

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
ANNUAL HOMEOWNERS MEETING
February 21, 1998**

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

DIRECTORS ABSENT: Barney Saunders, 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 21, 1998 at 9:05 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.

ESTABLISHMENT OF QUORUM:

President Kaplan stated that the Association entered into an agreement with Sullivan Properties which included the provision that Sullivan Properties, or its representatives, could not solicit proxies. Due to circumstances wherein proxies were in fact solicited by Sullivan Properties, President Kaplan advised that he directed Management to obtain a legal opinion on this issue from Bill Crockett, the Association's attorney.

Mr. Crockett provided the Board with the legal opinion that Mr. Sullivan's solicitation of proxies was contradictory to Section S10 of the Licensing Agreement and the proxies were not valid for the Annual Meeting. President Kaplan stated that based on the legal opinion received, the Board will not recognize the proxies at this meeting and will deem them invalid.

Mr. Hardin announced that a quorum was established with 66.2707% of the ownership represented either in person or by proxy and exclude the proxies solicited by Sullivan Properties. (Secretary's note: Refer to Page 2 of these minutes 6th Paragraph - the quorum was re-established with a higher percentage of common interest after the following discussion.)

All parties, (President Kaplan, Management, Pat and Mike Sullivan) reviewed the circumstances and time frame leading up to the proxy solicitation letter being sent to owners by Sullivan Properties and the legal opinion of Mr. Crockett being received by the Board.

Pat Sullivan stated there may have been several proxies that were sent in by owners who used the form sent by the Association. He asked if Management had made a determination on which proxies those were as Pat Sullivan could legally vote them at this meeting. Mr. Hardin stated this could be accomplished during a short recess. He stated there is a distinguishing mark between the two proxy forms (AOAO's and Sullivan Properties) that could be easily identified.

At this point the meeting was recessed at 9:20 A.M. for Management to review the proxies. The meeting reconvened at 9:25 A.M.

Mr. Hardin advised that 4.3805% of the proxies mailed out by the Association were assigned to Pat Sullivan. He recommended these proxies be allowed at this meeting.

President Kaplan stated the Board has addressed this issue thoroughly with the direction of the Association legal counsel. Pat Sullivan stated for the record, that Sullivan Properties did not intentionally mail out proxies with tile knowledge there was a provision prohibiting their solicitation in the agreement between the Association (and Sullivan Properties).

Mr. Hardin re-established the quorum to include the 4.3805% of proxies that were solicited by the Association and assigned to Pat Sullivan. He announced that a quorum was established with 70.6512% 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 2 i, 1998 at 9:00 A.M., on property, was mailed to all owners of record with accompany proxy on February 5, 1998.

SECRETARY'S REPORT:

**MOTION: To approve the minutes of tire 1997 Annual Meeting as circulated.
Seconded and carried unanimously. (McAdams/Morris)**

ELECTION OF DIRECTORS:

INSPECTORS OF THE ELECTION:

President Kaplan appointed Stu Jennewein and Stuart McAdams as Inspectors of the Election to assist Management in the tabulation of the ballots.

Mr. Hardin announced there were 3 positions available on the Board, all for 2-year terms, for the expiring terms of Kazuko Shimaoka, Barry Saunders and himself (Michael Kaplan).

Mr. Hardin advised that the election will be done by cumulative voting, as more than 10% of the ownership requested the election be held in this manner.

President Kaplan asked for nominations from the floor. The following candidates were nominated:

- 1) Pat Sullivan nominated Bill Vincent.
- 2) President Kaplan nominated Kazuko Shimaoka.
- 3) President Kaplan nominated Marcus Baricuatro.
- 4) Sandy Boothe nominated Michael Kaplan.

**MOTION: To close the Nominations. Seconded and carried unanimously.
(Jennewein/Boothe)**

Mr. Cober explained cumulative voting for the ownership.

The meeting recessed for voting at 9:40 A.M. and reconvened at 9:57.

ELECTION RESULTS:

President Kaplan announced the new Directors to the Board. They are: Kazuko Shimaoka, Marcus baricuatro, Michael Kaplan.

NEW BUSINESS:

TIMESHARE:

George Morris asked if the Vacation Club elects their own Board of Directors. Mr. Hardin responded that the Vacation Club elects their Directors annually at their Annual Meeting, which was held this past November.

FINANCIAL STATEMENT:

There was a brief review of the Income Statement for the twelve months ending December 31, 1997. With regard to the rental income of the restaurant, Mr. Hardin stated that at the direction of the Board of Directors, an audit was done on the restaurant wherein no discrepancies were found. He stated that the restaurant seems to have a lot of business but it is not generating a lot of volume of revenue.

Mr. Jennewein suggested in the future, the Board consider conducting a one day, unannounced audit as a more effective way of auditing the restaurant.

LAND LEASE:

Pat Sullivan updated the owners of the status of the land lease. He stated that the Trust is still not ready to pursue the sale of the land at Sands of Kahana. He will continue to monitor the situation and will advise the Board of any change in the status of this issue.

SLIDER WINDOWS/LANAIS:

Pat Sullivan read a letter from Judy Boland regarding the current policy of allowing the large sliding windows to be opened by guests. Mrs. Boland's letter addressed her concerns on the

safety of allowing the sliders to be opened and suggested that the Board consider changing the policy so that they cannot be opened by the installation of hardware for that purpose.

There was discussion on Mrs. Boland's comments which included: 1) this is a difficult and on-going problem. Mr. Cober stated that all of these sliders in the Vacation Club units were locked and now over half of the locks have been removed; 2) the sliders should not be attempted to be permanently secured as this would prohibit the Grounds staff to adjust the irrigation as well as the Housekeeping staff to clean and the window washers; 3) Mr. Hentz stated that it is the policy of the Association to keep the sliders closed. When the staff discovers that they are open, the occupant of the unit is notified immediately. Mr. Hentz advised that the staff monitors the sliders on the Vacation Club units on a weekly basis.

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.

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, 1998 be "rolled forward" and applied to the Operating Expenses of the Association for the fiscal year ending December 31, 1999 in accordance with IRS Revenue Ruling 70-604.

Seconded and carried unanimously. (Morris/Boothe)

ADJOURNMENT:

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

The meeting adjourned at 10:18 A.M.

Respectfully submitted,

Laurie "Lola" Ledbetter
Recording Secretary