

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
BOARD OF DIRECTORS
April 19, 1999**

DIRECTORS PRESENT: Michael Kaplan, Sandy Boothe, Kazuko Shimaoka, Marcus Baricuatro.

OTHERS PRESENT: Carl Hardin, President, Heritage Properties; Wayne Cober, Vice President, Jim Hentz, General Manager.

CALL TO ORDER:

President Michael Kaplan called the Sands of Kahana Board of Directors Meeting to order on Monday, April 19, 1999 at 3:00 p.m. (HST), via telephone. A quorum was established with four Directors present.

APPROVAL OF MINUTES

**MOTION: To approve the minutes of the February 13, 1999 Board of Directors meeting as presented. Seconded and carried unanimously.
(Boothe/Baricuatro)**

OLD BUSINESS

TERRACE RESTAURANT

The rental rate for the renewal period of the Terrace Restaurant was discussed. The Board felt that a rent based only on percentage of revenue would be to inconsistent and difficult to audit. They prefer a fixed rent or combination fix, plus a percentage.

**MOTION: To set the rent at a rate of \$3,500.00 per month, plus 1% of gross revenue, plus utilities. Seconded and passed unanimously.
(Boothe/Shimaoka)**

VINSON LETTER

William Vinson has sent a letter to the Board questioning a Bylaw amendment eliminating cumulative voting.

Mr. Hardin has responded to the letter and explained that the Board did not take a position on the merit of the amendment. A petition of the owners proposed the amendment and the Board is bound by statute to present it to the membership for a vote.

NEW BUSINESS

TILE ROOFS

The Board discussed the low tile roofs on the four building covering the conference room, fitness room and housekeeping.

Mr. Cober reported that many of the tile are missing and more are loose. The waterproof membrane has failed and the roofs are all leaking. The Association has already replaced several other tile roofs with standing seam aluminum roofing.

The remaining roofs will need to be replaced in the future. He presented a bid from Commercial Roofing, the company that has done the other roof replacement, of \$71,164.00 to complete the four roofs.

Mr. Kaplan questioned the warranty and if the work could be completed before the busy summer season.

There is a 5 year warranty on labor and 10 years on material. The work will be complete before the summer season.

MOTION: To accept the bid from Commercial Roofing to replace the four roofs. Seconded and carried unanimously. (Boothe/Baricuatro)

BASKETBALL COURT

Mr. Hardin reported that a portable basketball pole and backboard had been installed on one of the tennis courts as an experiment. The basketball court has been heavily used and very popular. He is recommending that a permanent basketball pole and backboard be installed. The poles would be installed outside of the fence and extend inward so the court could still be used safely for tennis. The cost was estimated at \$1,000.00.

MOTION: To approve the installation of a permanent basketball pole and backboard. Seconded and passed unanimously. (Shimaoka/Boothe)

OTHER BUSINESS

Mr. Cober reported that the solar heating mats are being installed on the main pool at this time and should be complete by the end of the week.

He also reported that four of the five pieces of new fitness equipment have arrived and been installed. The final piece is expected any day.

There being no further business President Kaplan entertained a motion to adjourn.

MOTION: To adjourn the meeting. Seconded and carried unanimously. (Boothe/Baricuatro)

The meeting adjourned at 3:25 p.m.

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
ANNUAL HOMEOWNERS MEETING
February 13, 1999**

DIRECTORS PRESENT: Michael Kaplan, Marcus Baricuatro, Kazuko Shimaoka.
By phone: Sandy Boothe.

OTHERS PRESENT: Artie Spector.

OTHERS PRESENT: Carl Hardin, President, Heritage Properties; Wayne Cober, Vice President; Heritage Properties; Kitty Williamson, Interpreter; Laurie Ledbetter, Recording Secretary; Jim Hentz, Heritage Properties.

CALL TO ORDER:

President Michael Kaplan welcomed all of the homeowners to the Annual Homeowners Meeting of the Association of Apartment Owners of the Sands of Kahana and called the meeting to order on Saturday, February 13, 1999 at 11:00 A.M., in the Meeting Room of the Sands of Kahana, 4299 Lower Honoapiilani Rd., Lahaina, Hawaii.

PROOF OF NOTICE:

Mr. Hardin announced that Proof of Notice of the Annual Meeting was mailed to all owners of record and posted on the property and a copy on the Association files.

