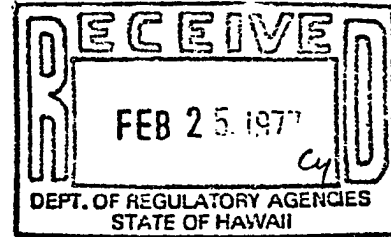


By-Laws of the Homeowners Association
Amendments (if any)

BYLAWS OF KAPALUA RESORT ASSOCIATION

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BYLAWS
OF
KAPALUA RESORT ASSOCIATION

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean Kapalua Resort Association, a Hawaii nonprofit corporation.

Section 2. "Charter" shall mean the Charter of Incorporation of the Association.

Section 3. "Declaration" shall mean that certain Declaration of Covenants and Restrictions executed by Maui Land & Pineapple Company, Inc., on December 29, 1976, and recorded in the Bureau of Conveyances of the State of Hawaii in Liber 11922, Page 26.

Section 4. "Kapalua" shall mean all of the land described in Exhibit B of the Declaration together with such other land as may be annexed thereto pursuant to Section 2 of Article II of the Declaration.

Section 5. "Property" shall mean and include any Lot or Condominium Unit as those terms are defined in the Declaration together with all hotels and other buildings on Kapalua which entitle Owners to Voting Rights pursuant to Section 3 of Article III of the Declaration.

Section 6. All other terms shall have the meanings given them in the Declaration unless expressly otherwise provided herein.

ARTICLE II

MEMBERSHIP, VOTING RIGHTS AND MEETINGS

Section 1. Membership. Qualifications for membership and the incidents thereof are set forth in Section 2 of Article III of the Declaration which is incorporated herein by reference thereto.

Section 2. Voting Rights, Proxies and Meetings.

a. Voting rights of Owners, including Declarant, are set forth in Section 3 of Article III of the Declaration which is incorporated herein by reference thereto.

b. Any Owner may attend and vote at meetings in person, or by a proxy holder duly appointed by a written proxy signed by the Owner and filed with the Secretary of the Association. Where two or more persons constitute an Owner, any proxy with respect to the vote of such Owner shall be signed by all such persons or the person designated to represent them all, as evidenced by a writing filed with the Association. The voting rights of Owners of Condominium Units, shall be exercised by the Board of Directors of the Association of Owners or Community Association, as the case may be, of the project in which the unit is located. If a

Merchants' or similar Association is established at Kapalua, the voting rights of the Owners of Lots included in such Association shall be exercised through the Board of Directors of such Association.

c. The rights of membership are subject to the payment of assessments levied by the Association, the obligation of which assessments is imposed against each Owner of and becomes a lien upon the property against which such assessments are made as provided in the Declaration.

d. Subject to the provisions of Section 1(b)(iii) of Article V hereof, the membership rights of any person may be suspended by action of the Board during the period when the Owner shall be in default in the payment of any assessments levied by the Association; but, upon payment of such assessments, his rights and privileges shall be automatically restored. Subject to Section 1(b)(iii) of Article V hereof, such rights of membership may also be suspended for violation of any Association Rules until such violation ceases.

e. No membership shall be terminated or forfeited and no Owner shall be expelled, except upon sale of or assignment of a lease of such Owner's property in Kapalua, provided, however, that upon execution and delivery of a valid agreement of sale of any such property and written

notice to the Association, the vendor's membership, including voting rights adhering thereto, unless otherwise provided, shall be considered as having been temporarily transferred to the vendee, such transfer becoming permanent upon subsequent delivery of deed or assignment of lease in compliance with the terms of said agreement of sale.

Section 3. Meetings; Notice; Quorum.

a. An annual meeting of the Owners shall be held each year on such date and at such time and at such place within Kapalua, or as close thereto as may be practical, for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting, as shall be set by the Board.

b. Special meetings of the members of the Association may be held at such time and at such place within Kapalua, or as close thereto as may be practical, and for such purposes as shall be specified in a call for any such meeting made by resolution of the Board or by a writing filed with the secretary signed by the president, or by a majority of the directors, or by the holders of twenty-five percent (25%) in voting interest of the entire membership of the Association.

c. Except where and to the extent otherwise required by law, the Charter or the Declaration, notice of

meeting of the Owners, specifying the day and time and place of the meeting and the purposes for which the meeting is called, and specifying whether it is an annual or special meeting, shall be given by or under the direction of the secretary to each Owner at least fifteen (15) days before the date fixed for such meeting, by mailing written notice of the meeting, postage prepaid, addressed to him at his residence address as it appears on the books of the Association or usual place of business. In case of death, absence, incapacity or refusal of the secretary, such notice may be given by a person designated by the Board. If notice is given pursuant to the provisions of these Bylaws, nonreceipt of actual notice of any meeting by any Owner shall in no way invalidate the meeting or any proceedings taken or any business done at the meeting. Any Owner may waive notice of any meeting either prior to or at or after the meeting, with the same effect as though notice of the meeting had been given to him. The presence of any Owner at a meeting shall be a waiver by him of notice of the meeting.

