

STATE OF HAWAII  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
Business Registration Division  
Honolulu

In the Matter of the Incorporation  
of  
Captive Insurance for Public Agencies Limited

FILED 01/25/2005 03:51 PM  
Business Registration Division  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
State of Hawaii



ARTICLES OF INCORPORATION

01/26/200520018

Of Counsel:

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Honolulu, Hawai'i 96813  
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**ARTICLES OF INCORPORATION**  
**OF**  
**CAPTIVE INSURANCE FOR PUBLIC AGENCIES LIMITED**

THESE ARTICLES OF INCORPORATION, made and entered into by the undersigned:

W I T N E S S E T H :

That Kristinn Gudni Olafsson, Alan S. Fujimoto and Fay S. Okamoto, desiring to incorporate a nonprofit corporation in accordance with the laws of the State of Hawai'i, and to obtain the rights and benefits conferred by said laws upon nonprofit corporations, do hereby form a nonprofit corporation, and make and enter into the following Articles of Incorporation, the terms whereof it is agreed shall be equally obligatory upon those signing this instrument and upon all the parties who from time to time may be directors or officers of the Corporation:

ARTICLE I

Corporate Name

The name of the Corporation is: Captive Insurance for Public Agencies Limited.

ARTICLE II

Principal Office of the Corporation; Name and Address of Agent and Incorporator

The street and mailing address of the Corporation's initial principal office shall be c/o Arthur J. Gallagher Captive Services (Hawaii), 1132 Bishop Street, 16th Floor, Honolulu, Hawaii 96813, and the Corporation's initial registered agent shall be Fay S. Okamoto, and initial registered office shall be 1132 Bishop Street, 16th Floor, Honolulu, Hawaii 96813. The incorporators are Kristinn Gudni Olafsson, whose address is El Monte City School District, 3540 N. Lexington Ave, El Monte, California 91731; Alan S. Fujimoto, whose address is 1099 Alakea Street, Suite 1800, Honolulu, Hawaii 96813 and Fay Okamoto whose address is 1132 Bishop Street, 16th Floor, Honolulu, Hawaii 96813.

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## ARTICLE III

### Corporate Purposes

Section 3.1 Purposes. The Corporation is organized exclusively for the following purposes:

- (1) To be licensed and to transact business as a captive insurance company under and to be engaged in the business of any of the types of insurance authorized by the Hawaii Captive Insurance Law (Chapter 431, Article 19, Hawaii Revised Statutes) or any future similar laws; and
- (2) To operate exclusively for charitable, scientific, literary, religious, or educational purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States internal revenue law).

Section 3.2 Restrictions. No part of the assets, funds, or earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any individual having a private interest in the activities of the Corporation. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation; provided, however, that the Corporation may make the election provided under Section 501(h) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any United States internal revenue law), and if the Corporation so elects, make expenditures that do not exceed the "lobbying ceiling amounts" and the "grass roots ceiling amounts" thereunder. The Corporation shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office. The term "funds of the Corporation", as used herein, shall mean and include any properties and moneys held by the Corporation, including any income accumulated by the Corporation and any proceeds from the sale of any properties sold or otherwise disposed of by the Corporation.

Notwithstanding any other provision of these Articles, the Corporation is organized and shall be operated exclusively for charitable, scientific, literary, religious, or educational purposes as a nonprofit corporation and the Corporation shall not carry on any activities not permitted to be carried on:

- (1) By a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States internal revenue law); or

(2) By a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States internal revenue law).

#### ARTICLE IV

##### Nonprofit

The Corporation is not organized for profit and it will not issue any stock, and no part of its assets, income, or earnings shall be distributed to its directors, or officers, except for services actually rendered to the Corporation; provided, however, that the Corporation shall be empowered to make payments and distributions in furtherance of the purposes for which it is organized and operated.

#### ARTICLE V

##### Corporate Powers

The Corporation shall have and possess all the powers permitted to nonprofit corporations under the laws of the State of Hawai`i.

#### ARTICLE VI

##### Corporate Life

The duration of the Corporation shall be perpetual.

#### ARTICLE VII

##### Members

The Corporation shall have no members. The Board of Directors shall have the sole voting rights in the Corporation.

