

BY-LAWS OF THE ASSOCIATION OF OWNERS OF

PUNAHOU ROYALE

ARTICLE I

CONDOMINIUM OWNERSHIP; APPLICABILITY OF BY-LAWS

1. Condominium Ownership. The property is located at 1541 Dominis Street, Honolulu, Hawaii, and has been submitted to the provisions of Chapter 514A, Hawaii Revised Statutes (the Horizontal Property Act) by a Declaration recorded simultaneously herewith to be known as PUNAHOU ROYALE..

2. Applicability of By-Laws. The provisions of these By-Laws are applicable to the Project and to the use and occupancy of the Apartments thereof. All present and future owners, mortgagees, lessees, and occupants of Apartments or other interests in the Property and their employees, and any other persons who may use the facilities of the Project in any manner are subject to these By-Laws, the Declaration, and the House Rules.

The acceptance of a deed or the entering into of a lease or the act of occupancy of an Apartment or other interest in the Project or the use of any of the facilities of the Project shall constitute an agreement that these By-Laws, the House Rules and the provisions

EXHIBIT B

of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

3. Office. The office of the Project and of the Board of Directors (hereinafter called the "Board") and of the Association of Owners (hereinafter called the "Association") shall be located at the address of the Project at 1541 Dominis Street, Honolulu, Hawaii. All meetings of the Association and of the Board shall be held at said address unless some other place is stated in the call.

## ARTICLE II

### BOARD OF DIRECTORS

1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons. All members of the Board of Directors shall be owners, co-owners, vendees under an agreement of sale, or an officer of any corporate owner of an Apartment; provided that, in no event shall the resident manager of the Project serve on the Board of Directors. For purposes of this paragraph, an "Owner" shall mean the person owning, or the persons owning jointly or in common, an Apartment and the common interest appertaining thereto; provided that to such extent and for such purposes, including the exercise of voting rights, as shall be provided by lease filed with the Board of Directors, a lessee of an apartment shall be deemed to be an owner thereof. The partners in a general partnership and the general partners of a limited partnership shall be deemed to be owners of an Apartment.

2. Powers and Duties. The Board of Directors of the Association shall be responsible only for the administration of the common elements of the Project.

All other areas of the Project shall be administered by and be the sole responsibility of the owners, their successors and assigns.

The Board shall have the powers and duties necessary for the administration of the aforesaid common elements, and may do all such acts and things except as by law or by the Declaration or by these By-Laws may not be delegated to the Board by the owners. Such powers and duties of the Board shall include, but shall not be limited to, the following:

X (a) Operation, care, upkeep and maintenance of the common elements;

(b) Collection of monthly assessments from the Apartment owners;

X (c) Employment and dismissal of the personnel necessary for the maintenance, repair, replacement and operation of the common elements;

(d) Keeping of detailed accurate records of the receipts and expenditures affecting the common elements specifying and itemizing the maintenance and repair expenses of the common elements and any other expenses incurred. Such records and vouchers authorizing payment shall be available for examination by the Apartment owners or other owners of interest in the Project at convenient hours of weekdays.

(e) Obtaining of insurance for the Project, including the Apartments, pursuant to the provisions of the Declaration;

X (f) Making of repairs, additions and

improvements to or alterations of common elements of the Project and repairs to and restoration of common elements of the Project in accordance with the other provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(g) Determination of common expenses and fixing of common charges.

(h) Any other actions in the interest and for the benefit of the Project and the Association which from time to time may be necessary.

3. Additions, Alterations, or Improvements by the Board. No additions, alterations, or improvements costing in excess of Ten Thousand Dollars (\$10,000.00), shall be made without prior approval of the owners of Apartments having appurtenant thereto a majority of the total common interests. Any additions, alterations, or improvements costing Ten Thousand Dollars (\$10,000.00) or less may be made by the Board without approval of the Apartment owners and the cost thereof shall constitute part of the common expenses.

