

BYLAWS
OF
MILOLII BEACH CLUB ASSOCIATION II

ARTICLE I

SECTION 1. Principal Office. The principal office of the corporation shall be maintained at such place in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii as the board of directors shall determine.

SECTION 2. Place of Meetings. All meetings of the members and of the board of directors shall be held in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii.

SECTION 3. Seal. The corporation may, but need not, have a common seal. The seal of the corporation shall be in such form and shall bear the name of the corporation and such other words, devices and inscriptions as the board of directors from time to time shall prescribe.

SECTION 4. Fiscal Year. The fiscal year of the corporation is January 1 through December 31, or as otherwise established by the board of directors.

ARTICLE II

MEMBERS

SECTION 1. Qualification.

(a) Each person, corporation or other legal entity who is an "Owner" of any lot within the Milolii Beach Lot Subdivision

(the "Subdivision"), as defined in the Declaration of Covenants and Restrictions for the Subdivision, dated April 25, 1967, filed in the Bureau of Conveyances of the State of Hawaii at Liber 5640, Page 357, as the same has been or may be amended from time to time as therein provided (the "Declaration"), including an "Owner" of a lot that becomes part of and subject to the Declaration pursuant to Article II, Section 2 thereof, shall be a member of the corporation, and no person other than such an Owner may be a member of the corporation.

(b) No person shall exercise the rights of membership in the corporation until satisfactory proof has been furnished to the secretary of the corporation that such person is an Owner. Such proof may consist of a copy of a duly executed, acknowledged and recorded deed, title insurance policy or current title report showing said person to be an Owner of a lot within the Subdivision. Any such deed or policy shall be deemed conclusive in the absence of a conflicting claim based upon a later deed, policy or report.

SECTION 2. Voting Rights. At any meeting of the members of the corporation, each member shall be entitled to cast the number of votes to which such member is entitled pursuant to the provisions set forth in Article 8 of the Articles of Incorporation of the corporation.

SECTION 3. Proxies. Any member may attend and vote at any meeting in person, or by a proxy holder duly appointed by a written proxy signed by the member and filed with the secretary

of the corporation. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy. It shall be deemed revoked when the secretary shall receive actual notice of the death or judicially-declared incompetence of such member, or upon termination of such member's status as an Owner. Where two or more persons or entities constitute a member, any one of said persons or entities may exercise the vote allotted to their membership on behalf of all persons or entities constituting such member as they shall determine, and if they cannot agree, they may each vote their fractional interest in the vote allocated to their membership. Any proxy with respect to the vote of such member or the fractional vote of any person constituting such member shall be signed by all such persons or entities possessing an interest in such vote or fractional interest therein. All such persons or entities may attend meetings, but in no event shall more than one vote be cast with respect to any such member. The Board of Directors may solicit proxies from among the members using funds of the corporation and naming the Board as holder of the proxy. Upon the prior written request of any member, the Board of Directors shall include any proxy solicitation materials prepared by such member within the next mailing of any proxy solicitation materials by the Board. When the Board of Directors is named as the proxy holder, the vote shall be made on the basis of the preference of the majority of the Board.

SECTION 4. Annual Meetings. An annual meeting of the members of the corporation shall be held each year on such date and at such time within the first four calendar months of the year, and at such place in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii as may be designated in the notice of annual meeting, for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting. At any meeting for the purpose of electing directors, nominations may be made from the floor.

SECTION 5. Special Meetings. Special meetings of the members of the corporation may be held at such time and at such place in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii and for such purposes as shall be specified in a call for any such meeting made by a resolution of the Board of Directors or by a petition filed with the secretary and signed by the president, or by a majority of the directors, or by ten percent in voting interest of the entire membership of the corporation.

SECTION 6. Notice of Meetings. Except where and to the extent otherwise required by law, the Articles of Incorporation or the Declaration, notice of each meeting of the members of the corporation, specifying the day, 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 the secretary to each member of the corporation at least five

(5) days before the date fixed for such meeting, by giving written notice of the meeting to each member in person or by mail, postage prepaid, at the member's address as it appears on the books of the corporation, at the member's usual place of business or at the member's residence address. Such written notice shall be given at least 30 days before meetings regarding assessments, when required pursuant to Article V of the Declaration. In case of the death, absence, incapacity or refusal of the secretary, such notice may be given by a person designated by the secretary, 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, lack of receipt of actual notice of any meeting by any member of the corporation shall in no way invalidate the meeting or any proceedings taken or any business done at the meeting. Any member of the corporation 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 such member. The presence of any member of the corporation at a meeting shall be the equivalent of a waiver by the member of notice of the meeting.