#### ARTICLE VIII

##### Directors and Officers

Section 8.1 Board of Directors. There shall be a Board of Directors consisting of not fewer than three (3) persons. The initial number of directors shall be six (6). Except for the initial directors, the number of directors shall be fixed, and the directors shall be elected by the Board of Directors in accordance with the Bylaws. The

Board of Directors shall have and may exercise all the powers of the Corporation except as otherwise provided by these Articles or the Bylaws. The initial directors of the Corporation shall be:

<u>Names</u>	<u>Addresses</u>
Michael P. Bishop, Sr.	Paramount Unified School District 15110 S. California Avenue Paramount, CA 90723
John Martin Didion	Rancho Santiago Community College District 2323 N. Broadway, Santa Ana CA 92835
Robert James Feldhake	Feldhake Roquemore LLP 19900 MacArthur Blvd, Suite 850, Irvine CA 92660
Angela Martin Jones	Hermosa Beach City School District 1645 Valley Drive, Hermosa Beach CA 90264
Fay Mason	Charter Oak Unified School District 20240 Cienega Ave, Covina CA 91724
Kristinn Gudni Olafsson	El Monte City School District 3540 N. Lexington Ave, El Monte, CA 91731
Fay S. Okamoto	Arthur J. Gallagher Captive Services (Hawaii) 1132 Bishop St, Ste 1600 Honolulu HI 96813

Section 8.2 Officers. The officers of the Corporation shall be a president, one or more vice-presidents, and a treasurer. The Corporation may have such additional officers as the Board of Directors shall from time to time determine. The officers shall have the powers, perform the duties and be elected in the manner set forth in the Bylaws.

Any two or more offices may be held by the same person unless such practice is prohibited by the Bylaws, provided, however, that not less than two (2) persons shall be officers. The initial officers of the Corporation shall be:

<u>Names</u>	<u>Offices Held</u>	<u>Addresses</u>
Kristinn Gudni Olafsson	President	El Monte City School District 3540 N. Lexington Ave, El Monte, CA 91731
Fay Mason	Vice President	Charter Oak Unified School District 20240 Cienega Ave, Covina CA 91724
Angela Martin Jones	Treasurer	Hermosa Beach City School District 1645 Valley Drive, Hermosa Beach CA 90264

ARTICLE IX  
Liability and Indemnification of  
Officers and Directors

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Section 9.1 No Liability to Corporation.

(1) No director or former director of the Corporation shall be personally liable to the Corporation for monetary damages for breach of the director's duties to the Corporation, except this limitation of liability shall not limit liability for (a) any breach of the director's duty of loyalty to the Corporation; (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) any transaction in which a director received an improper personal economic benefit; or (d) violations of Hawai'i law relating to director conflicts of interest, loans to directors or the guaranty of obligations of directors, or director liability for unlawful distributions.

(2) In addition to and without in any respect narrowing the limitation of liability of directors and former directors set forth in subsection 9.1(1), no person who serves as a director or officer of the Corporation without remuneration or expectation of remuneration shall be liable for damage, injury, or loss caused by or resulting from the director or officer's performance of, or failure to perform duties of, the position to which the

person was elected or appointed, unless the director or officer was grossly negligent in the performance of, or failure to perform, such duties. For purposes of this section, remuneration does not include payment or reimbursement of reasonable expenses incurred by or on behalf of a director or officer or the provision of indemnification or insurance for actions as a director or officer.

(3) Any repeal, amendment, or other modification of this Section 8.1 shall have prospective effect only and shall not affect the limitation of liability afforded by its provisions, or give rise to or increase any liability, for acts or omissions occurring prior to such repeal, amendment or other modification.

#### Section 9.2 Indemnification and Advance of Expenses.

(1) The Corporation shall indemnify each current and former director and/or officer of the Corporation from any liability to any person for any action taken, and any failure to take action, as a director or officer to the fullest extent permitted by law, except liability to the Corporation for (a) any breach of the duty of loyalty to the Corporation; (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) any transaction in which a director or officer received an improper personal economic benefit; or (d) violations of Hawai'i law relating to director conflicts of interest, loans to directors or officers, or the guaranty of obligations of directors or officers or director liability for unlawful distributions.

(2) The Corporation shall authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a director or officer seeking indemnification under this Section 9.2 to the maximum extent permitted by law, provided that such director or officer delivers a written affirmation of the director's or officer's good faith belief that the director or officer has met the requisite standard of conduct, and delivers a written undertaking to repay such amount if it is ultimately determined that such person is not entitled to be indemnified.

(3) Any repeal, amendment or other modification of this Section 9.2 shall have prospective effect only and shall not affect the right of any current or former director or officer, to indemnification and advancement of expenses for any action taken or failure to take action by such director or officer prior to the date of such repeal, amendment or other modification.

(4) The Corporation may purchase and maintain insurance on behalf of any person described in this Article IX against any liability asserted against or incurred by such person in any such capacity or arising out of such person's status, regardless of whether the Corporation would have the power to indemnify the person against such liability.

