

HALE NAPILI
ASSOCIATION OF APARTMENT OWNERS (AOAO)
ANNUAL MEETING MINUTES
WEDNESDAY, OCTOBER 21, 2015

Board of Directors Present: Brian Cowell, Steve Straub, Linda Levi

Owners Present: Kristie and Roger Landis, Barby Straub, Jeri and Dave Moller, Margy and Ray Berry, Linda and Scott Urquhart, Vic Levi, Sherry and Dennis Frazier, Sandra and John Seapy, Margaret Jones

Telephone Attendance: No owners used the conference call line

Other Attendees: Jamie Lum Lung-Kaeo and Kim Komoku

Jamie distributed a meeting packet to each owner containing meeting agenda, 2014 meeting minutes, financial statements, owner distribution report, and various articles of interest to owners of vacation rental units in Maui.

1. CALL TO ORDER

President Brian Cowell called the meeting to order at 9 a.m. The meeting was held at Hale Napili, Maui.

2. DESIGNATION OF PROXY HOLDERS

Virginia Napierskie (unit 1) – Kristie Landis
Carrie Mapes (unit 13 and 16 - ¼ interest) – Board of Directors
Marv Rahn (unit 12) – Brian Cowell
Laurie Labbitt Perry (unit 7) – Board of Directors
Gary Pitchford (unit 10 – ½ interest) – Vic Levi
Dewey Barrow (unit 18) – Board of Directors
Napierskie Partners (units 2, 6, 11) – Brian Cowell
Jim Walker (unit 3 – ¼ interest) – Board of Directors
Jeanne Haag (unit 3 – ¼ interest) – Board of Directors
Del Beumer (unit 16 – ¼ interest) – No proxy received

3. APPROVAL OF MINUTES

No additions or corrections were suggested for the 2014 AOAO Annual Meeting minutes as distributed to owners:

MOTION: Approve 2014 Annual Meeting Minutes

Frazier/Levi Unanimous approval

4. PRESIDENT'S REPORT – Brian Cowell

New owners were introduced and welcomed. Linda and Scott Urquhart (unit 9) and Margaret Jones (unit 17) commented briefly about their history at the Hale and their decision to purchase a unit.

Overall, we have had a quiet year to date. Guest revenue for the 3rd Q. was impacted by high air fares and extreme heat in the islands. Some guests chose to check out early and move to properties with air because the temperatures were so high and the trade winds have decreased in the last several years. The office staff was able to offset the lower than expected revenues by controlling expenses so the net income was stronger than 2nd Q. Several airlines are planning to initiate service to Maui in the next couple of years. This may lower air fares.

Our office management team (Leanna, Jamie and Kim) are excellent not only with business items, but also guest services. The housekeeping staff (Elena, Margaret and Layla), and Joe the groundskeeper are all important members of our ohana and are much of the reason for our special Aloha atmosphere and the high percentage of return guests. The owners wish to thank the staff for their service and making us a special place.

Our online ratings are excellent.

Bound copies of the newly enacted governing documents were distributed to all owners present. Absent owners will receive copies in the mail.

Many guests book through Expedia and Bookings.com. These websites also list "specials" to help fill vacancies at the last minute.

Our T-shirt vendor on island is not performing to our needs. We have a new vendor in North Carolina and there will soon be a link on our website for purchasing Hale Napili logo items. We will set our markup rate. Since the vendor is located on the mainland, purchasers will avoid high shipping rates from Maui.

The little business of Hale Napili is quite complicated. It is a pleasure for this Board to serve the owners and we thank you for your support and backing.

5. TREASURER'S REPORT – Steve Straub

Owners were asked to look at financial documents provided in the meeting packet. The AOA is a legal entity required by the State of Hawaii for condominiums. It is basically a pass-through entity and should break even or be slightly in the hole.

Reserves are recorded on the AOA Balance Sheet. Condominiums are required to fund Reserves for maintenance and replacement of common

property. Experts in this area are hired to determine the length of life and replacement costs of these components.

Hale Napili commissioned a reserve study in 2013 and we are on target for 2015 with our funds being set aside.

Q. Do owners receive a copy of the Reserve Study?

A. Yes. *Draft copies were distributed at the 2013 Owners Meeting, discussed, then finalized. Owners can obtain a final copy from the office.*

Q. Does depreciation show on the AOA?

A. No. *Rental Pool has all the depreciation.*

At the end of 3rd Q 2015 we had \$178,282 in our Reserve account. We anticipate approximately \$196,000 by the end of the year. We plan to be at \$296,000 by the end of 2016. Assessments for Reserves are allocated by square footage of units with one bedroom paying more than studio.

Our goal is to accumulate \$329,000 for full funding of Reserves. We are on track to accomplish that in the next few years. Anticipated expenditures in the near future are tenting of building for termites and architectural expenses associated with our shoreline and Maui County requirements.

