

3rd AMMENDED and REVISED BYLAWS

OF THE

GARDEN ISLE RACING ASSOCIATION

A Hawaii Nonprofit Corporation

TABLE OF CONTENTS

ARTICLE 1	NAME AND OFFICES/DEFINITIONS	1
1.1	Name	1
1.2	Principal Office	1
1.3	Other Offices	1
1.4	Definitions	1
ARTICLE 2	PURPOSE	1
ARTICLE 3	MEMBERSHIP.....	1
3.1	Eligibility	1
3.2	Classes of Members.....	1
3.3	Annual Membership Fee and Term of Membership	1
3.4	Expulsion from Membership	2
3.5	Withdrawal from Membership	2
3.6	Effect of Termination of or Expulsion from Membership	2
3.7	Inspection Rights of Members.....	2
ARTICLE 4	Meetings of Members	2
4.1	Annual Meeting	2
4.2	Special Meeting	2
4.3	Notice of Meeting	3
4.4	Voting	3
4.5	Quorum.....	3
4.6	Member Approval of Certain Actions	3
ARTICLE 5	DIRECTORS	3
5.1	Number of Directors and Eligibility	3
5.2	Powers	3
5.3	Election and Term of Office	4
5.4	Resignation	4
5.5	Removal.....	4
5.6	Vacancies.....	5
5.7	Annual Meeting of the Board of Directors	5
5.8	Regular Meetings.....	5
5.9	Special Meetings	5
5.10	Place of Meetings	5
5.11	Telephonic Participation.....	5
5.12	Notice of Meetings	5
5.13	Waiver of Notice	5
5.14	Action without Meeting.....	6
5.15	Quorum.....	6
5.16	Adjournment.....	6
5.17	Inspection Rights	6
5.18	Fees and Compensation	6
5.19	General Terms Applicable to Meetings of the Board of Directors	6
ARTICLE 6	COMMITTEES.....	7
6.1	Executive and Other Committees of the Board of Directors	7
6.2	Minutes and Reports	7
6.3	Meetings	7
6.4	Term of Office of Committee Members	7
ARTICLE 7	OFFICERS	7
7.1	Officers	7
7.2	Election and Term	7

7.3	Subordinate Officers.....	7
7.4	Resignation.....	7
7.5	Vacancies.....	7
7.6	President.....	8
7.7	Vice-President.....	8
7.8	Secretary.....	8
7.9	Treasurer.....	8
7.10	Compensation.....	8
ARTICLE 8	BOOKS AND RECORDS.....	9
8.1	Books and Records.....	9
8.2	Form of Records.....	9
ARTICLE 9	CONTRACTS, LOANS, ETC.....	9
9.1	Execution of Contracts.....	9
9.2	Loans.....	9
9.3	Checks, Drafts, Etc.....	9
9.4	Deposits.....	9
ARTICLE 10	INDEMNIFICATION OF DIRECTORS AND OFFICERS.....	9
10.1	Indemnification by Association.....	9
10.2	Advancing Expenses.....	10
10.3	Insurance.....	11
ARTICLE 11	INVESTMENTS.....	11
11.1	Standards.....	11
11.2	Retention of Property.....	11
11.3	Violations.....	11
ARTICLE 12	DISTRIBUTION OF INCOME AND PROHIBITED ACTIVITIES.....	11
ARTICLE 13	FISCAL YEAR.....	11
ARTICLE 14	AMENDMENTS.....	11
14.1	Amendments.....	11
14.2	Conflicts.....	12
ARTICLE 15	ROBERT'S RULES.....	12

ARTICLE 1 NAME AND OFFICES/DEFINITIONS

1.1 Name

This corporation shall be known as the GARDEN ISLE RACING ASSOCIATION (hereinafter referred to as the "Association").

1.2 Principal Office

The principal office of the Association shall be P O BOX 1867, KAPAA Hawaii 96746, United States of America County of Kaua'i, State of Hawai'i. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another within said County.

