Service will not discriminate against any guest for any reason prohibited under applicable federal, State, or local laws.

NOTE: Section 106.50 (1m) (h) of the Wisconsin Statutes defines discrimination related to open housing rights: "Discriminate" means to segregate, separate, exclude or treat a person or class of persons unequally in a manner described in sub. (2), (2m) or (2r) because of sex, race, color, sexual orientation, disability, religion, national origin, marital status, family status, lawful source of income, age or ancestry.
11. The Rental Service will make every effort to accommodate the Owner's use of their unit for an owner's stay and owner referrals by moving pre-existing reservations to another available unit of the same room type if possible, and thus, saving rotational sequence for the Owner. An Owner must make a reservation with the Rental Service before committing any dates to avoid double bookings, whether for an owner's stay, guest-owner stay, or an owner's referral, identify the guests who will be using the unit, and identify the nature of the stay (i.e., owner's stay, guest-owner stay, versus owner referral). The Rental Service's reservations will take precedence when booked prior to an Owner referral or an Owner stay.

IV. OWNER RESPONSIBILITIES

- A. Each Owner has the responsibility to maintain their unit in a rentable condition. Rentable condition refers to those standards as established by the Building and Grounds Committee and approved by the Board. Items that need to be replaced or repaired, and repairs to the unit itself costing less than \$50.00 will be billed to the Owner by the Rental Service. Items or repairs which exceed \$50.00 will be brought to the Owner's attention and the unit will be taken off rotation until the Rental Service has received written authorization from the Owner to replace/repair the item, or make the necessary repairs to the unit. The manager will attempt to secure the most cost effective service that is available at that time, in an attempt to minimize the Owner's cost.
- B. Each unit Owner will abide by all rules and regulations established by the Board. Current rules and regulations are enumerated in Attachment A.

V. OWNER REFERRALS

- A. Unit Owner understands that "Owner referrals" are an advantage to the Owner: (1) for referring guests to the Waterbury and (2) being able to obtain extra rentals of their unit that does not count as a "rotational night", except as provided for by par. B. To take advantage of this option the Owner must call the Rental Service with the referral's name, phone number, and length of stay. The Rental Service then will call the guest to complete the arrangements such as times of arrival and departure, number of persons in party, deposits and advance payments required, etc. The Rental Service also will send out the confirmation, explain the check-in/check-out policy, and hold the room.

- B. During a time of 100% occupancy within the resort, the occupancy is considered as part of the rotation if an Owner or an Owner referral occupies a unit.
- C. The Rental Service fee or special fees as established by the Board will be charged for Owner referral stays. Any reservation arranged for by the Owner and not in the company of the Owner will be considered an Owner referral. There will be no exceptions to this policy.
- D. The rental service will apply the rates for owner referrals per the provisions in Section III.
- E. An owner who wishes to provide a person who is not an immediate family member a discounted stay must provide a rebate directly.

VI. NONCOMPLIANCE WITH THIS AGREEMENT BY UNIT OWNER

A. SANCTIONS AGAINST AN OWNER

The Rental Service has the right to hold monthly rental proceeds if the quarterly fees or assessments for maintenance and other fees are delinquent, unless other arrangements have been approved by the Rental Service. In addition, interest charges may be assessed to the Owner for having a late payment. The Owner's proceeds check(s) will be held in the Rental Service account until all delinquent payments have been made.

B. REMOVAL OF UNIT OWNER FROM THE RENTAL SERVICE

1. The Rental Service, based on a majority vote of the Board, shall have the authority to remove an Owner from the Rental Service for the failure to follow the policies or standards of the Association with the approval of the Board.
2. The removal of an Owner will be preceded by:
 - a. A written notification, via US registered mail, from the Board, to the unit Owner, at the address maintained by the Association, citing the policy or standard upon which the removal is based;
 - b. A thirty (30) day period, commencing from the date of notice, in which the Owner may correct the failure indicated by the Board; and
 - c. A final review or evaluation at the end of the thirty (30) day period by the Board and Rental Service to determine if the unit has conformed to the established policies and standard. The Rental Service will issue a written notification, via US registered mail, notifying the unit Owner if the unit was found to be in conformance with all requirements, thus terminating the removal process, or was found not in conformance with all requirements, which warrants removal of the unit from the Rental Service.

NOTE: Unit Owners remain responsible for maintenance fees and special assessments whether or not the unit is part of the Rental Service.

C. REINSTATEMENT OF UNIT TO THE RENTAL SERVICE

1. An Owner who was removed from the Rental Service may petition the Board to be reinstated to the Rental Service. The Owner must present evidence that all deficiencies have been corrected and all fees and assessments have been paid through the date of the petition. The Board must approve the reinstatement by a majority vote.

VIII. CONDITIONS FOR SALE OF A UNIT

A unit Owner that participates in this agreement will bind any purchaser of the unit to existing reservations in that unit, unless the reservation can be moved to another unit in the same room category, at the time of the sale.

IX. APPROVAL OF THIS AGREEMENT

This Agreement does not require the unit Owner signature because the By-Laws, as of March 10, 2013 require all unit owners to participate in the Rental Agreement.



Daniel Zimmerman
President and Secretary, Board of Directors
Waterbury Inn Owners' Association

March 10, 2013

Date

Attachment A

RULES AND REGULATIONS ADOPTED BY THE BOARD OF DIRECTORS, WATERBURY INN OWNERS' ASSOCIATION, INC.

1. The Waterbury Inn is designated a non-smoking building. This includes but is not limited to all common areas and all Owners units. Smoking outside the building is permitted.
2. The Waterbury Inn is designated a no-pets allowed building. This includes but is not limited to all common areas and all Owners units. This rule does not apply to an animal trained to assist a person who has a disability.
3. The Waterbury Inn, buildings, grounds and all Owners units and property are covered under an umbrella insurance policy to assure equal and complete coverage. Owners do not need to have their own individual insurance policy to cover their Waterbury property.
4. Owner may add extra personal items such as kitchen accessories and other items adding to the Owner's comfort when occupying unit. However, at time that an Owner departs, all non-standard unit contents must be returned to the Owner's locked closet or taken with the Owner. If the Owner forgets to remove any personal items, the Rental Service will place the personal items in the Owner's locked closet.
5. A unit Owner may add personal decorating accessories, such as wall hangings and small decorative items. Decorating accessories must be consistent with overall decorating theme of units and property. These items may reflect the Owner's personal taste as long as coordinated with existing pieces and approved by the Rental Service and the Board's building and grounds committee.

Adopted by a majority vote of the Board of Directors, Waterbury Inn Owners' Association, Inc. on March 10, 2013.



Daniel Zimmerman
President/Secretary
Board of Directors
Waterbury Inn Owners' Association, Inc.