

HALE NAPILI
ASSOCIATION OF APARTMENT OWNERS (AOAO)
ANNUAL MEETING MINUTES – FRIDAY, October 19, 2018

Board of Directors Present: Brian Cowell, Linda Levi, Brandon Roach, Steve Straub (Acting Treasurer)

Owners Present: Barby Straub, Vic Levi, Margaret Jones, Sherry/Dennis Frazier, Jeri/Dave Moeller, Margy/Ray Berry (via telephone)

Other Attendees: Kim Komoku, Leanna Roberts, Jamie Lum Lung-Ka'eo

Meeting packets were distributed to owners containing meeting agendas, 2017 meeting minutes, financial statements, proposed 2019 budget, 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 9:00 a.m. The meeting was held at Hale Napili, Maui.

2. DESIGNATION OF PROXY HOLDERS:

Virginia Napierskie (unit 1) – Brandon Roach

Napierskie Family Partners (units 2, 6 , 11) – Brandon Roach

James Walker (unit 3 – ¼ interest) – Barby Straub

Margy Berry (unit 5) – Dennis Frazier

Laurie Perry (unit 7 – 1/2 interest) – no designation

Scott and Linda Urquhart (unit 9) – Brian Cowell

Gary Pitchford (unit 10 – 1/2 interest) – Vic Levi

Marvin Rahn (unit 12) – BOD

Louise Barrow (unit 18) – BOD

No proxy designation was received from Daniel Labbit (1/2 owner of unit 7), Sandy Seapy (unit 15) or Marlene Beumer (1/4 owner of unit 16)

3. APPROVAL OF MINUTES

No additions or corrections were suggested to the 2017 AOAO Annual Meeting Minutes as distributed to owners:

MOTION: Approve 2017 Annual Meeting Minutes

Frazier/Moeller

Unanimous approval

4. PRESIDENT'S REPORT - Brian Cowell

The 2017/2018 BOD & EC have acted in good faith and worked diligently to maintain or improve the Hale Napili community. There have been a number of noteworthy items that have been addressed during the last year.

These include:

1. The current economic expansion has been a net positive for Hale Napili and our owners. However, extremely low unemployment rates on island have created issues such as higher costs, slower service times, less qualified or experienced service providers, etc. This is in addition to the well-known laid-back island-time work ethic has made it difficult for Hale Napili management and staff.
2. There were minimal major issues over the last year. The weather and its ongoing impact on our shoreline was the biggest issue faced by our team over the last year. The challenges and associated costs of our shoreline are predicted to continue in the coming years. Weather related issues cannot be avoided. There is no clear solution or well-defined pathway to solve this moving forward.
3. Hale Napili's management team and staff continue to excel. We could not be more fortunate to have such a competent and committed local leadership team;
 - a. Jamie Lum Lung Kaeo and Leanna Roberts and the HN staff have continued to do an outstanding job over the last year.
 - b. Elena Quitariano and her team continue to be nothing short of amazing. Our housekeeping staff continues to meet and exceed the expectations of our homeowners and guests.
 - c. Hale Napili's grounds and gardens are some of the most beautiful and well maintained on the island. We are so fortunate to have Eladio Hidalgo (Joe) as our gardener.
 - d. There have been a number of significant staff issues over the last year. Margarita Sumajit's cancer treatment is ongoing and she is recovering well. She's hoping to return to work before the end of 2018. Elena has added Mary Jane Ballesteros as a new member of her team. Also, Elena's son (Justin Quitariano) and Merlin Cabading have been instrumental in filling in during Margaret's medical leave. It must be noted that Leila Malasig has done whatever it takes to support Elena's housekeeping team during this challenging staffing period as well.
 - e. There were a couple of significant passing's over the last year. Elena's mother (Mrs. Vicenta Nacino)...who worked for many years as a housekeeper at HN...passed over the summer. Eladio's mother passed over the summer as well. There was a small irony as both Elena & Eladio were back in the Philippines when Hurricane Lane passed over the Hawaiian Island chain.
 - f. Another of the shining stars over the last year is Hector Abraham Jauregui Tapia (Abraham) and his commitment to HN's preventative maintenance program. Abraham has truly taken ownership of his duties and responsibilities by assisting our leadership team in maintaining our standard of condition.
 - g. Kim Komoku has continued to embrace her financial responsibilities for the Hale Napili management staff and owners. We are very fortunate to have Kim as part of our leadership team as many/most of the financial challenges of the past are now behind us. Kim's reporting duties have become reliable, accurate and timely.

h. Please make the effort to personally thank and congratulate each of them for their collective efforts. Hale Napili would not be Hale Napili without their loving care and commitment to our business model.

4. Hale Napili members need to continue to thank Steve & Vic (for their ongoing financial oversight) and to Linda (for her outstanding record keeping/member communication as secretary).

