

**HALE NAPILI  
ASSOCIATION OF APARTMENT OWNERS (AOAO)  
ANNUAL MEETING - FRIDAY, October 18, 2019**

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, Linda/Scott Urquhart

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

Meeting packets were distributed to owners containing meeting agendas, 2018  
annual meeting minutes, financial statements, proposed 2020 budgets and  
various articles of interest to owners.

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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:  
Napierskie units 1, 2, 6, 11 - Brandon Roach  
Pitchford unit 10 - Vic Levi  
Rahn unit 12 - Brian Cowell  
Labbitt unit 7 - Brian Cowell  
Beumer unit 16 - Dennis Frazier  
Mapes unit 13 - Board of Directors  
Proxy designation were not received from Walker unit 3 or Puatu unit 18

3. APPROVAL OF MINUTES  
No additions or corrections were suggested to the 2018 AOAO Annual  
Meeting Minutes as distributed to owners.

MOTION: Approve 2018 Annual Meeting Minutes as presented.  
Frazier/Cowell

Discussion: It would be helpful to receive the minutes a few days prior to the  
meeting for review. NOTE: Minutes are posted to owners' portal when  
completed, but should be redistributed just prior to the meeting.

VOTE: Unanimous approval

4. PRESIDENT'S REPORT - Brian Cowell  
The 2018 / 2019 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.

Important: Much of this seems redundant year over year. However, the Hale Napili Ohana would be remiss if we did not take the necessary time and effort to make each of these individual acknowledgments or it might seem that we (as a group did not notice or did not care). So please join me in honoring some of these key milestones over the last year.

These include:

1. The current economic expansion remains positive for Hale Napili and our owners. Continued low unemployment rates on island still contribute to significant higher service costs, slower service times, less qualified or experienced service providers, etc. Our A/C service provider is one example of this horrible dilemma. Things are bad here on Maui.
2. Members are fortunate as there were minimal major issues over the last year.
3. Hale Napili's management team and staff remain some of the best Maui has to offer.
  - a. Jamie Lum Lung Kaeo and Leanna Roberts continue to lead our little property through the maze of challenges. They are the best of the best!
  - b. Elena Quitariano and her team have continued their long history of excellence. We are so fortunate to have them on our staff.
  - c. Hidalgo (Joe) faced a very tough year and worked through it effortlessly. The salt storm earlier this year was devastating, but Joe immediately got after it and restored our grounds and gardens to their original condition. He is truly amazing.
  - d. Margarita Sumajit returned to fulltime work after completing her cancer treatment. She looks better than ever and her level of contribution has not diminished. We are fortunate to have her back.
  - e. What more can we say about Hector Abraham Jauregui Tapia (Abraham)? Abraham does whatever it takes to get the job done to maintain Hale Napili's high level standard of condition.
  - f. Kim Komoku continues to do a fantastic job with all things financial for Hale Napili. Kim's solid leadership has helped keep the \$\$ element of our business nice and quiet for years now. She is demanding and results oriented. We are lucky to have her as part of our team.
  - g. Please take the time 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. In addition, Hale Napili members need to continue to thank the HN BoD for their efforts over the last year. Steve (for his continued financial oversight), to Linda (for her outstanding record keeping / member communication as secretary) and to Brandon for stepping up and quickly immersing himself in the HN process. Our BoD team has been fortunate to be allowed to serve on the members behalf for 2018/2019.
5. Southwest Airlines began Hawaii service as planned and has become the expected disruptor to the airfare market. Prices have remained low. This has been a boon for Maui and for HN.
6. Hale Napili's guest loyalty & new bookings continue to be outstanding. Jamie and Leanna continue to manage our daily rates. HN demographics are starting to shift. Online booking sites are starting to dominate resulting in new clientele, shorter stays, many more foreign guests, younger guests, etc.
7. As always, weather and its impact on our shoreline continue to be a big challenge. Associated costs of our shoreline remediation are predicted to continue to rise in the coming years as weather related issues cannot be avoided. No clear solution or well-defined pathway has been identified. Solutions will take years and will be very costly.
8. The devastating salt storm earlier this year made it impossible for the HN team to update the HN website as planned. New photos could not be taken as our garden was in shambles. Also, nearly all of the units at HN will be remodeled after the late November/early December 2019 shutdown, so new unit photos will be taken at that time. The HN website update will commence in earnest shortly thereafter.
9. Fairly significant upgrade of the garden grounds was completed in mid-summer. The key purpose was to mitigate the high number of customer complaints related to parking lot views/this is not a garden view unit comments. A number of mid-sized Manila palms were planted close together to allow juvenile hedge stocks just behind the palms to grow and mature to fully block the parking lot view for #17 & #18 (from the top of the railing to the bottom of the gutter). This was done to create an illusion that these units are truly only garden views. This effort has been broadly successful so far.
10. Hale Napili's standard of condition still remains high. The BoD, the HN office, and the HN staff are struggling with defining the clear line of what is above, at or below the standard of condition (now that we are 8 years out from our last major remodel construction project in 2012). These decisions have significant impacts on monthly, quarterly and annual maintenance costs.
11. Hale Napili had a major loss this year. Mrs. Virginia Napierskie passed on May 1, 2019. Mrs. Napierskie's enduring spunk and spirit will be missed by all.
12. Unit #18 has sold. Mrs. Dewey Barrow closed escrow and we would like to welcome the Puatu family. The Puatu's have already set forth on a