1.3 Other Offices

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places.

1.4 Definitions

"Articles" means the Articles of Incorporation of the Garden Isle Racing Association.

"Board" or "Board of Directors" shall mean the Board of Directors of the Association.

"Bylaws" mean the Bylaws of the Garden Isle Racing Association.

"Association" means the Garden Isle Racing Association.

"Association Documents" means the Articles and Bylaws.

ARTICLE 2 PURPOSE

The specific purpose of the association is to educate and assist men, women and children about automobile safety, and especially to discourage unsafe and reckless driving on public roads by promoting and operating safe, sanctioned, legal, off-public-street automobile and motor vehicle contests and recreational events.

ARTICLE 3 MEMBERSHIP

3.1 Eligibility

Any individual, partnership, joint venture, corporation, limited liability company, political entity or other person or legal entity shall be eligible for membership in the Association. Any person or entity applying for membership becomes a member after paying the current annual membership fee.

Membership in the Association shall be without regard to an applicant's race, gender, religion, income, marital status or nationality. No person or entity may hold more than one (1) membership in this Association.

3.2 Classes of Members

There shall only be one class of membership in the Association.

3.3 Annual Membership Fee and Term of Membership

The Association shall charge members an annual membership fee. Such fee may be changed from time to time by the Board of Directors.

Membership starts immediately upon payment of this fee and continues through the end of the current fiscal year and up to the start of the Association's first organized event of the next fiscal year, e.g. the first race of the next season. Membership is automatically extended upon payment of the annual membership fee for the next fiscal year.

Membership is automatically terminated if the member fails to timely pay the annual membership fee.

Membership is automatically terminated if the member dies, legally dissolves, or legally ceases to exist;

3.4 Expulsion from Membership

At any time if a member has, as determined by the Board of Directors by resolution, (i) intentionally or repeatedly violated any Bylaw of this Association, or (ii) failed in any material respect to comply with its policies, rules or any other agreement with this Association, or (iii) willfully and illegally obstructed any lawful purpose or activity of this Association; then, in any such event, the Board of Directors may, by two-thirds (2/3) vote at any validly held board meeting, expel the member. The member against whom the charges are to be proffered shall be informed thereof in a writing delivered at least ten (10) days prior to the meeting of the Board of Directors where such member's termination is to be considered. Such member shall have the opportunity to be heard at said meeting in person or by counsel, and to present evidence.

3.5 Withdrawal from Membership

A member may withdraw from membership, at any time by giving written notice to this Association, in which event such membership shall terminate at the time of the Association's receipt of such notice.

3.6 Effect of Termination of or Expulsion from Membership

Upon termination of or expulsion from membership all voting rights and other rights of membership shall automatically cease.

3.7 Inspection Rights of Members

Every member shall have the right at any time to inspect, copy and make extracts of, in person or by agent or attorney, all books, records and documents of the Association as specified below.

A. The most recent financial statements of the Association and the minutes of all meeting of the Board of Directors and all Board Committees shall be made available for examination at every official event of the association, e.g. at every race and member meeting.

B. All financial statements, general ledgers, accounts receivable ledgers, accounts payable ledgers, check ledgers, insurance policies, contracts, invoices of the Association for the current and prior years, shall be made available for examination by members upon request.

Without limitation, books and records kept by or on behalf of the Association may be withheld from inspection and copying to the extent that they concern:

- (1) Personnel records;
- (2) An individual's medical records;
- (3) Any records, the release of which could be a violation of any law, ordinance, rule, or regulation.

Requests for items specified in this subsection (B) must be presented to the Secretary of the Association in writing and must be specific. The Secretary must produce the requested documents within thirty (30) days.