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4. Managing Agent and Manager. The Board may employ for the Association a management agent or manager, at a compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to the duties listed in Section 2 of this Article. The duties conferred upon the management agent or manager by the Board may at any time be revoked, modified or amplified by the owners of interests in the Project to which are appurtenant, in the aggregate, a majority of the total undivided interest in the common elements, at a duly constituted meeting. The Board may employ any other employee or agent to perform such duties at such salaries as the Board may establish. The management agent shall keep an accurate and current list of members of the Association and their current addresses and also the names and addresses of the vendees under an agreement of sale, if any. Such list shall be maintained at a place designated by the Board of Directors.

5. Election and Term of Office. Election of Directors may be by cumulative voting, if requested by any owner, and shall be by secret ballot at each annual meeting unless waived, or at any special meeting called for that purpose. The directors except as otherwise provided in these By-Laws shall hold office for a period of two (2) years and until their respective successors shall have been elected and qualified, except that at

the first election three of the directors shall be elected for one (1) year, and two of the directors for two (2) years.

6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association. Death, incapacity, or resignation of any Director or his continuous absence from the State of Hawaii for more than six months shall cause his office to become vacant.

✓ 7. Removal. The entire Board of Directors, or any individual director, may be removed from office by a vote of a majority of the Apartment Owners at any meeting called for such purpose; provided, however, that an individual director shall not be removed, unless the entire Board is removed, if the holders of votes sufficient to elect one director by cumulative voting, whose votes shall not have been previously cast at such meeting against the removal of another director, shall vote against his removal. If any or all directors shall be so removed, new directors may be elected at the same meeting for the balance of the term of the director so

removed; provided, however, that if the director or directors so removed were elected by cumulative voting, such new directors shall be elected by cumulative voting.

8. Compensation. No compensation shall be paid to Directors for their services as Directors.

9. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within one week of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided that a majority of the whole Board must be present.

10. Regular Meetings. The Board of Directors shall meet at least once per year and regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings of the Board shall be given to each Director, personally or by mail addressed to his residence, or by telephone, at least fourteen (14) days prior to the day named for such meeting.

11. Special Meetings. Special meetings of the Board may be held upon the call of the President, any Director, or by petition of not less than twelve apartment owners, on fourteen days' notice to each Director, given personally or by mail, addressed to his residence, or by telephone, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

12. Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board, unless he objects to the calling of the same, shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

13. Board of Directors' Quorum. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

14. Bonds. The Board shall require that all officers and employees handling or responsible for Association funds shall furnish adequate bond. The premiums on such bonds shall be paid by the Association.



15. Conflict of Interest. A director shall not vote or cast proxy at any Board meeting on any issue in which he has a conflict of interest.

16. Conduct of Meetings. All meetings shall be conducted in accordance with Robert's Rules of Order or other accepted rules for the conduct of meetings.

### ARTICLE III

#### ASSOCIATION OF OWNERS

1. Annual Meetings. A meeting of the Association shall be held not later than one hundred eighty (180) days after recordation of the first apartment conveyance, provided forty percent (40%) or more of the Project has been sold by the Developer and recorded. If forty percent (40%) of the Project is not sold and recorded at the end of one year, an annual meeting shall be called, provided ten percent (10%) of the Apartment owners so request. The annual meeting of the Association shall be held on the first Wednesday in the second calendar month following the close of the Association's fiscal year, or as soon thereafter as possible; and shall be held at the address of the Project or elsewhere within the State of Hawaii as determined by the Board of Directors.

2. Special Meetings. Special meetings may be held at any time upon the call of owners of Apartments to which are appurtenant, in the aggregate, twenty-five (25%) of the common interest. Upon receipt of such call, the Secretary shall send out notices of the meeting to all members of the Association.

