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**FIRST AMENDMENT TO BY-LAWS OF
KAWELA PLANTATION HOMEOWNERS' ASSOCIATION**

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This FIRST AMENDMENT TO BY-LAWS OF THE KAWELA PLANTATION HOMEOWNERS' ASSOCIATION ("*First Amendment*") is made effective as of October 30, 2007 by the Board of Directors (the "*Board*") of KAWELA PLANTATION HOMEOWNERS' ASSOCIATION, a Hawaii nonprofit corporation (the "*Association*"), whose mailing address is P.O. Box 28, Kaunakakai, Hawaii 96748.

BACKGROUND:

A. The Declaration of Covenants and Restrictions (the "*Declaration*") dated April 30, 1981, was filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 1065768 and noted on Transfer Certificate of Title No. 222,529 subjecting the Kawela Plantation (the "*Project*") to certain protective covenants and restrictions;

B. The By-Laws of Kawela Plantation Homeowners' Association (the "*By-Laws*") dated _____ 1980, were adopted by the signers of the Petition for Charter of Incorporation of Kawela Plantation Homeowners' Association;

C. Pursuant to Article VI, Section 1, the Board has the power to alter, amend or repeal the By-Laws, subject to repeal or change by action of the not less than seventy-five percent (75%) of the owners in the Project (the "*Owners*") at a duly called and held meeting;

D. A majority of the Owners who voted at a duly called and held Special Meeting voted to pursue termination of the Maintenance Trust Agreement dated January 19, 1981 ("*Maintenance Trust*") and to use the remaining principal to establish into a capital reserve fund;

E. Pursuant to Order Granting Petition for Termination and Reformation of Trust entered October 30, 2007 in Circuit Court of the Second Circuit of the State of Hawaii in the matter of Maintenance Trust Agreement Dated January 19, 1981 (T No. 07-1-0005 (2)), the Maintenance Trust was terminated on October 30, 2007.

F. A "Full" Reserve Study prepared on October 22, 2004, which was subsequently updated by an updated reserve study prepared on January 26, 2007, concluded that there are ample initial funds to keep a capital reserve fund funded at 100% or more provided a multi-year funding plan is established; and

G. The Board desires to amend the By-Laws as set forth herein.

AMENDMENT:

NOW, THEREFORE, the Board hereby amends the By-Laws in the following particulars:

1. Amend ARTICLE III of the By-Laws to add the following:

Section 5. Duties Concerning Budget and Capital Reserves.

a. Not less than once every five (5) years, the Board shall obtain a full, independent reserve study, which includes an analysis of the physical condition and repair, and replacement costs of the Capital Improvements, a financial analysis of the Capital Reserves, and a recommended funding plan that at minimum covers the following thirty (30) year period ("*Reserve Study*"). The Reserve Study shall be used as the basis for estimating yearly Capital Expenditures and Capital Reserve assessments.

b. The Board shall make available to the Owners the Reserve Study or a summary thereof at least fourteen (14) days prior to the annual meeting of the Association.

c. The Board shall assess the Owners to maintain one hundred percent (100%) of the estimated Capital Reserves under a cash flow plan. For each fiscal year, the Association shall collect the amount assessed to fund the estimated Capital Reserves for that fiscal year; except that the Association may fund in increments, over three years, Capital Reserves that have been substantially depleted by an Emergency.

d. In accordance with the recommended funding plan in a current Reserve Study, the Board shall set and report to the Owners the capital contributions for the next fiscal year, taking into consideration any carryover from the previous fiscal year and any expected income. The Board's report shall include:

- (i) Information that the Capital Reserves budget has been prepared on a cash basis;
- (ii) The total Capital Reserves of the Association as of the date of the budget;
- (iii) The estimated Capital Reserves the Association will require to maintain the Capital Improvements based on a current Reserve Study;
- (iv) The estimated Capital Expenditures for the next fiscal year;
- (v) A general explanation of how the estimated Capital Reserves are computed; and