- major remodel of their new unit. Please show them a warm Aloha during their next visit to HN.
13. Unit #17 remains on the market. Please contact Ms. Barbara Potts if you know of a potential buyer for Ms. Margaret Jones.
  14. Unit #7 will be undergoing a major remodel during the shutdown in late November / early December 2019. Upon completion of the remodel, the Labbitt family will be putting their unit up for sale. Per procedure, a formal 30-day notice will be issued to all members when the unit begins the sales process.
  15. We do have a brief Napili Village update. The land lease expires 12/31/19. All owners have been asked to clean out their units prior the that date. The owner has not sold the property. The Mauian appears to have taken a pass on the purchase as the purchase price “just doesn’t pencil out”. The 808 store has been offered a multiyear lease, but the hair salon has only been offered a month to month lease. The property is not accepting any new bookings from 1/1/20. The rumor is they are planning a shutdown and January+ construction/remodel, then reopen for rentals. Nothing new on the shared road/parking lot. We will keep the members informed if anything changes.
  16. As noted, HN will be shut down for quite a number of projects in late November / early December 2019. The primary of which are exterior painting and the re-waterproofing of our upper walkways, stairs and lanais. In addition, nearly all homeowners have taken this opportunity to complete minor to major remodels of their units. The lion’s share of the costs of this shutdown will be covered by HN reserves and individual homeowners paying for their own projects.
  17. Solar is probably not an option for HN for the near-term to our complicated metering and subpanel structure in the HN utility room. MECO’s regulatory hurdles also make this effort somewhat prohibitive for now.
  18. A/C remains HN’s biggest maintenance challenge. MECO has solved a significant ground issue for HN, but the lack of qualified and reliable service providers on island is flat out pathetic. There is such an abundance of business and HN is so small that they just don’t really care about us and our needs / our problems.
  19. Security cams have been installed and have worked well. They seem to have become a big deterrent as local issues have dipped.
  20. Beach webcam will be replaced in Q4. Now that we have changed IT suppliers from Tech Partners (Jonathan) to Chris Brown, things should begin to smooth out significantly.
  21. All mirrors were replaced earlier this year and the new ones look fantastic.
  22. Homeowner unit bookings continue to a big challenge for HN’s office team. Very few members use and follow the established protocol for homeowner bookings.
  23. T-shirts, women’s sweatshirts will arrive upon the completion of the shutdown project. Please provide your preferred size and color and they will be sent out to each of our members.

- 24. Owners list has been updated. Please check it for accuracy/changes.
- 25. Next meeting is Friday, 10/16/20 at 9:00 a.m.'

5. TREASURERS' REPORT

Third quarter financials, budget and reserve analysis were distributed in owners' folders. Steve reviewed the reports with the group and it was noted there was a large increase in insurance due to employee health insurance. All financial documents are prepared in conjunction with Leanna and Kim K.

Steve reviews the Reserve Analysis every year. Last year owners approved \$3,000/unit for a shore maintenance program which the reserve analysis company doubled. Steve does not anticipate spending this much for now and is proposing a reduction in reserve charges for 2020.