ARTICLE 4 Meetings of Members

4.1 Annual Meeting

The annual meeting of the members of this Association shall be held on the island of Kauai on a date and at a time and place fixed by the Board of Directors. The meeting will be held for the purposes of reviewing the financial progress of the Association and transacting any other business as may be designated in the Notice of Meeting.

4.2 Special Meeting

Special meetings of the members of this Association shall be held on the island of Kauai at the place specified in the notice of the meeting. Any such special meeting may be called by (i) the Board of Directors, (ii) the Chairman, or (iii) 15% of all members. Each call for a special meeting shall be in a written notice signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the purpose or purposes of such meeting. Upon receipt of such a notice of demand for special meeting, executed and delivered in accordance with this Section, the Board of Directors shall cause such special meeting to be held within thirty (30) days after said receipt.

No business shall be transacted at special meetings other than that referred to in the notice.

4.3 Notice of Meeting

Written notice of every annual or special meeting of the members shall be prepared and mailed postage prepaid to the last known post office address of each member not less than fifteen (15) days before such meeting.

Additional notice of annual or special meetings may also be by such other reasonable means (e.g. other media advertising and/or announcements at association events) as the Board of Directors may determine is appropriate. All such notices shall state the time and place of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

4.4 Voting

Each member shall be entitled to one vote upon each matter submitted to a vote at a meeting of the members. Voting by proxy and cumulative voting shall not be permitted. A member absent from any meeting may submit a written vote on any item, motion, resolution or amendment to be acted upon at such meeting, provided that such a written vote has been specifically authorized by the Board of Directors for that item, motion, resolution or amendment.

Such written vote must be cast on a ballot prepared for that purpose by the Board of Directors. It shall be cast by delivery of such ballot to the Secretary, or the Secretary's designee, by the day of the meeting at which the vote is to be taken, or deposited in a ballot box at that meeting, or cast by appropriate electronic means as approved by the Board of Directors.

Ballots shall be counted by a party not running for election to the board, selected by the Board of Directors for that purpose, which third party shall certify the results to the Board.

4.5 Quorum

Except for any motions, resolutions or amendments for which the Board of Directors may have specifically authorized a written vote, fifteen percent (15%) of the members shall constitute a quorum necessary to the transaction of business to be voted on by the members at any annual or special meeting of the members.

4.6 Member Approval of Certain Actions

Upon the vote of a majority of the Directors, or by the written petition of fifteen percent (15%) percent of all members, such petition to be delivered to the Chairman no more than twenty (20) business days after minutes documenting an action taken by the Association's Board of Directors are made available for member inspection, such action shall be submitted to the members for approval in a manner determined by the Board of Directors; provided, however, that the rights of third parties which have vested between the time such action was approved by the Board of Directors and the approval or disapproval of the members shall not be impaired.

ARTICLE 5 DIRECTORS

5.1 Number of Directors and Eligibility

This Association shall have a Governance Board of Directors (the "Board of Directors") comprised of at least six (6) and no more than fifteen (15) voting Directors selected when and in the manner hereinafter provided, each of whom shall be an individual member or the designated representative of a member of the Association which is a partnership, joint venture, corporation, limited liability company, political entity or other legal entity. The Board of Directors may establish reasonable skills, experience and background requirements for being eligible to serve or continuing to serve as a Director. In the case where a member is not an individual, the Board of Directors shall have the authority to establish reasonable policies and procedures for designation of the representative of that member eligible to serve on the Board of Directors.

