

BYLAWS
OF THE
KANEHILI COMMUNITY ASSOCIATION

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BYLAWS
OF
KĀNEHILI COMMUNITY ASSOCIATION

ARTICLE 1. GENERAL PROVISIONS

Section 1.1. Name. The name of the association is Kānehili Community Association, a nonprofit corporation incorporated under the laws of the State of Hawai'i ("Association"). The principal office of the Association shall be at such place in the City and County of Honolulu, Hawai'i ("County"), as the Board of Directors may designate from time to time.

Section 1.2. Definitions. Unless expressly indicated to the contrary, the terms used herein shall have the following meanings:

(a) **Kānāwai.** "Kānāwai" shall mean and refer to that certain Kānāwai (Declaration of Covenants, Conditions and Restrictions) for Kānehili, dated _____, 2009, and recorded in the Official Records, and all amendments thereto.

(b) **Total Voting Power.** "Total Voting Power" shall mean and refer to that number of votes which is equal to the difference between (a) the total number of votes in the Association, and (b) the number of votes as to which voting rights are suspended at the time of the subject meeting (or action taken without a meeting) in accordance with these Bylaws.

(c) **Additional Terms.** The defined terms used in these Bylaws shall have the meaning designated in the Kānāwai unless otherwise indicated herein.

Section 1.3. Purpose. The Association has been formed for the purpose of exercising the powers and performing the duties of the Association set forth in these Bylaws, the Articles of Incorporation of the Association ("Articles") and the Kānāwai.

ARTICLE 2. MEMBERSHIP AND VOTING RIGHTS

Section 2.1. Membership and Voting. Membership and voting rights shall be as set forth in Article III of the Kānāwai, which Article is incorporated herein by this reference. Notwithstanding anything in these Bylaws to the contrary, amendment of this Article 2 shall be accomplished as set forth in Article X of the Kānāwai rather than the amendment provisions contained herein. Whenever these Bylaws, the Kānāwai or the Articles require the vote or assent of a stated number of Tenants or Members, the provisions of Article III of the Kānāwai shall govern as to the total number of available votes, the number of votes a Tenant is entitled to cast at the meeting, and the manner in which the vote attributable to a Lot having more than one (1) Tenant shall be cast.

Section 2.2. Voting by Members.

(a) **Voting Rights of Members.** Every Tenant who is the lessee of Record of a Lot which is subject to Assessment shall be a Class A Member of the Association.

Membership shall be appurtenant to and may not be separated from any Lot which is subject to Assessment.

(i) Each Class A Member shall be entitled to one (1) vote on each matter submitted to the Members for each Lot leased by such Class A Member. Any Class A Member who is in violation of this Kānāwai, as determined by the Board in accordance with the provisions hereof, shall not be entitled to vote during any period in which such violation continues. If a Lot shall be leased by more than one Tenant, such Tenants shall be deemed to constitute a single Class A Member as to such Lot and shall collectively be entitled to a single vote for such Lot as to each matter properly submitted to the Members.

(b) Cumulative Voting. Cumulative voting shall not be allowed for any matter to be decided by the Membership, including, without limitation, the election of Directors.

(c) Notice of Agenda for Member Meetings. The Association shall, no fewer than ten (10) days, or more than sixty (60) days, prior to the annual or any special meeting of the Association, disseminate the agenda ("Agenda") for such meeting to each of the Tenants of the Lots and such other information as may be available on the matters to be voted upon at such meeting. The distribution of the Agenda shall constitute notice to the Membership and shall include, without limitation, any matter for which the consent of the Class A Membership is required under the Kānāwai or under these Bylaws.

(d) Voting Results. The Secretary of the Association, or the person designated as the inspector of the election, shall tabulate the total number of votes cast by the Class A Members and Class B Members, in order to determine whether the necessary approvals have been obtained. All agreements and determinations lawfully made by the Association in accordance with the voting procedures established herein shall be deemed to be binding upon all Tenants and their respective successors and assigns.

ARTICLE 3. MEMBERSHIP ASSESSMENTS AND RIGHTS

Section 3.1. Membership Assessments. Assessments provided for in the Kānāwai shall be paid by the Members at the time, in the manner and subject to the conditions and limitations set forth in the Kānāwai, and the Board shall fix, levy, collect and enforce such Assessments at the time, in the manner and subject to the limitations set forth in the Kānāwai.

Section 3.2. Enforcement; Rights. For the purpose of enforcing and collecting Assessments, the Association shall have the rights set forth in the Kānāwai, which rights shall be enforceable by the Board, acting on behalf of the Association, in the manner set forth in the Kānāwai and the Kānāwai Enforcement Procedures. The Board also shall have and be entitled to exercise all other rights and remedies set forth in the Kānāwai or otherwise provided for at law or in equity.

ARTICLE 4. MEMBERSHIP RIGHTS AND PRIVILEGES

Section 4.1. Rights and Privileges of Members. No Member shall have the right, without the prior approval of the Board, to exercise any of the powers or to perform any of the acts delegated to the Board by these Bylaws or the Kānāwai. Each Member shall have all of the

rights and privileges granted to the Members by these Bylaws and the Kānāwai, subject to such limitations as may be imposed in accordance therewith.