MOTION: Approve budget for 2020 and reserve analysis (copy at end of minutes) as presented

Cowell/B. Straub

VOTE: Unanimous

6. OLD BUSINESS

a. Update on Shoreline - The southern end of the beach had damage during the year. Maui County is continuing to work with properties regarding beach access. There is no new news on sand replenishment, however, the Napili Hui continues to be active in this regard. There has been discussion regarding setting up a special tax assessment district and Pat Lindquist is active in applying for grants to help with beach issues.

b. Air conditioning - Some of the A/C units in our apartments do not work or do not work adequately. It is a continual problem getting service from installers on Maui. We are a small property, far away from the business hub of the island and providers are very busy with the larger properties. That said, our A/C works most of the time, but it is frustrating when service is necessary.

c. Security - Addressed in #19 of President's Report.

d. Parking lot/Hui Road update. Nothing as happened regarding information with legal ownership of the road.

e. Solar - Addressed in #17 of President's Report.

f. Webcam - Addressed in #20 of President's Report.

g. Painting - Addressed in #16 of President's Report.

h. Palm trees - Addressed in #9 of President's Report.

i. Sewer lines/bridge/new house - Lower Honoapiilani Rd. - Sewer project is finished; condos are being constructed at the corner of the lower road and Hui Rd.; the bridge project is waiting for one more permit so will probably take place in 2020.

j. Occupancy Cert/setbacks/ongoing regulatory hurdles - nothing has changed in any of these projects.

## 7. NEW BUSINESS

a. Upcoming maintenance projects - The Hale will be closed from Nov. 29 to Dec. 8, 2019 for semi-major maintenance of the exterior and renovation and repair of individual units. Earlier letters were sent to all owners detailing suggested repair and maintenance for individual units. Most items are rental pool reserve expense and others are owner responsibility. Unit evaluations were performed by an architect with comparison to hotel standard in mind.

Brian will work with each owner, if desired, on behalf of Carrion Construction to determine the scope of repairs. Owners will receive a quote which will include an estimate of shared costs for the workers (air fare, food, etc.). The reserves may cover some of the shared costs. Individual quotes will be provided to owners by Carrion Construction for their unit and a 50% payment is required up front, then final payment at end of work. Payment will be outside of regular distributions and due as described.

b. Staff overview/reviews - Board (or individual board members) meets with individual members for performance review and discussion of ideas or concerns for the Hale. Our attorney is reviewing the 2014 Employees' Handbook to make sure it is up to date. It is recommended that the name be changed to Employees' Guidelines and Brian will discuss with the attorney.

c. Sale of #18 - Addressed in #12 of President's Report.

d. Other

Q. - *occasionally rooms are double booked. How does this happen?*

A. Not sure. Software should prevent this. A new version of Res Stream is available and may provide individual owners "backdoor" access to program.

There are two standard motions required to be voted on during owners' meetings.

1. IRS 70-604. The purpose of Revenue Ruling 70-604 is to allow a homeowners association to avoid taxation on its excess membership income by

either refunding it to members or carrying over the excess to the following tax year.

MOTION: Accept IRS 20-604  
Cowell/S. Straub

VOTE: Unanimous

2. Authorization to do business:

MOTION: Owners vote to authorize the board, officers and general manager to do business with suppliers and vendors.

Cowell/L. Urquhart  
VOTE; Unanimous

8. Ratification of Board of Directors Actions

MOTION: Ratify Board of Directors Actions  
Cowell/B. Straub

Discussion: Q. *Members have not received any information on board meeting during the year. We need more communication.*

A. Board only held one meeting in June and minutes were provided on owners' portal. Minutes were posted late due to Leanna's travels. Noted that any meeting minutes should be provided perhaps by direct email even though posted to website.

VOTE: 1 1/4 proxies vote- No  
Balance of votes - Yes

9. Appointment of new 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 2020 Board of Directors of the AOA.

Moeller/V. Levi

VOTE: Unanimous

The Board appoints Steve Straub as Acting Treasurer of the AOA.

10. ANNUAL MEETING DATE FOR 2020: **October 16, 2020.**

11. MEETING ADJOURNED

MOTION: Adjourn meeting at 11:08.  
Cowell/S. Straub

VOTE: Unanimous

Respectfully submitted,

Linda Levi, Secretary

**HALE NAPILI RESERVE ANALYSIS FOR 2020**

Based on 5 year funding plan using 1/1/20 Reserve Analysis

Equity Reserve @ 9/30/19	357,217
ADD: 4th Q Reserve Fees	45,809
DEDUCT: 4th Q costs (estimated)	(75,000)
Equity Reserve @ 12/31/19	328,026
DEDUCT:	
Projected Disbursements:	
2020	(301,641)
2021	(4,904)
2022	(12,636)
2023	(9,139)
2024	(89,857)
Equity Reserve before funding	(90,151)
75% funded reserves at 12/31/24	654,782
Reserve shortfall to reach 75% of fully funded	744,933
Annual requirement to reach 75%	149,000
Quarterly requirement to reach 75%	37,250
1 bedroom @ 6.8%/quarter	2,533
Studio @ 5.2%/quarter	1,937