SECTION 7. Quorum. Except to the extent otherwise provided by the Declaration, at any meeting of the members of the corporation, the presence in person or by proxy of members having a majority of the total votes of all members of the corporation shall constitute a quorum, but whether a quorum be present or not, a majority vote of the members present may

adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice. If the required quorum is not forthcoming at any meeting, another meeting may be called within 60 days, subject to the notice requirements of Article II, Section 6 of these Bylaws. The required quorum at any subsequent meeting shall be one-half of the required quorum at the preceding meeting. Successive such meetings may be called until a quorum is reached. Higher or lower quorum requirements may apply to meetings regarding assessments, pursuant to Article V of the Declaration.

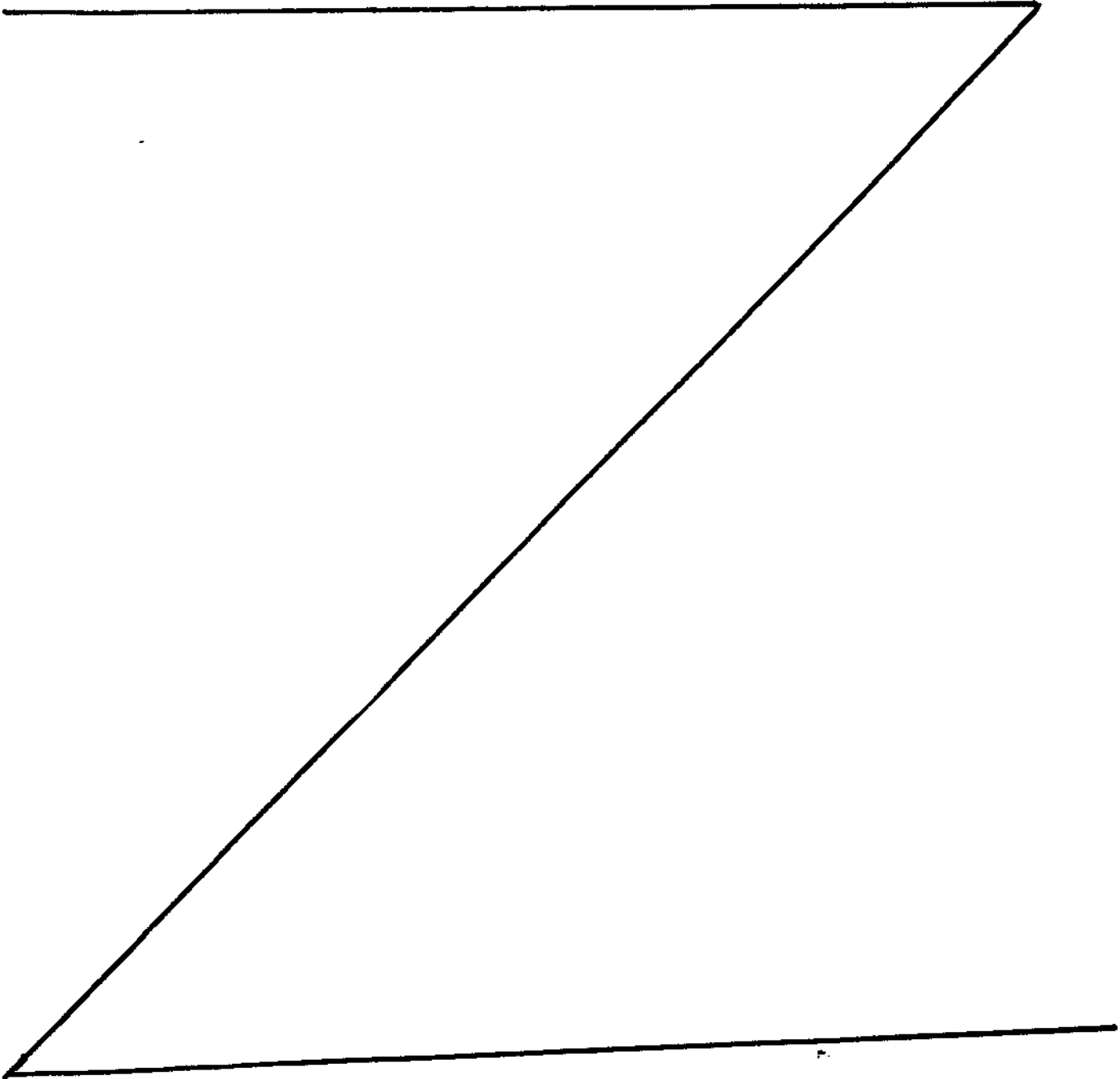
When a quorum is present at any meeting, the concurring vote of members having a majority of the votes of the members constituting a quorum shall be valid and binding upon the corporation except as otherwise provided by law, the Articles of Incorporation, the Declaration or these Bylaws. A concurring vote of members having two-thirds of the votes of the members constituting a quorum shall be necessary for action regarding assessments, when required by Article V of the Declaration.

