

**THE PINESTEAD REEF
OWNERS ASSOCIATION**

BYLAWS

and

RULES & REGULATIONS

ARTICLE I

STATEMENT OF PURPOSE AND DEFINITIONS

Section 1 – PINESTEAD REEF RESORT (“Resort”) is located in Traverse City, County of Grand Traverse and State of Michigan. The Resort shall be administered by an Association of Owners, which shall be a non-profit corporation (hereinafter called the "Association") organized under the laws of the State of Michigan.

Section 2 – Definitions: The following terms utilized in these Bylaws shall be defined as:

1. **Association** means the Pinestead Reef Owners Association, a Michigan non-profit corporation which owns, operates, manages and maintains the Resort for the benefit of the Owners.
2. **Board** means the Board of Directors of the Association which is elected by the Owners.
3. **Bylaws** mean the Association’s Bylaws.
4. **Lease** means the “Vacation Lease” between the Association and Owner, which gives Owners the right to use a specific timeshare Unit for a specific period of time designated in the Lease. Lease, as used in the Bylaws, can refer to the original Lease signed by the first purchaser of a Unit, or the Lease assigned to a new purchaser, or the Lease as it is updated and reprinted from time to time.
5. **Lease Week** means that period of time designated in a Lease that Owner has the exclusive right to use a Unit.
6. **Owner** means the individual(s) that purchases a Lease and then automatically become Owners of the Association for as long as the Lease remains in effect.
7. **Unit** means an individual unit within the Resort capable of separate occupancy.
8. **Resort** means all of the land, structure, easements, and personal property which makes up the Pinestead Reef Resort located at 1265 U.S. 31 North, Traverse City, Michigan.

In addition, the Bylaws use “will” or “must” instead of the more formal “shall” and the pronouns “he” and “his” are used for convenience and are not intended to assume gender.

Section 3 - The Association shall be organized to manage, maintain and operate the Resort in accordance with the Bylaws, the Articles of Incorporation, the Leases, Rules and Regulations of the Association and the laws of the State of Michigan. The Association shall be responsible for the management and administration of the affairs of the Resort. The Association may provide for independent management of the Resort.

Section 4 - Ownership in the Association and voting by the Owners of the Association shall be in accordance with the following provisions:

1. Each Owner shall be an Owner of the Association and no other person or entity shall be entitled to Ownership.
2. The share of an Owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to their interest in a Unit and Lease Week.
3. It shall be the duty of the Association's President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by ten (10%) percent of the Owners presented to the Secretary of the Association. Notice of any special meetings 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.
4. 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 the time and place where it is to be held, upon each Owner of record, at least ten (10) days but not more than sixty (60) days prior to such meeting. The mailing, postage prepaid, or emailing, or sending of facsimile, of a notice to the representative of each Owner at the address, email address or fax number found in the notice required to be filed with the Association shall be deemed notice served. Any Owner may, by written waiver of notice signed by such Owner, waive such notice and such waiver, when filed in the records of the Association, shall be deemed due notice.
5. If any meeting of Owners cannot be held because a quorum is not met, the Owners who are present may adjourn the meeting for a time not less than forty-eight (48) hours from the time the original meeting was called. The quorum at such meeting shall be 50% of the Owners.
6. Rules of Order: Meetings will be conducted to follow the rules of order contained in any generally recognized manual of parliamentary procedure selected by the Board unless those rules conflict with the Bylaws or Michigan law. The most senior Association officer (in order; the President, Vice President, Secretary, and Treasurer) present at a meeting will be the Chairperson of the meeting. The Chairperson will determine the order of business and conduct the meeting.
7. Each Owner shall be entitled to one (1) vote for each Lease Week they have the rights to. Notwithstanding, only one (1) vote may be cast for each Lease Week.
8. The vote for each Lease Week may only be cast by the individual representative designated by such Owners of the Lease Week.
9. There shall be an annual meeting of the Owners of the Association at a time, date and location selected by the Board. Other meetings may be provided for in the Bylaws of the Association. Notice of the time, place and subject matter of all meetings shall be given to each Owner by mailing via U.S. Post, electronic mail, or facsimile of the same to each individual

representative designated by the respective Owner at least ten (10) days, but not more than sixty (60) days, prior to said meeting.