(vi) The amount the Association must collect for the next fiscal year to fund the estimated Capital Reserves.

e. Any Capital Expenditure exceeding \$75,000 that has not been included as an estimated Capital Expenditure within the report for the applicable fiscal year must be approved by an affirmative vote of the majority of the quorum present in person or by proxy at a meeting of the members of the corporation duly called and held.

g. The Capital Reserves shall be managed conservatively, stressing income and preservation of capital. No more than twenty percent (20%) of the Excess Capital Reserves may be invested in conservative dividend paying stocks and no more than thirty percent (30%) of the Excess Capital Reserves may be invested in AA or AAA corporate or municipal bonds. The balance of the Capital Reserves may be invested in money market accounts, certificates of deposit and treasury bonds or notes.

h. The Board shall appoint an investment subcommittee of the finance committee. This subcommittee shall develop investment criteria and specific recommendations for investments subject to finance committee and Board approval. In the alternative, the Board may employ or retain an institutional custodian to manage and invest the Capital Reserves.

i. Neither the Association nor any Owner, director, officer, managing agent, or employee of the Association who makes a good faith effort to calculate the estimated Capital Reserves for the Association shall be liable if the estimate subsequently proves incorrect.

j. As used in this Article III, Section 5:

(i) "Capital Improvement" means all equipment, structures and improvements that the Association is obligated to maintain, including, but not limited to, wells, pumps, motors, reservoirs, water systems, club house, park fixtures, base yards, buildings, other equipment and other facilities.

(ii) "Capital Expenditure" or "Capital Expenditures" means any expense exceeding \$1,000 that results from the purchase or replacement of a Capital Improvement whose life is greater than one year, or the addition of an asset that extends the life of an existing Capital Improvement for a period greater than one year.

(iii) "Emergency" means any extraordinary or unexpected expense necessary to repair or maintain any part of the property for which the Association is responsible.

(iv) "Capital Reserves" means funds for the upkeep, repair, or replacement of the Capital Improvements, in whole or in part.

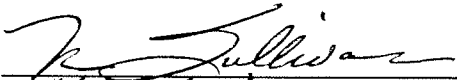
(v) "Excess Capital Reserves" means the amount of Capital Reserves in excess of the amount estimated by the Board necessary to maintain one hundred percent (100%) funding of the Capital Reserves budgeted for expenditure by the Board during the current fiscal year.


2. The By-Laws are further amended to conform to this First Amendment. The By-Laws, as herein amended, are hereby confirmed and ratified.

3. The Board of Directors of the Association hereby confirm that a majority of the Owners of the Project who voted at a duly called and held special meeting approved of converting the Maintenance Trust into a capital reserve fund.

IN WITNESS WHEREOF, the Board has executed this First Amendment as of April 18, 2008.

BOARD OF DIRECTORS OF THE KAWELA
PLANTATION HOMEOWNERS'
ASSOCIATION

By 
Maria Sullivan
Its Director - *President*

By 
Thomas DeCourcy
Its Director - *Vice President*

STATE OF HAWAII

)
) SS:

COUNTY OF MAUI

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On this 18th day of April, 2008, before me appeared Maria Sullivan, to me personally known, who, being by me duly sworn or affirmed did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable, in the capacity shown, having been duly authorized to execute such instrument in such capacity.

CS

Signature: [Handwritten Signature]
Name: Linda H. Kina
Notary Public, State of Hawaii
My commission expires: 10-29-2008

STATE OF HAWAII

)
) SS:

COUNTY OF MAUI

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On this 18th day of April, 2008, before me appeared Thomas Delourey to me personally known, who, being by me duly sworn or affirmed did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable, in the capacity shown, having been duly authorized to execute such instrument in such capacity.

CS

Signature: [Handwritten Signature]
Name: Linda H. Kina
Notary Public, State of Hawaii
My commission expires: 10-29-2008