SECTION 8. Actions Authorized Without a Meeting. Any action which the members lawfully may take at any meeting properly called and held may also be taken by action of the requisite number of members by their written assent thereto within a 120 day period. Any action so taken shall be valid and effective from and after the filing with the secretary of a written minute or other instrument, signed by the requisite number of the members, evidencing the action.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. Number of Directors. There shall be a Board of Directors of the corporation of not less than five nor more than nine members. Subject to the foregoing limitations, the number of directors shall be fixed each year by the members of



the corporation at their annual meeting, 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 special meeting called for such purpose. All members of the Board of Directors must be members of the corporation, and shall serve without pay. Only one "Owner" per lot in the Subdivision, as defined in the Declaration, may serve at any time as either a director or officer. No two or more directors or officers may be "Owners" of the same one or more lots in the Subdivision. Neither officers nor directors shall be reimbursed by the corporation for any expenses related to traveling to the place of any meeting of the Board or members of the corporation.

SECTION 2. Terms of Appointment. The initial Board of Directors shall hold office until the first annual meeting of the members of the corporation, at which time a successor Board of Directors shall be elected. Thereafter, the directors shall be elected at each annual meeting of the members of the corporation, and shall hold office until the next annual meeting of the members of the corporation. Each director shall hold office until such director's successor shall have been elected and shall qualify, or until such director's death, or until such director shall resign or shall have been removed in the manner herein provided. All directors shall have equal powers. Nothing contained herein shall be deemed to restrict the power of the members or of the Board of Directors to remove a director

for cause.

SECTION 3. Vacancies. Vacancies on the Board may be filled by a majority of the remaining directors though less than a quorum, and each director so elected shall hold office until a successor is elected by the members. The members shall elect a successor at the next annual meeting of the members of the corporation. The Board of Directors may at any meeting, by vote of a majority of the directors present at such meeting, accept the resignation of any director of the corporation. Upon tender of a resignation by a director, the Board shall have the power to elect a successor to take office at such time as the resignation becomes effective.

SECTION 4. Annual Meetings. An annual meeting of the Board of Directors shall be held each year immediately after the annual meeting of the members of the corporation and at the place of such annual meeting, without call or formal notice.

SECTION 5. Regular Meetings. 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 or places in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii as shall be determined from time to time by the Board of Directors, and when any such meeting or meetings shall be so determined no further notice thereof shall be required. Special meetings of the Board of Directors may be called by any officer of the corporation or by any three members of the Board of Directors, and any such meeting shall be

held on such day, at such time and at such place in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii, as shall be specified by the person or persons calling the meeting.

SECTION 6. Special Meeting. Notice of each special meeting of the Board of Directors, specifying the day and time and place of the meeting in the Districts of North or South Kona, Island of Hawaii, County and State of Hawaii, shall be given by the secretary or by a person calling the meeting to each member of the Board of Directors at least five (5) days before the date fixed for such meeting, by giving written notice of the meeting to each director in person or by mail, postage prepaid, at the director's residence or usual place of business. If notice is given pursuant to the provisions of these Bylaws, lack of receipt of actual notice of any meeting by any member of the Board of Directors shall not invalidate the meeting or any proceedings taken or any business done at the meeting. Any member of the Board of Directors 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 has been given to such director. The presence of any member of the Board of Directors at a meeting shall be the equivalent of a waiver by the director of notice of the meeting.