ESTABLISHMENT OF QUORUM:

Mr. Hardin announced that a quorum was established with 94.4220% of the ownership represented either in person or by proxy.

CERTIFICATION OF MAILING:

Wayne Cober certified that Proof of Notice of the Annual Meeting of the Association of Apartment Owners of Sands of Kahana, to be held on Saturday, February 13, 1999 at 9:00 A.M., on property, was mailed to all owners of record with accompany proxy on January 27, 1999.

SECRETARY'S REPORT:

MOTION: To approve the minutes of the 1998 Annual Meeting as circulated.
Seconded and carried unanimously. (Baricuatro/Jennewein)

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Sands of Kahana - Annual Homeowners Meeting
February 13, 1999 - Page 2**

ELECTION OF DIRECTORS:

INSPECTOR OF THE ELECTION:

President Kaplan appointed Stu Jennewein as Inspector of the Election to assist Management in the tabulation of the ballots.

Mr. Hardin announced there were 2 positions to be filled on the Board, both for 2-year terms, for the expiring terms of Sandy Boothe and Michael Kaplan. The election will be done by cumulative voting as there was a valid request for same.

President Kaplan asked for nominations from the floor. Marcus Baricuatro nominated Sandy Boothe and Michael Kaplan. There were no other nominations.

**MOTION: To close the nominations. Seconded and carried unanimously.
(Baricuatro/Jones)**

Mr. Hardin advised that under Hawaii law, a written ballot election must take place even though there are 2 candidates running for 2 positions. Mr. Hardin explained cumulative voting procedures for the ownership.

The meeting recessed for at 11:07 A.M. for voting and reconvened at 11:12 A.M.

Mike Sullivan asked that nominations be re-opened as he was late arriving at the meeting and would like to have the opportunity to make a nomination from the floor. There was discussion on the parliamentary procedures to follow for this request.

MOTION: To re-open the nominations. Seconded. (Jones/Cochrane)

VOTE: (Voice Vote) The motion carried by a majority.

Dr. Jones nominated Bill Vinson, owner of #292 & #384. Mr. Sullivan gave a brief introduction of Mr. Vinson who was not present at the meeting.

**MOTION: To close the nominations. Seconded and carried unanimously.
(Cochran/Baricuatro)**

The meeting recessed at 11: 17 A.M. for voting and reconvened at 11: 24 A.M.

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Sands of Kahana - Annual Homeowners Meeting
February 13, 1999 - Page 3**

FINANCIAL REPORT:

Mr. Hardin reviewed the unaudited Annual Audit. The Association ended the year with a surplus in operations of \$110,479.84. Approximately \$900,000 was accumulated through 1998 for Reserves. Hawaii law requires the Association to acquire \$1.4 million in its Reserves by the end of 1999 (50% funded). Currently, the Association allocates \$40,000 per month to the Reserves. Management recommends that 50% of capital projects be funded in cash collected in the same year, and, the balance allocated to the Reserves to continue to allow the account to grow.

STANDARD MOTIONS:

MOTION: To approve reimbursement of the Directors out of pocket travel expenses to attend duly called meeting of the Association in an amount not to exceed \$500 per meeting.

MOTION: To instruct the Board of Directors to hold an Organizational Meeting immediately following the Annual Meeting for the purpose of electing Officers of the Association to serve until the next Annual Meeting.

MOTION: The Association of Apartment Owners of the Sands of Kahana hereby directs that any Association income which exceeds expenses for the fiscal year ending December 31, 1999 be "rolled forward" and applied to the Operating Expenses of the Association for the fiscal year ending December 31, 2000 in accordance with IRS Revenue Ruling 70-604.

Seconded and carried unanimously. (Baricuatro/Jones)

ELECTION RESULTS:

President Kaplan announced the new Directors to the Board. They are: Sandy Boothe and Michael Kaplan.

NEXT ANNUAL MEETING:

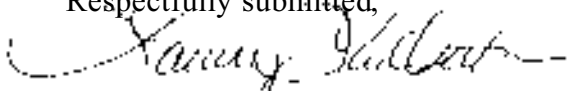
The next Annual Meeting will be held on February 12, 2000.