Section 4.2. Rules. Upon notice and hearing, the Board may establish such rules, regulations and prerequisite conditions to the use of the Lots, Common Area, and the facilities thereon, as the Board, in its sole discretion, deems appropriate, so long only as such rules, regulations and conditions do not materially abridge the rights of Members as set forth in the Kānāwai. Upon notice and hearing, the Board may establish rules, regulations, and fees for, and prerequisite conditions to the use of, the Common Area and facilities thereon by persons who are not Members or Members' guests. Upon notice and hearing, the Board may determine whether admission and/or other fees shall be charged for the use of any portion of the Common Area. Any such admission or other fees (as distinguished from Assessments) shall apply equally to all Members of the Association (but need not be the same as such fees for persons who are not Members) and shall be used first by the Association for expenses of maintenance, repair and operation of any such portion of the Common Area, the use of which is subject to an admission or other fee set by the Board, until all monies derived from such admissions and fees have been expended therefor.

Section 4.3. Certificates of Compliance. Any Tenant, either upon written request and/or resolution set forth by the Board, and payment of such reasonable charge as the Board may require, shall be entitled to a statement certifying as to the amount of any unpaid Assessments, fines or other charges, if any, against such Tenant's Lot. Such certification shall be binding on the Association as of the date thereof.

Section 4.4. Enforcement.

(a) In addition to such other rights as are specifically granted under the Kānāwai, the Board shall have the power to impose reasonable fines, which shall constitute a personal obligation of the violating Tenant, and to suspend an Tenant's vote or right to use the Common Area for violation of any duty or restriction imposed under the Kānāwai, these Bylaws, or any House Rules. In addition, the Board may suspend any services provided by the Association to a Tenant or the Tenant's Lot if the Tenant is more than thirty (30) days delinquent in paying any Assessment or other charges owed to the Association. In the event that any occupant of a Lot violates the Kānāwai, these Bylaws, or a House Rule and a fine is imposed, the fine shall be assessed against the Tenant of such Lot. The failure of the Board to enforce any provision of the Kānāwai, these Bylaws, or any Association Rule shall not be deemed a waiver of the right of the Board to do so thereafter.

(b) Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than fifteen (15) days within which the alleged violator may present a written request to management, if any, or the Board of Directors appealing the violation/sanction. If a challenge is not made within the stated appeal period, the sanction stated in the notice shall be imposed; provided, management or the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the stated period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any person.

(c) Notwithstanding anything to the contrary herein contained, the Association, acting through the Board, may elect to enforce any provision of the Kānāwai, these Bylaws, or the other Governing Documents in accordance with the Kānāwai Enforcement Procedures, by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations) or, following compliance with the dispute resolution procedures set forth in the Kānāwai, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Tenant or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry unto a Lot for purposes of exercising this power of self-help shall not be deemed a trespass.

ARTICLE 5. MEETINGS OF THE ASSOCIATION

Section 5.1. Place of Meeting; Attendance. All meetings of the Association shall be held within the Community or as close thereto as may be practical. All Members of the Association may attend (and each First Mortgagee may designate in writing a representative to attend) all meetings of the Association.

Section 5.2. Annual Meetings of the Association. The first annual meeting of the Association shall be held within one (1) year following the Close of Escrow of the first Lease for a Lot by DHHL. The annual meetings of the Association shall be held each year in the same month (or as near in time thereto as reasonably practical) in which the first annual meeting was held commencing with the year immediately following the year during which the first annual meeting was held. At the first annual meeting and at subsequent annual meetings, the Directors shall be elected in accordance with the requirements of these Bylaws. The Directors also may transact such other business of the Association as may come properly before them at such annual meetings.

Section 5.3. Special Meetings of the Association. Special meetings of the Association, for any purpose or purposes whatsoever, shall be called by the Secretary upon either a vote by a majority of the Board or receipt of a petition signed by Members representing at least ten percent (10%) of the Total Voting Power, provided that no special meeting may be held or called prior to the first annual meeting.

The notice of any special meeting shall be given within five (5) days after such action by the Board or receipt of such petition. The special meeting shall normally be held not less than thirty-five (35) days or more than ninety (90) days after such action by the Board or receipt of the petition. No business shall be transacted at a special meeting except as stated in the notice.