3. Notice of Meetings. A written or printed notice of every meeting of the Association stating whether it is an annual or special meeting, the authority for the call of the meeting, the place, day and hour thereof, the items on the agenda of such meeting, and containing a standard proxy form authorized by the Association, if any, shall be given by the Secretary or the person or persons calling the meeting at least fourteen (14) days before the date set for such meeting. Such notice shall be given to each member in any of the following ways: (a) by leaving the same with him personally, or (b) leaving the same at the residence or usual place of business of such member, or (c) by mailing it, postage prepaid, addressed to such member at his address as it appears on the records of the Association. If notice is given pursuant to the provisions of this section, the failure of any member to receive actual notice of the meeting shall in no way invalidate the meeting or any proceedings thereat. All meetings of the Association shall be held at the address of the Project, or elsewhere within the State of Hawaii as determined by the Board of Directors.

4. Waiver of Notice. The presence of a quorum of members, in person or by proxy, at any meeting shall render the same a valid meeting, unless any member shall, at the opening of such meeting, object to the holding of the same for noncompliance with the provisions of Section 3 of this Article III. Any meeting so held without objection shall, notwithstanding the fact that no notice of meeting was given, or that the notice given was improper, be valid for all purposes, and at such meeting any general business may be transacted and any action may be taken.

5. Quorum. At any meeting of the Association, the owners of Apartments in the Project to which are appurtenant, in the aggregate, a majority of the total interest in the common elements, present in person or by proxy, shall constitute a quorum, and the concurring vote of said majority shall be valid and binding upon the Association, except as otherwise provided by law or these By-Laws. "Majority" as used herein, means more than fifty (50%) percent.

6. Voting. Voting shall be on a percentage basis, and the percentage of the total vote to which the owner of any Apartment is entitled shall be the percentage assigned to such Apartment in accordance with the Declaration. Any specified percentage of the owners means the owners of interests to which are appurtenant such percentage of the common interests as are established in accordance with the Declaration. Any person,

firm, corporation, trust or other legal entity or a combination thereof, owning any Apartment in the Project shall be a member of the Association, and either in person or by proxy entitled to vote the percentage of vote assigned to each Apartment so owned at all meetings of the Association. Any provision to the contrary notwithstanding co-owners or joint owners as herein described shall be deemed one owner entitled to the percentage vote allocated to their Apartment. The exercise of the aforementioned vote by the co-owners or joint owners shall be pursuant to Paragraph 7 herein.

7. Voting-Proxies and Pledges. The authority given by a member to another person to represent such member at meetings of the Association shall be in writing, signed by such member or if a unit is jointly owned then by all joint owners, or if such member is a corporation, by the proper officers thereof, and shall be filed with the Secretary. The proxy forms may designate any person as proxy and may be limited as the apartment owner desires and indicates. An executor, administrator, guardian or trustee may vote in person or by proxy at any meeting of the Association with respect to any Apartment owned or held by him in such capacity, whether or not the same shall have been transferred to his name by a duly recorded conveyance. In case such Apartment shall not have so been transferred to his name, he shall satisfy the Secretary that he is the executor, administrator, guardian or trustee holding such Apartment in such capacity.

Whenever any such Apartment is owned by two or more persons, natural or legal, jointly, according to records at the Office of the Assistant Registrar, State of Hawaii, the vote therefor may be exercised by any one of the owners present in the absence of protest by the other or others. In the event of protest, the vote shall be divided among the co-owners present according to each of their respective ownership interest. A proxy form which accompanies a notice for any meeting shall be valid only for that meeting and its adjournment and no other.

8. Adjournment. Any meeting of the Association may be adjourned from time to time to such place and time as may be determined by majority vote of the members present, whether a quorum be present or not, without notice other than the announcement of the meeting. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

9. Conduct of Meetings. All meetings shall be conducted in accordance with Robert's Rules of Order or other accepted Rules for the conduct of meetings.

10. Agreement of Sale and Land Trusts. Unless otherwise specified in the pertinent documents, the Vendee named in an Agreement of Sale and the beneficiary named in a Land Trust for an Apartment in the Project shall be considered to be the owner for all purposes of this Article.

11. Audit. The members of the Association may require, by vote, at the annual meeting, a yearly audit of the Association's books by a certified public accountant.