d. The presence at the meeting of Owners entitled to cast, or of holders of proxies entitled to cast, one-half (1/2) of the total votes shall constitute a quorum for any action except as otherwise provided in the Charter, the Declaration or these Bylaws. If, however, such quorum shall

not be present or represented at any meeting, the Owners entitled to vote thereat shall have power to adjourn the meeting without notice, other than announcement at the meeting, to a date no less than forty-eight (48) hours nor more than thirty (30) days thereafter. At such reconvened meeting, the presence of Owners entitled to cast at least twenty-five percent (25%) of the votes of each class of membership in person or by proxy shall constitute a quorum. A meeting may only be reconvened once; thereafter, a new meeting must be called and the original quorum requirements shall be applicable. When a quorum is present at any meeting, the concurring vote of Owners having a majority of the votes of the Owners constituting a quorum shall be valid and binding upon the Association except as otherwise provided by law, the Charter, the Declaration or these Bylaws.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number and Term of Office. The affairs of the Association shall be managed by a Board of five (5) directors, who need not be Owners.

Section 2. Election. At the first annual meeting and at each meeting thereafter the Owners shall elect five (5) directors for concurrent terms of one (1) year who shall hold office until the next annual meeting or until their

respective successors shall be duly elected and qualified, unless any such director shall sooner resign or shall be removed or otherwise disqualified to serve. Election to the Board shall be by secret written ballot. The Owners or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and these Bylaws. The candidate receiving the largest number of votes shall be elected. Each Owner shall have the right to give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he is entitled, or distribute his votes on the same principle among as many candidates as he thinks fit.

Section 3. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two or more Owners. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Owners, to serve from the close of such annual meeting until the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion

determine. Such nominations may be made from among Owners or Nonowners.

Section 4. Removal. The entire Board may be removed from office with or without cause, by a vote of sixty-six and two-thirds percent (66-2/3%) of the total voting power of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 5. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE IV

MEETINGS OF DIRECTORS

Section 1. Meetings. Regular meetings of the Board shall be held quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. An annual meeting of the Board shall be held each year immediately after the annual meeting of the Owners and at the place of such annual meeting.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the President of the

Association, or by any two directors, after not less than seven (7) days' notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

3 directors

ARTICLE V

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers and Duties.

a. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts in exercise thereof consistent with the purposes and objects as set forth in the Charter, Declaration and Bylaws. Without prejudice to the generality of the foregoing, the Board shall have power and duty to:

i. Exercise for the Association all powers, duties and authority vested in or delegated to this Association not reserved to the membership by other provisions of these Bylaws, the Charter or the Declaration;

ii. Declare the office of a member of the Board to be vacant in the event such member shall be

absent from three (3) consecutive regular meetings of the Board;

iii. Employ and remove at pleasure a manager, all agents, employees, independent contractors, or such other persons as they deem necessary, prescribe their duties and fix their compensation, provided however, that any such contract for a period of more than one (1) year shall provide that it may be terminated by either party at the end of the first year or at any time thereafter upon not less than ninety (90) days written notice;

iv. Cause to be kept a complete record of all its acts and corporate affairs, to present a statement thereof to the Owners at the annual meeting of the Owners, and to make such records available for inspection by the Owners at all reasonable times;

v. Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

vi. As more fully provided in the Declaration, (1) to set the annual budget and allocate the assessment against all property within Kapalua at least thirty (30) days in advance of each assessment period; (2) to send written notice of each assessment to every

Owner subject thereto at least twenty-five (25) days in advance of each assessment period; and

vii. To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate.

viii. To adopt, amend and repeal rules and regulations consistent with the provisions of the Bylaws, the Charter and the Declaration to be known as the Association Rules.

ix. to enforce the provisions of these Bylaws, the Charter and the Declaration and the Association Rules.

b. The following provisions shall govern the promulgation of the Association Rules authorized herein which shall include the establishment of a system of fines and penalties:

i. The Board in its discretion shall recommend to the membership such rules and regulations as are consistent with and in furtherance of existing law, these Bylaws, the Charter and the Declaration. Upon the vote or written consent of the majority of the voting power of the membership, such rules and regulations shall take effect as the Association Rules.

ii. The Board in its discretion shall recommend to the Owners a list of specific fines and

penalties for the violation by any Owner of the provisions of these Bylaws, the Charter, the Declaration and the Association Rules. Upon the vote or written consent of the majority of the voting power of the Owners, such fines and penalties shall be binding on all Owners and shall be enforceable by the Board as a special assessment. Such a remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, these Bylaws, the Charter, the Declaration and the Association Rules.