5. HN must continue to develop younger members. Brandon Roach has been a welcome addition. Again, HN will need others like him in the coming years so we can get to the next generation of owner involvement (when the time is right).

6. Southwest Airlines is still on track to begin Hawaii service very soon. The current timeline is still late 2018 or early 2019 as a start date. Earlier this summer, Southwest indicated it intends to offer flights from four California cities: Oakland, San Jose, Sacramento and San Diego and Southwest plans to serve: Honolulu, Kahului, Lihue, and Kona. Southwest's entry into the Hawaii market will be a big disruptor.

7. Hale Napili's guest loyalty & new bookings continue to be outstanding. Jamie and Leanna continue to manage our daily rates. These efforts have produced an increased average daily rental rate by over +10% year-over-year.

8. Ongoing weather events such as the hurricanes, tropical storms, numerous King Tides, etc. remain the most significant risk(s) to Hale Napili's property and Rental Pool. Our members need to be strongly reminded that all solutions will take years and will be very costly.

9. Hale Napili's standard of condition still remains high. Unit surveys will be completed over the next few days. It is important to note that our 'recent' remodel construction was nearly 7 years ago (2012). This means quite a number of unit improvements will be suggested/recommended due to the normal wear and tear over this same 7 year time period. For example, quite a number of owner furnishings, appliances, and custom unit appointments will need to be dealt with over the coming year.

The owner of Unit #18 has elected to sell her unit. A formal letter will go out to the owners as our members will have first priority if interested in purchasing #18.

11. Lanai staining issues related to the spilling and/or over spraying of sunscreen has been a challenge. It has created a big disruption and an unplanned expense for our maintenance team.

12. There are a number of notable maintenance projects planned for the coming year (per HN's reserve study schedule). The most significant are exterior painting of our structure and the recoating of the epoxy surfaces of our lanais, walkways and stairs.

13. Solar electricity costs continue to drop. This creates a much shorter and better cost/benefit payback. The current market pricing is ~\$2.20 to \$2.50 per watt. That is down from nearly \$5.00 per watt just a few short years ago. In addition, tax treatments remain in place benefitting those that choose to install solar panels. It may be time to pull the trigger and complete this project over the coming year. We would purchase and not lease a 25 year system. We should get information and quotes to do this project. Currently, a payback time of 1-1/2 yrs is anticipated. Solar installation, maintenance, etc. is not currently included in our reserve study.

14. There have been a number of fairly significant issues with HN's newly installed A/C units. The biggest have been the need to add power surge protection to each unit (due to Maui's horrible power system) and some noisy condensation pumps (creating some unpleasant sounds for our members and guests). The pumps will be returned as we will need to open a small hole in the drywall to connect the condensation lines to our plumbing drain system.

15. Security concerns remain a top priority for our members and guests. Please review Margie Berry's letter to the HN BOD. The good news is HN has recently completed the installation of IP cameras as an additional layer of protection. There has been discussion of several properties on the bay joining to hire security personnel. We will keep owners informed.

16. Beach webcam issues were recently resolved. The connection issues were due to an update of the global internet security protocols (from http to https). Owners note that cam sometimes defaults to "unlimited" time allowance instead of 60 sec. Also, camera sometimes is pointed to bushes and not controllable.

17. Per item #1 above, HN has encountered a heck of a challenge in replacing the cancerous mirrors in nearly all of the units. We have finally located a couple of suppliers and a decision will be made shortly so that the replacement process can begin in earnest.

18. Homeowner unit bookings have become a big challenge for HN's office team. BOD will update Hale Napili Rules – Owners (the addendum to the governing documents) to include that rooms must be booked by owner of record to receive owner privileges.

19. Newly designed T-shirts will arrive over the next few weeks and will be mailed or held for each of our members. The shirts are complementary.

20. Owners list has been updated. Please check it for accuracy/changes.

21. Next meeting is Friday, 10/18/19 at 9:00am.

Thanks for your continued support.

5. TREASURER'S REPORT – Steve Straub

The AOA Balance Sheet and Profit & Loss Statement were reviewed and discussed. Insurance and utilities are our major costs.

Q. 4th Q distributions are done in an annualized format. Is it possible to provide the information on a quarterly basis as done with Q 1, 2, 3?

A. Kim – Yes, that can be done going forward. We will receive both quarterly and annual information.

Generally, our K-1s are available by March 31. Owners should not expect them prior to that. **Please do not contact the office requesting the documents unless they have not been received by March 31.**

It was suggested that 4th Q distribution checks be held until the K-1 is available. This would prevent changes in distribution if there is a depreciation charge at the end of the year. Kim will implement this in 2019 with the 4th Q 2018 distribution.

