BYLAWS
OF
PAPAANUI HOMEOWNERS ASSOCIATION

ARTICLE I.
IDENTIFICATION

Section 1.1 Name. The name of this association is PAPAANUI HOMEOWNERS ASSOCIATION, which shall sometimes be referred to herein as the "association."

Section 1.2 Principal Office. The principal office of the association shall be on the Island of Maui, State of Hawaii, at such specific location therein as may be, from time to time, designated by the Board of Directors.

ARTICLE II.
MEMBERS OF THE ASSOCIATION

Section 2.1 Membership Qualification. Each "Owner" as defined in the Declaration of Covenants, Conditions and Restrictions for Papaanui Homeowners Association dated _____, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. _____, hereinafter called "CC&R's," shall automatically be a member of the association. No person other than an Owner may be a member of the association. The purchaser of a "Lot," as defined in the CC&R's pursuant to an agreement of sale, or a lessee of a Lot under a lease, recorded in the Bureau of Conveyances, shall not be deemed to be a member unless the membership or voting rights are specifically transferred, conveyed, or assigned to the purchaser or lessee. A Personal Representative may exercise membership and voting rights for any Lot owned or controlled by him in such capacity.

Section 2.2 Proof of Status. No person or entity shall exercise the rights of membership in the association until satisfactory proof has been furnished to the Secretary of the association that he or it is an Owner, as defined in the CC&R's. Such proof may consist of a copy of a duly executed and acknowledged deed, agreement of sale or lease, recorded in the Bureau of Conveyances of the State of Hawaii and filed with the association, or a title insurance policy, or a certificate of title from a licensed abstractor, showing said person or entity to be the Owner of a Lot as defined in the CC&R's. Proof of Personal Representative status may consist of a filed or certified copy of Letters Testamentary, Letters of Administration, or other appropriate Court Order. Any such deed, agreement of sale, lease, policy, certificate, or Court document shall be deemed conclusive in the absence of a conflicting claim based upon a later deed, agreement of sale, lease, policy, certificate, or Court document.

However, in the event of a dispute or conflict between the fee owner under a recorded deed, and a purchaser under an agreement of sale or a lessee under a lease, then the fee owner shall be the owner until the dispute or conflict is resolved.

A holder of any interest in a Lot merely for security purposes (for example, a mortgagee or lender) shall not be deemed an Owner.

Section 2.3 Certificate of Membership. The Board of Directors of the association may provide for the issuance of certificates evidencing membership in the association which shall be in such form as may be determined by the Board. All such certificates evidencing membership shall be consecutively numbered and the name and address of each member and the date of issuance of the certificate shall be entered on the records of the association maintained by its Secretary. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued therefor upon such terms and conditions as the Board may direct.

Section 2.4 Record Address of Members. Upon the acquisition of any Lot by a recorded deed, or the acquisition of any rights, including voting rights, as an Owner under a recorded agreement of sale or lease, each new Owner or member shall, within ten (10) days, notify the association of same, and shall furnish to the Secretary of the association an address to which the association may mail or deliver any and all notices, demands or documents required or permitted to be mailed or delivered by these Bylaws, by law or otherwise. Failure to furnish such an address shall constitute a waiver by such member of the right to receive any such notice, demand or document.

ARTICLE III.
VOTING RIGHTS

Section 3.1 Voting Rights. Each member, shall be entitled to one (1) vote for each Lot.

In the event of multiple Owners of the same Lot, the multiple Owners shall, prior to each meeting of Owners, provide the association or entity with a written statement, signed by each such multiple Owner, designating one person or entity who shall have the right to cast the votes assigned to the Lot owned by such multiple Owners. In the event that such multiple Owners fail to provide such written statement, the votes for such Lot may be exercised by any one of them present at any meeting in the absence of protect by the other Owner(s). In case of any protest by any other Owner, the voting rights for such Lot may not be exercised until such multiple Owners provide such a written statement designated the one person or entity who shall have the right to cast the votes.

Section 3.2 Majority Vote; Plurality Vote in Elections. Except where a greater percentages of votes or voting power is required by law, the Articles of Incorporation, the CC&R's, or these Bylaws, a majority vote shall decide the matter. In the case of elections in which there are more than two candidates, a plurality vote will determine the winner.

Section 3.3 Proxies. The authority given by any member to another person to represent him at meetings of the association shall be in writing; shall state the date the proxy is executed and the date the proxy expires; may designate any person as proxy; may be limited as the member desires and indicates; shall be signed by such member; and filed with the Secretary. A proxy may be revoked by a writing filed with the Secretary or by the death or judicially declared incompetence of such member, or by the attendance of such member at the meeting.