10. The presence, in person or by proxy, of ten (10%) percent of the Owners shall constitute a quorum for holding a meeting of the Owners of the Association, except for voting on questions which specifically require a greater quorum. The written vote of any person furnished at or prior to any 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 a vote is cast.

11. Votes may be cast in person, by mail, by proxy or by writing, duly signed by the designated voting representative not present at a given meeting in person or by proxy. Votes may also be cast by electronic mail or facsimile. Proxies and any written vote must be filed with the Secretary of the Association at or before the appointed time of each meeting of the Owners of the Association. Cumulative voting shall not be permitted; however, an Owner may vote for as many directors as there are vacancies to fill.

12. A simple majority, except where otherwise provided herein, shall consist of more than fifty percent (50%) of those qualified to vote and present in person or by proxy (or written vote, if applicable) at a given meeting of the Owners of the Association. Whenever provided specifically herein, a majority may be required to exceed the simple majority herein above set forth.

13. To be qualified to vote, an Owner must be current with all Maintenance Fees, Special Assessments and Special Billings owed to the Association.

Section 5 - Lease Transfers Interest in Assets: All Lease transfers must be approved by and entered in the records of the Association, including the full name of the Owner and their mailing address, email address, and facsimile number, if any, for all notices and communications. Each Owner's fractional interest in the Association's total assets will depend on the type of Unit leased and shall be in accordance with the following:

Studio	.000344826	Two Bedroom	.000574711
One Bedroom	.000383141	201 and 203	.000766282

ARTICLE II

BOARD OF DIRECTORS

Section 1 - Composition and Terms: The Association will be governed by the Board. The Board will be made up of up to nine persons who must all be Owners, or a person representing an Owner. The Board shall be composed of an odd number of Directors. Directors will have three year terms, and terms must be staggered so that three terms expire at each annual meeting. No Owner is eligible for election to the Board who has a business relationship with the Association that represents more than Ten Thousand dollars (\$10,000) per year. Directors must serve without compensation, but may be reimbursed expenses for attending meetings or conducting Association business.

Section 2 - Powers of the Board: In general, the Board will have the broad power to do anything that is necessary to run and maintain the Association and Resort unless the controlling documents listed in Article I, Section 3 of the Bylaws limit the Board's power. The Owners may also impose additional limits on the power of the Board by resolution or by amending the Bylaws.

The following list does not describe all of the powers the Board has, but it includes some of the more important ones. The Board has the power to:

1. Manage and administer the affairs of and maintain the Resort.
2. Make reasonable Rules and Regulations about the use of Units and the Resort by Owners and their guests.
3. Determine, bill, and collect Maintenance Fees, Special Assessments and Special Billings and to use the proceeds thereof for purposes of the Association.
4. Carry insurance, receive and allocate insurance proceeds.
5. Rebuild improvements, Units, or the Resort after casualty.
6. Employ or contract for individuals or entities to run or maintain the Resort, including a professional management agent. If a professional management agent is used, it must provide that either party can end the contract, without cause, or cost, on sixty (60) days written notice.
7. Delegate its authority to committees, professional management agent, or others as it believes is necessary, convenient, or desirable to run and maintain the Association and Resort.
8. Borrow up to One Million dollars (\$1,000,000) to help operate, maintain or improve the Association or the Resort, sign notes for the funds borrowed and give security on the Association's property to secure the debt. The Board may borrow more than One Million dollars (\$1,000,000) only after achieving a ten (10%) percent Quorum at a meeting of the Owners and with the approval of more than fifty percent (50%) of all Owners at such a meeting.
9. Acquire, maintain, improve and transfer any real or personal property including Units.
10. Sue, defend, or settle claims for the Association and all Owners if they are related to the Resort or the Association.
11. Do anything required or permitted by the Michigan Nonprofit Corporation Act, Act No. 162, P.A. 1982, as amended.

