

MICHIGAN DEPARTMENT OF COMMERCE — CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

Date Received

SEP 21 1989

SEP 21 1989

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

CORPORATION IDENTIFICATION NUMBER

8 4 7 - 1 9 9

ARTICLES OF INCORPORATION

For use by Domestic Nonprofit Corporations

(Please read instructions and Paperwork Reduction Act notice on last page)

Pursuant to the provisions of Act 162, Public Acts of 1982, as amended, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is:

Harbor Cove Timeshare Owners Association ✓

ARTICLE II

The purpose or purposes for which the corporation is organized are: to represent the owners of Timeshare interests at Harbor Cove as the Agent in accordance with the Declaration of Covenants for Use and Enjoyment of Condominium Interests, as recorded in Liber 284, Pages 930 through 947, Emmet County Records, and to perform other incidental activities related to functioning as such Agent.

ARTICLE III

The corporation is organized upon a nonstock basis.

(stock or nonstock)

1. If organized on a stock basis, the total number of shares which the corporation has authority to issue is _____ . If the shares are, or are to be, divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class are as follows:

ARTICLE III (cont')

2. If organized on a nonstock basis, the description and value of its real property assets are: (If none, insert "none")

None

and the description and value of its personal property assets are: (If none, insert "none")

None

The corporation is to be financed under the following general plan:

Assessments of members and/or collection of management fees.

The corporation is organized on a Membership basis.
(membership or directorship)

ARTICLE IV

1. The address of the registered office is:

755 Big Beaver, Suite 1700, Troy, Michigan 48084
(Street Address) (City) (ZIP Code)

2. The mailing address of the registered office if different than above:

_____, Michigan _____
(P.O. Box) (City) (ZIP Code)

3. The name of the resident agent at the registered office is:

Evald H. Johnson

ARTICLE V

The name(s) and address(es) of all the incorporator(s) is (are) as follows:

Name Residence or Business Address

Evald H. Johnson 755 W. Big Beaver, Suite 1700

Troy, Michigan 48084

continued or added. Attach additional pages if needed.

See attachment for Articles VI, VII & VIII

I (We), the incorporator(s) sign my (our) name(s) this 19 day of September, 1989.

Evald H. Johnson
Evald H. Johnson

**ATTACHMENT TO ARTICLES OF INCORPORATION OF
HARBOR COVE TIMESHARES OWNERS ASSOCIATION**

ARTICLE VI

INDEMNIFICATION

The Corporation shall indemnify any person, to the fullest extent permitted by Michigan law, against expenses including attorney fees, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with any action, suit or proceeding brought or threatened against such person by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation. This right of indemnification shall continue as to a person who ceases to be a director, officer, employee or agent of the Corporation.

ARTICLE VII

LIMITATION OF LIABILITY

A volunteer director of the Corporation is not personally liable to the Corporation or its shareholders or members for monetary damages for a breach of the director's fiduciary duty. However, this provision shall not eliminate or limit the liability of a director for any of the following:

1. A breach of the director's duty of loyalty to the corporation or its shareholders or members.
2. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law.
3. A violation of section 551(1) of the Non-Profit Corporation Act, as amended.
4. A transaction from which the director derived an improper personal benefit.
5. An act or omission occurring before the date this document is filed.
6. An act or omission that is grossly negligent.

ARTICLE VIII

ASSUMPTION OF LIABILITY

The Corporation assumes all liability to any person other than the Corporation, its shareholders, or its members for all acts or omissions of a volunteer director occurring on or after the date this document is filed.