MOTION: Approve draft budget for AOA 2016 as presented. (Copy on website – owner’s portal)

Straub/Urquhart

Unanimous approval

MOTION: Move to increase Reserve Fee to \$11,744.50 for 2016.

Frazier/Straub

Unanimous approval

As a last comment, we are saving money in fees from our previous accountants and Kim is doing a wonderful job taking care of our money matters. She is in the office twice a week. We have a great team with Kim, Vic Levi and Steve.

6. a. OLD BUSINESS – Jamie Lum Lung-Kaeo

Leanna is on vacation so Jamie reported. We have retained Paul Areus Architects to review options with the office and laundry building that are within the setbacks. Also, we are awaiting to see if the State (Dept. of Land and Natural Resources) will agree to an easement for the beach stairs as the County has already said they would be willing to approve this. Once we get this, then we can proceed with the stairs and get the shoreline survey re-done to submit for approval. In order to receive our final Certificate of Occupancy, these items must be taken care of.

Leanna requested a small committee of owners to work with her on these issues. Linda Levi and Dave Moller have agreed to serve. Work on shoreline and setback issues could take years. The committee will communicate with the Board and owners as necessary.

6. b. Bound copies of the Governing Documents were distributed to owners. They will be mailed to owners not in attendance. Owners were asked to sign a paper saying they received the documents at this meeting. When appropriate, the documents were recorded with the State of Hawaii and they are also available on the owners' portal of the website.

On behalf of the entire staff, Jamie thanked the owners and presented us with a gift (a Cutco spatula spreader with Hale Napili and a Hawaiian island design on the blade). We are blessed to have such a wonderful staff.

7. NEW BUSINESS – Jamie Lum Lung-Kaeo

a. Jamie is on the Board of the Napili Beach Foundation which is comprised of most of the rental units on Napili Bay. The Foundation is very proactive with projects in the surrounding area that will affect our Bay and our reefs. The bridge on the lower road near the Hui Rd. turnoff is scheduled to be rebuilt in 2017. Guests will be required to reach us via Office Road. The project could take a couple of months to complete.

The Foundation conducts turbidity test of Napili Bay twice a year. Construction in nearby areas can cause runoff to our Bay which can make our water unhealthy for recreational use. The Foundation works with the County to ensure that projects comply with Maui construction and permit laws.

Other items discussed by the Foundation:

- Construction of 500 homes across freeway near Napili Market
- Possible pumping of sand from reef area to replenish beach sand (project of Army Corps of Engineers) – not currently in the works
- Port-a-potties on the beach – no property wants them, but sometimes people camp on the beach and human waste is occasionally left
- Potential smoking ban on all Hawaiian beaches

b. Air Conditioning

This past year was extremely hot in Hawaii. Local schools have been cancelled due to heat and the school calendar year has been changed. Many potential guests ask if we have a/c and when told no, they are not interested in the property. We had several guests move to other properties this year because, even with fans, our rooms were too hot. We lost approximately \$12,000 in revenue this year and repeat bookings from those individuals are unknown at this time.

There are relatively new a/c systems called “split systems” that are very efficient and relatively quiet. Any air conditioning would require an upgrade of our existing electrical system. We have received one bid for installation of a/c in all units including the upgrade of the electrical system: \$246,000. The unknowns, of course, are costs of electricity, over-use of system by some guests, noise, permits, solar to offset some costs.

NOTE: Brian asked that members indicate in a straw vote whether the Board should continue exploring air conditioning for our units. The majority of the owners indicated that they would like more information and Board was asked to continue. Suggestion was made that we contact the architectural firm working with us on shoreline issues to suggest air conditioning experts to work with us.

Portable units are not an option because they hve condensation and venting issues. Whereas owners do not care if we have a/c or not, our guests expect it.

c. Tenting for termites will be in late August of 2016. It is necessary every 5 to 8 years and is usually accomplished in 2.5 days. Our exterior walls are concrete but the attic is our exposure area. The cost is approximately \$10,000 and funded from Reserves.

Thursday, October 22 each unit will be sprayed around the baseboards for ants and roaches. All food should be stored in cabinets or the refrigerator. Will only take a couple of minutes per unit. The reality of living in the tropics is lots of bugs.

8. RATIFICATION OF BOD

MOTION: To ratify, approve and confirm all actions of the Board since the last Annual Meeting.

Moller/Levi

Unanimous approval

9. APPOINTMENT OF BOARD OF DIRECTORS

MOTION: Keep Board of Directors as is for 2016.

Landis/Straub

Unanimous approval

10. The next Annual Meeting will be held on Friday, October 21, 2016.

The meeting was adjourned at 10:30 a.m.

Respectfully submitted,
Linda Levi, Secretary

Attachment: Approved 2016 Budget