Q. What is the financial impact of the A/C?

A. Our stats show that in 2016 the electric costs were \$10,800; 2017, \$11,500 and YTD 2018 \$10,800. Surprisingly, there has not been a big difference after the installation of A/C. This may be due to guests not using fans when A/C is utilized. We will continue to monitor.

2019 BUDGET

Steve discussed the proposed budget. Our maintenance fees are going up because of the increase in cost of insurance including hurricane. Kim encourages strict monthly maintenance fees which can be reduced in 4th Q if appropriate.

MOTION: Approve 2019 AOA budget as presented

Straub/Moeller

Unanimous approval

RESERVE STUDY

The Reserve Study is updated every 3 years (next due in Jan. 2019). The update is currently in process. Steve recommends we raise the quarterly contribution from \$35,223 to \$45,809/Q. This will allow the 1/1/16 Reserve Study to meet the 5 year plan of 93% funding.

MOTION: Increase 2019 quarterly reserve contributions to \$45,809

Straub/Roach

Discussion: We do not have firm recommendations for the quarterly increase until the reserve update is completed in January 2019, but Steve thinks the \$45,809 is appropriate.

MOTION: Table prior motion for quarterly increase until board has recommendation from Barrera.

Frazier/

Motion died for lack of second.

Call for question on motion to increase quarterly reserve contributions to \$45,809

Motion approved, 1 dissent

Beach replenishment is not part of our reserves at this time. General discussion was held regarding the estimated \$3,000/unit of all properties on Napili Bay to fund the beach sand replenishment currently being studied by the Napili Bay Foundation. We might want to consider two reserve accounts: One for current reserve items and one that only relates to shoreline issues. Leanna will consult with Barrera, the firm that does our reserves, to see if they have the ability to make recommendations for beach replenishment. The board will review the Jan. 2019 Reserve Study update to determine if adjustments are appropriate.

6. OLD BUSINESS

- a. Air Conditioning – see 4(14) above
- b. Security – see 4(15) above
- c. Parking Lot - Ownership of Hui Rd. (HN parking lot) is being researched by a title company. We have tried for several years to discover ownership (perhaps we could purchase). Flooding is an ongoing issue which requires a huge amount of time and expense for cleanup.
- d. Solar – see 4(13) above
- e. Webcam – see 4(16) above
- f. Shoreline - 85% of Maui’s shoreline is eroding. The Napili Bay Foundation is working with the state and county to discover options that might be available to mitigate some of the effects of sea level rise and increased storms (both number and severity). All properties on Napili Bay have representatives on the foundation. Hale Napili donated \$200/unit as seed money for the foundation and their work. Recently, we received information regarding sand replenishment, reef restoration and water turbidity. The next meeting of the foundation is set for January, 2019. Jamie distributed the agenda for this meeting and will inquire if the meeting is to be live streamed (several owners requested).

The foundation is recommending a donation of \$3,000/unit of all Napili Bay properties to cover the cost of sand replenishment. We should be considering contributing to a reserve fund to cover these projects. Leanna suggested we might want to hire a coastal engineer to work with us regarding our property and recommendations from the foundation. In the next 12-18 months we should have more information regarding mitigation steps to sea level rise.

The website www.napilibayfoundation.org provides more information.

Jamie will check with the foundation regarding state or federal grants available for financial help.

7. NEW BUSINESS

- a. Painting - The exterior of the buildings need painting. Estimates are in the range of \$45,000 - \$60,000.
- b. Palm trees - Many palm trees on the property are too big and need to be replaced. Units 17 and 18 need a “green screen” along the garden wall to hide the parking lot view.
- c. Sunscreen and Lanais – Hawaii is disallowing use of sunscreens with certain environmentally harmful ingredients in 2020. Some properties offer to exchange guests’

sunscreen for environmentally safer products. Jamie will check with a local provider of safe sunscreen to explore the possibility of getting branded samples to include in rooms (along with the shampoo, conditioner and shower gel).

d. Sewer lines - Sewer lines from Merriman's to Napili Shores along Lower Honopiilani Rd. are slated for replacement in the near future. Bridge construction is still pending.

e. Jamie is ordering new t-shirts. She distributed samples as gifts to owners. T-shirts are a very popular item for our guests to purchase.

8. RATIFICATION

MOTION: Call for ratification of Board of Directors' Actions

Cowell/Levi Unanimous approval

9. APPOINTMENT OF BOARD OF DIRECTORS

Brian, Brandon and Linda will stay on the Board.

MOTION: Approve slate of Brian Cowell, Linda Levi and Brandon Roach for the 2019 Board of Directors of AOAO.

Straub/Levi Unanimous approval

The board appoints Steve Straub as Acting Treasurer of the AOAO.

10. The 2019 Annual Meeting of the AOAO is scheduled for **Friday, October 18, 2019**.

Meeting adjourned at 10:45 a.m.

Respectfully submitted,

Linda Levi, Secretary.