

**Minutes of the Annual Meeting of the
Association of Apartment Owners of Kānaloa at Kona
April 29, 2016 – 10:00 a.m.
Clubhouse**

Call to Order: President, Forbes Burdette called the meeting to order at 10:06 a.m. He reported that a quorum was present with a total membership either present in person or by proxy (57%). Robert's Rules of Order will be followed during the meeting. Forbes introduced the other current Board members, George Pittman, Steve Tanberg, Rex Sawyer, Jerry Ernst, Bill Dallenbach and Bill Lamberton.

Invited Guests

Castel Resorts

Robin Graf VP Operations, Dean Yamamoto, VP Finance, Violet Carlsberg Business Development Manager and Stephen Hicks General Manager

Aloha Kona Realty

Sonja Schmidt RS

Proof of Notice of Meeting: President Burdette confirmed that all of the members of the Association were sent written notice of the annual meeting by notice dated March 25, 2016.

Approval of Minutes: Forbes Burdette asked for approval of the minutes from the May 1, 2015 annual meeting.

Motion: To approve the minutes from the annual meeting held on May 1, 2015 as presented.

Motion: George Pittman (3204)

Second: Steve Tanberg (1902)

Vote: Carried unanimously

Treasurer's Report: Bill Lamberton discussed the financials for the 1st quarter of 2016. Forbes Burdette announced that the Board of Directors had a special meeting and approved collection action for delinquent accounts. The AOA's attorney sent letters to the owners with delinquent accounts to request that they bring their account current.

Committee Reports

Grounds & Safety Report: Chairman, George Pittman announced that he has been onsite for the past 5 months and it has been a pleasure to see the progress being made by the grounds and

maintenance team. Multiple projects have been completed or are in process. The palm trees have been trimmed, and the two herb gardens are ready for owners and guests use in cooking. The grounds department purchased a new commercial electric leaf blower for sound mitigation, irrigation controllers were outdated and doubled up; new clocks have been purchased; currently waiting for delivery and installation. Grounds continues to treat for mosquitos and they are using the green house to quarantine new plants to assure they do not have coqui frogs or other undesirable pests. The Maintenance department has been working on many projects; trash bin repairs, recycle bins added by maintenance building, air conditioner lattice frames, the entry foundation at 2801 was reconstructed due to rotten wood, started a program to clean out the dryer duct work in all units and replacing carport lights with LED lights.

Chairman, George Pittman announced he is looking into potential safety hazard issues. Stephen Hicks, General Manager announced that the entire Kanaloa at Kona staff has recently had fire extinguisher and AED training.

Page Two
Kanaloa at Kona – Annual Meeting
April 29, 2016

Investment Report: Rex Sawyer, Investment Committee, reported that the investments in the Kanaloa at Kona reserve account at year end 2015 totaled \$1,416,622.73. Of this total, \$1,395,000 was invested in 10 CD's and one share certificate for \$150,000 at HFS Federal Credit Union. No investment had a maturity longer than 12 months nor exceeded the government guarantee limit of \$250,000.

A review of the investment policy was made explaining that the investments are made as dictated by the direction and restrictions of the Hawaii Condominium Property Act 514B. The Act requires funds to be deposited in a financial institution, including Federal Credit Union located in the State, and insured by the Federal Government. In addition, deposits are allowed to be purchased in the name of, and held for the benefit of an association by a securities broker that has an office in the state. Other qualifications exist, and we use UBS, a NYSE member firm which has an office in Honolulu, Hawaii. Castle Resorts and Hotels acts as the agent for the Kanaloa at Kona accounts and places the investments as directed for the benefit of the AOAO. We have had deposits with the local banks and Federal Credit Unions, wherever the rates were most attractive. Rates are most attractive currently, with CD's purchased for us by UBS. All investments purchased in 2015 were of 12-month duration with maturities at year end in February, April, June, September, November, and December. Interest returns have increased from .30 and .40 last years to recent returns as high as .85%.

The Kanaloa at Kona reserve account cash balance as of March 31, 2016 was \$1,442,966. These funds were invested in 11 CD's with a face value of \$1,395,000. The remaining balance was invested in the UBS Government money market portfolio. Interest rates on the CDs varied from .45 to .85% with maturities from April 2016 to December 2016.