BYLAWS
OF
HARBOR COVE TIMESHARE OWNERS ASSOCIATION

ARTICLE I
DEFINITIONS

Certain terms are utilized in these Bylaws and in various other instruments including, but not limited to, the Articles of Incorporation of Harbor Cove Timeshare Owners Association. In addition, the Declaration of Covenants for Use and Enjoyment of Condominium Interests dated May 26, 1978 and recorded in Liber 284, Pages 930 through 947, Emmet County Records, sets forth certain definitions of terms, and unless expressly modified by the definitions set forth below, such definitions shall be applicable in these Bylaws and other instruments as referred to above. Subject to the foregoing, whenever used in these Bylaws or other instruments, the terms set forth below shall be defined as follows:

1.1 Association. "Association" means the Harbor Cove Timeshare Owners Association, which is the non profit corporation organized under Michigan Law of which all Timeshare owners shall be members, which corporation shall represent all Timeshare owners as the Agent in accordance with the Declaration of Covenants for Use and Enjoyment of Condominium Interests, as recorded in Liber 284, Pages 930 through 947, Emmet County Records, and perform other incidental activities related to functioning as such Agent.

1.2 Bylaws. "Bylaws" means these Bylaws which shall constitute the corporate bylaws of the Association as provided for under the Michigan Nonprofit Corporation Act.

1.3 Declaration. "Declaration" means the Declaration of Covenants for Use and Enjoyment of Condominium Interests dated May 26, 1978, and as recorded in Liber 284, Pages 930 through 947, Emmet County Records, as amended.

1.4 Timeshare owner. "Timeshare owner" means a person, firm, corporation, partnership, association, trust or other legal entity or any combination thereof who or which own one or more timeshare weeks in one or more of the timeshare units. "Owner", whenever used, shall be synonymous with the term "Timeshare owner".

1.5 Timeshare week. "Timeshare week" means one of the periods designated in the Declaration as "period of use", being a period established for the exclusive use of a unit by an owner. The term "week", whenever used, shall be synonymous with the term "Timeshare week".

1.6 Timeshare unit. "Timeshare unit" means one or more of the timeshare units in the Harbor Cove Condominium, pursuant to the Master Deed recorded at Liber 266, Pages 859 through 895, Emmet County Records, as amended, being Harbor Cove Units 2, 5, 8, 11, 14, and 19. "Timeshare units" shall refer to all said Timeshare units at Harbor Cove collectively. "Unit" and "Units", whenever used, shall be synonymous with the term Timeshare unit and Timeshare units, respectively.

ARTICLE II MEMBERSHIP & VOTING

2.1 Membership. Each owner of a timeshare week, present and future, shall be a member of the Association during the term of such ownership, and no other person or entity shall be entitled to membership. Neither Association membership nor the share of a member in the Association's funds and assets, shall be assigned, pledged or transferred in any manner, except as an appurtenance to a timeshare week, and any attempted assignment, pledge or transfer in violation of this provision shall be wholly void.

2.2 Voting rights. All voting matters, including quorum requirements and petition rights as set forth herein shall be determined on the basis of one vote for each week owned, so that the members owning each timeshare week shall collectively be entitled to one vote.

2.3 Designation of voting representative. Each Timeshare owner shall file a written notice with the Association designating the individual representative who shall vote at meetings of the Association and receive all notices and other communications from the Association on behalf of such timeshare owner. Such notice shall state the name and address of the individual representative designated, the number or numbers of the timeshare unit or units and timeshare week or weeks owned by the timeshare owner, and the name and address of each person, firm, corporation, partnership, association, trust or other entity who is the owner. Such notice shall be signed and dated by the owner. The individual representative designated may be changed by the owner at any time by filing a new notice in the manner herein provided.

2.4 Quorum. The presence in person or by proxy of the owners, qualified to vote, of 35% in number of all timeshare weeks in all timeshare units, shall constitute a quorum for holding a meeting of the members of the Association, except for voting on questions specifically required in these Bylaws or the Declaration to have a greater quorum. The written vote of any person furnished at or prior to a duly called meeting at which meeting said person is not otherwise present in person or by proxy shall be counted in determining the presence of a quorum

with respect to the question upon which the vote is cast.

2.5 Voting. Votes may be cast only in person or by a writing duly signed by the designated voting representative not present at a given meeting in person or by proxy. Proxies and any written votes must be filed with the Secretary of the Association at or before the appointed time of each meeting of the members of the Association. Cumulative voting shall not be permitted.