5.2 Powers

Subject to the limitations stated in the Articles, these Bylaws and the Hawaii Nonprofit Corporation Act, and subject to the duties of Directors as prescribed by the Hawaii Nonprofit Corporation Act, all corporate powers shall be exercised by or under the direction of, and the business and affairs of the Association shall be managed by, the

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Board of Directors. The individual directors shall act only as members of the Board of Directors, and individual directors shall have no power as such. Without prejudice to the generality of the foregoing the Board of Directors shall have power and duty:

- A. To exercise for the Association all powers, duties and authority vested in or delegated to this Association not reserved to the membership by other provisions of these Bylaws or the Articles;
- B. To declare that a director may be removed for cause in the event such director shall be absent from three (3) consecutive regular meetings of the Board of Directors;
- C. To employ and remove all agents, employees, independent contractors or such other persons as they deem necessary, prescribe their duties and fix their compensation;
- D. To set reasonable fees for members and non-members to participate in Association events and otherwise insure the financial health of the Association, consistent with the non-profit status of the Association.
- E. To cause to be kept a complete record of all its acts and corporate affairs.
- F. To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;
- G. To procure and maintain adequate liability insurance, and to procure adequate hazard insurance on any property owned by the Association or for any activities operated by the association; and
- H. To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate.

5.3 Election and Term of Office

Directors shall be elected for a term of three (3) years by a majority of the voting interests of the Members. Annually, approximately one third (1/3) of the total number of directors shall be elected each year. A director shall hold office until the earlier of (1) the expiration of the term for which such director was elected and either such director's successor is elected and qualified or the Board of Directors declares such director's position to be vacant, or (2) the death, resignation or removal of the director.

For the fiscal year immediately after the adoption of the 2nd amended and revised, i.e. for the fiscal year for which directors were elected using the rules of previous bylaws to a one year term, the board will through resolution assign one (1), two (2) or three (3) year terms to the duly elected directors such that approximately one third (1/3) of the total number of directors fixed by the Board of Directors shall be elected each year.

Nomination for election to the Board of Directors shall be made in writing by any Member. Nominations must open at least 60 days before, and must remain open until no more than 30 days before ballots are provided to members to vote.

Election to the Board of Directors shall be by vote of the Members. The administration of the election shall be the responsibility of the Board of Directors, who will choose an appropriate method, either: a written ballot mailed to members, a vote at a meeting of the members, or some other appropriate method. The Board of Directors will accommodate all reasonable requests from members to observe the election processes, including, but not limited to, distributing ballots and counting ballots.

5.4 Resignation

Any director may resign at any time by giving written notice of such resignation to the President, the Secretary or the Board of Directors of the Association. Such resignation shall take effect at the time specified in the notice; provided, however, that if the resignation is not to be effective upon receipt of the notice by the Association, the Association must accept the effective date specified. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

5.5 Removal

Directors may be removed only by unanimous written consent of other directors. The only cause for such action is if the director misses three (3) or more consecutive Board meetings without being excused from attendance by the Board for good cause.

5.6 Vacancies

A vacancy in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any director or if the Board of Directors declares vacant the position of any director whose term has expired.

Vacancies on the Board of Directors may be filled by two-thirds (2/3) vote of the Board of Directors. The term of a director so elected shall be the unexpired portion of the term of the director being replaced. A sitting director may be elected to take a vacant director position, and in so doing would serve the time remaining in the vacant term. In such a case the director's original term would immediately become vacant.

5.7 Annual Meeting of the Board of Directors

The annual meeting of the Board of Directors shall be held at such time and place as the Board shall designate. At such annual meeting, the Board of Directors shall transact such business as may be appropriate.

5.8 Regular Meetings

The Board of Directors may establish the time and place for the holding of regular meetings of the Board of Directors.

5.9 Special Meetings

Special meetings of the Board of Directors shall be held whenever called by the President or any two (2) directors of the Association.

5.10 Place of Meetings

Meetings of the Board of Directors shall be held at any place within the County of Kauai which may be designated in the notice of the meeting, or, if not stated in the notice or if there is no notice, designated by resolution of the Board of Directors.

5.11 Telephonic Participation

Members of the Board of Directors may participate in a regular or special meeting through use of conference telephone or other electronic communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section constitutes presence in person at such meeting.