Section 9.3. Savings Clause; Limitation. If this Article or any Section or provision hereof shall be invalidated by any court on any ground, then the Corporation shall nevertheless indemnify each party otherwise entitled to indemnification or advancement of expenses hereunder to the fullest extent permitted by law or any applicable provision of this Article that shall not have been invalidated.

Section 9.4. Limitation. Notwithstanding any other provision of these Articles, the Corporation shall not indemnify any person, purchase any insurance, or advance expenses, in any manner, to any extent or under any circumstances that would jeopardize or be inconsistent with the qualification of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or any corresponding provision of future United States internal revenue law).

## ARTICLE X

### Corporate Liability

The property of the Corporation shall alone be liable in law for the debts and liabilities of the Corporation. The officers and directors of the Corporation shall incur no personal liability for said debts and liabilities by reason of such position.

## ARTICLE XI

### Corporate Dissolution

If the Corporation shall cease to exist or shall be dissolved, all property and assets of the Corporation of every kind, after payment of its just debts, shall be distributed only to successor organizations recognized as exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or any corresponding provision of future United States internal revenue law), or, in the alternative, to one or more public agencies, organizations, corporations, trusts or foundations having like purposes and organized and operated exclusively for charitable, scientific, literary, religious or educational purposes, no part of whose assets, income or earnings may be used for dividends or otherwise withdrawn or distributed to or inure to the benefit of any private shareholder or individual and the activities of which do not include participation or intervention in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office. In no event shall any distribution be made to any such alternative organization unless it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States internal revenue law) with purposes similar or related to those of the Corporation.



ARTICLE XII

Bylaws

Section 12.1 Adoption. The initial Bylaws of the Corporation may be adopted by the affirmative vote of a majority of the directors present at a meeting at which a quorum is present.

Section 12.2 Amendment. The Bylaws of the Corporation may be altered, amended or repealed by the affirmative vote of a majority of the directors of the Corporation then in office.

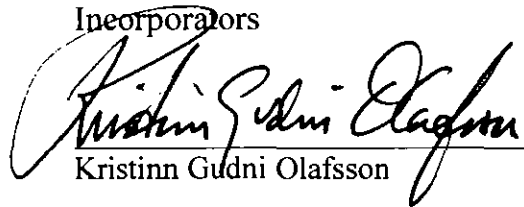
ARTICLE XIII

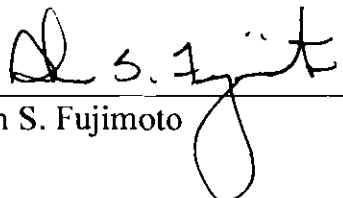
Amendment

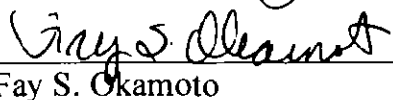
These Articles shall be subject to amendment from time to time by the affirmative vote of two-thirds (2/3) of the directors of the Corporation then in office, provided not less than seven (7) days written notice of any proposed amendment is provided to directors.

I certify under the penalties of Section 414D-12, Hawai'i Revised Statutes, that I have read the above statements and that the same are true and correct, dated January 25, 2005.

Incorporators

  
\_\_\_\_\_  
Kristinn Gudni Olafsson

  
\_\_\_\_\_  
Alan S. Fujimoto

  
\_\_\_\_\_  
Fay S. Okamoto

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LINDA LINGLE  
GOVERNOR



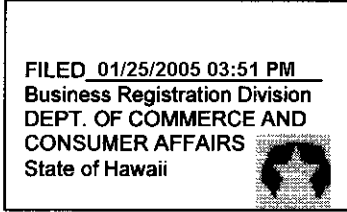
MARK E. RECKTENWALD  
DIRECTOR

JAMES R. AIONA, JR.  
LT GOVERNOR

J. P. SCHMIDT  
INSURANCE COMMISSIONER

STATE OF HAWAII  
INSURANCE DIVISION

DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS  
P. O. BOX 3614  
HONOLULU, HAWAII 96811-3614  
335 MERCHANT STREET, ROOM 213  
HONOLULU, HAWAII 96813



CERTIFICATE OF GENERAL GOOD

CT-006

J.P. SCHMIDT, Insurance Commissioner of the State of Hawaii,  
does hereby certify that the establishment and maintenance  
in Hawaii of CAPTIVE INSURANCE FOR PUBLIC AGENCIES LIMITED,  
a class 2 pure captive insurance company, will promote the  
general good of the State.

01/26/200520018

IN WITNESS WHEREOF, I have  
hereunto set my hand and affixed  
my official seal of my office, this  
19<sup>th</sup> day of January, 2005.

By J.P. Schmidt  
J.P. SCHMIDT  
INSURANCE COMMISSIONER