In the case of a Lot owned by multiple Owners, the proxy signed by any Owner/member may be used to exercise the vote allocated to said Lot on behalf of the other Owners/members unless the association is notified (in writing by an absentee Owner/member or in person by any Owner/member) that the Owners/members of the Lot disagree as to how the vote should be cast. In such event, the voting rights for such Lot may not be exercised until the multiple Owners are in agreement.

ARTICLE IV.
MEETINGS OF MEMBERS

Section 4.1 Annual Meeting. The annual meeting of the members of the association shall be held each year on a date selected by the Board, but no later than March 31 of each year.

Section 4.2 Regular Meetings. In addition to the annual meetings, the Board by resolution, or a majority of the voting power of the members of the association by petition, may establish regular meetings at semiannual, quarterly, or other regular intervals.

Section 4.3 Special Meetings. Special meetings of the members may be held at any time upon the call of the President or of any two (2) Directors, or upon the written request of not less than forty percent (40%) of the voting power of the members presented to the Secretary. Upon receipt of such call or written request, the Secretary shall send out notices of the meeting to all members in the same manner as for annual meetings of the members.

Section 4.4 Notice of Meetings. Except where and to the extent otherwise required by law or the Articles of Incorporation, notice of each meeting of the members of the association, specifying the date, time and place of the meeting and the purposes for which the meeting is called, and specifying whether it is an annual, regular, or special meeting, shall be given by or under the direction of the Secretary to each member of the association not less than ten (10) days nor more than ninety (90) days before the date fixed for such meeting, in writing at the residence address or usual place of business as it appears on the books of the association, or by mailing written notice of the meeting, first-class mail, postage prepaid, addressed to said residence address or usual place of business. The notice may include a standard proxy form which shall be valid for the meeting set forth in the notice, may designate any person as proxy, and may be limited as the member desires or indicates. In case of the death, absence, incapacity or refusal of the Secretary, such notice may be given by a person designated either by the Secretary or by the person or persons calling the meeting or by the Board of Directors. If notice is given pursuant to the provisions of these Bylaws, nonreceipt of actual notice of any meeting by any member of the association shall in no way invalidate the meeting or any proceedings taken or any business done at the meeting. Any member of the association 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 member of the association at a meeting shall be the equivalent of a waiver by him of notice of the meeting.

Section 4.5 Adjourned Meetings. Any meeting of the members, annual, regular, or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the voting power present in person or by proxy, but in the absence of a quorum,

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

Section 4.6 Quorum. The presence at any meeting in person or by proxy of the holders of forty percent (40%) of the total voting power of all members shall constitute a quorum for the transaction of business. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of any members which leaves less than a quorum.

If any meeting cannot be held for lack of a quorum, the same may be adjourned, as hereinabove provided, for a period of not less than two (2) days nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the quorum requirements shall again be the presence in person or by proxy of not less than fifty percent (50%) of the total voting power of all members.

Section 4.7 Majority Vote of Members. When a quorum is present at any meeting, the vote of members having a majority of the voting interest of the members present in person or by proxy, shall be valid and binding upon the association except as otherwise provided by law, the Articles of Incorporation, these Bylaws or the CC&R's.

Section 4.8 Location of Meetings. All meetings of the association shall be held at such place on the Island of Maui or such other suitable place as close thereto as may be practical as may be designated by the Board of Directors; provided, however, that unless unusual conditions exist, such meetings shall not be held outside the Island of Maui.

Section 4.9 Conduct of Meetings. All meetings of the association shall be conducted in accordance with Roberts Rules of Order, or other accepted rules for the conduct of meetings.

ARTICLE V.
BOARD OF DIRECTORS

Section 5.1 Number. There shall be a Board of Directors of the association of not less than three (3) nor more than nine (9) members, and until the members of the association shall otherwise determine, the Board of Directors shall consist of three (3) members. Subject to the foregoing limitations, the number of Directors may be changed each year and the Directors shall be elected each year by the members of the association at their annual meeting to hold office until their successors shall have been elected, provided that the number of Directors may be decreased or increased subject to the foregoing limitations, and if increased, the additional Directors may be elected by the members at any annual or special meeting called for such purpose, to hold office until their successors shall have been elected. Where there are more than two candidates, a plurality of the votes cast shall determine the winner. At least one Director must be a resident of the State of Hawaii. Except for the initial Board of Directors, and except in

the case where no member of the association is a resident of Hawaii, the Directors must be members of the association.