Subsequent to the last meeting the board made the following changes to investments as directed by Board of Directors motion: the HFS Federal Credit Union certificate for \$150,000 matured and

we transferred the funds to UBS and purchased a 12-month CD for \$150,000 with Old National Bank at .70%. A 12-month CD for \$125,000 was purchased at First Niagara Bank at an interest rate of .70% with maturing funds with Goldman Sachs. A CD with Bank of India for \$120,000 matured and a 12-month CD with Whitney Bank for \$120,000 at an interest rate of .70% was purchased.

A CD for \$80,000 matured on 4/29/16 with Bank of China. The following motion was made:

To purchase a 12-month CD for \$100,000 with \$20,000 taken from the money market fund added to the maturing funds.

Page Three
Kanaloa at Kona – Annual Meeting
April 29, 2016

Motion: Rex Sawyer (2204)
Second: Bill Lambertson (3704)
Vote: Carried unanimously

Manager's Report: General Manager, Stephen Hicks, thanked the owners the board and his team for their support. Team member photos are posted in the lobby area. Stephen Hicks reported there are 44 units in the rental program and photos have been take of all rental units. Ocean pool cabana, we have received one complete quote to repair the beams and ceiling. Projected start time is the third week of August. Renovation of the main pool spa is scheduled for the third week of May. The delivery of the new washer is pending, it is in transit and expected to arrive in mid-May. Phase II of the painting project is on schedule. Many of the events happening around the property are recorded in Stephen's Sunday updates. Stephen encourages owners to notify him if they have any issues with his Team. Security, we have invested a lot of time and money in property security to reduce the opportunities for Break-ins. Security cameras were installed at the entrance, installed a new recording system of our security personnel and their property rounds, magnetic alarms were installed in some units and the fairway oleanders have been trimmed back to increase our visibility of the golf course area. All of these have made our property a safer place, but we have to be vigilant to continue protecting our property.

Forbes Burdette announced that the Board of Directors is going to implement a no smoking policy for the entire property. Robin Graf explained that most Resorts are non-smoking.

Business Development Management: Robin Graf announced that after the Annual Meeting there will be a business development informational meeting. Robin Graf thanked the Board of Directors, Stephen Hicks, and his Team.

Proposed Review Committee: Rich Jarvinen (1302) asked what was the status of the proposed review Committee. Bill Lamberton explained that people that were interested have been non-responsive. Rich Jarvinen volunteered to be on the committee established by the board and would meeting with Stephen for the needed review information.

Guest: Forbes Burdette introduced Sonja Schmidt from Aloha Kona Realty. Sonja discussed the marketing statistics in the Kailua Kona area. According to the Kailua Kona grid report, the prices are in an upswing and there is a shortage of homes. The condo inventory is up 44% and it is a buyer's market. In Kanaloa at Kona, 7 units have sold in the past year with the price range from \$290,000 to 920,000. There are 14 on the market right now and 2 are in escrow.

Page Four
Kanaloa at Kona – Annual Meeting
April 29, 2016

Election of Directors: Forbes Burdette introduced the matter of the election and explained that three Board positions were set to expire. The following owners were nominated by submission of a biography.

Jerry Ernst (1704)
Bill Lamberton (3704)
Les Omotani (3202)
Steve Tanberg (1902)

Nominations from the Floor: Forbes Burdette called for nominations from the floor. No nominations from the floor were received, Forbes Burdette closed the nominations.

Election Inspectors: Two Owners volunteered to serve as Inspectors of Election, Judy Wormington (2404) and Anita Taff-Rice (3403). The Managing Agent explained that because of the secret ballot requirements in the Association documents, the election results could not be declared by acclamation and ballots would need to be collected.

Candidate Statements: Jerry Ernst, Bill Lamberton and Steve Tanberg gave their candidate statements. Owner David Lamott (3003) read the candidate statement for Les Omotani, not present.

The election results were as follows:

Jerry Ernst	43.88%
Bill Lamberton	36.67%
Les Omotani	17.33%

Steve Tanberg

36.83%

Jerry Ernst, Bill Lamberton and Steve Tanberg were elected for terms of three years. Forbes Burdette congratulated the new Board Members and thanked everyone for their participation.

Next Annual Meeting Date: Friday April 28, 2017

Adjournment: There being no further business to be brought before the membership, the meeting was adjourned at 12:54 p.m.