2.6 Membership Certificates. No membership certificates shall be issued by this Association.

2.7 Fees, Dues and Assessments. Fees, dues and assessments shall be levied and collected as provided in the Declaration.

2.8 Eligibility to Vote. No owner shall be entitled to vote at any meeting of the Association until he or she has presented evidence of ownership of a timeshare week in a timeshare unit to the Association. An owner in default in payment of any assessments made pursuant to the Declaration, or in default in any other provision of the Declaration or these Bylaws, shall not be entitled to vote at any meeting of the Association so long as such default continues. This remedy shall be in addition to any other remedies available to the Association under these Bylaws or the Declaration.

ARTICLE III MEETINGS OF MEMBERS

3.1 Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place in the State of Michigan and convenient to the Timeshare owners as may be designated by the Board of Directors. Meetings shall be conducted in accordance with Sturgis' Code of Parliamentary Procedure, Robert's Rules of Order, or some other generally recognized manual of parliamentary procedure, when not otherwise in conflict with the Declaration, these Bylaws, or the laws of the State of Michigan.

3.2 First Meeting. The first meeting of members of the Association shall be convened by the Incorporator as provided in the Incorporator's Agreement dated October 10, 1989.

3.3 Annual Meetings. Annual meetings of the members of the Association shall be held on the first Saturday of November in each year after the year in which the first meeting is held, at such time and place as shall be determined by the Board of Directors. At such meetings there shall be elected by ballot of the owners a Board of Directors in accordance with the requirements of Article IV of these Bylaws. The owners may also

transact at annual meetings such other business of the Association as may properly come before them.

3.4 Special Meetings. It shall be the duty of the President to call a special meeting of the owners as directed by resolution of the Board of Directors or upon a petition signed by the owners of one-third of all units presented to the Secretary of the Association. Notice of any special meeting shall state the time and place of such meeting and the purposes thereof. No business shall be transacted at a special meeting except as stated in the notice.

3.5 Notice of meetings. It shall be the duty of the Secretary (or other Association officer in the Secretary's absence) to serve a notice of each annual or special meeting, stating the purpose thereof as well as of the time and place where it is to be held, upon the individual representative of each owner, at least 10 days but not more than 60 days prior to such meeting. The mailing, postage prepaid, of a notice to the individual representative of each owner at the address shown in the notice required to be filed with the Association by Article II, Section 2.3 of these Bylaws shall be deemed notice served. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association shall be deemed due notice.

3.6 Adjournment. If any meeting of owners cannot be held because a quorum is not in attendance. The owners who are present may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

3.7 Action without meeting. Any action which may be taken at the meeting of the members (except for the election or removal of Directors) may be taken without a meeting by written ballot of the members. Ballots shall be solicited in the same manner as provided in Section 3.5 of this Article for the giving of notice of meetings of members. Such solicitations shall specify (a) the numbers of responses needed to meet the quorum requirements; (b) the percentage of approvals necessary to approve the action; (c) The time by which ballots must be received in order to be counted. The form of written ballots shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that, where the member specifies a choice, the vote shall be cast in accordance therewith. Approval by written ballot shall be constituted by receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast.

3.8 Minutes, Presumption of Notice. Minutes or a similar record of proceedings of meetings of members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV DIRECTORS

4.1 Number and Qualifications. The Board of Directors shall be comprised of seven members, all of whom must be 21 years of age or older, and members of the Association in good standing. Directors shall serve without compensation.

4.2 Term of Office. The term of office for Directors shall be two years, commencing on the date of election. A Director shall hold office for the term for which he or she is elected and until a successor is elected and qualified or until the date of resignation or removal.

4.3 Initial Board. The initial Board of Directors shall be elected at the first meeting called by the Incorporator for such purpose. The initial Board shall serve until the next annual meeting of the Association.

4.4 Election. The Directors shall be elected at the annual meeting of the members. At the annual meeting occurring immediately after the first meeting, all nominees shall stand for election as one slate, and the four persons receiving the highest numbers of votes shall be elected for a term of two years, and the three persons receiving the next highest number of votes shall be elected for a term of one year. At each annual meeting thereafter, either four or three Directors shall be elected depending upon the number of Directors whose terms expire. Nominations shall be according to the reasonable procedure established and communicated to the members in advance by the Board of Directors.