Section 5.2 Removal of Directors. At any annual, regular, or special meeting of the members of the association, any Director may be removed from office, with or without cause, by vote of the holders of a majority of the total voting power of all members; provided, however, that any Director may not be removed from office prior to the expiration of his term if the votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election for the entire Board of Directors at which the same total number of votes were cast. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard.

Section 5.3 Vacancies. Except for a vacancy created by removal of a Director, vacancies on the Board may be filled by a majority of the remaining Directors though less than a quorum, or by the sole remaining Director, and each Director so elected shall hold office until his successor is elected by the members upon expiration of the term of the Director who was his predecessor. Upon tender of a resignation by a Director, the Board shall have the power to elect his successor to take office at such time as the resignation becomes effective. The members of the association may elect a Director at any time to fill any vacancy not filled by the Directors.

Death, incapacity, or resignation of any Director, or his ceasing to be a member of the association shall cause his office to become vacant.

A vacancy in the Board of Directors created by the removal of a Director shall be filled by a majority of the members at a duly called special meeting, and any Director so elected shall hold office until his successor is elected by the members upon expiration of the term of the Director who was his predecessor.

Section 5.4 Compensation. No Director shall receive compensation for any services he may render to the association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5.5 Powers and Duties. The "Common Areas," "Dedicated Areas," and "Association Property" as defined in the CC&R's, and the business and affairs of the association shall be managed and controlled by the Board of Directors, which shall have and may exercise all of the powers of the association, and carry out and comply with all of the duties and obligations of the association, as set forth in the CC&R's, except where such powers and duties as are expressly reserved to or may from time to time be conferred upon the members by law, by the Articles of Incorporation, by the CC&R's, or by these Bylaws.

Notwithstanding the foregoing, the powers and duties of the Board shall include, but shall not be limited to, the following:

(a) All powers and duties as set forth in the CC&R's;

(b) Enforcement of and compliance with the provisions of the CC&R's, these Bylaws and any Rules and Regulations adopted by the association;

(c) Payment of all taxes and assessments which are or could become a lien on the association, the Common Areas, Dedicated Areas, or Association Property. Where one or more members are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it and costs incurred by the association to remove or discharge such lien or liens;

(d) Delegation of its powers and duties to committees, agents, officers, representatives and employees;

(e) Contracting for materials and/or services for the Common Areas, Dedicated Areas, or Association Property, and to carry out the duties and obligations of the association with respect thereto;

(f) Obtaining and maintaining fire, casualty, liability and other insurance coverage for and on behalf of the association;

(g) Right of entry in or upon any Lot at any time and from time to time and without liability to any member for trespass, damage or otherwise where necessary in connection with construction, maintenance or repair for the benefit of the Common Area or Dedicated Areas, if for any reason any member fails or refuses to maintain and repair his Lot within a reasonable time after written notice of the necessity of said maintenance or repair to said member, provided that the Board shall levy a special assessment against such member and the Lot for the cost of said maintenance or repair;

(h) Determination of the Budget and Assessments required for the affairs of the association pursuant to the CC&R's, including, without limitation, the operation and maintenance of the Common Areas, Dedicated Areas and Association Property,

(i) Collection of the Assessments from the members;

(j) Employment and dismissal of a manager or managing agent or other personnel necessary for the maintenance, operation, repair and improvement of the Common Areas, Designated Areas, and Association Property;

(k) Adoption, amendment, repeal, and/or enforcement of Rules and Regulations pertaining to the use, maintenance, and activities within Papaanui, LLC Subdivision;

(l) Opening of bank accounts on behalf of the association and designating the signatories required therefor;

(m) Making of repairs, additions, improvements or alterations to the Common Areas, Dedicated Areas, or Association Property in accordance with the CC&R's, Articles of Incorporation, and these Bylaws, including such repairs, additions, improvements or alterations after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

(n) Payment of all common expenses which the Board is required to pay for pursuant to the CC&R's, the Articles of Incorporation, these Bylaws, or by law, or which the Board deems necessary or proper to preserve, protect, or benefit Papaanui, LLC Subdivision, the Common Areas, Dedicated Areas, or Association Property; provided that if any such payment is required because of the particular actions or negligence of any member, the cost thereof shall be specially assessed to such member;

(o) Keeping, or causing to be kept an accurate and current list of members of the association and their current addresses, which list shall be maintained at a place designated by the Board of Directors; and