5.12 Notice of Meetings

Reasonable notice of the time and place of all meetings of the Board of Directors shall be delivered personally to each director or sent to each director by regular mail or electronic mail at least seven (7) days prior to the time of the holding of the meeting. For purposes of determining whether such seven (7) day requirement has been satisfied, the day of the meeting and the day notice is given shall each be counted as one (1) full day regardless of the time of the day the meeting is held or the notice is given. Each notice shall be deemed given to a director when deposited, with postage thereon prepaid, in the United States post office, or sent by electronic mail with confirmation of receipt, and addressed to such director at the respective regular mail or electronic mail address designated by him or her for that purpose or, if none is designated, at his or her last known address. Such notice may be given by the Secretary of the Association or by the persons who called said meeting. Such notice need not specify the purpose of the meeting, unless the meeting is to consider the removal of a director, an amendment to the Association's bylaws, or as may otherwise be required by these Bylaws. Notice shall not be necessary if appropriate waivers, consents or approvals are filed in accordance with these Bylaws.

5.13 Waiver of Notice

Notice of a meeting need not be given to any director who signs a waiver of notice, or a written consent to holding the meeting or an approval of the minutes of the meeting, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Neither the business to be transacted nor the purpose of any regular or special meeting of the directors, or of a committee of directors, need be specified in any such waiver, consent or approval.

5.14 Action without Meeting

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the immediately subsequent Board meeting, but in no case more than thirty (30) days after the action. Such action by written consent shall have the same force and effect as a unanimous vote of such directors in a board meeting.

5.15 Quorum

A majority of the non-vacant number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be the act of the Board of Directors, unless the Articles, these Bylaws, or the Hawaii Nonprofit Corporation Act specifically requires a greater number. In the absence of a quorum at any meeting or the Board of Directors, a majority of the directors present may adjourn the meeting. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough directors to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum for such meeting.

5.16 Adjournment

Any meeting of the Board of Directors, whether or not a quorum is present, may be adjourned to another time and place by the vote of a majority of the directors present. Notice of the time and place of the adjourned meeting need not be given to absent directors if said time and place are fixed at the meeting adjourned; provided, however, that if the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given, prior to the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

5.17 Inspection Rights

Every director shall have the absolute right at any time to inspect, copy and make extracts of, in person or by agent or attorney, all books, records and documents of every kind and to inspect the physical properties of the Association.

5.18 Fees and Compensation

Directors shall not receive any compensation for their services as directors. Directors may be reimbursed in such amounts as may be determined from time to time by the approval of the Board of Directors for expenses paid while acting on behalf of the Association; provided, however, that no director shall be compensated for travel expenses to attend a Board meeting, membership meeting, or Association event. Nothing herein contained shall be construed to preclude any director from serving the Association in any other capacity as an officer, agent, employee or otherwise and receiving compensation therefore, provided prior disclosure is made in the minutes of a board meeting.

5.19 General Terms Applicable to Meetings of the Board of Directors

All meetings of the Board of Directors shall be open to all Members. Members who are not on the Board of Directors may testify briefly before the meeting, but may not otherwise participate in any deliberation or discussion during the meeting, except at the express invitation of the Board.

The Board of Directors shall meet at least once each year.

No director shall vote by proxy at Board meetings.

A director who has a conflict of interest on any issue before the Board shall not be allowed to vote on such issue.

ARTICLE 6 COMMITTEES

6.1 Executive and Other Committees of the Board of Directors

The Board of Directors may, by resolution adopted by two-thirds (2/3) of the directors then in office (provided a quorum is present), create an executive committee or other committees, consisting of two (2) or more directors and zero (0) or more Members ("Board Committee"). Such Board Committee shall have such power and authority as may be determined by the Board of Directors, subject to the limitations imposed on such power and authority by the Hawaii Nonprofit Corporation Act or the Articles.

6.2 Minutes and Reports

Each committee shall keep regular minutes of its proceedings, which shall be filed with the Secretary. All action by any committee shall be reported to the Board of Directors at the next meeting thereof, and, insofar as rights of third parties shall not be affected thereby, shall be subject to revision and alteration by the Board of Directors.