SECTION 7. Quorum. A majority of the members of the Board of Directors shall constitute a quorum for the conduct of business at any meeting, and any decision of a majority of such quorum, within the scope of the authority of the Board of

Directors, shall be valid and binding on the corporation. Any business within the scope of the authority of the Board of Directors may be transacted at any meeting thereof, irrespective of any specification of the business to be conducted at the meeting which may be set forth in the call or notice thereof.

SECTION 8. General Powers. The property, business and affairs of the corporation shall be managed and controlled by the Board of Directors, which shall have and may exercise all the powers of the corporation, including, without limitation, all of the powers of the Milolii Beach Club Association, a dissolved Hawaii corporation, as set forth in the Declaration, except such 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 Declaration or by these Bylaws. In particular, but without limitation, all action taken by the Board of Directors or the corporation with respect to assessments shall comply with applicable provisions of Article V of the Declaration. The Board of Directors may, by resolution or resolutions passed by a majority of the whole board, create and appoint one or more committees, each committee to consist of two or more of the directors of the corporation 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 of Directors in the management of the business and affairs of the corporation. 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 IV

OFFICERS

SECTION 1. Appointment and Term. The officers of the corporation shall be a president, one or more vice presidents, a secretary and a treasurer, all of whom shall be appointed by the Board of Directors and who shall hold office without pay until their successors are appointed and qualified. The corporation may have such other officers, agents and employees as may be deemed necessary, who shall hold their positions at the pleasure of the Board of Directors and who shall have such powers and duties as may be assigned to them by the Board of Directors. In addition to the duties and powers herein set forth, each officer shall have such duties and powers as are commonly incident to the office held 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, agent or employee are not specifically prescribed by the Bylaws or by the Board of Directors, such officer, agent or employee shall obey the orders and instructions of the president. Only one "Owner" per lot in the Subdivision, as defined in the Declaration, may serve at any time as either a director or officer. No two or more directors or officers may be "Owners" of the same one or more lots in the Subdivision. Neither officers nor directors shall be reimbursed by the corporation for any expenses related to traveling to the place of any meeting of the Board or

members of the corporation.

SECTION 2. President. Unless the Board of Directors otherwise directs, the president shall be the chief executive officer of the corporation and shall exercise general supervision and direction over the management and conduct of the affairs and business of the corporation. Unless the Board of Directors otherwise directs, the president shall preside at all meetings of the Board of Directors at which the president is present.

SECTION 3. Vice President. The vice president, or if more than one shall have been appointed, the vice presidents in order of priority of appointment, shall assume and perform the duties of the president in the absence or disability of the president or whenever the office of president is vacant. Each vice president shall have such other powers and duties as may be given to the vice president by law or in these Bylaws and as may be assigned from time to time by the Board of Directors or by the president.

SECTION 4. Secretary. The secretary shall have charge of the membership ledger, all documents pertaining to the title to all real property owned or held by the corporation, and all rules, regulations and other documents required to be filed with the corporation or in the office of the corporation by the Declaration, an original or duplicate of each of which shall at all times during the usual hours of business be open to the examination of every member at the principal office or place of business of the corporation. The secretary shall record all

proceedings of the meetings of the members and directors in a book which shall be the property of the corporation, to be kept for that purpose at the office of the corporation, and shall perform such other duties as shall be assigned. In the absence of the secretary from any such meeting, a temporary secretary shall be chosen who shall record the proceedings of such meeting in the aforesaid book.

SECTION 5. Treasurer. The treasurer shall have the care and custody of the funds and valuable papers of the corporation, shall have power to endorse for deposit or collection all notes, checks, drafts and other obligations for the payment of money to the corporation or its order, and shall keep or cause to be kept accurate financial books and accounts of the corporation and to render statements of the same in such form and as often as required by the Board of Directors. The treasurer shall render to the Board of Directors an annual report of the income and expenses and assets and liabilities of the corporation.