(p) Employing a responsible person, firm or entity, as a manager or managing agent to manage and control Papaanui, LLC Subdivision, the Common Areas, Dedicated Areas, or Association Property, subject at all times to direction by the Board, with such administrative powers and duties as shall be delegated, including such powers and duties as may be necessary or proper in connection with (i) management and operations; (ii) maintenance, repair, replacement and restoration of the Common Areas or Dedicated Areas, and any additions or alteration thereto; (iii) purchase, maintenance and replacement of any Association Property, (iv) servicing of all utilities to the Lots, (v) employment, supervision and dismissal of such personnel as it deems necessary for the maintenance and operations, (vi) contracting with others for the furnishing of such services as it deems proper, including secretarial, clerical, bookkeeping, accounting, and record keeping services to assist the Board and the officers of the association, (vii) preparation of a proposed Budget and schedule of Assessments, (viii) collection of Assessments and payment of bills to third parties, (ix) purchase of insurance, and (x) custody and control of all funds and maintenance of books and records and preparation of financial reports. The Board may in its discretion limit, restrict, or withdraw any of the powers granted to the manager or managing agent or grant any additional powers to the manager or managing agent.

(q) The Association will maintain financial accounts for the association, including annual expense budgets. Expenses considered shall include: normal operation and maintenance, general and administrative (G&A), and a reserve for emergency repair and replacement. The Board of Directors as necessary may impose special assessments to cover operating expense and/or infrastructure repair and replacement shortfalls.

ARTICLE VI.
MEETINGS OF DIRECTORS

Section 6.1 Meetings. An annual meeting of the Board of Directors shall be held each year immediately after the annual meeting of the members of the association and at the place of such annual meeting, without call or formal notice. Regular meetings of the Board of Directors, other than annual meetings, shall be held on such day or days and at such time or times, and at such place on the Island of Maui or as close thereto as reasonably possible, as shall be determined from time to time by the Board of Directors; provided, however, that regular meetings of the Board of Directors, including the annual meetings of the Board of Directors, shall be held at least once every six (6) months. Special meetings of the Board of Directors may be called by the President of the association or by any two members of the Board of Directors,

and any such meeting shall be held on such day, at such time and at such place within the County of Maui or as close thereto as reasonably possible as shall be specified by the person or persons calling the meeting.

All meetings of the Board (whether annual, regular or special) shall be conducted in accordance with Roberts Rules of Order, or other accepted rules for the conduct of meetings.

Section 6.2 Notice of Meetings. Notice of each regular meeting of the Board of Directors specifying the date, time and place of the meeting shall be given to each Director personally, or by mail, telephone, or telegraph at least five (5) business days, if practical, prior to the date of the meeting. Notice of each special meeting of the Board of Directors specifying the date, time and place of the meeting and the nature of any special business to be considered shall be given to each Director personally, or by telephone or telegraph or by leaving written notice of the meeting at his residence or usual place of business not less than three (3) business days prior to the date of the special meeting. If notice is mailed, such notice shall be mailed not less than five (5) business days prior to the date of the special meeting. Nonreceipt of notice of any meeting, which was so given or mailed, by any Director shall not invalidate the meeting or any proceedings taken or any business done at the meeting.

Section 6.3 Waiver of Notice. Any Director may at any time waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall constitute a waiver of notice by him of notice of the meeting. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 6.4 Quorum. At all meetings of the Board, the presence of a majority of the Directors shall constitute a quorum for the transaction of business, and the vote of a majority of such quorum shall constitute the decision of the Board. A quorum, once established, shall not be broken by the absence of withdrawal of one or more Directors before the meeting is adjourned. If less than a quorum is present, the President or a majority of the Directors present may adjourn the meeting from time to time without further notice. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called, may be transacted without further notice.

Section 6.5 Conference Call Meeting. Any Director may participate in a meeting of such Board or any committee of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participating in such a meeting shall constitute presence in person at such meeting.

Section 6.6 Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board or a committee of the Board, may be taken without a meeting, if all Directors or all members of the committee, as the case may be, sign a written consent or consents setting forth the action taken or to be taken, at any time before or after the intended effective date of such action. Such consent or consents shall be filed with the minutes of Directors' meetings or committee meetings, as the case may be, and shall have the same effect as a unanimous vote.

ARTICLE VII.
OFFICERS AND AGENTS

Section 7.1 Designation. The officers of the association shall be a President, a Vice President, a Secretary and a Treasurer who shall hold office until their successors are appointed and qualified. The association may have such other officers as may be deemed necessary. Such officers shall hold their offices for such terms and have such authority and duties as may be determined by the Board of Directors. So far as is permitted by law, any two or more offices may be held by the same person, provided there shall be at all times not less than two persons as officers. In addition to the duties and powers herein set forth, each officer shall have such duties and powers as are commonly incident to his office and such duties and powers as the Board of Directors shall from time to time designate. In all cases where the duties of any officer are not specifically prescribed by the Bylaws or by the Board of Directors, such officer shall obey the orders and instructions of the President.