6.3 Meetings

Except as otherwise provided in these Bylaws, or by resolution of the Board of Directors, each committee shall adopt its own rules governing the time and place of holding and the method of calling its meetings and the conduct of its proceedings and shall meet as provided by such rules.

6.4 Term of Office of Committee Members

Each committee member shall serve at the pleasure of the Board of Directors. Board Committee member terms shall not exceed such committee member's term as a director.

ARTICLE 7 OFFICERS

7.1 Officers

The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer who shall be members of the Board of Directors.

The Association may also have, at the discretion of the Board of Directors, one (1) or more Assistant Secretaries, one (1) or more Assistant Treasurers, and such other officers as may be appointed. One (1) person may hold two (2) or more offices; provided, however, that the Association shall have at least three persons as officers.

7.2 Election and Term

The officers of the Association shall be chosen by vote of the directors and will serve at the pleasure of the Board..

7.3 Subordinate Officers

The Board of Directors may appoint such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are required in these Bylaws or as the Board of Directors may from time to time determine. Such subordinate officers need not be directors or members of the Association.

7.4 Resignation

Any officer may resign at any time by giving written notice to the Association, subject to the rights, if any, of the Association under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

7.5 Vacancies

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

7.6 President

The President shall, if present, preside at all meetings of the Board of Directors and perform such other powers and duties as may be, from time to time, assigned to the President or prescribed by these Bylaws. The President also shall be the General Manager and Chief Executive Officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Association. The President shall be ex officio a voting member of all the standing committees, including the executive committee, if any, and shall have the general powers and duties as may be prescribed by the Board of Directors or by these Bylaws as a member of such committee.

7.7 Vice-President

In the absence or disability of the President, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for such individual by the Board of Directors or these Bylaws.

7.8 Secretary

The Secretary shall keep, or cause to be kept, a book of minutes in written form of the proceedings of the Board of Directors and committees of the Board of Directors. Such minutes shall include all waivers of notice, consents to the holding of meetings or approvals of the minutes of meetings executed pursuant to these Bylaws or the Hawaii Nonprofit Corporation Act.

The Secretary shall give, or cause to be given, notice of all meetings of the Board of Directors required by these Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

7.9 Treasurer

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts in written form or any other form capable of being converted into written form.

The Treasurer shall prepare an annual financial report for the Board and for the members of the Association. The report will be presented to the Board of Directors for timely approval to be presented in its approved form to the members at the Association's general membership meeting. The report, at a minimum, must (a) show the income of the Association, categorized by the type of the source of income, and (b) expenses, categorized by the type of expense. The report must also include (c) an asset and liability statement showing assets and liabilities of the Association, including any amounts deposited in the name of Association, capital equipment with an individual non-depreciated value in excess of \$3000, and any liabilities including unpaid bills and outstanding debts.

In the event the annual membership meeting is near the end of the fiscal year, the report may be presented as an estimate of the Association's year-end position, however if this is the case, a corrected, final version of the approved financial report must be presented to the Board of Directors before the end of the first quarter of the next fiscal year, and filed with the minutes of the Association.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board of Directors. The Treasurer shall reimburse all funds of the Association as may be ordered by the Board of Directors, shall render to the President and directors whenever they request an account of all of the Treasurer's transactions as Treasurer, and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

7.10 Compensation

There shall be no compensation paid to the President, the Vice-President, the Secretary or the Treasurer for the performance of duties described in this Article, provided, however, that subordinate officers who are not members of the Board of Directors and who are hired by the Association to perform work on behalf of the Association may be paid a reasonable compensation.

ARTICLE 8 BOOKS AND RECORDS

8.1 Books and Records

The Association shall keep adequate and correct books and records of accounts and minutes of the proceedings of the Board of Directors and all Board Committees.