ADJOURNMENT:

**MOTION: To adjourn the meeting. Seconded and carried unanimously.
(Jones/Baricuatro)**

The meeting adjourned at 11:35 A.M.

Respectfully submitted,



Laurie "Lola" Ledbetter
Recording Secretary

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
ORGANIZATIONAL MEETING
OF THE
BOARD OF DIRECTORS
February 13, 1999**

DIRECTORS PRESENT: Michael Kaplan, Marcus Baricuatro, Kazuko Shimaoka.
By phone: Sandy Boothe.

DIRECTORS ABSENT: Artie Spector.

OTHERS PRESENT: Carl Hardin, President, Heritage Properties; Wayne Cober, Vice President; Heritage Properties; Kitty Williamson, Interpreter; Laurie Ledbetter, Recording Secretary; Jim Hentz, Heritage Properties.

CALL TO ORDER:

Michael Kaplan called the Organizational Meeting to order at 11:25 A.M. A quorum was established with 4 of the 5 Board members present.

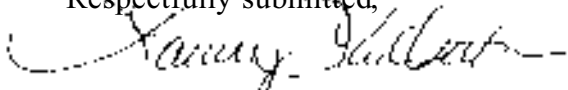
ELECTION OF OFFICERS:

The following Officers were elected:

President: Michael Kaplan
Vice President: Sandy Boothe
Secretary/Treasurer: Marcus Baricuatro

President Kaplan adjourned the meeting at 11:26 A.M.

Respectfully submitted,



Laurie "Lola" Ledbetter
Recording Secretary

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
BOARD OF DIRECTORS MEETING
February 13, 1999**

DIRECTORS PRESENT: Michael Kaplan, Marcus Baricuatro, Kazuko Shimaoka.
By phone: Sandy Boothe.

DIRECTORS ABSENT: Artie Spector.

OTHERS PRESENT: Cad Hardin, President, Heritage Properties; Wayne Cober, Vice President; Heritage Properties; Jim Hentz, Heritage Properties; Kitty Williamson, Interpreter; Laurie Ledbetter, Recording Secretary.

CALL TO ORDER:

President Michael Kaplan called the Board of Directors Meeting of the Sands of Kahana to order on Saturday, February 13, 1999 at 9:00 A.M., in the Meeting Room of the Sands of Kahana, 4299 Lower Honoapiilani Rd., Lahaina, Hawaii. A quorum was established with 4 of the 5 Board members present.

PROOF OF NOTICE:

Mr. Hardin announced that Proof of Notice of the meeting was sent to all Board members and posted on the property.

APPROVAL OF MINUTES:

MOTION: To approve the minutes of the Board of Directors Meeting dated November 5, 1998 as circulated. Seconded and carried unanimously. (Baricuatro/Boothe)

FINANCIAL REPORT:

Carl Hardin stated the Association ended the fiscal year on December 31, 1998 with a \$110,479.84 surplus. A draft of the certified annual audit was received on February 12, 1999 and forwarded to the Board for review. The following recommendations were included in the audit: 1) Update the Reserve Study to ensure that the Association is in compliance with Hawaii Revised Statutes 514A by 1/1/2000. Mr. Hardin noted the Board previously discussed and intended to update the Reserves in 1999; 2) Distribute the Association's cash amongst several financial institutions, versus just one (First Hawaiian Bank), as the total is over the \$100,000 FDIC limit. Mr. Hardin stated this is not an issue as the funds are not actually held at the bank but invested in T-Bills, etc., through First Hawaiian Bank. Management will research opening a similar account at Bank of Hawaii. Currently, the Association has approximately \$1 million dollars in its Reserves.

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Sands of Kahana - Board of Directors Meeting
February 13, 1999 - Page 2**

MANAGING AGENT'S REPORT:

The Managing Agent reported on the following items:

KAHANA RIDGE DIRT:

Mr. Cober stated that at the approval of the Board, the Association attorney filed a suit, on behalf of the Sands of Kahana, against the Developer and all related parties of the Kahana Ridge project. This, in an effort to establish a date on record and protect the statute of limitations.

Management is proceeding to compile additional documentation to support the Association's case. The original expense cap of \$1,200 approved by the Board has been expended. Mr. Cober stated once the response to the suit is assessed, the Board will review additional action to take and approve funds accordingly.