Section 7.2 Election of Officers. The officers of the association shall be elected annually by the Board of Directors at the annual meeting of each newly elected Board and shall hold office at the pleasure of the Board.

Section 7.3 Removal of Officers. Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board, or at any special meeting of the Board, called for such purpose.

Section 7.4 Duties.

(a) President. The President shall be the chief executive officer of the association. He shall preside at all meetings of the association and the Board, unless otherwise directed by the Board. He shall have all of the general powers and duties which are incident to the office of a president of a stock corporation organized under Hawaii law, including but not limited to the power to appoint committees from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the association.

(b) Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint a Director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be assigned to him by the Board or the President.

(c) Secretary. The Secretary shall be responsible for the membership ledger, all documents pertaining to the title to Association Property, Common Areas, and Dedicated Areas, Rules and Regulations, and all other documents required to be filed with the association or in the office of the association. The Secretary shall be responsible for recording all proceedings of the meetings of the members and directors, and perform such other duties as shall be assigned to him. Some of the duties of the Secretary may be delegated to a manger, managing

agent, and employee of the association; provided, however, that they shall be under the direction and supervision of the Secretary.

(d) Treasurer. Subject to the direction and under the supervision of the Board of Directors, the Treasurer shall have the care and custody of the funds of the association, shall have power to endorse for deposit or collection all notes, checks, drafts and other obligations for the payment of money to the association or its order, and shall keep or cause to be kept full and accurate financial books and accounts of the association and to render statements of the same in such form and as often as required by the Board of Directors.

In general, he shall perform all of the duties incident to the office of Treasurer of a stock corporation organized under the laws of the State of Hawaii. Some of the duties of the Treasurer may be delegated to a manager or employee of the association; provided, however, that they shall be under the direction and supervision of the Treasurer.

(e) Auditor. The association may annually elect a certified public accountant or accounting firm as auditor, who shall not be an officer nor a member, to audit the books and financial records of the association as required by law or as directed additionally by the Board.

Section 7.5 Resignation of Officers. The Board of Directors may at any meeting, by vote of a majority of those present at such meeting, accept the resignation of any officer of the association. Any vacancy occurring in the office of President, Vice President, Secretary, Treasurer, or any other office shall be filled by the Board of Directors, and the officer so chosen shall hold office for the unexpired term of the office where the vacancy occurred and until a successor shall be duly elected and qualified.

Section 7.6 Compensation of Officers. No officer shall receive any compensation from the association for acting as such.

ARTICLE VIII.
ASSESSMENTS

Section 8.1 Assessments. Each Owner, or, in the event of multiple Owners of the same Lot, such multiple Owners jointly and severally, shall be obligated to, and shall pay to the association amounts hereinafter provided based on each Lot owned by such Owner, which amounts are herein called "Assessments". Assessments shall include "Regular", "Supplementary" and "Special" Assessments as set forth in the CC&R's. Subject to the restrictions and limitations of the CC&R's, the Board shall have the power and authority to determine all matters in connection with Assessments, including, without limitation, power and authority to determine where, when and how Assessments should be paid, and each Owner and member shall comply with all such determinations.

Section 8.2 Determination of Budgets and Assessments. The fiscal year of the Association shall be the calendar year. Within sixty (60) days of prior to the commencement of each fiscal year or partial fiscal year, the Board shall determine the total amount to be raised by Regular Assessments during such fiscal year or partial fiscal year. The amount to be raised by Regular Assessments for any fiscal year or partial fiscal year shall be determined in the

following manner: The Board shall prepare or cause to be prepared and approve a budget for the fiscal year or partial fiscal year showing, in reasonable detail, the estimated operating costs and expenses which will be payable in that fiscal year or partial fiscal year to fulfill the regular operating functions and obligations of the association in that fiscal year or partial fiscal year, including amounts necessary to cover obligations made in connection with, or contemplated under, any previously approved budgets, plus an amount sufficient to provide a reasonable carry over reserve for the next fiscal year (the "Operating Budget"). The Operating Budget shall include, without limitation (a) amounts that are required to operate the Design Review Committee and enable it to carry out its functions, and (b) amounts required for the upkeep, maintenance and repair of Association Property, the Common Area, the Dedicated Area. The Board shall subtract from the Operating Budget the amount equal to the anticipated surplus attributable to Assessments collected but not disbursed in the fiscal year or partial fiscal year immediately preceding the fiscal year or partial fiscal year for which the Operating Budget has been prepared. Alternatively, the association may elect to refund a portion of said anticipated surplus to the members and to subtract the balance of said anticipated surplus from the Operating Budget. However, the portion refunded to members may not exceed the portion (if any) of said collected but undisbursed Assessments that, if not refunded to the members, would constitute "exempt function income" under and for purposes of Section 528 of the Internal Revenue Code of 1954, as amended. The Board shall furnish a copy of the Operating Budget to each member.