Section 3 - Removal of Directors: At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with cause by a majority of the Owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

Section 4 – Vacancies: Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Owners of the Association, shall be filled by the vote of the majority of the remaining directors, even though they may constitute even less than a quorum. Each person so elected shall be a director until a successor is elected at the next annual meeting of the Association.

Section 5 - Board Meetings:

1. **Organizational Meeting:** Following the annual meeting of Owners, the Board must hold its annual organizational meeting within ten (10) days. The date, time, and place of the meeting will be set by directors at the annual meeting of Owners. No other notice of the organizational meeting of the Board is required unless a quorum is not present at the organizational meeting. The Board must elect officers at its organizational meeting and may conduct whatever other business is necessary or convenient to organize its activities for the following year.

2. **Regular Meetings:** In addition to its Organizational Meeting, the Board must hold at least two regular meetings each year and they will be scheduled as agreed by a majority of the Board. Notice for regular Board meetings must be given to directors at least ten (10) days in advance of such meeting.

3. **Special Meetings:** The Board will hold a special meeting whenever the President, the Secretary or any three (3) directors call one. Notice for a special Board meeting must be given at least three (3) days in advance of such meeting.

4. **Notice:** When notice of Board meetings is required, it does not need to be in writing, and may be given to directors in person, by mail, email, fax, or telephone. The notice must state the date, time, place and subject matter of the meeting. Directors may waive notice of a meeting by signing a written waiver and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting will be deemed a waiver of any notice by him.

5. **Rules of Order:** The Board will use the Rules of Order described in Article I, Section 4, Paragraph (6).

6. **Quorum of Order:** A quorum will exist at any meeting of the Board where a majority of the directors are present in person or are participating through the use of a telephone, or some other electronic communication device. If a quorum does not exist, a simple majority of the directors present at the meeting can adjourn the meeting to a time when a quorum can be achieved.

7. **Majority Requirements:** Once a quorum exists, a simple majority of directors is required to take action.

Section 6 - Officers: The Association's Officers are elected by the Board and serve at its pleasure. An officer can be removed with or without cause at any meeting of the Board and the Board may immediately elect a successor at the meeting. Any officer whose removal has been proposed must be given a chance to be heard at the meeting. Any two offices except President and Vice President can be held by one person. The Board may elect any officers it considers necessary and may change

their duties and powers from time to time. The principal officers of the Association must be Board Owners. The principal officers of the Association are:

1. President: The President will be the chief executive officer of the Association and will have all of the general powers and duties usually held by the President, including the power to appoint committees and conduct meetings. The President shall preside at all meetings of the Association.
2. Vice President: The Vice President will perform as the President when the President is unable to do so and will generally assist the President.
3. Secretary: The Secretary will keep minutes of the meetings of the Association and the Board, have general responsibility for the records of the Association, and have powers and duties usually held by the Secretary.
4. Treasurer: The Treasurer will provide general oversight for the receipt, deposit, and disbursement of the Association's funds by its employees and agents, and will have the powers and duties usually held by the Treasurer.
5. General Manager: The General Manager may or may not be an officer but will be the chief operating official of the Association conducting the on-site management of the Resort according to policies and guidelines established by the Board.
6. General: The officers shall have other duties, powers and responsibilities as shall from time to time be authorized by the Board of Directors.

Section 7 - Indemnification by the Association: Every director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party or in which he may become involved, by reason of his being or having been a director or officer of the Corporation, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful or wanton misconduct or gross negligence in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder, based upon a settlement by the director or officer seeking such reimbursement or indemnification, the indemnification herein shall apply only if the Board of Directors (with the director seeking reimbursement abstained) proves such settlement and reimbursement as being in the best interest of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled. At least ten (10) days prior to payment of any indemnification of which it has approved, the Board of Directors shall notify all Owners thereof.

