

Sands of Kahana Fractional Share Owners Association

ARTICLES OF INCORPORATION

Section 415B-34, Hawaii Revised Statutes

The undersigned, desiring to form a nonprofit corporation under the laws of the State of Hawaii, certifies as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 In these articles, the term "*declaration*" means the *Declaration of Covenants, Conditions and Restrictions for Shared Ownership at the Sands of Kahana*, recorded or to be recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 99-083151, and includes all exhibits attached to it and all amendments of it.

Section 1.2 Certain terms used in these articles are defined in the declaration. Those terms will have the same meaning here as in the declaration unless the context requires otherwise.

Section 1.3 The term "*Hawaii Nonprofit Corporation Act*" means Chapter 415B, Hawaii Revised Statutes, as it may be amended from time to time, or any successor or replacement law.

ARTICLE II NAME

The name of the corporation shall be "*Sands of Kahana Fractional Share Owners Association.*"

ARTICLE 3 INITIAL ADDRESS

The address of the corporation's initial office is 10 Hoohui Road, Suite 110, Lahaina, Hawaii 96761.

ARTICLE 4 DURATION

The corporation will exist forever unless it is dissolved according to the Hawaii Nonprofit Corporation Act.

ARTICLE 5
PURPOSES AND POWERS

Section 5.1 The corporation is organized for the following purposes:

- A. To be the association of owners for the Shared Ownership at Sands of Kahana Program, the fractional ownership program (the "*program*") established by the declaration, and to have the rights and duties of that association;
- B. To further the interests of the owners and the developer of the program;
- C. To join and participate in any trade organizations, travel club or other travel related activities, or exchange programs which may benefit the members; and
- D. To educate, foster, encourage and promote vacation ownership in the State of Hawaii.

Section 5.2 The corporation has and may use any and all rights and powers of a nonprofit corporation under Hawaii law, including among others the power:

- A. To direct, control, manage and operate the program as provided in the program documents;
- B. To manage, control, operate, maintain, repair, replace, and improve the vacation property (subject to the rights of the condominium association under the condominium documents);
- C. To pay the expenses and costs mentioned in the program documents, and to charge and collect the assessments, personal charges, and other amounts mentioned in the program documents;
- D. To enforce the program documents;
- E. To make contracts and guarantees and incur liabilities, borrow money, issue notes and other obligations, and to secure any of its obligations by mortgage or pledge of all or any part of its property, assets, or income;
- F. To act as principal, agent, joint venturer, partner, or in any capacity which may be authorized or approved by the board;
- G. To exercise any and all rights and powers which a nonprofit corporation has under the Hawaii Nonprofit Corporation Act;
- H. To transact any or all lawful activities for which nonprofit corporations may be incorporated under the Hawaii Nonprofit Corporation Act; and
- I. To exercise all other rights and powers and to perform all other duties of the Association under the program documents;

The foregoing sections 5.1 and 5.2 shall each be construed as purposes and powers.

ARTICLE 6
BOARD OF DIRECTORS

Section 6.1 Subject to the limits of law and the program documents as to action which must be taken, authorized or approved by vote of the members, all Association powers and duties including those contained in the declaration will be exercised by, or under the authority of the board or directors, and the business and affairs of the Association will be controlled by the board. The board may delegate its powers to the officers of the Association or to one or more professional managers hired by the Association, including but not limited to the program manager. This authority is subject to any limits contained in the program documents.

Section 6.2 The board will have not less than five directors. The number of directors may be changed by an amendment to these articles or to the bylaws by vote of the members.

Section 6.3 The initial board will consist of three (3) directors. The following are the names and residence addresses of the initial officers and directors:

Name	Office	Residence Street Address
Michael J. Sullivan	President, Secretary, Director	20 Ginger Place, Lahaina, Hawaii 96761
Patrick T. Sullivan	Vice President Director	4242 Lower Honoapiilani Road, #A15, Lahaina, Hawaii 96761
Robert B. Sullivan	Treasurer Director	550 Wainee Street, Lahaina, Hawaii 96761

ARTICLE 7
OFFICERS

The corporation will have a president, a vice-president, a secretary, a treasurer, and any other officers the board deems necessary. The board may appoint, and may authorize the president to appoint, any other officers necessary or useful to conduct the business of the Association. Each of them will have the title assigned to them by the board or the president. Any person may hold more than one office, except that the treasurer may not also be the president.

ARTICLE 8 MEMBERS AND VOTING

Section 8.1 The corporation has members as set forth in the declaration and bylaws. There is only one class of members in the Association. That class consists of all persons who are owners of fractional shares in the program.

Section 8.2 The owner of each every-year fractional share has two (2) votes and the owner of each every-other-year fractional share has one (1) vote. When a fractional share is owned by more than one person, its owners must decide how to cast its one or two votes. Only one vote may be cast for each every-other-year fractional share, and only two votes may be cast for each every-year fractional share.

Section 8.3 If any owner or the owner's guest violates the program documents, the Association may suspend the owner's rights under the program documents, including the owner's rights to vote or participate in any matter before the Association. The procedures for suspension are stated in the declaration and bylaws.

Section 8.4 In all other respects, voting rights are governed by and may be limited, enlarged or denied as provided in the program documents.

ARTICLE 9 NONPROFIT NATURE

The corporation is nonprofit in nature, and will not authorize or issue shares of stock. No dividends may be paid and no part of the income or profit of the corporation may be distributed to its members, directors, or officers. The Association may pay reasonable compensation to its members, officers or directors for services actually provided to the or for the benefit of the Association. The Association may reimburse any expenses incurred for the Association by any officer, director, member, agent or employee, or any other person or corporation authorized by the board. Upon dissolution or final liquidation, the Association may make distributions to its members in accordance with the requirements of the declaration and the Hawaii Nonprofit Corporation Act, and no such distribution will be deemed to be a dividend or a distribution of income or profit (as now provided by the Hawaii Nonprofit Corporation Act).

ARTICLE 10 AMENDMENTS

Section 10.1 These articles may be amended by the vote of (i) a majority of a quorum of the board and (ii) two-thirds of the members present at a properly called meeting of the Association. The term "two-thirds of the members" means owners holding two-thirds of the votes held by owners present at the meeting.

Section 10.2 These articles may be amended by the vote of a majority of a quorum of the board to conform the articles to any change to the declaration or bylaws made by the developer when using its special rights to amend the declaration or bylaws.

Section 10.3 No amendment may conflict with the declaration.

WE CERTIFY under the penalties of Section 415B-158, Hawaii Revised Statutes, that we have read the above statements and that the same are true and correct.

WITNESS OUR HANDS this _____ day of _____, 19_____.

(Type/Print Name of Incorporator)

(Signature of Incorporator)