SECTION 6. Removals. The Board of Directors may at any meeting called for the purpose, by vote of a majority of their entire number, remove from office any officer of the corporation, for or without cause. The Board of Directors may at any meeting, by vote of a majority of the directors present at such meeting, accept the resignation of any officer of the corporation, or remove or accept the resignation of any agent or employee or any member of any committee appointed by the Board

of Directors or by any committee appointed by the Board of Directors. 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 officers so chosen shall hold office for the unexpired term in respect of which the vacancy occurred and until their successors shall be duly elected and qualified.

ARTICLE V

AUDITOR

SECTION 1. Election. The members may at any annual meeting, or at any special meeting called for that purpose, appoint any person, firm or corporation engaged in the business of auditing to act as the Auditor of the corporation.

SECTION 2. Disqualification. No director or officer shall be eligible to serve as Auditor of the corporation, unless at the time of election the members shall expressly waive the disqualification herein stated.

SECTION 3. Duties. The Auditor shall, at least once in each fiscal year, and more often if required by the members, examine the books and papers of the corporation and compare the statements of the Treasurer with the books and vouchers of the corporation, and otherwise make a complete audit of the books of the corporation, and thereafter make appropriate reports to the members.

ARTICLE VI

EXECUTION OF INSTRUMENTS

SECTION 1. Persons Authorized. Except in case of a contract for compensation of the president or the treasurer, in which case the Board of Directors may authorize two or more of its number or two or more officers or subordinate officers to execute the same, all checks, notes, bonds, deeds, leases, contracts or other documents or instruments shall be executed by any two of the following officers: the president, a vice president, the treasurer and the secretary. The members of the corporation or the Board of Directors, by general or special resolution, may designate some other officer to join with one of the foregoing officers in place of the second officer in the execution of any such documents or instruments.

ARTICLE VII

LIABILITY OF OFFICERS AND DIRECTORS

SECTION 1. Exculpation. Each director or officer shall be free from all personal liability for any acts done on behalf of the corporation or for any losses incurred or sustained by the corporation unless the same have occurred through the willful negligence or willful misconduct of such director or officer.

SECTION 2. Indemnification. No Agent of the corporation shall be liable to the corporation for any loss or damage suffered by it on account of any action or omission by the person as such Agent, unless such person shall, with respect to such action or omission, be or have been guilty of negligence

toward the corporation or willful misconduct toward the corporation in the performance of the person's duties as such Agent.

Upon authorization, as provided in this section, each Agent who has acted in good faith shall be indemnified against expenses. For purposes of this section, "Agent" includes all directors, officers and employees of the corporation. "Acting in good faith" shall mean acting in a manner the Agent reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal proceeding, the Agent had no reasonable cause to believe the conduct of the Agent was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or nolo contendere, shall not create a presumption of lack of good faith. "Expenses" shall mean all amounts, including attorney's fees, judgments, fines and settlements, actually and reasonably incurred by an Agent in connection with any proceeding (other than action by the corporation against the Agent), or threat to be made a party to any proceeding. Authorization to indemnify shall be based upon a determination that the Agent has met the above standards of conduct made (a) by a majority vote of a quorum of directors who are not parties to the proceeding involving the Agent, or if such a quorum is not obtainable, by written opinion of independent legal counsel, or (b) by majority vote of the members, or (c) by the court in which such proceeding is or was pending upon application by the corporation, Agent or person rendering the services for the Agent, even if the corporation

opposes such application. The decision by any one of the foregoing methods shall be final and not subject to any appeal. If an Agent is successful in defense of any such proceeding, the Agent shall be indemnified against expenses, but there shall be no indemnification if the Agent is found liable for negligence or misconduct in performance of the Agent's duty to the corporation unless the court in which the proceeding is brought finds the Agent is entitled to indemnity for such expenses as the court selects. The indemnification provided in this section shall continue for an Agent who is no longer an Agent and shall inure to the benefit of the heirs and personal representatives of an Agent. Any person who serves as an Agent shall be deemed to do so in reliance upon these provisions.

ARTICLE VIII

ADOPTION, AMENDMENT AND REPEAL

SECTION 1. Vote Required. These Bylaws may be amended or repealed and new Bylaws may be adopted, by a majority vote of the members of the corporation present and constituting a quorum at any meeting of the members of the corporation duly called and held, the notice of which shall have stated that a purpose of the meeting was to consider the adoption, amendment or repeal of the Bylaws and the general nature of the same.

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