

**KEPUHI BEACH RESORT aka
WEST MOLOKAI RESORT CONDOMINIUM AOA
ANNUAL MEETING MINUTES
NOVEMBER 14, 2009 – 9:00 am
MAUNALOA COMMUNITY CENTER, MOLOKAI**

1. Call To Order

President Jeff Kent called the meeting to order at 9:06am on November 14, 2009.

2. Welcome greeting from the Board of Directors to all homeowners.

- Introduction of Board and Castle to all homeowners.

Board of Directors

Jeff Kent
Barbara Kyte
Ellyn Dooley
Dale Matlock
Bob Hagler (absent)

Castle Resorts & Hotels

Dean Yamamoto
Encarnacion ‘Beeper’ Cruz
Mike Jennings
Renette Carpio

- President Kent asked the homeowners to introduce themselves. The homeowners who attended in person are listed below:
James Vadheim (1131), Carrie Thomas (1144), Joyce DeLuna (1145), Chuck & Carol Webb (1146 & 4B), Harald & Kaarina Craig (1146 & 1191), Mr & Mrs James Nekota (1155), Jay & Suzy Wakefield (1184), Gordon & Sharon Pease (1201), Don Guest (1211 & 2254) Robert Boyle (1213), Mickey & Bojana Pavlovich (1215 & 2215), Ewart & Eva Lock (1222), Clifford & Beverly Reed (1225), Michael Comstedt (1231), Angela Themes (1235), Kevin Donnelly (1236 & 2252), Francis & Mary Margaret Martorano (1243), Frank & Sue Tanner (2131), James & Carrie Thomas (2132), Fred & Betsy Thompson (2133), George & Inez Williams (2134), George Read (2151), Terry Kyte (2155), Mr & Mrs Kenneth King (2164), Stephen Pillar (2171), Yvonne Wheeler (2176), Eva Boyd (2185), Rick & Krista Siler (2186, 2192 & 2202), Steven Jaquess (2192 & 2203), Mr & Mrs Carl Grindstaff (2194), Elizabeth Gillin (2216), Ells & Irene Henderson (2223), Margaret Lass Gardiner (2226), Jane Johnson (2235), Rika Kent (3B), Christopher & Karen Ward (5B), Michael O’Bannon (6B), Rick & Suzy Joy (8A), Harvey & Connie Fox (8B).

3. Conduct of Meeting.

In accordance with Article II, Section 1, of the By-Laws, this meeting will be conducted in accordance with the most recent edition of Robert’s Rules of Order, Newly Revised.

In order to accomplish our business fairly and efficiently, we must ask your help in following certain rules, which are customary for this type of meeting. Before speaking, please identify yourself by name and unit number.

4. Robert’s Rules of Order shall govern the proceedings and there were no objections.

5. Proof of Notice of Meeting

Secretary Matlock confirmed that Notice of Meeting was sent to all homeowners of record on September 10, 2009 and will be made a part of the minutes of this meeting. President Kent announced that a quorum was established by 77.40% of the owners who were present either in person or by proxy.

6. The minutes of the November 15, 2008 Annual Homeowners meeting were approved.

MOTION: made by Barbara Kyte and second by Suzy Wakefield that the 2008 Annual Meeting Minutes be approved as submitted. Motion passed unanimously.

7. President's Report –

President Kent stated that this has been a tremendous year and that the AOA is in good shape. Among the highlights:

- Roofing Project – It has been eighteen months since the completion of the project and there have been no reports of leaks.
- 2008 Audit – The audit was performed by Terry Wong, CPA was clean and all related material was found to accurately and fairly represent the financial position of the AOA.
- Reserve Study – The last reserve study was conducted in 2006 so this year, we commissioned an Update with Site Visit report to cover the period of January 1 through December 31, 2010. Although Hawaii state law requires at least 50% funded, we are currently at 87.4%. The Executive Summary was included in the homeowner's meeting packet however please send an email request to Jeff Kent at jeffkent@interlube.com if any owner would like a copy of the full report.
- Appreciation – The dedication and hard work of many individuals contributed to the smooth operation of the AOA this year. Responsibilities were divided amongst all board members however decisions were still made as a whole. There were monthly phone conference calls and multiple email correspondence to ensure we all stayed connected. Mahalo to Barb (strong right hand and research sleuth), Ellyn (financial goddess), Dale (building expert) and Bob (Sheriff Bob)! Thank you also to Mike Jennings and crew for keeping up with our property's maintenance. To former board members Harvey Fox, Rick Siler, Chuck Webb, Harald Craig, Eva Lock, Betsy Thompson, George Williams, Jim Drehle, among others, who started many of the projects and worked towards the betterment of our property. Thank you to the owner volunteers for their expertise and hard work. And lastly, to our 'board orphans' Kari Hagler, Terry Kyte, Tom Dooley, Joyce DeLuna and Rika Kent for their support and background work for the meetings.

