

**ASSOCIATION OF APARTMENT OWNERS
SANDS OF KAHANA
BOARD OF DIRECTORS MEETING
November 7, 1997**

DIRECTORS PRESENT: Michael Kaplan, Sandy Boothe, Kazuko Shimaoka, Barney Saunders.
DIRECTORS ABSENT: Artie Spector.
OTHERS PRESENT: Carl Hardin, President, Heritage Properties; Wayne Cober, Vice President; Heritage Properties; Kitty Williamson, Interpreter; Jim Hentz, General Manager; Pat Sullivan, Sullivan Properties.
OWNERS PRESENT: Joe & Judy Bolan; George Morris; Colin Lowther.

CALL TO ORDER:

President Michael Kaplan called the Sands of Kahana Board of Directors Meeting to order on Friday, November 7, 1997 at 9:25 A.M., in the Meeting Room of the Sands of Kahana, 4299 Lower Honapiilani Rd., Lahaina, Hawaii. A quorum was established with four of the five Board members present.

APPROVAL OF MINUTES:

MOTION:

To approve the minutes of the Telephonic Board of Directors Meeting dated August 15, 1997 as circulated. Seconded and carried unanimously. (Boothe/Saunders)

FINANCIAL REPORT:

Carl Hardin reviewed the Financial Statement dated 9/30/97. For that month, the Association experienced a deficit of \$14,000 due to extraordinary expenses incurred in the month of September. These expenses included materials for the Grounds and tile repair under Buildings/Maintenance. Year-to-date, the Association has a operating surplus of \$43,000.

Mr. Hardin stated that the Accounts Payable on the Balance Sheet is extremely high due to outstanding financed insurance of approximately \$80,000 as of 9/30/97 and a Front Desk operation payable of \$50,000 due (to the Association) at the end of the month.

Mr. Hardin recommended the sprinkler special assessment reserve issue with Grinnell be closed at year-end and zeroed out as well as the note payable to G.E. Capital which has been reconciled. He stated there are other issues with Grinnell that need to be addressed but they should not affect this payment.

MANAGING AGENT REPORT:

1) Concessions Audit - Per the direction of the Board, Kahana Terrace Restaurant and Lahaina Ticket Company were audited. Mr. Hardin reported that the Kahana Terrace Restaurant submitted copies of their General Excise Tax (GET) and Liquor Report filings. The Gross Liquor

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Receipts were confirmed with the Liquor Commission and Management is comfortable that the report received was accurate and they are reporting data correctly.

Lahaina Ticket Company switched to a new computer system on August 1, 1997. From that date on, very detailed records were received and all data verified. Mr. Hardin reported that prior to August 1, 1997, there are only lump sum totals reported. The data looks to be correct but it cannot be confirmed with the same accuracy as the information received after August 1, 1997. Lahaina Ticket Company will supply reports to Management on a regular basis. Kahana Terrace Restaurant currently supplies daily food/beverage reports.

3) Tile Roof Replacement - Mr. Cober reported that after receipt of Board approval by a mail polling, the eyebrow roofs on some of the buildings were replaced. With regard to obtaining the permission of Mr. Resnick prior to having this work done, Mr. Cober stated the legal opinion from Association counsel was that the Association did not have to obtain prior approval from Mr. Resnick.

MOTION:

**To ratify the action of Management in having the eyebrow roofs replaced.
Seconded and carried unanimously. (Saunders/Boothe)**

4) Lobby Floor - Mr. Cober presented the Board with information on a liquid acrylic tile product and to consider its use for resurfacing the lobby. He stated the cost to tile the lobby areas is approximately \$30,000, the same price as the acrylic tile product.

General discussion included: 1) renegotiate the leases on the concessions to offset the cost of having the work done; 2) re-carpet with a better quality material; 3) any surface chosen should be easy to maintain in-house.

President Kaplan suggested the Board to consider signing a 3-year lease with LTC at a flat rate of \$4,000 per month, versus the current percentage rate over the base rent of \$3,000. The additional \$1,000 over a 3-year period of time would total \$36,000. If the project were paid for out of the Reserves now, the Board would be guaranteed the money would be paid back over a 3-year period by LTC. Mr. Hardin stated if approved, this would be carried on the Financial Statement as a separate line item for tracking purposes.

President Kaplan advised he would abstain from this issue as he is an Officer of the Lahaina Ticket Company.

MOTION:

To renew the lease with Lahaina Ticket Company at its termination, for a 3-year period at \$4,000 per month with \$1,000 per month being allocated to the Reserves to resurface the lobby floor; and, to authorize Management to solicit bids to re-tile the lobby area, the stairs leading down to the koi pond and other affected areas.

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Seconded. (Saunders/Boothe)

Mr. Saunders suggested and the Board agreed, that a high quality, non-skid ceramic tile would be a superior look to an acrylic tile and Management should research various products for the Board to approve.