FITNESS ROOM:

Mr. Cober stated that as part of the agreement to rent the space in Building Three, the Sands of Kahana Vacation Club agreed to purchase equipment for the fitness room. The Club has ordered two commercial quality Stair-Steppers and two Recumbent Cycles at a delivered cost of \$9,725. A "home" quality, universal gym was in the Fitness Room., however, due to the on-going maintenance required on the equipment, it was subsequently put in storage.

Mr. Cober presented a proposal in the amount of \$7,760 to purchase a commercial quality universal gym. Management recommends approval of this additional piece of equipment which would complete the gym. Mr. Cober stated that many positive comments are received on the Fitness Room and the facility is a popular amenity used by many owners and guests. Mr. Hardin stated the Club originally agreed and did in fact pre-pay one year of rent, basically buying some of the gym equipment up to \$10,000.

The Board reviewed the high use of the gym and the current maintenance costs of the home quality, universal gym in storage.

MOTION: To approve \$7,760 to purchase a commercial quality universal gym for the gym. Seconded and carried unanimously. (Boothe/Baricuatro)

PROPERTY ENTRY:

Mr. Hardin stated at the last meeting, the Board approved approximately \$23,000 to construct planters and install new landscape at the main entry sign. He presented two designs for the Board's consideration: 1) Remove the existing entry structure/signs and replace with a new design. A

**Association of Apartment Owners
Sands of Kahana - Board of Directors Meeting
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preliminary cost for this option is approximately \$45,000. It is Mr. Hardin's opinion not to spend the \$23,000 now, if at some point in the future the entry is completely redone, and; 2) Defer any work on the entry until Phase III of the Lower Road is completed, as the work may impact the visibility of the entrance and signage.

Mr. Hardin offered a third option, to add attractive signage at the two side entrances alerting that the main entrance is approaching. Mrs. Boothe suggested an architect look at the entrance and submit a recommendation.

It was the consensus of the Board to defer this item to the next meeting.

TERRACE RESTAURANT/RENT:

Mr. Hardin stated that Jack Harris has exercised his option to extend his lease on the Terrace Restaurant. The only negotiable item in the lease extension is the rent. Management contacted a few firms to establish an estimate on the cost to obtain the appraised value of the restaurant. The approximate cost for such an appraisal is \$10,000 to \$15,000. Mr. Hardin recommended not going forward with spending this amount of money in an effort to determine what the rent should be.

The Board discussed the base rent currently being paid by Mr. Harris and agreed to have Management negotiate a base rent of \$4,500 plus the current reimbursement of electricity for the restaurant.

MOTION: To approve a base rent of \$4,500 per month, plus the reimbursement of electricity, for the Terrace Restaurant. Seconded and carried unanimously. (Boothe/Baricuatro)

SWIMMING POOL:

Mr. Hardin stated that Management continues to receive many negative comments from guests with regard to the temperature of the main swimming pool. Mr. Hardin recommended the Board approve funds, not to exceed \$25,000, to heat the pool with a solar mat installed across the roof of the restaurant.

The Board discussed the above proposal and agreed that the pool should be heated and would be an added amenity for the property.

MOTION: To heat the swimming pool at a cost not to exceed \$25,000. Seconded and carried unanimously. (Boothe/Shimaoka)

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Sands of Kahana - Board of Directors Meeting
February 13, 1999 - Page 4**

LANGSTON/SHADE SCREEN:

Mr. Cober presented a request from Ellen Langston, owner of Unit #356, to install canvas solar shades (roll-ups) on the lanai of the above unit. Mrs. Langston, present at this meeting, stated the shades are rolled up and hidden under the over hang when not in use and would match the color of the sliding lanai screen doors.

Mr. Cober expressed- concern, with the maintenance of the shades in the event that the unit were sold. He recommended the Board develop and adopt a standard for sunshades so that consistency is maintained.

The Board asked Mrs. Langston provide a sample of the shade material and submit it to Management. Further, that Management develop a standard policy for consideration and once completed, present it to the Board either by a mail ballot or conference call.