4.5 Duties and powers. The Board of Directors shall be responsible for the control and management of the affairs, property and interest of the Association, and shall have all powers and may do all acts and things consistent with the purposes of the Association and not otherwise prohibited by the Articles of Incorporation, these Bylaws, or any applicable law or regulation.

4.6 Meetings. The Board of Directors, from time to time may provide by resolution for the holding of regular meetings of the Directors, and may fix the time and place thereof. Notice of any regular meeting of the Directors shall

not be required to be given, and if given, need not specify the purpose of the meeting; provided, however, that in case the Board of Directors shall fix or change the time or place of any regular meeting, notice of such action shall be given to each Director who shall not have been present at the meeting at which such action was taken, at least ten (10) days prior to the date named for such meeting. Special meetings of the Board of Directors may be called by the President or by any three (3) or more of the Directors, on three (3) days notice to each Director, given personally, by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

4.7 Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waivers shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be deemed a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and business may be transacted at such meeting.

4.8 Place of Meeting. Meetings of the Directors shall be held at a suitable place convenient to the Directors as may be designated by the President, or Vice-President in the President's absence, within the State of Michigan. Any member of the Association shall be entitled to attend any meeting of the Board of Directors, and may address the Board subject to such reasonable limitations as the presiding officer may impose.

4.9 Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at any meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Directors, less than a quorum is present, the majority of those present may adjourn the meeting to a subsequent time upon twenty-four hours prior written notice delivered to all Directors not present. At any such adjourned meeting, if a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

4.10 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the members of the Association shall be filled by vote of the majority of the remaining Directors. Each person so elected shall be a Director until a successor is elected to fill the vacancy at the next annual meeting of the Association.

4.11 Removal. At any regular meeting of the Association duly called and at any special meeting of the Association called in whole or in part for such purpose, provided

a quorum is present, any one or more of the Directors may be removed with or without cause by a vote of a majority of those members present, in person or by proxy, and entitled to vote. At that time a successor shall be elected to fill the vacancy thus created. A successor Director so elected shall serve until the end of the term of the person he was elected to replace. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting.

4.12 Manager. The Board of Directors may employ for the Association a manager at reasonable compensation established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties of the Agent as specified in the Declaration, and the Board may delegate to such manager any other duties or powers which are not by law required to be performed by or have the approval of the Board of Directors or the members of the Association. In no event shall the Board be authorized to enter into any contract with a manager in which the maximum term is greater than three years or which is not terminable by the Association upon ninety days written notice thereof to the other party.

ARTICLE V OFFICERS

5.1 Designation. The officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer, who shall be members of the Board of Directors.

5.2 Appointment. The Officers of the Association shall be appointed annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. The Board may appoint assistant officers or other officers who need not be members of the Board of Directors, to perform the duties and exercise the powers as delegated to them by the Directors. The officers shall be appointed by the Board and take office at the organizational meeting held immediately following each annual meeting, and the officers so appointed shall hold office until the next annual meeting of the Association, or until death, resignation or removal.

5.3 Removal. Upon the affirmative vote of the majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called in whole or in part for such purposes. No such removal action may be taken, however, unless the matter shall have been included in the notice of such meeting. The officer who is proposed to be removed shall be given an opportunity to be heard at the meeting.

5.4 Compensation. The officers of the Association shall serve without compensation, unless otherwise provided for by resolution of the members of the Association.

5.5 President. The President shall be the Chief executive officer of the Association. The President shall preside at meetings of the Association, and of the Board of Directors. The President shall represent and be entitled to vote on behalf of the timeshare units as co-owner and designated individual representative for said units, on all matters involving the Harbor Cove Condominium and/or Harbor Cove Association. The President shall have all the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to, the power to appoint committees from among the members of the Association from time to time as the President may deem appropriate to assist in the conduct of the affairs of the Association.