Section 5.4. Notice of Meetings. Written notice of each annual and each special meeting of the Association shall be given by, or at the direction of, the Secretary of the Association by mailing a copy of such notice by first-class mail, postage prepaid, and/or by any other means approved by the Board which is reasonably calculated to give notice of such meeting (e.g., transmission by facsimile or e-mail, as set forth below). Except in emergency situations, not less than ten (10) days nor more than sixty (60) days notice of any annual or special meeting shall be given. The notice for a special meeting of the Association shall specify

the day, hour and place where the meeting is to be held and the general nature of the business to be transacted, and no other business may be transacted; and the notice for an annual meeting of the Association shall specify the day, hour and place where the meeting is to be held and those matters that the Board, at the time of the notice, intends to present for action by the Members, and except as otherwise provided by law, any proper matter may be presented at an annual meeting for action. Any notice shall also include any other information required by law or by these Bylaws or the Kānāwai. The notice shall be sent to: (1) all Members, and (2) DHHL. A reasonable time limit for Members to speak shall be established by the Board. The notice of any meeting at which Directors are to be elected shall include the names and brief biographical sketches of all nominees, none of which shall exceed one-hundred (100) words. In all cases, notice shall also be posted in a conspicuous place in the Community, and such notice shall be deemed served upon any Member by posting if no address for notice has been furnished by that Member.

Section 5.5. Notice of Certain Agenda Items. If action is proposed to be taken at any meeting of the Association for approval of any matter or matters identified in Section 414D-105 of the Hawai'i Revised Statutes, or any amended or successor statutes thereof, notice shall be deemed fair and reasonable if given in the manner and in accordance with the timeframes prescribed by such section or in any successor provision thereto.

Section 5.6. Manner of Giving Notice. Notice of any meeting of the Association shall be given as provided above, with charges prepaid, addressed to each Member and DHHL at the address given by each to the Association for the purpose of notice, which address shall be deemed to be that Member's address for purposes of notice of annual or special meetings of the Association.

Section 5.7. Adjourned Meetings and Notices Thereof. Any Association meeting, organization, annual or special, whether or not a quorum is present, may be adjourned from time to time by the affirmative vote of a majority of Members present, but in the absence of a quorum, no other business may be transacted at any such meeting unless these Bylaws or the Kānāwai otherwise provide.

When any Association meeting is adjourned for thirty (30) days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of the original meeting so adjourned. No Association meeting may be adjourned for more than sixty (60) days. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting, other than by an announcement at the meeting at which such adjournment is taken.

Section 5.8. Quorum. The presence of Members collectively representing at least fifty-one percent (51%) of the Total Voting Power shall constitute a quorum at a meeting of the Association, unless a different requirement is imposed by these Bylaws, the Articles or the Kānāwai. A majority of the total votes, as cast by the Members, on a particular matter voted upon at a meeting at which a quorum is present shall prevail at such meetings, unless a different percentage is required by these Bylaws, the Articles or the Kānāwai. Subject to the provisions of Section 5.5 of these Bylaws and unless otherwise expressly authorized by these Bylaws or the Kānāwai, all action required or permitted to be taken by the Members may be taken only at a

duly called and properly noticed organization, annual or special meeting at which a quorum is present. If any meeting cannot be held because a quorum is not present, Members cumulatively representing votes constituting a majority of the votes represented by such Members at such meeting may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called.

Section 5.9. Consent of Members without Notice. The transactions taken at any meeting of the Association, either organization, annual or special, however called and noticed, shall be as if taken at a meeting duly held after regular call and notice if a quorum is present, and if, either before or after the meeting, each of the Members who purportedly was not provided with the notice required hereunder of such meeting signs a written waiver of notice, or a consent of the holding of such meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of the Association, except that if action is taken or proposed to be taken for approval of any of the matters specified in Section 5.5 of these Bylaws, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 5.10. Waiver by Attendance. Attendance at a meeting by a Member shall constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business due to the purported inadequacy or illegality of the notice. Further, attendance at a meeting shall not constitute a waiver of any right to object to the consideration of matters not included in the notice of the meeting, if that objection is expressly made at the meeting.

Section 5.11. Action without Meeting. Any action, other than the election of Directors, which under the provisions of Hawai'i nonprofit corporation law may be taken at a meeting of the Association, may be taken without a meeting and without prior notice if the Association distributes a written ballot to every Member which ballot sets forth all proposed actions, provides an opportunity to specify approval or disapproval of each proposed action, provides a reasonable time within which each Member shall return the ballot to the Association, provides a reasonable time within which the Association shall tabulate the results of such ballots.

Ballots shall be solicited in a manner consistent with the requirements of Hawai'i law. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted and that a ballot received within the specified time will be cast in accordance with the choice(s) specified on the ballot.

Subject to the applicable provisions of Hawai'i law, any Member casting a ballot may revoke the ballot, or substitute another, by a writing received by the Association prior to the time specified for the return of a ballot in the solicitation pursuant to the preceding paragraph, but may not do so thereafter. Such revocation shall be effective upon its receipt by the Secretary of the Association.

Section 5.12. Record Date.

(a) The Board of Directors may fix, in advance, a date as a record date for the purpose of determining the Members entitled to notice of and to vote at any particular meeting of the Members. The record date so fixed shall not be more than sixty (60) days prior to the date of the meeting in question. When a record date is so fixed, the only Members who shall be entitled to notice of and to vote at the meeting shall be those Members who are of record on that date, notwithstanding any transfer of or issuance of membership certificates on the books of the Association after the record date; and provided further that this Section 5.12 shall not be deemed to limit DHHL's right to notice of meetings of the Association as otherwise provided in these Bylaws and the Kānāwai.