OWNERS FORUM:

Items discussed in the Owners forum included the following:

- 1) Elevators - Mr. Hardin stated a proposal has been solicited for a total refurbishment of the elevators by an outside consultant. Once completed, it will be present to the Board for further consideration.
- 2) Silk plants/hallways. Mr. Jennewein asked that silk plants be replaced in the hallway area by his unit. Mr. Hentz responded that many areas have been filled in with new silk plants. He will follow up on Mr. Jennewein's request.
- 3) Trees - Mr. Jennewein asked the Board to remove several trees in front of his unit which have grown tall and are now blocking the view. Mr. Hentz responded that 4 trees were removed in front of Mr. Jennewein's unit in 1998. Four more trees are scheduled to be removed and relocated in 1999, as the cost to do so can be absorbed in the landscaping budget.

Mike Sullivan, on behalf of Pat Sullivan, stated there were trees in front of (Mr. Sullivan's) unit that should be removed and relocated. Dr. Donald Jones, #224, also stated that there is a request on file to thin out and/or remove some of the large trees in front of that unit.

Mr. Jennewein asked the Board to expedite the tree relocation schedule. Dr. Jones volunteered to research contractors who have the ability to remove large trees, in a small space, and submit the information to Management for follow up.

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Sands of Kahana - Board of Directors Meeting
February 13, 1999 - Page 5**

- 4) For Sale Signs - Dr. Jones asked for clarification with regard to the posting of For Sale signs on the property, specifically, in front of units for sale. He expressed concern with the close proximity of his unit to the timeshare presentation units and questioned whether or not a commercial enterprise can exist on a residential floor of the building, i.e, timeshare presentations from an apartment. Mr. Hardin read Article V, Section I C of the By-laws with regard to signage on the property. He stated the timeshare presentations held in other units qualify under the provision of holding an open house. The front desk also provides directional maps for any units that are currently listed for sale.
- 5) Telephone system - The Board was asked to consider eliminating the \$35 local and 800 phone charges. Mr. Hardin explained that the revenue from the check-in fee and telephone charges are used to offset the expense of operating the front desk. No portion of the Maintenance Fees is used to pay for the telephone system.

ANNUAL MEETING:

Mr. Hardin stated that proxies were delivered to the Association which included a provision for requesting cumulative voting. However, the proxies contained an incorrect date for the Annual Meeting (February 11th instead of February 13th). If the proxies are considered invalid and not counted, there would be no request for cumulative voting. Mr. Hardin also stated Management believes Sullivan Properties violated their agreement by soliciting proxies for the Annual Meeting, with the rent distribution checks to owners.

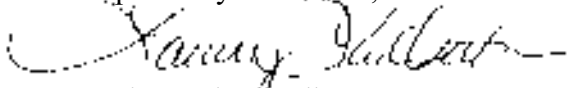
Management recommended and the Board agreed, to accept the proxies even though it is in violation of the agreement.

ADJOURNMENT:

MOTION: To adjourn the meeting to Executive Session for the purpose of discussing legal and personnel issues. Seconded and carried unanimously. (Baricuatro/Shimaoka)

The meeting adjourned at 10:11 A.M.

Respectfully submitted,



Laurie "Lola" Ledbetter
Recording Secretary

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
BOARD OF DIRECTORS
November 5, 1998**

DIRECTORS PRESENT: Michael Kaplan, Sandy Boothe, Kazuko Shimaoka, Marcus Baricuatro.

OTHERS PRESENT: Carl Hardin, President, Heritage Properties; Wayne Cober, Vice President, Jim Hentz, General Manager.

CALL TO ORDER:

President Michael Kaplan called the Sands of Kahana Board of Directors Meeting to order on Thursday, November 5, 1998 at 9:00 a.m. (HST), via telephone. A quorum was established with four Directors present.

APPROVAL OF MINUTES

MOTION: To approve the minutes of the August 21, 1998 Board of Directors meeting as presented. Seconded and carried unanimously.
(Boothe/Baricuatro)

FINANCIAL REPORT

Carl Hardin reviewed the operation of the Association for the first nine months of 1998. The Association continues to operate below budget and through the six months has a surplus of \$80,480. Haiku Landscape has recently presented invoices for renovation work completed early in the year but never billed. Those invoices will appear on the October financial and will bring the "Grounds Material" line item closer to the budgeted amount.

OLD BUSINESS

The managing agent reported on the following items:

KAHANA RIDGE DUST

Wayne Cober reported that the Association claim against the Kahana Ridge for damages caused by blowing dirt is unresolved. The insurance carriers for the contractor and developer have not responded. The Association attorney has given them a November 13, 1998 deadline to respond. The Board will convene via telephone shortly after that date to discuss a settlement offer or a course of further action if no settlement offer has been received.