If the Board fails to determine or cause to be determined the total amount to be raised by Regular Assessments in any fiscal year or partial fiscal year, and/or fails to notify the members of the amount of such Regular Assessments for any fiscal year or partial fiscal year, then the amounts of Regular Assessments shall be deemed to be the amount assessed in the previous fiscal year or partial fiscal year.

Section 8.3 First Assessments. Prior to the completion of the construction of the subdivision improvements for Papaanui, LLC Subdivision, as required by the County of Maui, the association shall estimate the costs and expenses to be incurred by the association from the time of such completion of construction until the commencement of the first full fiscal year. The estimate shall be assessed to each member as a Regular Assessment as set forth in the CC&R's.

Section 8.4 Supplementary Assessments. In addition to Regular Assessments, the association may levy Supplementary Assessments, payable over such period as the association my determine: (i) for the purpose of defraying any expense incurred or to be incurred as provided in the CC&R's, including the acquisition of Association Property; or (ii) to cover the deficiency, in the event that, for whatever reason, the amount received by the association from Regular Assessments is less than the amount determined and assessed by the association.

Section 8.5 Apportionment of Regular and Supplementary Assessments. The amount of the Regular or Supplementary Assessment for any fiscal period payable by an Owner for each Lot owned by such Owner shall be based on ownership of each Lot. In the event that additional Lots are annexed to Papaanui, LLC Subdivision pursuant to the CC&R's, Assessments shall commence with respect to such Lots on the first day of the first calendar month following such annexation.

Section 8.6 Special Assessments. In addition to Regular Assessments and Supplementary Assessments, the association may levy Special Assessments, payable by such Owners and over such period as the association may determine, for (a) expenses which are incurred or to be incurred by the association as provided in the CC&R's for the benefit of fewer than all of the Owners, (b) monetary fines assessed against an Owner pursuant to the CC&R's, the Design Standards or the Rules and Regulations as set forth in the CC&R's and not paid when due, (c) expenses which are incurred or to be incurred by the association which are necessitated by the negligence, misuse or neglect of any Owner, or by the extraordinary or excessive use of any Association Property, Common Area or Dedicated Area, by any Owner or (d) expenses which are incurred or to be incurred by the association as a result of any Owner's act or failure or refusal to act or otherwise comply with the provisions of the CC&R's, the Design Standards, the Rules and Regulations, or any other rules and/or regulations promulgated pursuant to the CC&R's.

Section 8.7 Time for Payments. The amount of any Assessment, charge or other amount payable with respect to any Owner or such Owner's Lot, shall become due and payable bi-monthly, unless otherwise specified by the Board and, in any event, within thirty (30) days after any notice of the amount due as to such Assessment, charge, or other amount shall have been given to such Owner, and any such amount shall bear interest at a rate specified by the Board but in no event greater than the maximum amount permitted by law from the date due and payable until paid.

Section 8.8 Lien for Assessments and Other Amounts. All Assessments, including Regular, Supplementary and Special Assessments, together with late charges, interest, costs and reasonable attorneys' fees, shall be a charge on the Lot, and the association shall have a continuing lien against the Lot to secure payment of any such Assessment, charge or other amount due and owing to the association with respect to the Owner or with respect to such Owner's Lot, plus late charges, and interest as provided in the CC&R's, from the date due and payable until paid, plus all costs and expenses of collecting the unpaid amount, including attorneys' fees.

Section 8.9 Effect of Nonpayment of Assessment; Remedies. Any Assessment, whether Regular, Supplementary or Special, or any installment thereof, which is not paid within thirty (30) days of its due date shall be delinquent. In the event that an Assessment or installment thereof becomes delinquent, the association, in its sole discretion, may take any or all of the following actions:

(a) assess a late charge of at least $100 per delinquency;

(b) assess interest thereon as provided in the CC&R's;

(c) suspend the voting rights of the Owner during any period of delinquency;

(d) accelerate all remaining Assessment installments for the fiscal year in question so that the unpaid Assessment for the remainder of the fiscal year shall be due and payable immediately;

(e) bring an action at law against any Owner personally obligated to pay Assessments;

(f) file a Notice of Delinquency and Statement of Lien with respect to the Lot, and foreclose on the lien as more fully set forth below and the CC&R's.

Any such action shall be in addition to any other remedies provided by law for the enforcement of such obligations.