iii. Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:

A. A written statement of the alleged violations shall be provided to any Owner against whom such charges are made, and such written statement shall provide a date on which the charges shall be heard;

B. No proceedings under this Section shall be brought against any Owner unless such Owner shall have received a written statement of charges of at least thirty (30) days prior to that hearing;

C. No proceeding shall be brought against any Owner more than sixty (60) days after such Owner is provided a written statement of charges;

D. The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairman) who may or may not be Owners, and who shall hear the charges and evaluate the evidence of the alleged violation;

E. At such hearing the Owner so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;

F. The panel shall deliver to the Owner so charged within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor.

iv. In the event that an Owner shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

Section 2. Non-Profit Purpose. In order to preserve the non-profit, income tax-exempt status of the Association, neither the Board nor any member thereof shall do any act, or authorize or suffer the doing of any act by an

officer or employee of the Association, on behalf of the Association which is inconsistent with the Articles or Bylaws or the non-profit purpose of the Association. Any such act or acts shall be ultra vires and void.

ARTICLE VI

COMMITTEES

The Board may, by resolution or resolutions passed by a majority of the Board, create and appoint one or more committees which, to the extent provided in said resolution or resolutions or in other provisions of these Bylaws, shall have and may exercise the powers of the Board in the management of the business and affairs of the Association. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The Officers of this Association shall be a president and vice-president, who shall at all times be members of the Board, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Owners.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until his successor shall be duly elected and qualified unless he shall sooner resign, or shall be removed or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No

person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this article.

Section 8. Execution of Instruments. All checks, drafts, notes, acceptances, conveyances, contracts, and other instruments shall be signed on behalf of the Association, by such person or persons as are designated by general or special resolution of the Board or, in the absence of any such resolution applicable to any such instrument, by the President or Vice-President and by the Treasurer or Secretary or by the Assistant Treasurer or Assistant Secretary. The officers may adopt and use facsimile signatures.

Section 9. Duties. The duties of the officers are as follows:

a. President. The president shall preside at all meetings of the Board; and shall see that orders and resolutions of the Board are carried out.

b. Vice-President. The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

c. Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings

of the Board and of the Owners; serve notice of meetings of the Board and of the Owners together with their addresses, and shall perform such other duties as required by the Board.

d. Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Owners.

ARTICLE VIII

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times during reasonable business hours, be subject to inspection by any Owner. The Declaration, the Charter and these Bylaws shall be available for inspection by any Owner or the holder of a mortgage on any Condominium Unit at the principal office of the Association, where copies may be purchased at reasonable cost. There shall be an annual audit of the books and records of the Association

(Change this)

by an independent public accountant or certified public accountant and a copy thereof shall be sent to each Owner within thirty (30) days after completion thereof and in any event within ninety (90) days after the end of each calendar year.

ARTICLE IX

AMENDMENTS

Section 1. Necessary Vote. These Bylaws may be amended, at a regular or special meeting of the Owners, by a vote of sixty-six and two-thirds percent (66-2/3%) of the Voting Rights of the Association.

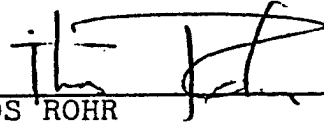
Section 2. Reconciliation of Conflicts. In the case of any conflict between the Charter and these Bylaws, the Charter shall control; and in the case of any conflict between the Declaration and these Bylaws the Declaration shall control.

ADOPTION OF BY-LAWS

We, the undersigned, on this 24th day of February, 1977, having executed the Petition for a Charter of Incorporation of the above-named corporation for the purpose of incorporating the same under and in accordance with the laws of the State of Hawaii, do hereby, pursuant to said laws, adopt the foregoing provisions as the By-Laws of said corporation.



COLIN C. CAMERON



THOS ROHR



BENJAMIN W. BAKER

Investment Resolution

Kapalua Resort Association

POLICY RESOLUTION NUMBER 2006-1

Relating to Investment Guidelines for KRA

WHEREAS, ARTICLE V, Section 1 of the Bylaws of Kapalua Resort Association (“Bylaws”) assigns the Board of Directors (“Board”) all powers and duties necessary for the administration of the affairs of the Kapalua Resort Association (“Association”) and states that the Board may do all such acts and things, except those matters that the Board is prohibited from doing by law or the governing documents;

WHEREAS, ARTICLE V, Section 1, subsection a. (i) of the Bylaws provides that the directors shall exercise for the Association all powers, duties and authority vested to the association not reserved to the membership by other provisions of the bylaws or declaration;

WHEREAS, ARTICLE VI, Section 9, subsection d. (Treasurer) of the Bylaws provides that the treasurer shall receive in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the board; as well as manage the fiscal affairs of the Association;

WHEREAS, the Board has determined that it is in the best interests of the Association and the Association’s members to establish standards for the investment of Association funds;

NOW, THEREFORE, BE IT RESOLVED, that this policy is applicable to all eligible investment funds for Kapalua Resort Association, under the custody of the Treasurer.