#### ARTICLE IV

##### MINUTES

1. Examination. The minutes of the Board of Directors, and the Association of Apartment Owners shall be available for examination by apartment owners at convenient hours at a place designated by the Board.

#### ARTICLE V

##### OFFICERS

1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors, and with respect to the office of President, from the Board of Directors. The Directors may appoint an assistant treasurer, an assistant secretary, and such other officers as they in their judgment deem necessary.

2. Election of Officers. The officers of the Association shall be elected annually by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

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

4. President. The President shall be the chief executive officer of the Association and a member of the Board. He shall preside at all meetings of the

Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of an Association, including but not limited to the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5. 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 some other member of the Board to so do on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

6. Treasurer. The Treasurer shall keep the financial records and books of account and shall supervise the management agent's or manager's custody of all funds of the Association, maintenance of accounts and records thereof, and preparation of final reports thereof.

7. Secretary. The Secretary shall attend and keep the minutes of all meetings of the Board and of the Association, shall give all notices as provided by these By-Laws, and shall have such other powers and duties as may be incidental to the office of Secretary, given him by these By-Laws or assigned to him from time to time

by the Directors. If the Secretary is not present at any meeting, the presiding officer shall appoint a secretary pro tempore who shall keep the minutes of such meeting and record them in the books provided for that purpose.

8. Auditor. The Association may at any meeting appoint a certified public accountant engaged in the business of auditing to act as auditor of the Association and to perform such audits and fiscal duties as may be requested of him by the Association.

#### ARTICLE VI

##### OBLIGATIONS OF THE OWNERS

1. Determination of Common Expenses and Fixing of Common Charges. The Board shall from time to time, and at least annually, prepare a budget for the Project, determine the amount of the common charges payable by the owners to meet the common expenses of the Project, and allocate and assess such common charges among the owners according to their respective common interests. The common expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board pursuant to the Declaration, and reasonable attorney's fees and costs related to enforcement of collection for common expenses, over and above the interest provided hereinbelow. The Board shall advise all owners, promptly, in writing, of the amount of common charges payable by each of them, respectively



as determined by the Board. Such charge shall be due and payable monthly in advance on the first day of every month, shall bear interest at the rate of twelve percent (12%) per annum ten (10) days after due date until paid, and with such interest shall be a lien on the entire condominium interest of the delinquent owner, assessed prior in right to all other charges whatsoever except that such lien shall be: (1) subordinate to assessments, liens and charges in favor of the State of Hawaii for taxes past due and unpaid on such Apartment or other interest, and (2) subordinated to the lien of any mortgage instrument duly recorded. Said expenses and assessments shall be reviewed periodically by the Board of Directors to determine if any adjustment of the charges are necessary.

2. Maintenance and Repair.

(a) All maintenance of and repairs to any Apartment, ordinary or extraordinary, (other than maintenance of and repairs to any common elements contained therein) shall be made by the owner of such Apartment, except as such repairs may be covered by insurance. All maintenance, repairs and replacements to the common elements, whether located inside or outside of the Apartments, shall be made by the Board and be charged to all the Apartment owners as a common expense unless the same results from the negligence, misuse or neglect by an

Apartment owner and is not covered by insurance, in which case such Apartment Owner shall reimburse the Association for the cost thereof.

(b) Any and all improvements by an Apartment Owner which will affect the exterior appearance, structural integrity, or infringe upon any common elements of the building, must first obtain written approval for said improvements from the Board of Directors.

4. Representation. The Manager, subject to the direction of the Board, shall represent the Association or any two or more owners similarly situated as a class in any action, suit, hearing or other proceeding concerning the Association, the common elements or more than one Apartment, and on its or their behalf may institute, defend, intervene in, prosecute and settle any such actions, suits and proceedings, without prejudice to the rights of any owners individually to appear, sue or be sued. Service of process on two or more owners in any such action, suit or proceeding may be made on the Manager.