8.2 Form of Records

Minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form. If any record subject to inspection pursuant to the Hawaii Nonprofit Corporation Act is not maintained in written form, a request for inspection is not complied with unless and until the Association, at its expense, makes such record available in written form.

ARTICLE 9 CONTRACTS, LOANS, ETC

9.1 Execution of Contracts

The Board of Directors may authorize any officer, employee or agent, in the name and on behalf of the Association, to enter into any contract or execute and satisfy any instrument, and any such authority may be general or confined to specific instances, or otherwise limited.

9.2 Loans

The President or any other officer, employee or agent authorized by the Bylaws or by the Board of Directors may effect loans and advances at any time for the Association from any bank, trust company or other institutions or from any firm, corporation or individual and for such loans and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Association and, when authorized by the Board of Directors so to do, may pledge and hypothecate or transfer assets of the Association as security for any such loans or advances. Such authority conferred by the Board of Directors may be general or confined to specific instances or otherwise limited.

9.3 Checks, Drafts, Etc

All checks, drafts, and other orders for the payment of money out of the funds of the Association, and all notes or other evidences of indebtedness of the Association (collectively referred to as "Negotiable Instruments"), shall be signed on behalf of the Association in such manner as shall, from time to time, be determined by resolution of the Board of Directors. In the absence of such resolution, either the President or Treasurer shall be authorized to sign Negotiable Instruments not exceeding \$5,000.00 in amount. Also, in the absence of such resolution, unanimous consent of the President, Vice-president, Treasurer, and Secretary may authorize Negotiable Instruments not exceeding \$10,000.00 in amount.

9.4 Deposits

The funds of the Association not otherwise employed shall be deposited from time to time to the order of the Association in such banks, trust companies or other depositories as the Board of Directors may select or as may be selected by an officer, employee or agent of the Association to whom such power may from time to time be delegated by the Board of Directors.

ARTICLE 10 INDEMNIFICATION OF DIRECTORS AND OFFICERS

10.1 Indemnification by Association

A. For the purposes of this Article, "agent" means any person who is or was a director, officer, employee, or other agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Association or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes, without limitation, attorneys' fees, any expenses of a completed action or proceeding, and any

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BYLAWS OF THE GARDEN ISLE RACING ASSOCIATION**

A Hawaii Nonprofit Corporation

expenses of establishing a right to indemnification under subsection D or E of this Section.

B. Subject to any limitations contained in the Hawaii Nonprofit Corporation Act, the Association shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Association) by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Association and, with respect to any criminal proceeding, had no reasonable cause to believe the conduct of the person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Association or that the person had reasonable cause to believe that the person's conduct was unlawful.

C. The Association shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the Association to procure a judgment in its favor by reason of the fact that the person is or was an agent of the Association, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in or not opposed to the best interests of the Association. No indemnification shall be made under this subsection C in respect of any claim, issue or matter as to which a director or officer shall have been adjudged to be liable for gross negligence or willful misconduct, or as to which any other person acting on behalf of the Association shall have been adjudged to be liable for negligence or misconduct, in the performance of the person's duty to the Association, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for the expenses which the court shall deem proper.

D. To the extent that an agent of the Association has been successful on the merits or otherwise in defense of any proceeding referred to in subsection B or C above, or in defense of any claim, issue or matter therein, the agent shall be indemnified by the Association against expenses actually and reasonably incurred by the agent in connection therewith.

E. Except as provided in subsection D above, any indemnification under this Section shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subsection B or C. The determination shall be made:

- (1) By the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding; or
- (2) If a quorum is not obtainable, by independent legal counsel in a written opinion; or
- (3) By the court in which the proceeding is or was pending upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application by the agent, attorney or other person is opposed by the Association.