ARTICLE III

FINANCIAL AFFAIRS

Section 1 – Books and Records: The Association shall keep detailed books of account showing all expenditures and receipts of administration which shall specify the maintenance and repair expenses

of the common elements and any other expenses incurred by or on behalf of the Association and the Owners. Such accounts and all other Association records shall be open for inspection by the Owners 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. A qualified independent accountant shall prepare a compilation, review or audit, at the discretion of the Board, of the books of account at least annually; provided, however, that such auditors need not be certified public accountants, nor does such audit need to be a certified audit. The costs of any such audit and any accounting expenses shall be expenses of administration.

Section 2 - Fiscal Year: The fiscal year of the Association will be set by the Board from time to time.

Section 3 - Investment of Funds: Unless other financial institutions or investments are specifically authorized by the Board, the funds of the Association will only be deposited in financial institutions insured by the Federal Deposit Insurance Corporation or invested in interest bearing obligations of the U.S. Government. The Board must authorize all deposit accounts by resolution.

Section 4 - Possession of Assets: The Association will be assessed as the entity in possession of all real estate and personal property of the Association including the Resort.

Section 5 - Operating Income and Expenses: All funds received (including insurance proceeds) or liabilities that arise in connection with running, improving or maintaining the Association or the Resort are operating income and expenses of the Association.

Section 6 - Capital Components: Any amounts collected by or paid to the Association in excess of operating expenses for the year ended may be set aside for future major repairs and replacements and allocated to capital components as provided by guidelines established by IRC Section 118 and Revenue Rulings 75-370 and 75-371. Such amounts shall be deposited into insured interest-bearing accounts and shall be non-taxable. Any amounts so added to replacement funds shall be allocated to the various components at the discretion of the Board of Directors.

Section 7 – Maintenance Fees: Annual Maintenance Fees shall be determined in accordance with the following provisions:

1. 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 Resort, including a reasonable allowance for contingencies and reserves. An adequate reserve fund for maintenance, repairs and replacement of those improvements that must be replaced on a periodic basis shall be established in the budget and must be funded by regular Maintenance Fees as set forth below rather than by special assessments. Upon adoption of an annual budget by the Board of Directors, copies of said budget shall be provided to each Owner, although the delivery of a copy of the budget to each Owner shall not affect the liability of any Owner for any existing or future Maintenance Fees. Should the Board of Directors at any time determine, in the sole discretion of the Board of Directors, that the Maintenance Fees levied are or may prove to be insufficient:

- (a) to pay the costs of operation and management of the Resort;
- (b) to provide replacements of existing improvements;
- (c) to provide additions to the Resort not exceeding \$50,000.00 annually; or
- (d) to provide for the costs in the event of emergencies;

the Board of Directors shall have the authority to increase the annual Maintenance Fees or to levy such additional Maintenance Fees as it shall deem to be necessary.

Section 8 - Special Assessments: In addition to those Maintenance Fees required in the above Section 7, Special assessments may be proposed by the Board of Directors from time to time for approval by the Owners. Special assessments referred to in this paragraph shall not be levied without the prior approval of more than fifty percent (50%) of all Owners present at a meeting of the Owners with a quorum of not less than ten (10%).

Section 9 – Special Billings: Special billings may also be made by the Board of Directors that are in addition to the Maintenance Fees and Special Assessments for those expenses that uniquely benefit the Unit where an Owner’s Lease Week is located in or result from the acts or omissions of an Owner or his guests.

Section 10 - Payment of Maintenance Fees: All Maintenance Fees by unit levied against the Owners to cover expenses of administration shall be apportioned as determined by the Board after considering relative factors such as type and size of the units. Maintenance Fees shall be paid by the Owners without increase or decrease for the existence of any rights to the use of limited common elements appurtenant to a Unit. Maintenance Fees as determined in accordance with Article III, Section 7 above, shall be payable by Owners commencing with acquisition of a Lease. The payment of Maintenance Fees shall be in default if any part thereof, is not paid to the Association in full before January 31 of the year they are billed by the Association.