Section 8.10 Foreclosure of Lien. In the event that any Regular, Supplementary or Special Assessment is delinquent, the association may file a Notice of Delinquency and Statement of Lien by recording a written statement with respect to the Lot in the Bureau of Conveyances of the State of Hawaii setting forth the name(s) of the Owner(s), the legal description of the Lot, the name of the association and the amount of delinquent Assessments then owing, which statement shall be duly signed and acknowledged by an officer or director of the association or by a manager or managing agent retained by the association to perform any or all of the association's functions hereunder. A copy of such statement shall also be mailed to the Owner(s) at the address of the Lot or at such other address as the Owner(s) has provided in writing to the association. The association may proceed to foreclose the lien in the manner for foreclosure of mortgages in the State of Hawaii. The foregoing remedies shall be in addition to any other remedies provided by law for the enforcement of such obligations.

Section 8.11 Liability of Owners and Heirs. The amount of any Assessment or charge owing to the association shall be a joint and several obligation to the association of such Owner and such Owner's heirs, personal representatives, successors and assigns. Each such amount, together with interest thereon, may be recovered by suit for a money judgment by the association without foreclosing or waiving any lien securing the same.

Section 8.12 Declarant Exempt. Notwithstanding any other provision contained herein or any other related documents, the Declarant, Papaanui, LLC, shall be exempt from any and all Assessments and dues arising from ownership of any Lots or from being a member of the association; provided however, that this exemption shall not affect any benefits or rights, including voting rights of the Declarant as set forth herein, in the Articles of Incorporation, and in the CC&R's.

Section 8.13 Capital Improvement Reserve Funds. From time to time, as specifically directed by the members, at any annual or special meeting, the Board may establish and maintain one or more "Capital Improvement Reserve Funds" by the monthly assessments against and payment by all members. Each such Fund may be used for such purposes as may be established by the members.

Section 8.14 Collection from Tenant. If a member shall at any time rent or lease his Lot and shall default for a period of thirty (30) days or more in the payment of the member's assessments, the Board may, so long as such default shall continue, demand and receive from any renter, tenant, or lessee (hereinafter referred to as "lessee"), the rent due or becoming due from such lessee to the member up to an amount sufficient to pay all sums due from the member,

including interest, if any, and any such payment of such rent to the association by the lessee shall be a sufficient discharge of such rent for the lessee, as between the lessee and the member to the extent of the amount so paid to the association. If the Board makes demand upon such lessee as aforesaid, the lessee shall not have the right to question the right of the Board to make such demand, but shall be obligated to make the said payments to the association as demanded by the Board with the effect as aforesaid.

ARTICLE IX.
RULES AND REGULATIONS

Section 9.1 Authorization. Subject to and pursuant to the provisions of the CC&R's, the Board may make, amend, repeal and enforce reasonable and uniformly applied rules and regulations ("Rules and Regulations") governing use, maintenance, and activities with Papaanui, LLC Subdivision, including, and without limitation, the following:

(a) the use of Association Property;

(b) the enforcement of any restrictions on use of Lots pursuant to the CC&R's;

(c) parking restrictions and limitations;

(d) the establishment of maintenance standards for Lots;

(e) a schedule of fines for the violation of the Rules and Regulations, the Articles of Incorporation, By-Laws and the CC&R's.

The association shall furnish each Member with a written copy of the Rules and Regulations; provided however, that failure to furnish said copy shall not be deemed to invalidate said Rules and Regulations to any extent.

Section 9.2 Enforcement. The Association, through the Board of Directors, shall have the right to enforce any of the Rules and Regulations, the Design Standards and the obligations of any Owner under the CC&R's or any provision of the Articles or By-Laws by imposing fines in accordance with the Rules and Regulations, by suspending the right of such owner to use Association Property and/or suspending the right of such Owner to vote at meetings of the Association; provided that such use and/or voting suspension may not be imposed for a period longer than thirty (30) days per violation; and provided further that if any such violation continues for a period of ten (10) days after notice of such violation has been given to such Owner, such continuing violation shall be deemed to be a new violation and shall be subject to the imposition of new fines and penalties. The Board shall not impose a fine, or a use and/or voting suspension for a violation other than the failure to pay an Assessment when due, until the Owner accused of any such violation has been afforded the right to have a hearing before the Board or a committee designated by the Board to conduct such hearing, or has, in writing, waived such right. Each such Owner shall have the right to be heard in person, by submission of a written statement, or through a spokesperson, at any such hearing. In addition to the rights provided in this Section 9.2, the Association and the Board may also take judicial action against

any Owner to enforce compliance with the CC&R's, the Rules and Regulations and/or the Design Standards or any other obligations of Owners or to obtain damages for noncompliance, all to the extent permitted by law.