8. Cross Easement Report –

President Kent detailed the history of our Cross Easement agreement with the Ranch and our subsequent lawsuit against them. We engaged in this action because of the neglect and deterioration of our property. The suit was filed against Molokai Properties Limited ('MPL') in Maui County Circuit Court and consequently MPL agreed to arbitration instead. The type of arbitration we chose was a 'Dispute Prevention Resolution' and we filed for a summary

judgment to try and get a quick resolution. There were multiple depositions made during this process with statements taken either in person or by phone. Chris Ward (5A) asked what provision in the arbitration against MPL was made for the pool. President Kent stated that a subsidiary of MPL called Kaluakoi Poolside LLC is responsible for the cleaning and maintenance of the pool. Jim Vadheim (1131) asked if the ruling was favorable to our AOO, what the process in which we collect is. President Kent replied that it depends on the details of the ruling. Jay Wakefield (1184) stated that he feels President Kent should be reimbursed for his personal payments for the airfare spent when meeting with our attorneys and giving his depositions. President Kent stated he would claim from MPL. We are now awaiting the judge's ruling.

On behalf of the Homeowners and the Board, a 'Maui War Club' gift was presented to President Kent with appreciation and gratitude for his diligence and hard work with the arbitration.

9. Treasurer's Report –

- Treasurer Dooley reviewed the highlights of the September 2009 financial report. YTD income was \$597,558 and YTD expenses were \$583,405 for a surplus of \$14,153. We have 2 owners in lender foreclosure. Delinquencies total \$35,157 and we have filed a personal judgment in the state where one owner resides. There are 2 other delinquent owners, we are processing foreclosure with one and filing a lien with the other.
- The highlights of the approved budget for 2010 were reviewed. Total income is \$801,204 with \$744,455 in operational expenses and \$8,500 in reserve expenses leaving a surplus of \$48,249. President Kent asked the homeowners if they had suggestions or preferences for the surplus of \$48,249. There were suggestions such as 1) banking it into a reserve fund; 2) earmark for new projects; 3) lower maintenance fees. By a show of hands, the majority of the homeowners present agreed that any surplus should be banked into either a reserve or operating fund. This action of course, is contingent upon the arbitration ruling.
- The budget committee worked hard on the budget and was able to keep maintenance fees flat for 2010. The cost per unit per month is the same as 2009 and noted below:
 - Cottage \$650.00/month
 - One bedroom \$521.00/month
 - Studio \$391.00/month
- Current liens for owners that are delinquent in their maintenance fees or roofing assessments were reviewed as well as recorded foreclosures.
- The audit for the period ending December 31, 2008 was reviewed and found to be a clean audit.

10. Officer's Report –

Secretary Matlock reported on the Buildings and Grounds

- Stairways in buildings 15, 20 & 23 are completed
- Stairways in buildings 16, 22 & 25 are still in progress

- Lanai support posts are replaced as needed on all buildings
- Dry rot is being repaired or replaced as needed on all buildings
- There are 6 lanais left to be painted; new painting cycle starting late spring/early summer.
- Rain gutters in buildings 15, 17 & 18 have been cleaned
- Light bulbs in all buildings have been replaced with CFL bulbs
- The washer and dryer at building 16 has been replaced
- The replacement dryer for building 24 is ordered and in transit
- Mike is currently looking into carpet options for the upper levels of all buildings
- Conservation signs for water and electricity have been provided by the Haglers
- Concrete repair work will begin on 3 lanais
- Tree trimming will commence after the first of the year
- Irrigation system will be continually upgraded
- Parking lot will be striped and repainted as needed

Comments or concerns from owners regarding buildings and grounds:

- Rick Siler – Exterior flood lights at the cottages have not been changed. Mike replied that the flood light fixtures will be replaced with 10 watt bulbs.
- Carrie Thomas – Perhaps LED lights may be used instead of some CFL's.
- Kaarina Craig – Asked if the dryer in building 20 could be checked on.
- Steve Jaquess – The lights that shine from the coconut trees have been out for over a year. Need to be replaced as soon as possible.
- Angele Themes – Asked if the BBQ's could be added to the weekly maintenance cleaning schedule.
- Rick Siler – Would like to propose and adopt a proposal to replace louvers with glass. The Board will research and determine best course of action according to our bylaws.
- Steve Jaquess – Reported that the igniter switch on the BBQ appears to be inoperable. Mike will inspect.
- Suzy Joy – Stated that the maintenance shed signage says 'Kaluakoi Villas' however this should be changed to read 'Kepuhi Beach Resort'.