(b) The Board of Directors may fix, in advance, a date as a record date for the purpose of determining the Members entitled to cast written ballots. The record date so fixed shall not be more than sixty (60) days prior to the day on which the first written ballot is mailed or solicited. When a record date is so fixed, the only Members who shall be entitled to cast written ballots shall be those Members who are of record on that date, notwithstanding any transfer of or issuance of membership certificates on the books of the Association after the record date.

(c) If no record date is fixed in accordance with the provisions of the preceding paragraph, the record date for determining those Members entitled to notice of and to cast their vote at a particular meeting of the Association shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting in question is held. The record date for determining those Members entitled to cast their vote cast by written ballot shall be the day on which the first written ballot is mailed or solicited. For purposes of this paragraph and the preceding two paragraphs, the person holding membership as of the close of business on the record date shall be deemed the Member of record.

Section 5.13. Order of Business. Unless otherwise indicated by an Agenda, the order of business at meetings of the Association shall be as follows: (1) determination of the voting power represented by Members at the meeting; (2) verification of a quorum; (3) proof of notice of meeting or waiver of notice; (4) reading of the minutes of the preceding meeting; (5) reports of officers; (6) reports of committees; (7) appointment of an inspector of any election of Directors; (8) election of Directors (at annual meetings or special meetings held for such purposes); (9) unfinished business; and (10) new business.

Section 5.14. Inspectors of Election. In advance of any meeting of the Association, the Board may (and if required by law, shall) appoint independent third parties as inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any such meeting may, and on the request of any Member shall, make such appointment at the meeting. The number of inspectors shall be either one (1) or three (3).

The duties of such inspectors, if appointed, shall include determining the number of memberships outstanding and the voting power of each; determining the voting power

represented by Members at the meeting; determining the existence of a quorum; determining the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; and doing such acts as may be proper to conduct the election or vote with fairness to all Members.

An inspector shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three inspectors of election, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the inspector or inspectors of election is prima facie evidence of the facts stated in the report.

Section 5.15. Robert's Rules of Order. All Association and Board of Directors meetings shall be conducted in accordance with the most current edition of Robert's Rules of Order, Newly Revised.

ARTICLE 6. DIRECTORS

Section 6.1. Number, Qualifications, and Term of Office.

(a) Prior to First Annual Meeting. Prior to its first annual meeting, the Association shall be managed by a three (3) Directors, each of whom shall be appointed by DHHL. On the date of the first annual meeting of the Association after the termination of the Development Period, the Board of Directors shall be comprised of seven (7) members, subject to the right of the Members to increase or decrease the number of Directors (but in no event less than three (3) members), as follows:

Directors may serve consecutive terms of office. On and after the date of the first annual meeting of the Association, the number of Directors may be increased or decreased from time to time (but in no event shall the number of Directors be less than three (3)) by an amendment to these Bylaws by the Members as hereinafter provided in these Bylaws. In the event of an increase or decrease in the number of Directors, the amendment to these Bylaws implementing such change shall also indicate the terms of office for the Directors.

Each Director shall have one (1) vote in deciding any matter before the Board.

(b) Prior to Termination of Class B Membership. From and after the first annual meeting, and until the termination of the Class B membership, the Class B Member may appoint three (3) Directors as the Class B Member, in its sole discretion, decides to appoint.

Section 6.2. Removal and Vacancies. Except for Directors appointed by the Class B Member, a Director may only be removed by the Members or the Board in accordance with HRS Chapter 414D, as amended. Directors appointed by the Class B Member may only be removed by whomsoever appointed them. A vacancy in the Board created by the removal of a Director, if not filled by the voting power of the Members within ninety (90) days of the vacancy, shall be filled by a majority of the remaining Directors at a meeting of the Board and such Director shall serve the remainder of the term of the vacancy thus filled. A vacancy in the Board created by the death, resignation or removal of a Director appointed by the Class B

Member shall be filled by the Class B Member and such Director shall serve the remainder of the term of the vacancy thus filled. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director. In the event that any member of the Board shall be absent from four (4) consecutive regular meetings of the Board of Directors, the Board, by action taken at the meeting during which said fourth (4th) absence occurs, may declare the office of the absent Director to be vacant.

Section 6.3. Qualifications for Holding Office.

(a) No Defaults or Violations. No Tenant who is more than thirty (30) days delinquent in paying any Assessment or other charges owed to the Association, or who has failed to correct or remedy a violation of the Governing Documents after receiving written notice thereof from the Board or Association, shall be eligible to serve or continue to serve as a Director, and any Director who fails to remedy any such delinquency or violation may be removed by a majority of the Board.

(b) Suggested Director Conduct. Directors are encouraged to satisfy the following requirements while they serve in office:

- (i) Not be absent from four (4) consecutive meetings of the Board;
- (ii) Attend at least seventy five percent (75%) of the Board meetings held each year and attend the entire meeting each time;
- (iii) Exhibit respect, professionalism and courteous behavior to Tenants, committee members, vendors, the Association's management company and/or property manager and its staff, and any other persons associated with or retained by the Association.