ARTICLE X.
RIGHT OF ENTRY

Section 10.1 Abatement and Enjoinment of Violations. The violation of the Rules and Regulations, any Bylaw, or the CC&R's, shall give the Board the right, in addition to any other rights set forth in these Bylaws:

(a) to enter the Lot in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting member, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or

(b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach, and all costs thereof, including attorneys' fees, shall be borne by the defaulting member.

Section 10.2 Inspection and Corrections. Each member shall grant a right of entry to his Lot to a manager or managing agent and/or any other person authorized by the Board, for the purpose of making inspections or for the purpose of correcting any condition originating in his Lot and threatening another Lot or any Common Areas, Dedicated Areas, Association Property, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other Common Areas, Dedicated Areas, or Association Property in his Subdivision Lot, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the member. In case of an emergency, such right of entry shall be deemed granted, to be effective immediately, whether the member is present at the time or not.

Section 10.3 Attorney's Fees and Expenses of Enforcement. All costs and expenses, including reasonable attorneys' fees, incurred by or on behalf of the association for:

(a) Collecting any delinquent assessments against any member or his Lot;

(b) Foreclosing any lien thereon;

(c) Enforcing any provision of the CC&R's, Bylaws, and Rules and Regulations adopted by the Board; shall be promptly paid on demand by the defaulting member(s) or the member(s) owning any Lot in default or violation.

ARTICLE XI.
BOOKS AND RECORDS

Section 11.1 Owner's Right to Inspect. The books and records of the association, including the membership register, books of account, minutes of meetings of the association, the

Board and of committees formed by the Board shall be made available for inspection and copying by any member at any reasonable time and for a purpose reasonably related to his interest as a member. The Board may establish reasonable rules with respect to (i) notice to be given to the custodian of the books and records of the association by the members desiring to make such inspection, (ii) the hours and days of the week when such an inspection may be made, and (iii) payment of the cost of reproducing copies of such documents requested by any member.

Section 11.2 Director's Right to Inspect. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the association and any physical property owned or controlled by the association. This right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE XII.
EXECUTION OF DOCUMENTS/CHECKS

Section 12.1 Execution of Contracts. The Board of Directors, except as may be otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument or document in the name of and on behalf of the association and such authority may be general or confined to specific instances. Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts, promissory notes and other evidences of indebtedness, deeds of trust, mortgages and other corporate instruments or documents requiring the corporate seal shall be executed, signed or endorsed by the President or Vice President, and by the Secretary or Treasurer.

Section 12.2 Checks and Drafts. 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 of Directors. In the absence of such resolution, any two officers shall be authorized to sign or endorse same.

Section 12.3 Facsimile Signatures. The Board of Directors may, from time to time by resolution, provide for the execution of any corporate instrument or document, including but not limited to checks, warrants, letters of credit, drafts and other orders for the payment of money, by a mechanical device or machine or by the use of facsimile signatures under such terms and conditions as shall be set forth in any such resolution.

Section 12.4 Funds. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE XIII.
GENERAL PROVISIONS

Section 13.1 Notices. All notices hereunder shall be sent by first class mail, postage prepaid, to the association, c/o the manager or managing agent, or if there is no manager or managing agent, to the office of the association or to such other address as the Board may hereafter designate from time to time, by notice in writing to all members. All notices to any

member shall be sent by first class mail, postage prepaid, to his address in Papaanui, LLC Subdivision, or to such other address as may have been provided in writing to the association from time to time. All notices shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

Section 13.2 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws, or the intent of any provisions thereof.

Section 13.3 Gender. The use of any gender in these Bylaws shall be deemed to include either or both of the other genders and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 13.4 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 13.5 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

ARTICLE XIV.
AMENDMENTS

These Bylaws may be altered, amended, added to or repealed at any meeting duly called and held if notice of the proposed amendments shall have been given in the call for such meeting, by action of not less than seventy-five percent (75%) in voting power of the members.

ARTICLE XV.
RECONCILIATION OF CONFLICTS

If there are conflicts or inconsistencies between the CC&R's, the Articles of Incorporation or the Bylaws, the CC&R's, the Articles of Incorporation and these Bylaws, in that order, shall prevail.

CERTIFICATE OF SECRETARY

I certify that:

1. I am the Secretary of PAPAANUI HOMEOWNERS ASSOCIATION.

2. The attached Bylaws are the Bylaws of PAPAANUI HOMEOWNERS ASSOCIATION adopted at the First Meeting of the Board of Directors on _____, 20____.

DATED: _____, 20____.