5.6 Vice-President. The Vice-President shall take the place of the President and perform the President's duties whenever the President shall be absent or unable to act, together with such other duties as shall from time to time be imposed upon the Vice-President by the Board of Directors.

5.7 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; the Secretary shall have charge of such books and papers as the Board of Directors may direct; and shall, in general, perform all duties incident to the office of the Secretary.

5.8 Treasurer. The Treasurer shall have responsibility for the Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association, and in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall prepare and distribute to each member at the annual meeting a financial statement of the Association, and shall report to the Directors as the Board may from time to time direct.

5.9 Other duties. The officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board of Directors.

ARTICLE VI FINANCE

6.1 Records. The Association shall keep detailed books of accounts showing all expenditures and receipts of

administration which shall specify the maintenance and repair expenses of the timeshare units and any other expenses incurred by or on behalf of the Association and the Timeshare owners. Such accounts and all other Association records shall be open for inspection by the owners and their mortgagees during reasonable working hours. The Association shall prepare and distribute to each owner at least once a year a financial statement, the contents of which shall be defined by the Association. The books of accounts shall be examined at least annually by qualified independent examiners; provided, however, that such examiners need not be certified public accountants nor does such examination need to be a certified examination. Any institutional holder of a first mortgage lien on any week in the timeshare units shall be entitled to receive a copy of such annual examined financial statement within 90 days following the end of the Association's fiscal year upon request therefor. The cost of any such examination and any accounting expenses shall be expenses of administration.

6.2 Fiscal Year. The fiscal year of the Association shall be an annual period commencing on such date as may be initially determined by the Directors. The commencement date of the fiscal year shall be subject to change by the Directors for accounting reasons or other good cause.

6.3 Budget. The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the timeshare units, including a reasonable allowance for contingencies and reserves. An adequate reserve fund for maintenance, repairs and replacement of the common furnishings and the units that must be maintained, repaired or replaced on a periodic basis shall be established in the budget. At a minimum, the reserve fund shall be equal to 10% of the Association's current annual budget on a noncumulative basis. Upon adoption of an annual budget by the Board of Directors, copies of the budget shall be delivered to each owner and the assessment for said year shall be established based on said budget and the provisions of the Declaration, although the delivery of a copy of the budget to each owner shall not affect or in any way diminish the liability of any owner for any existing or future assessments.

6.4 Depository. The funds of the Association shall be deposited in such financial institution as may be designated by the Directors and shall be withdrawn only upon the check or order of such officers, as are designated by resolution of the Board of Directors from time to time.

**ARTICLE VII
INDEMNIFICATION OF OFFICERS AND DIRECTORS**

The Association shall indemnify every Association Director and officer to the fullest extent authorized by the laws of the State of Michigan.

**ARTICLE VIII
AMENDMENTS**

8.1 Proposal. Amendments to these Bylaws may be proposed by the Board of Directors of the Association acting upon the vote of a majority of the Directors or may be proposed by the owners of one third or more in number of all weeks in all units by an instrument in writing signed by them.

8.2 Meeting. Upon any such amendment being proposed, a meeting for consideration of the same shall be duly called in accordance with the provisions of these Bylaws.

8.3 Voting. These Bylaws may be amended by the owners at any regular annual meeting or a special meeting called for such vote by an affirmative vote of the owners of a majority of all weeks in all units. No consent of mortgagees shall be required to amend these Bylaws.

8.4 When Effective. Any amendment to these Bylaws shall become effective upon adoption in accordance with the provisions of this Article.

8.5 Binding. A copy of each amendment to the Bylaws shall be furnished to every member of the Association after adoption; provided, however, that any amendment to these Bylaws that is adopted in accordance with this Article shall be binding upon all persons who have an interest in any timeshare week irrespective of whether such person actually receives a copy of the amendment.

**ARTICLE IX
SEVERABILITY**

In the event that any of the terms, provisions or covenants of these Bylaws are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants of these Bylaws or the remaining portions of any terms, provisions, covenants held to be partially invalid or unenforceable.