Section 11 – Exemption of Liability: No Owner may exempt himself from liability for his contribution toward the expenses of administration by waiver of the use or enjoyment of any improvement on a Unit or by the abandonment of his Lease.

Section 12 - Delinquent Maintenance Fees, Special Assessments and Special Billings: By being a party to the Lease, each Owner acknowledges and agrees to this section.

1. Default: A default exists if Maintenance Fees, Special Assessments or Special Billings are not paid to the Association in full by the due date set by the Association.
2. Liability: Owners are personally liable for Maintenance Fees, Special Assessments and Special Billings. Owners are also liable for: (a) interest at the rate of seven percent (7%) per annum on the delinquent Maintenance Fees, Special Assessments and Special Billings from the time of default until it is paid; (b) whatever interest surcharges or late charges the Board uniformly sets from

time to time; and (c) whatever it costs the Association to use any of the remedies in paragraph (3) below including without limitation actual attorney's fees. Total interest charges will not exceed the limit set by Michigan's usury laws. An Owner who receives a Lease on which Maintenance Fees, Special Assessments and Special Billings are delinquent takes it subject to them and is personally liable for the delinquent amount and related charges and interest.

3. Association's Remedies: In addition to any other available remedies, the Association can enforce delinquent Maintenance Fees, Special Assessments and Special Billings by: (a) denying the Owner the right to vote at Owners meetings while the delinquency continues; (b) denying Owner's access to the Resort and the Owner's Lease Week while the delinquency continues; (c) rent the Owner's Lease Week and receive the rent; (d) report the delinquency to credit reporting agencies; (e) enforce the Lease terms; (f) sue for a money judgment after written notice is sent that says Maintenance Fees, Special Assessments and Special Billings are delinquent and that the Association will act if payment is not received within ten (10) days from the mailing of the notice; or (g) terminate the Owner's Lease by sending the Owner notice of the same for nonpayment of rent.

4. Optional Termination: The Board may permit Owners to voluntarily terminate their Lease if the Owner pays all delinquent Maintenance Fees, Special Assessments and Special Billings and also pays a termination fee set by the Board.

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 1 - Rules and Regulations:

1. Notice to Owners and Revocation. The Board may enforce the Lease and Bylaws by adopting reasonable Rules and Regulations. Rules and Regulations will become effective thirty (30) days after they are sent to Owners, and posted at the Resort. Owners may revoke any Rule or Regulation at any time with a simple majority vote of all qualified Owners at a meeting of the Owners, with a ten percent (10%) quorum.

2. Initial Rules and Regulations: The Rules and Regulations currently used by the Association will remain in effect and do not require further notice.

Section 2 - Insurance: The Association shall provide an insurance policy providing "special" and "all risk" coverage and liability insurance, and such other insurance as the Board of Directors deems advisable, pertinent to the ownership, use and maintenance of the Resort.

1. Repairing Damage: If any part of the Resort is damaged, the Association will repair it with any available insurance proceeds. Any insurance proceeds received will be held in a separate account. If the damage is not covered by insurance, or the insurance is not enough, the Association will bill Owners for the difference unless the damage was caused by the intentional or negligent act or omission of any Owner or his guests, in that case, it will be paid by that Owner. If there are excess insurance proceeds they will, at the discretion of the Board, either be distributed to the Owners or added to the Association's replacement reserve.

2. Association is Attorney-In-Fact for Owners: Each Owner, by holding a Lease, will automatically appoint the Association as his attorney-in-fact for the Association to purchase insurance, collect and pay premiums, collect and distribute proceeds, execute releases of liability, and do all things on behalf of the Owner and the Association that are necessary or convenient to carry out this Section.

Section 3 - Eminent Domain: If all or substantially all of the Resort is taken by eminent domain, the condemnation award will be paid to the Association, and the Association will distribute it to the Owners as their interests may appear. In both cases, the Owners will have no further interest in the Association or the Resort.