VOTE:

In Favor: Saunders, Boothe, Shimaoka.

Opposed: None.

Abstain: Kaplan.

The motion carried by a majority.

5) Lobby furniture - Mrs. Boothe stated that it would not be a high expense to refinish and reupholster the furniture in the lobby. She asked the Board to consider this expenditure in conjunction with the resurfacing of the floor.

FEE PURCHASE:

Pat Sullivan updated the Board on the status of the fee purchase and his recent discussions on this issue with the various principals. Mr. Sullivan reviewed his intent and business position if any activity were to develop with the fee purchase.

It was the consensus of the Board that Mr. Hardin will draft a letter to the landowner with regard to the fee purchase and submit it to the Board for approval before sending.

GRINNELL:

Mr. Cober stated that many of the sprinkler heads have been replaced by Grinnell. As there were on-going problems with the heads, Grinnell has now re-manufactured other heads out of a different material. The new sprinkler heads should be on property and the replacement completed within 6-8 weeks.

Mr. Cober advised that engineers from the County Water Department have inspected the fire sprinkler system connection to the County water line and advised that it does not meet code. Although a Building Permit was granted to Grinnell for the work, the County does not appear to be pursuing this matter at this time. Mr. Cober stated there is a high probability that there will be no problem until the system needs upgrading at which time the County will require the connection be brought up to code before future permits would be issued 3c.

Mr. Cober suggested the Association put Grinnell on notice that their contract required the installation to be in full compliance with code, which it was not, and the Association expects Grinnell to bring the system up to code.

The Board directed Management to proceed with putting Grinnell on notice and to advise the

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Board of the statute of limitation on this matter.

PROPOSED 1998 ANNUAL BUDGET & RESERVES:

Mr. Hardin presented the Proposed 1998 Annual Budget by line item. He stated the budget reflects a slightly higher than 1% increase to the total cost of operation.

Discussion during the budget review included:

1) Travel reimbursement for Directors - Mrs. Shimaoka stated that by eliminating the travel reimbursement of Directors, the money could be used for other budget items as necessary.

Mr. Hardin stated that particular Directors who are on the Board at any given time may or may not need the travel reimbursement. By approving this motion, the Board limits itself to the number of people who can serve on the Board that are not Hawaii residents or do not have the means to travel to Hawaii for Board meetings. This would result in Board members having to pay out-of-pocket expenses to attend meetings. Mr. Hardin stated that many times Directors do not turn in requests for travel reimbursement and the Board has lowered the overall expenses by conducting several tele-conference meetings throughout the year.

MOTION:

To eliminate the travel reimbursement for Directors. Seconded. (Shimaoka)

VOTE:

The motion died for lack of a second.

Mrs. Boothe stressed the importance of the elevator and atriums to be completed within the next month before the high season begins. Mr. Hentz advised that progress is being made in these areas and the majority will be completed in the next 6 weeks.

MOTION:

To adopt the 1998 Annual Budget and Reserves as presented. Seconded and carried unanimously. (Saunders/Boothe)

AEROBIC STUDIO:

Mr. Hardin reviewed a proposal submitted to the Board for an aerobic studio on property. The Board discussed the pros and cons of this proposal and concluded that the area is under utilized and that this is another amenity to offer owners and guests at the property. Management was asked to negotiate the proposal further and include \$3 million dollars in liability insurance.

KAHANA RIDGE:

Mr. Cober advised that several other properties in the area have filed claims in varying degrees against the Kahana Ridge insurance company. He recommended the Association begin the process of putting them on notice and working toward a claim in the near future.

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Mr. Cober stated he has been contacted by other properties asking if there was interest in several condominiums joining together and sharing attorney fees to write demand letters on the associations behalf.

The Board agreed to have Management pursue this avenue with interested neighboring properties.

NEXT BOARD MEETING:

The next Board meeting will be held on February 21, 1998. The Annual Meeting will immediately follow.

OWNERS FORUM:

Comments from owners included:

- 1) The condition of the grounds have immensely improved.
- 2) Kids with skateboards have become a problem, especially the hours right after school lets out. Mr. Cober stated that some of the kids live across the street at Kahana Manor.
- 3) All staff at the property should continue to be educated about the Aloha spirit and exhibiting it to all owners and guests while on property.
- 4) The exercise equipment is not functioning properly.
- 5) A request to the Board to research flooring products other than tile for the lobby floor.
- 6) Bring the putting green up to the standard and condition that it was originally intended to be.

ADJOURNMENT:

MOTION:

To adjourn the meeting to Executive Session for the purpose of discussing legal issues. Seconded and carried unanimously. (Boothe/Saunders)

The meeting adjourned at 10:50 A.M.

Respectfully submitted,

Laurie "Lola" Ledbetter
Recording Secretary

**Minutes were transcribed from cassette tapes. Recording Secretary was not present at the meeting.