BE IT FURTHER RESOLVED, that the Treasurer is authorized to manage funds belonging to the KRA, including depositing funds in approved financial institutions with formal Board approval of such investment strategy.

BE IT FURTHER RESOLVED, that the Board approves the following financial institution as depository of the initial KRA investment funds: Bank of Hawaii.

BE IT FURTHER RESOLVED, that the Treasurer shall recommend financial institutions for approval for the safekeeping of KRA funds based on an evaluation of the performance and solvency of the institution, as well as past performance in exercising due care

and prudence in managing the custody of KRA funds held in trust, if applicable. The Treasurer shall periodically evaluate approved and potential financial depositories and shall make recommendations as to appropriate changes in approved depositories when warranted.

BE IT FURTHER RESOLVED, that when the Treasurer's analysis of the KRA cash flow requirements reveal that surplus funds will not be required to meet current expenditures for a specific length of time, the Treasurer is authorized to move funds into the investment account as long as such funds will be available when needed.

BE IT FURTHER RESOLVED, that the Treasurer is authorized to invest funds marked for investment into such instruments as outlined in HRA Chapter 514-A as follows:

- Demand deposits, investment certificates, or certificates of deposit (CD's).
- Obligations of the United States Government, the State of Hawaii, or their respective agencies.
- Mutual funds comprised solely of investments in the obligations of the United States Government, the State of Hawaii, or their respective agencies.

BE IT FURTHER RESOLVED, that the objectives of this policy are to:

- Maintain the safety of the principal of the investment funds.
- Maintain adequate liquidity.
- Achieve Market Rate of return on safe investment instruments.

To accomplish these objectives, decisions and actions involving KRA's investment portfolio shall meet the following criteria:

- **SAFETY:** Safety of principal is the foremost objective of the Kapalua Resort Association and its investment strategy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The Treasurer shall always adhere to this safety principle.
- **LIQUIDITY:** The investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that may be reasonably anticipated. Investments will have maturity dates concurrent with these cash flow needs. The Treasurer shall minimize interest rate risk by avoiding the sale of securities prior to maturity and investing operating funds primarily in short-term instruments. Securities shall not normally be sold prior to maturity except to improve the quality, yield or target duration in the portfolio, or to meet liquidity needs.
- **RETURN ON INVESTMENT:** The investment portfolio shall be designed to attain a market average rate of return during budgetary and economic cycles, as allowed under HRS Chapter 514-A. Return on investment is of secondary importance compared to safety and liquidity objectives.

BE IT FURTHER RESOLVED, that the Treasurer shall make such investments and only such investments as a prudent person would make in dealing with the property of another, having in view the preservation of the principal and the amount and regularity of the income to be derived. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing the overall investment portfolio.

BE IT FURTHER RESOLVED, that the Board of Directors for the Kapalua Resort Association hereby sets the policy that funds needing withdrawal from the investment portfolio require the signatures of two directors, or as directed and specified under the Sarbannes-Oxley Act. However, an exception may be made for transfers between accounts of the association.

BE IT FURTHER RESOLVED, that the Board of Directors, as well as the Treasurer will consult with proper investment analysts before investing funds; either bank officials or a certified financial planner.

BE IT FURTHER RESOLVED, that the Treasurer will provide a report to the KRA Board as specified and directed by the Board of Directors for the KRA.

BE IT FURTHER RESOLVED, that the KRA shall comply with all applicable statutory standards for investment of Association funds as they now exist or as they may be subsequently amended. Any provision of this resolution that conflicts with applicable statutory requirements and standards is void.

KAPALUA RESORT ASSOCIATION

RESOLUTION ACTION RECORD

Resolution Type: _____ No. _____

Pertaining to: _____

Duly adopted at a meeting of the Board of Directors held: _____

Motion by: _____ Seconded by: _____

	VOTE:			
	YES	NO	ABSTAIN	ABSENT
_____ President	_____	_____	_____	_____
_____ Vice President	_____	_____	_____	_____
_____ Treasurer	_____	_____	_____	_____
_____ Secretary	_____	_____	_____	_____
_____ Director	_____	_____	_____	_____
_____	_____	_____	_____	_____

ATTEST:

Secretary

Date

FILE:

Book of Minutes

Book of Resolutions:

	Book No.	Page No.
Policy	_____	_____
Administrative	_____	_____
Special	_____	_____
General	_____	_____

Resolution effective: _____, 2006.