WINDOW SCREENS

The Board reviewed the possibility of installing screens on the sliding windows of all units. Wayne Cober reported that the cost to screen all windows was estimated to be \$17,000. The Board concluded that the decision to have screens installed and the cost of installation should be left to each owner's preference, within guidelines approved by the Board.

MOTION: To instruct management to prepare a specification and a list of approved contractors for distribution to the owners. Seconded and carried unanimously. (Boothe/Baricuatro)

RESERVED PARKING

The Board reviewed the reserved parking issue and a proposed policy present by management. The Board did not feel the policy fully addressed the issues, after much discussion the matter was tabled for further consideration. The current policy of not assigning additional reserved parking will remain in effect.

NEW BUSINESS

FRONT DESK UPGRADE

A proposal was present to replace the existing wood desktop and work surface with a solid surface acrylic "corian". The cost, including replacing electrical outlets would be \$7,800. Mike Kaplan requested that a professional designer select the color.

MOTION: To accept the proposal to upgrade the front desk at a cost of \$7,800, with the material color selected by a professional designer. Seconded and carried unanimously. (Boothe/Shimaoka)

BUILDING THREE SPACE USE

A proposal from the Sands of Kahana Vacation Club to lease the common area on the parking level of three formerly occupied by Sullivan maintenance was presented. The Club has offered to pay \$750.00 per month in rent, with up to \$10,000 of the rent paid in advance to purchase equipment for the fitness room.

MOTION: To accept the Vacation Club proposal and enter into a License Agreement for the space. Seconded and carried unanimously. (Boothe/Shimaoka) Baricuatro announced his conflict of interest and abstained. Kaplan announced his conflict of interest and as AOA President did not vote.

PROPERTY ENTRY

A proposal to upgrade the front entry to the property was presented, it included construction of rock walls, and the installation of lighting, irrigation and new plants. There was discussion regarding the County's plans to improve the street fronting the property and what impact it might have on the entry. Management will obtain a set of the County plans prior to doing any work on the entry.

MOTION: To approve the plan to upgrade the front entry, pending confirmation of the County plan, at a cost of approximately \$23,000.00. Seconded and carried unanimously. (Boothe/Baricuatro)

HOUSE RULES

Carl Hardin presented a proposed House Rule amendment to update the language regarding the exterior appearance of the window coverings that can be used in the units. He stated that the existing language restricts the use of anything except drapes as originally installed. He suggested changing the language to read "Window coverings shall be of a neutral color".

MOTION: To approve the house rule amendment as proposed. Seconded and carried unanimously. (Boothe/Shimaoka)

UTILITY CONTRACT

A revision to the Allied Maintenance Services utility contract which would add 208 hours per month for general janitorial and 3 5 hours per month for window cleaning was presented to the Board. The additional janitorial hours will be used to provide full coverage on week-end, at present there is only one person available on Saturday and Sunday. The majority of the window cleaning will be in the atrium areas. The additional monthly cost will be \$3,793.00. Wayne Cober stated that the amount has been included in the 1999 budget, he requested that the Board approve the revision effective immediately. The Board directed management to seek competitive bids for the service to ensure that the Allied contract in line with the current market.

MOTION: To approve the proposed changes to the Allied Maintenance contract effective immediately. Seconded and carried unanimously. (Boothe/Baricuatro)

KAHANA TERRACE LEASE

Wayne Cober informed the Board that the Terrace Restaurant has provided the required notice to exercise their option to extend the lease for an additional five years. The only term of the lease that is negotiable at this time is rent. Mike Kaplan instructed management to have an appraisal of the restaurant conducted and present it along with any other supporting document to the Board at the next meeting. They Board will at that time determine the fair market rent.

LANDSCAPE CONTRACT

A revised landscape contract was presented. The revised contract includes only the day to day maintenance functions. Upgrades and enhancements will be handled on a work order/time and materials basis. The revised contract monthly cost is \$14,638.00. The 1999 budget also allocates \$1,600 in labor a month for enhancements.