Section 6.4. Place of Meeting. All meetings of the Board shall be held within the Community if reasonably possible, otherwise at a place as close thereto as reasonably possible and within the County, as designated at any time by resolution of the Board or by written consent of a majority of the members of the Board.

Section 6.5. Annual Meeting of the Board. Immediately following the first annual meeting, the Board shall hold a regular meeting at the same place for the purpose of organization, election of directors and officers and the transaction of other business. Notice of any such meeting is not required.

Section 6.6. Other Regular Meetings. Other regular meetings of the Board shall be held at a time and at such place within the Community or as close thereto as reasonably possible, which place may be designated by the Board from time to time. Notice of the time and place of such meeting shall be communicated to each Director and Member not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to the holding of the meeting. Regular meetings of the Board shall be held at least once every six (6) months.

Section 6.7. Special Meetings. Special meetings of the Board for any purpose or purposes may be called by written notice at any time by the President (or if he or she is absent or unable or refuses to act, by any Vice President) or by any two (2) Directors.

Notice of the time and place of special meetings and of the nature of any special business to be considered shall be given to each Director and Member by written notice given either (i) by electronic transmission or by first-class mail at least four (4) days prior to the scheduled time of such meeting, (ii) by personal delivery, telephone (including a voice messaging system), (iii) by posting written notice in conspicuous places within the Community or (iv) by electronic transmission at least four (4) days prior to the scheduled time of such meeting; provided, however, notice of a special meeting need not be given to any Director who has signed a waiver of notice or a written consent to the holding of the special meeting. Notwithstanding anything to the contrary set forth above, an emergency meeting of the Board may be called by the President (or, if he or she is absent or unable or refuses to act, by any Vice President) or by any two (2) Directors if there are circumstances that could not have reasonably been foreseen which require immediate attention and possible action by the Board, and which of necessity make it impractical to provide notice as otherwise required by this Section 6.7, but in such event the person calling the meeting shall attempt to reach each Director by telephone to advise him or her of the meeting.

Whenever any Director has been absent from any special meeting of the Board and notice of such meeting has been duly given to such Director, an entry shall be made in the minutes to the effect that notice has been duly given.

Section 6.8. Meetings by Electronic Means. Any Board meeting, regular or special, may be held by conference telephone, electronic video screen communication or electronic transmission, and any member of the Board may participate thereby in a meeting at which other members of the Board are physically present, so long as all Directors participating in the meeting can hear one another, and so long as each Director may also participate, and all such Directors shall be deemed to be present in person at such meeting.

Section 6.9. Quorum Requirement, Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice, if a quorum of the Board is present, unless a quorum is expressly not required pursuant to these Bylaws, or if the quorum requirement is not met, either before or after the meeting each of the Directors not present signs a written waiver of notice, a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 6.10. Action Without Meeting. Any action required or permitted to be taken by the Board by law, according to the Articles or according to these Bylaws or the Kānāwai may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and shall have the same force and effect as a unanimous vote of such Directors. An explanation of the action taken by unanimous written consent shall be distributed to all Members of the Association within seven (7) days of obtaining such consent.

Section 6.11. Quorum. A majority of the Board shall constitute a quorum thereof. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present, in person or by telephone, shall be regarded as the act of the Board, unless the provisions of these Bylaws, the Articles or the Kānāwai, including, without limitation, those provisions relating to (a) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of Directors, shall require or permit the particular action involved to be taken by the Board under other circumstances.

Section 6.12. Adjournment. A quorum of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at the Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 6.13. Open Meetings.

(a) Regular and special meetings of the Board, except when the Board adjourns to executive session to consider litigation or to protect attorney-client privilege, member discipline, personnel matters or the formation of contracts with third parties, shall be open to all Members of the Association. Members who are not on the Board shall be allowed to participate in any deliberation or discussion subject to reasonable time limits, unless a majority of a quorum of the Board votes otherwise.

(b) The Board, with the approval of a majority of a quorum of its members, may adjourn a meeting and reconvene in executive session. The nature of any and all business to be considered in executive session shall first be announced in open session to the extent not prohibited by applicable law, rule of court or binding agreement.

Section 6.14. Compensation. No Director of the Association shall receive any salary or other compensation for services rendered as a Director or officer of the Association. However, Directors and officers shall be reimbursed for expenses reasonably incurred in connection with the business of the Association and authorized by the Board. Nothing herein shall preclude any Director from serving the Association in any capacity other than as an officer or a Director and receiving compensation therefore as authorized and approved by the Board. Any Director receiving any special compensation for services in such other capacity shall be excluded and excused from deliberations and voting by the Board relating to the authorization thereof and fixing compensation with regard thereto.