11. Committee Reports –

- Committee Report on Pool (Barbara Kyte) – Vice President Kyte reiterated the midyear report for those who missed the Spring Meeting.
 - a. We received a letter late in 2008 from the Ranch stating a backwash system needed to be installed at our AOA expense. The Department of Health ('DOH') requested that all three west end condo associations comply with the federal law and install the proper system. The Ranch indicated in the letter that the cost would be \$4,500 and if we wanted to continue to see the pool remain open, we would have to pay the full cost. Ke Nani Kai's estimates ranged from \$27,000 to \$62,000 and would require an additional pumping system to go uphill to the street. When we contacted the DOH later during this process, they stated they did not require nor request the pool be closed and preferred the pool to stay open. Once the pool was closed, however, the

water became unhealthy and unsafe so consequently, the DOH pulled the health permit to operate the pool. In addition, a new safe bottom drain must be installed.

Current news about the pool:

- a. The feasibility of the AOA building its own pool was investigated. Preliminary quotes received over the phone received from pool construction companies on Maui ranged from \$200,000 - \$400,000. These figures do not include bathroom/shower facilities or fencing (Huber Pools, Quality Craft Builders, and Albright Custom Pools). KNK's recent pool restoration exceeded \$200,000. Maintaining our own pool would increase our annual operating expenses by an additional \$60,000 to \$80,000, depending on water charges and exclusive of labor. Ke Nani Kai and Paniolo Hale were both approached several times to see if either would be open to sharing and renting their pool to us. Paniolo Hale was doing restoration work on their pool through the summer and graciously declined. Ke Nani Kai declined our requests.
 - b. We filed our litigation, of which you have been fully informed. Depending on the outcome of the arbitration, either full restoration options or building our own pool options will be investigated in great detail. All homeowners will be asked for input, ideas, advice, etc as there will be a significant amount of issues to be made, with either decision. Monies have already been set aside in the reserve fund for replacement of pool furniture, tables and umbrellas.
- Web Site Committee (Ellyn Dooley) – Treasurer Dooley reported that our website content is updated. There are some glitches but these will be addressed shortly. Feedback from homeowners is welcomed.
 - Committee Report on Lockers (Connie Fox) - The 54 rentable lockers are all full and returned income of \$5,944. There is currently no one on the waiting list however if there is any interest, please contact Connie Fox.
 - Committee Report on Fire (Frank Tanner) – Mr. Tanner announced that there will be fire training for homeowners and staff on Monday, 11/16 at 9:00am. There will be a laminated fire box map for each unit. The 1st concern is when a whistle blows, all occupants should meet at the nearest fire box as our primary concern is to save lives. Everyone must get out of the building. Stephen Pillar (2171) added that as a firefighter, citizens should let trained firefighters deal with protecting the exposure of the buildings and all should be conscious of the wind direction at all times.

With regard to the proposed fire station for the west end, realistically, we won't get any approvals until Maui is fully staffed. Suzy Wakefield has been great attending all of the council fire meetings. We have four (4) fire hose boxes around our property. A discussion followed regarding using garden hoses as a means to fight fires in addition to the fire hoses.

President Kent thanked Mr. Tanner for his report and also acknowledged Suzy Wakefield for her work on the fire house committee.

- Committee Report on Resort Enhancement (Ellyn Dooley & Dale Matlock) – Treasurer Dooley and Secretary Matlock stated that they have been gathering ideas to enhance the property and have recruited some of the homeowners for help. Some of these ideas include:
 - Bench/chairs – Sharon Pease reported that the Board purchased some benches; these need to be coated so that it is weather-resistant.
 - Working on new flower plantings. Herminio does the plantings in all the sections and works closely with Sharon. She has plantings in the green house that she uses to propagate; please stop by and take a look. Sharon is trying new plants like torch ginger to see what will grow best in our environment.