5. Foreclosure of lien. In any suit to foreclose a lien against any owner of any Apartment, the Association may be represented through its Manager or Board in like manner as any mortgagee of real property. The Manager or Board acting on behalf of the Apartment owners, shall have the power to bid for and acquire any such Apartment at the foreclosure sale. The delinquent owner shall be required to pay to the Association all its costs and reasonable attorney's fees without foreclosing or waiving the lien securing the same.

6. House Rules. Two-thirds of the Board may, from time to time, adopt, amend, modify, and/or revoke in full or in part, such reasonable rules and regulations, to be called House Rules, governing the conduct of persons using the Project as it may deem necessary. Copies of such House Rules, upon adoption, amendment, modification, and/or revocation thereof shall be delivered to each Apartment in the Project and shall be binding upon all members of the Association, occupants of the Apartment, and other users of the premises.

8. Title. Every owner shall promptly cause to be duly recorded in the Office of the Assistant Registrar, Land Court, State of Hawaii, the deed, assignment or other conveyance to him of his Apartment or other evidence of his title thereto. Such evidence of title must also be filed with the Manager who shall maintain such information in the record of ownership of the Association.

9. Mortgages. Any mortgagee of an apartment may file a copy of his mortgage or send a certified copy of a letter indicating the recording date thereof and giving the names of the parties, Apartment and other pertinent data, with the Manager who shall maintain such information in the records of ownership of the Association. After such filing, the Board, through its Manager, shall notify the mortgagee of any Apartment owner who is in default in his common expense contribution. The mortgagee, at his option, may pay the delinquent expenses.

#### ARTICLE VII

##### EXECUTION OF INSTRUMENTS

1. Instruments Generally. All checks, drafts, notes, bonds, acceptances, contracts, and all other instruments, except conveyances shall be signed by such person or persons as shall be provided by general or special resolution of the Board, and in the absence of any such resolution applicable thereto such instrument shall be signed by the President or the Vice President and by the Treasurer or Secretary or Assistant Treasurer or Assistant Secretary.

ARTICLE VIII

LIABILITY OF OFFICERS

1. Exculpation. No Director or Officer of the Association or Board shall be liable for acts or defaults of any other Director, Officer or other member or for any loss sustained by the Association except for willful misconduct or willful negligence.

2. Indemnification. Every Director, Officer and Member of the Association shall be indemnified by the Association against all reasonable costs, expenses, and liabilities (including attorneys' fees actually and necessarily incurred by or imposed upon him in connection with any claim, action, suit, proceedings, investigation, or inquiry of whatever nature in which he may be involved as a party or otherwise by reasons of his having been a Director, Officer, or Member of the Association or Board, whether or not he continues to be such Director, Officer, or Member at the time such costs, expenses, or liabilities are incurred or imposed except in relation to matters as to which he shall be finally adjudged, in such action, suit, proceeding, investigation, or inquiry, to be liable for willful misconduct, or willful negligence toward the Association in the performance of his duties, or in the absence of such final adjudication, any determination of such liability by the opinion of legal counsel selected by the Association. The foregoing right to indemnification shall be in

addition to and not in limitation of all other rights to which such person may be entitled as a matter of law and shall inure to the benefit of the legal representatives of such person.

#### ARTICLE IX

##### BY-LAWS

1. Amendment. These By-Laws may be amended, modified, or revoked in any respect not contrary to law from time to time by the owners of interests in the Project to which are appurtenant, in the aggregate, seventy-five percent (75%) of the common interests, at a meeting duly called for such purpose, provided that any and all amendments shall conform to Section 514A-82, Hawaii Revised Statutes, in all instances. No amendment to the By-Laws shall be effective until set forth in an amendment to the Declaration duly recorded in the Bureau of Conveyances, State of Hawaii.

2. Conflict. In the event of any conflict between these By-Laws and the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, the latter shall govern and apply.

ADOPTION OF BY-LAWS

The undersigned hereby adopts the foregoing as  
the By-Laws of the Association of Apartment Owners of  
PUNAHOU ROYALE, this 1st day of August, 1980.

PUNAHOU ROYALE

By *Richard Long* ✓

Its Managing Director

Fee Owner