Section 6.15. Committees. The Board shall have the power to appoint committees and to delegate to such committees any of the powers and authority of the Board in the management of the business and affairs of the Association except the powers to:

- (a) Approve any action which requires the approval of the Members or approval of a majority of all Members;
- (b) Amend, alter or repeal these Bylaws or adopt new Bylaws;
- (c) Elect, appoint or remove any member of any such committee or any Director or officer of the Association;
- (d) Amend or repeal the Articles or adopt a plan of merger or a plan of consolidation with another association;
- (e) Authorize the sale, lease or exchange of all or any substantial portion of the property and assets of the Association;
- (f) Authorize the voluntary dissolution of the Association or revoke proceedings therefor;
- (g) Adopt a plan for the distribution of the assets of the Association;
- (h) Amend, alter or repeal any resolution of the Board unless it provides by its terms that it may be amended, altered to repealed by a committee;
- (i) Approve any transaction (i) to which the Association is a party and one (1) or more Directors has a material financial interest or (ii) between the Association and one (1) or more of its Directors or (iii) between the Association and any entity in which one (1) or more of its Directors has a material financial interest; or
- (j) Appoint committees of the Board or the members thereof.

Each such committee shall be composed of two (2) or more Directors, at least one of whom shall be a Director appointed by the Class B Member (until termination of the Class B Membership), and shall keep regular written minutes of its proceedings and report the same to the Board. One member of the Executive Committee, if established, shall be the President. All members of such committees, as well as members of the Design Committee established under the authority of the Kānāwai, shall be subject to the same conduct and qualification requirements as set forth in Section 6.3, above, regarding members of the Board, except that references to the "Board" and to a "Director" shall be deemed replaced with references to the applicable committee and committee member, respectively.

Section 6.16. Powers and Duties. Subject to the limitations of the Articles, these Bylaws, the Kānāwai and Hawai'i law as to action required to be taken, authorized or approved by the Members of the Association, or a specified portion or percentage thereof, all Association powers and duties, including, without limitation, those set forth in the Kānāwai, shall be exercised by, or under the authority of the Board, and the business and affairs of the Association shall be controlled by the Board.

Section 6.17. Minutes of Meetings. An unapproved copy of the written minutes of any meeting of the Board (except for any executive session) shall be provided to any Member within

thirty (30) days after the adjournment of such meeting upon the request of that Member and his or her payment of the costs associated with reproducing such minutes. An approved copy shall be provided within thirty (30) days following the meeting such minutes are deemed approved, subject to all criteria stated previously.

ARTICLE 7. OFFICERS

Section 7.1. Enumeration of Officers. The officers of the Association shall be a President, Vice President, a Secretary, a Treasurer and such other officers as the Board may deem necessary. Any person may hold more than one (1) office, provided that neither the Secretary nor the Treasurer may serve concurrently as the President. The President, Vice President and Secretary shall be members of the Board. The Treasurer may be, but need not be, a member of the Board. Each officer must be a Member of the Association or an appointee of the Class B Member.

Section 7.2. Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers that the business of the Association may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in these Bylaws or determined from time to time by the Board.

Section 7.3. Election. The initial officers shall be chosen by a majority vote of the Directors at the first annual meeting of the Board following the first annual meeting of the Members, and thereafter, officers shall be removed or chosen at any subsequent meeting of the Board by a majority vote of the total number of Directors on the Board.

Section 7.4. Term. All officers shall hold office at the pleasure of the Board.

Section 7.5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect on the date of the receipt of the notice or at any later time specified in the notice, and unless otherwise specified in the notice, acceptance of the resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 7.6. President. The President shall be the chief executive officer of the Association and, subject to the control of the Board, shall have supervision, direction and control of the business and affairs of the Association. He or she shall preside at all meetings of the Association and at all meetings of the Board. The President shall be ex-officio a member of all committees and shall have the general powers and duties of management usually vested in the office of President of a nonprofit corporation incorporated under the laws of the State of Hawai'i and such other and/or additional powers and duties as may be prescribed by the Board or by these Bylaws.

Section 7.7. Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all powers of, and be subject to all the restrictions upon, the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him or her by the Board or by these Bylaws.

Section 7.8. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office of the Association, or such other place as the Board may order, of all meetings of Directors and Members with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those persons present at the Directors' meetings, the number of Members present or represented at Association meetings and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all the meetings of the Members and of the Board required by these Bylaws or by law to be given except that notice of the first annual meeting of the Members and/or of the Board may be given by the Declarant. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

The Secretary shall keep, or cause to be kept, at the principal office of the Association, a current list of the Members showing the names of all Members, their addresses and the class of membership held by each.

The Board may delegate the performance of the foregoing duties, subject to supervision by the Secretary, to a professional manager retained by the Association.

Section 7.9. Treasurer. The Treasurer shall keep and maintain, or cause to be kept or maintained, adequate and correct books and accounts of the transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any Director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of Association with such depositories as may be designated by the Board, disburse the funds of the Association as may be ordered by the Board, render to the President and Directors whenever they request it an account of all of his or her actions undertaken as Treasurer and of the financial condition of the Association, and have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws. The Board may delegate the performance of the foregoing duties, subject to supervision by the Treasurer, to a professional manager retained by the Association.