12. Inspectors of Election –

President Kent asked for homeowners to volunteer as Inspectors of the Election. Volunteers: Rick Joy (8A) & Angela Themes (1235).

13. Election of 3 Directors –

- Elections of 3 Directors – The seats open for election this year are for Jeff Kent and Barbara Kyte as well as Dale Matlock (who was appointed by the Board to fill the vacancy of Betsy Thompson’s seat). All three incumbents indicated a desire to seek another term.

14. Nominations for the Board -

Nominations were open to the floor (nominations need not be seconded). Jeff Kent was nominated by Rick Siler (2186, 2192 & 2202), Barbara Kyte was nominated by Frank Tanner (2131); and Dale Matlock was nominated by Inez Williams (2134)

MOTION: made by Ellsworth Henderson and seconded by Connie Fox that the nominations be closed. Motion passed unanimously.

15. Board Candidates Talk –

The candidates were given an opportunity to address the owners.

Since there were only three nominations for three open seats, President Kent announced that, unless there was an objection, the nominees would be elected by acclamation. There were no objections.

MOTION: made by George Williams and seconded by Don Guest that the secret ballot process be waived and that Jeff Kent, Barbara Kyte and Dale Matlock be elected by acclamation. Motion passed unanimously.

16. Recess –

N/A

17. Results of Election –

N/A

18. New Business –

- Install New Faucet and Accompanying Hose – Kevin Donnelly proposed a discussion and then a motion about faucets that could accommodate garden hoses in hopes that one could be installed in every building to supplement the use of the fire hoses.

SPECIAL MOTION: to mandate that each building be installed with a new faucet and accompanying hose was made by Kevin Donnelly and seconded by Rick Siler.

An extensive discussion followed for and against the motion before a brief recess to vote by secret ballot and tally.

The motion failed by a vote of 24.40% in favor; 50.20% against.

- Reasonable Accommodation – Betsy Thompson proposed a motion about allowing her to use a golf cart in the common areas of the property.

SPECIAL MOTION: that the Association amend the bylaws to allow the use of golf carts as a reasonable accommodation for disabled person and ask that the Legal Committee put it into the proper format for submission to the State was made by Betsy Thompson and seconded by Mickey Pavlovich.

An extensive discussion followed for and against the motion before a brief recess to vote by secret ballot and tally. Harald Craig suggested the motion be in writing and provided to all owners. Betsy responded that the Board has her motion in writing and she brought copies to the meeting today. Rick Siler commented that there is no need for a large golf cart for personal use as there is motorized equipment that is smaller. Betsy stated that as an association we were in violation of the American for Disabilities Act (ADA). Barbara Kyte stated, irregardless of which way the vote goes, that in our case, we believe we do not fall under the ADA as basically the Americans with Disabilities Act (ADA) is a civil-rights law enabling persons with disabilities to access places of public accommodation, transportation, and commercial facilities. A place of Public Accommodation is defined as a facility, operated by a private entity, whose operations fall within at least one of the following categories (in this case, Item #1):

- 1. An inn, hotel, motel, or other place of lodging with a lobby, except for an establishment located within a building that contains not more than five rooms for rent or hire and that is actually occupied by the proprietor of the establishment as the residence of the proprietor.**

The motion failed by a vote of 15.80% in favor; 57.60% against.

- Oxygen tank – Suzy Wakefield suggested the Board look into having an oxygen tank and an automatic defibrillator on property.
- Gathering spot – Sharon Pease asked if any owners were interested in building a pavilion on the property, to email the Board with their interest. President Kent stated the Resort Enhancement Committee is looking into the possibility of a pavilion.
- Burned golf cart – George Williams asked what provisions are being made to tow the burned golf cart from the handicap stall. Fred Thompson replied that Betsy's cart was burned and was left there in the handicap stall because the fire department was going to inspect it. He feels Security needs to be increased. Frank Tanner suggested perhaps we can share in the cost of additional security with Ke Nani Kai and Paniolo Hale.

19. Adjournment –

MOTION: to adjourn the meeting made by Rick Joy (8A) and seconded by Connie Fox (8B). The motion was passed unanimously.

The meeting was adjourned at 1:02pm by President Kent.

Respectfully submitted,



Renette Carpio

Director of Owner Relations

Castle Resorts & Hotels

As agent for Kepuhi Beach Resort aka

West Molokai Resort Condominium AOA