F. No indemnification or advance shall be made under this Section, except as provided in subsection D or subsection E(2) above, in any circumstance where it appears that:

- (1) It would be inconsistent with a provision of the Articles, the Bylaws or an agreement in effect at the time of the occurrence of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- (2) It would be inconsistent with any condition expressly imposed by a court in approving a settlement.

10.2 Advancing Expenses

The Association may advance to each agent the expenses actually incurred (and for which invoices or proof of payment have been submitted) in defending any proceeding referred to in this Article of these Bylaws prior to the final disposition of such proceeding upon receipt of any undertaking by or on behalf of the agent to repay such

amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article of these Bylaws.

10.3 Insurance

The Association shall have power to purchase and maintain insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such a capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under the provisions of the Article.

ARTICLE 11 INVESTMENTS

11.1 Standards

In investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the Association's investments, the Board of Directors shall avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income as well as the probable safety of the Association's capital.

11.2 Retention of Property

Unless limited by the Articles, the Association may continue to hold property properly acquired or contributed to it if and as long as the Board of Directors, in the exercise of good faith and of reasonable prudence, discretion and intelligence, may consider that retention is in the best interests of the Association. No retention of donated assets violates this Article, where such retention was required by the donor in the instrument under which the assets were received by the Association, except that no such requirement may be effective more than five (5) years after the death of the donor.

11.3 Violations

No investment violates this Article by virtue of the investment's speculative character, where the investment conforms to provisions authorizing such investment contained in the instrument or agreement under which the assets were contributed to the Association.

ARTICLE 12 DISTRIBUTION OF INCOME AND PROHIBITED ACTIVITIES

In the event that the Association shall at any time qualify for exemption from tax on corporations within the meaning of Section 501 of the United States Internal Revenue Code, as amended (hereinafter referred to as the "Code"), the Association, so long as it shall be so qualified, shall distribute its income for each taxable year at such time and in such manner as not to subject it to the tax on undistributed income imposed by section 4942 of the Code, and the Association shall not (a) engage in any act of self-dealing as defined in section 4941(d) of the Code, (b) retain any excess business holdings as defined in section 4943(c) of the Code, (c) make any investments in such manner as to subject the Association to any tax under section 4944 of the Code, or (d) make any taxable expenditures as defined in section 4945(d) of the Code. (All references to the "Code" contained herein are deemed to include corresponding provisions of any future United States Internal Revenue Law.)

ARTICLE 13 FISCAL YEAR

Unless changed by a resolution of the Board of Directors, the fiscal year shall begin on January 1 and shall run through December 31 of the same year.

ARTICLE 14 AMENDMENTS

14.1 Amendments

Amendments of these Bylaws may be made by a vote of the members, in a manner specified within these bylaws, with a majority of voting members required to approve the changes.

Amendments to the Bylaws may be made by the Board of Directors.: Notice of intent to consider a change to the

**3rd AMMENDED AND REVISED
BYLAWS OF THE GARDEN ISLE RACING ASSOCIATION**

A Hawaii Nonprofit Corporation

bylaws and notice of the date and time of the Board meeting to consider such bylaws change must be included in the minutes of at least two preceding Board Meetings. The vote of the Board of Directors to amend the Bylaws must be unanimous of all directors in office.

14.2 Conflicts

In the case of any conflict between the Articles and these Bylaws, the Articles shall control.

ARTICLE 15 ROBERT'S RULES

All member meetings and Board of Directors meetings shall be conducted in accordance with the most current edition of Robert's Rules of Order, Newly Revised.

CERTIFICATE OF SECRETARY

I, _____ hereby certify that:

I am the duly acting Secretary of the GARDEN ISLE RACING ASSOCIATION, a Hawaii nonprofit corporation;
and

The foregoing Bylaws comprising twelve (12) pages constitutes the amended Bylaws of said Association as duly adopted by the members of the Association in the election results certified on _____, 20_____.

IN WITNESS WHEREOF, I have hereunder subscribed my name this _____ day of _____,
20_____.

Secretary