ARTICLE 8. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

Section 8.1. Definitions. For purposes of this Article 8,

(a) "Agent" means any person who is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent;

(b) "Proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, at the trial or any appellate level; and

(c) "Expenses" includes, without limitation, all reasonable attorneys' fees, costs and any other expenses incurred in the defense of any claims or Proceedings against an

Agent by reason of his or her position or relationship as Agent and all reasonable attorneys' fees, costs and other expenses incurred in establishing a right to indemnification under this Article 8.

Section 8.2. Indemnification. As provided in the Articles, the Association shall indemnify an Agent and advance Expenses to or on behalf of an Agent to the fullest extent permitted by law, including HRS Chapter 414D, as amended.

Section 8.3. Limitations. No indemnification or advance shall be made under this Article in any circumstances when:

(a) The indemnification or advance would be prohibited by a provision of the Articles, a resolution of the Association or an agreement if such provision, resolution or agreement was in effect at the time of the accrual of the alleged cause of action asserted in the Proceeding in which the Expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification;

(b) The indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement; or

(c) The indemnification or advance is contrary to applicable law, including without limitation, Hawai'i Revised Statutes Chapter 414D, as amended.

Section 8.4. Advance of Expenses. Expenses incurred in defending any Proceeding may be advanced by the Association to an Agent qualified to be indemnified by this Article 8 before the final disposition of the Proceeding on receipt of an undertaking by or on behalf of the Agent to repay the amount of the advance unless it is determined ultimately that the Agent is entitled to be indemnified as authorized in this Article 8.

Section 8.5. Contractual Rights of Non-Directors and Non-officers. Nothing contained in this Article 8 shall affect any right to indemnification to which persons other than Agents of the Association in their capacity as such may be entitled by contract or otherwise.

Section 8.6. Insurance. The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any Agent of the Association against any liability asserted against or incurred by the Agent in such capacity or arising out of the Agent's status as such, whether or not the Association would have the power to indemnify the agent against that liability under the provisions of this Article 8.

ARTICLE 9. MISCELLANEOUS

Section 9.1. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board, except that in order to withdraw money from the Association's reserve account, the signature of at least two (2) persons shall be required and either both such persons shall be Directors or one (1) person shall be a Director and one (1) shall be an officer of the Association.

Section 9.2. Contracts, Etc; How Executed. The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by a contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 9.3. Inspection of Bylaws. The Association shall keep in its principal office the original or a copy of these Bylaws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 9.4. Fiscal Year. The Fiscal Year of the Association shall be the calendar year except that the first fiscal year shall commence on the date the Association is formed and shall end on December 31st of such year.

Section 9.5. Maintenance and Inspection of Other Corporate Records. The accounting books, records and minutes of proceedings of the Members and the Board and any committee(s) of the Board shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal executive office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The minutes and accounting books and records shall be open to inspection and copy at any reasonable time during usual business hours on the written demand of any Member delivered to the Association at least five (5) business days before the date on which the Member wishes to inspect and copy, but only if the Member's demand is in good faith and for a proper purpose and describes with reasonable particularity the purpose and the records the Member wishes to inspect, and that such records are directly connected to the stated purpose. The Association shall make the accounting books and records and minutes of proceedings available for inspection and copying in the Association's business office within the Community, or at a place determined by the Board of Directors. Subject to applicable Hawai'i law, the Association may satisfy the requirement to make the books and records and minutes available for inspection and copying by mailing copies of the requested records to the Member by first-class mail within ten (10) days of receipt of the Member's request for copies. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. The Association may bill the requesting Member for the Association's actual, reasonable costs for copying and mailing requested documents. The Association shall inform the requesting Member of the amount of the copying and mailing costs before sending the requested documents. The Board of Directors may, pursuant to HRS Chapter 421J, require Members to furnish to the Association an affidavit stating that the requested information is requested in good faith for the protection of the interests of the Association, its Members, or both. The Association, however, may withhold or redact information from the books and records and the minutes of proceedings of the Association for any of the following reasons:

- (a) The release of the information is reasonably likely to lead to identity theft;

(b) The release of the information is reasonably likely to lead to fraud in connection with the Association;

(c) The information was obtained during an executive session of the Board; or

(d) The information is privileged under law.

Except as provided by the attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by the employee's name, social security number or other personal information.

Members shall be notified in writing of their right to obtain copies of the minutes (upon payment of a reproduction charge), which notice shall be distributed to all Members along with the pro forma operating budget or at the time of any general mailing.

The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of records by the Member desiring to make the inspection;

(b) Hours and days of the week when such an inspection may be made; and

(c) Payment of the cost of reproducing copies of documents requested by a Member.

Each Director shall have the absolute right at any time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at the cost of the Association.

Section 9.6. Annual Report to Members. Nothing in these Bylaws shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the Members as it considers appropriate. However, the Association shall provide to the Directors and to the Members the financial reports referred to in the Kānāwai.

Section 9.7. Management Agent.