MOTION: To approve the revised Haiku Landscape contract. Seconded and carried unanimously. (Baricuatro/Boothe)

ANNUAL AUDIT

A proposal from James Black and Associates to conduct the annual audit, unannounced verification of cash and prepare the Association tax returns was presented. The total cost is \$4,057.30. This is the same firm that has done the work in recent years, the price has not increased.

MOTION: To approve the James White and Associates proposal for audit and tax preparation services for fiscal year ending 1998. Seconded and carried unanimously. (Boothe/Baricuatro)

1999 BUDGET

The budget for fiscal 1999 was presented to the Board. The line items have been revised to reflect the changes approved by the Board and items of significant variance from the 1998 budget. The 1999 budget does not require an increase in maintenance fees. The Board reviewed the budget and reserve funding levels. Following discussion of the Association's financial condition approve the budget as presented.

MOTION: To approve the 1999 budget as prepared by management, with no increase in maintenance fees. Seconded and carried unanimously. (Boothe/Baricuatro)

DATE OF NEXT MEETING

The next meeting of the Board of Directors will be held on February 13, 1998 at 9:00 a.m. at the Sands of Kahana.

The annual meeting of the Association will be held on February 13, 1998 at 11:00 a.m.

MOTION: To adjourn the meeting. Seconded and carried unanimously. (Boothe/Baricuatro)

The meeting adjourned at 10:25 a.m.

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
BOARD OF DIRECTORS TELEPHONIC MEETING
April 21, 1998**

DIRECTORS PRESENT: Michael Kaplan, Sandy Boothe, Kazuko Shimaoka,
Marcus Baricuatro.

OTHERS PRESENT: Carl Hardin, President, Heritage Properties; Wayne
Cober, Vice President, Jim Hentz, General Manager

CALL TO ORDER:

President Michael Kaplan called the Sands of Kahana Board of Directors Meeting to order on Friday, August 21, 1998 at 9:00 a.m. (HST), via telephone. A quorum was established with four Directors present.

APPROVAL OF MINUTES

MOTION: To approve the minutes of the May 13, 1998 Board of Directors meeting as presented. Seconded and carried unanimously. (Boothe/Baricuatro)

PRESIDENT'S REPORT

President Kaplan comments on the new lobby tile being installed at this time. He stated that he thought the color was different than that originally selected by the Board. The matter will be discussed later in old business.

FINANCIAL REPORT

Carl Hardin reviewed the operation of the Association for the first six months on 1998. The Association continues to operate below budget and through the six months has a surplus of \$37,844. The preliminary financial statement for July is complete and the results continue to be positive, with an operating surplus of about \$8,500.

OLD BUSINESS

The managing agent reported on the following items:

Wayne Cober reported that the Association is continuing to pursue a claim against the Kahana Ridge for damaged caused by blowing dirt. Damages totaling about 1.7 million dollars were submitted. The insurance companies for the contractors have asked for back up for the claims, which have been provided. We expect a settlement offer in the next few weeks. The offer will be submitted to the Board for review when received.

The lobby improvements are nearly complete. The corrugated fiberglass roof has been replaced, furniture reupholstered and landscape renovated.

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Board of Directors Meeting
August 21, 1998
Page two

The new floor tile is 90% installed. Mike Kaplan questioned the color of the tile, he commented that it looks has more green than the sample selected by the Board. He requested that the grout selection be reviewed to reduce the contrast with the buildings.

The property insurance was renewed on July V. The new coverage is with First Insurance of Hawaii. The policies provide equal or better coverage than the previous policies. The coverage includes earthquake insurance for the first time. The overall package was less expensive than the previous coverage.

Sandy Boothe requested that the House Rules be amended to include a provision prohibiting the opening of the "unscreened" windows in the units. After a discussion of the matter, Mr. Kaplan directed management to obtain bids to have screens installed on the windows. Following receipt of the bids the Board will discuss the matter further.

NEW BUSINESS

Sandy Boothe requested that in the renewal of the Allied Maintenance contract and 1999 budget preparation consideration be given to adding regular cleaning of the pool furniture.

DATE OF NEXT MEETING

The next meeting of the Board of Directors will be held on November 5, 1998 at 9:00 a.m. at the Sands of Kahana.

**MOTION: To adjourn the meeting. Seconded and carried unanimously.
(Boothe/Baricuatro)**

The meeting adJourned at 9:40 a.m.