If only a part of any Unit is taken, the Association will rebuild the Unit to make it habitable and pay the balance of the condemnation award for that Unit to the Owner.

If any part of the Resort other than any Unit is taken, the condemnation award will be paid to the Association which may choose to rebuild, repair or replace what was taken, or may instead place the award in its replacement reserve unless more than a majority of the Owners vote to rebuild, repair or replace what was taken by eminent domain at a meeting with at least ten percent (10%) of the Owners are present in person, by proxy, or have submitted a ballot to vote on the issue.

In all cases, the Board will have the authority to negotiate with the condemning authority for Owners and the condemnation award settlement negotiated by the Board will be final.

Section 4 - Amendments to Bylaws:

1. Amendments by Board: The Bylaws may be amended by a majority of the Board as permitted by the Michigan Nonprofit Corporation Act, Act No. 162, P.A. of 1982, as amended, if the amendment does not significantly change the rights of Owners or other interested parties.

2. Amendments by Owners: Owners may amend the Bylaws at any annual or special Owners meeting by a simple majority of the Owners present. The amendment must be proposed in one of two ways: By a resolution from the Board or by a petition signed by ten percent (10%) of the Owners. Amendments made by Owners may significantly change the rights of Owners or other interested parties.

3. Effective Date and Notice: Any amendment to the Bylaws is effective upon adoption. A copy of each amendment will be made available to every Owner of the Association after adoption. The amendment will be binding on all Owners whether or not they receive a copy.

4. Conflicts: To the extent any Bylaw or Amendment to the Bylaws conflicts with the terms of the Leases, the provisions of the Bylaws shall control.

Section 5 - Remedies for Default of Lease or Bylaws: The Association may use any of the remedies provided in the Lease or Bylaws when an Owner fails to comply with the Lease, the Bylaws, or the Association's Rules and Regulations. The Association is specifically given the right

to enter a Unit or any portion of the Resort where reasonably necessary to remove, at the expense of the Owner in violation, any structure, thing or condition contrary to the provisions of these Bylaws, the Association's Rules and Regulations, or the Lease. The Association will have no liability to any Owner because it uses this power. If the Association or any Owner decides not to enforce any right, provision, covenant, or condition that is granted by the Bylaws or the Lease, it does not mean they may not use it in the future. The Association and the Owner may use any one right, provision or covenant or any combination of them at any time. The Association and its Owners may also use whatever additional rights, remedies or privileges that are available by law.

Section 6 – Facilitative Mediation: If disputes, claims or grievances relating to the interpretation or application of the controlling documents listed in Article I, Section 3, occur, all parties are encouraged to use Facilitative Mediation to resolve the dispute.

Section 7 - Compliance: The mere acquisition of a Lease, occupancy or rental of any Unit, an interest in a Unit, or entry into the Resort will indicate that the Bylaws and Lease are accepted and ratified and will be complied with fully.

Section 8 - Severability: If anything in the Bylaws or the Lease is later partially or totally invalid or unenforceable for any reason, then the other terms, provisions or covenants will still be enforceable.

Section 9 - Lease Week: All Leases shall run from Sunday to Sunday. Week No. 1 shall start on the first Sunday of the year, with each subsequent week following on a Sunday to Sunday basis.

**AMENDED AND RESTATED BY-LAWS
PINESTEAD REEF OWNERS ASSOCIATION**

WHEREAS, PINESTEAD REEF OWNERS ASSOCIATION, is the Michigan non-profit corporation organized to administer, operate, manage and maintain the Pinestead Reef Resort, and,

WHEREAS, amendments to the By-laws were duly adopted and approved by the Board of Directors on March 8, 2014 and all members were notified by mail or email via the May, 2014 owner newsletter,

NOW, THEREFORE, the By-laws are hereby amended and restated effective as of June 1, 2014.

PINESTEAD REEF OWNERS ASSOCIATION
a Michigan non-profit corporation

Executed: March 8, 2014

By: _____
Mark H. Hawley, President