(a) The Board shall retain or employ for the Association, either on a fee or salaried basis, a professional management agent and/or general manager at such compensation as the Board may establish, to perform such duties and services as the Board of Directors shall authorize. Such management agent and/or general manager shall be the chief operating officer of the Association. The Board of Directors may delegate to the management agent and/or general manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by the Kānāwai and the Bylaws, except those which are non-delegable by law. Officers of the Association may delegate ministerial tasks to the management agent, subject to such officer's supervision. Declarant, or an affiliate of Declarant, may be employed as the management agent or general manager.

(b) No management contract entered into prior to the expiration of the Class B membership may have a term in excess of one (1) year and any such contract must permit termination by either party without cause and without termination fee or penalty on ninety (90) days' or less written notice.

Section 9.8. Accounts and Reports.

The following minimum management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) accounting and controls should conform to generally accepted accounting principles;

(b) accounting and controls should conform with established AICPA guidelines and principles, which require, without limitation, (i) a segregation of accounting duties, (ii) disbursements by check in the amount of Five Hundred (\$500.00) Dollars or more requiring two (2) signatures unless a regular, recurring expense pursuant to the approved budget, and (iii) cash disbursements limited to amounts of One Hundred (\$100.00) Dollars, unless the Board shall otherwise provide by resolution;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the management agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) any financial or other interest which the management agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and

(f) commencing at the end of the month in which the Close of Escrow of the first Lot occurs, financial reports shall be prepared for the Association at least monthly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on a cash or accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format with a budget report reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating expenses or ten (10%) percent of a major budget category (as distinct from a specific line item in an expended chart of accounts);

(iv) a balance sheet as of the last day of the preceding period;

(v) a delinquency report listing all persons responsible for payment of Assessments who are delinquent in paying any Assessment or installment thereof and describing the status of any action to collect such Assessment (any Assessment or installment thereof shall be considered to be delinquent on the fifteenth (15th) day following the due date unless otherwise specified by resolution of the Board of Directors.).

(g) an annual report consisting of at least the following shall be distributed to all Members within one hundred twenty (120) days after the close of the fiscal year: (1) balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be prepared on an audited or reviewed basis, as determined by the Board, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first mortgage on a Lot, the Association shall provide an audited financial statement.

Section 9.9. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Common Area without the approval of the Members. The Association shall also have the power to borrow money for other purposes; provided, however, the Board shall obtain approval of a majority of the Members, in the event that the proposed borrowing is for the purpose of modifying or adding amenities and the total amount of such borrowing exceeds or would exceed five (5%) percent of the budgeted gross expenses of the Association for that fiscal year.

ARTICLE 10. EVIDENCE OF MEMBERSHIP

Section 10.1. Evidence of Membership. The Board shall have the power, but not the obligation, to cause the issuance of evidence of membership in the Association to the Members in such form as the Board shall determine.

ARTICLE 11. AMENDMENTS, CONFLICTS

Section 11.1. Amendments. Amendment of these Bylaws shall require the consent of at least a majority of the Members, in person or by proxy, at a meeting duly called and held for the purpose of considering the amendment of these Bylaws, and the written consent of the Class B Member for so long as there is a Class B Membership.

Notwithstanding the foregoing, the Class B Member shall have a unilateral right to amend these Bylaws to reduce or increase the number of Directors or to add, delete or modify categories of Directorships, as provided in Article VI hereof.

Section 11.2. Conflicts. In the event of any inconsistency between these Bylaws and the Articles, the Articles shall control, and in the event of any inconsistency between these Bylaws or the Articles and the Kānāwai, the Kānāwai shall control. In the event of inconsistency between these Bylaws, the Articles or the Kānāwai, and the Act and Leases, the Act and Leases shall control.

ARTICLE 12. DISSOLUTION

Upon the winding up and dissolution of the Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets may be distributed to the Members of the Association as provided in the Articles.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

That I am the duly elected, qualified and acting Secretary of Kānehili Community Association, a Hawai'i non-profit corporation, and that the above and foregoing Bylaws, comprising (21) pages, excluding this page, were adopted as the Bylaws of said corporation by the Board of Directors by unanimous written consent on March 2, 2011.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of MARCH

By: Herbert K. Edwards
Secretary

STATE OF HAWAII)
) ss.
CITY & COUNTY OF HONOLULU)

On this 31st day of March, 2011, before me personally appeared Herbert Kekuawela, to me personally known, who being by me duly sworn, did say that he is the Secretary of the KANEHILI COMMUNITY ASSOCIATION, a Hawaii non-profit corporation, that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors, and the said officer acknowledged said instrument to be the free act and deed of said Association.

Candace MT Villarmia
Notary Public, State of Hawaii
Printed Name: Candace MT Villarmia

My Commission Expires: 07/09/2012

Doc. Date: 3/31/2011 # Pages: 21
Notary Name: Candace M.T. Villarmia First Circuit
Doc. Description: Bylaws of the
Kanahili Community
Association

Gondal Notary 3/31/11
Notary Signature Date