

**Minutes of the  
AOAO Kanaloa at Kona Annual Meeting**  
*Friday, April 28<sup>th</sup>, 2017 – 10:00am*  
*Main Pool Atrium*

- I. **Call to Order:** Forbes Burdette, President, called the meeting to order at 10:06 a.m.
- II. **Roll Call:**  
*Present:* Forbes Burdette, Bill Dallenbach, Jerry Ernst, Bill Lamberton, George Pittman, Rex Sawyer, & Steve Tanberg. Quorum was established.  
  
*Guests:* Castle Resorts & Hotels Members; Robin Graf – VP of Operations, Dean Yamamoto – VP of Finance, Violet Carlsberg – Business Development Manager, Stephen Hicks – General Manager. Aloha Kona Realty Member; Sonja Schmidt
- III. **Proof of Notice of Meeting:**  
Forbes Burdette, President, confirmed that all the members of the Association were sent written notices of the annual meeting by March 22, 2017.
- IV. **Approval of the April 29<sup>th</sup>, 2016 Annual Meeting Minutes:**  
Forbes Burdette, President, asked for approval of the 2016 annual minutes.  
*A motion was made by Bill Dallenbach, seconded by Steve Tanberg. The motion carried unanimously.*
- V. **Report of Officers**  
a. **Treasurer's Report**  
i. Bill Lamberton, Treasurer, reported a 2016 year-end Operating Fund balance of \$53,336 and a Reserve Fund balance of \$1,569,368 to make a 2016 total of \$1,622,704.  
ii. Bill Lamberton commented on the variance between the 2015 total fund balance of \$2,032,844, adding that electricity contributed to this unfavorable variance.  
iii. It was noted that Stephen received a bonus from the association, and a watchman was added to the payroll filled by Jan Guard.  
iv. Bill Lamberton mentioned delinquencies are significant now, with 11 being over 30 days late. It was then brought up by the attending Ownership on the processes for punishing those that are late on payments. The Board commented that the current By-Laws do not allow for the Board to fine any of these delinquent Owners. In order to change the By-Laws, to allow the Board to fine or otherwise penalize those that are late on payments, requires a 75% favorable vote by Ownership. Bill noted that the AOA's attorney has sent letters to those with delinquent accounts and are working on ways to change the By-Laws to fine Owners. Those Owners in attendance agreed this is a good idea but should also consider alternative ways of accessing a penalty. The Board agreed.  
v. Bill Lamberton commented that the Board engaged Armstrong Consulting Inc., a professional reserve study company to estimate the replacement costs and future repairs at Kanaloa. The Board will accumulate funds based on estimates for future needs. He commented that the committee reports would cover the current work being done on property and future projects.  
vi. Rich Jarvinen, Owner of Condo 1302, reported on study that had been done by a subcommittee appointed by the Board to investigate the Castle Rental Program financials, in relation to the Association and the transactions between the two parties. It was stated that the sample of transactions the committee selected to reviewed had been conducted fairly and accurately. The committee stated that all records appeared to be

accurate and in order. The committee stated a few recommendations were made to the Board for their consideration. Rich and the subcommittee also stated in their report that “we are very lucky to have Stephen in charge of our property. And I think he represents the value Castle Resorts has brought to Kanaloa owners and guest.”

## VI. **Committee Reports**

### a. *Grounds: George Pittman*

- i. George Pittman noted the excellent work of the staff, and all the new team members. Randy, with his experience in landscaping, is working extremely well for our grounds.
- ii. The Grounds team has completed all the edging approaching the Ocean Pool and is working on the rest of the property.
- iii. First Palm Tree trimming of the year is complete, Lauhala’s will be removed in conjunction with the next three Palm Tree trimmings. The goal is to maintain health and open views around the buildings.
- iv. The new irrigation clocks are continuing to work flawlessly.

### b. *Safety: George Pittman*

- i. The Board has instructed Stephen to continue to look at the 3<sup>rd</sup> floor lanais and the safety hazards involved.
- ii. The dryer vents in 24 buildings have been cleaned, and they will continue to do so until all are complete.

### c. *Investment: Rex Sawyer*

- i. The report today reflects the status of the Kanaloa Capital Account as of year ending December 31, 2016.
  1. The Kanaloa reserve account had a cash value on December 31, 2016 of \$1,569,367.71. The reserve fund invested amount was \$1,449,779.97.
  2. Investments consisted of ten 12-month CDs with 8 different banks. The total amount of CDs invested was \$1,145,000. This amount was smaller than normal because a CD for \$235,000, that matured on 12/28/16, had not been invested at year’s end. A Bank of California 12-month CD for \$235,000, maturing 1/28/18, was purchased with the funds at 1%.
  3. No investments exceeded 1 year in duration and all investments were government guaranteed. Interest rates range from 0.70% to 1.05%. Maturities range from February 2017 to December 2017.
  4. The Investment Committee is composed of Forbes Burdette, Bill Lamberton and Rex Sawyer. They have arranged the investments to mature throughout the year in an effort to meet all the project needs.
  5. The most sizable project is the third phase painting project, requiring in excess of \$380,000. Payments are required as each building is completed. In addition, several other projects are ongoing and will require funding over the next few months.
  6. Reserve funds are still available for these projects and the interest rates starting around .70% in 2016, have increased to approximately 1% at year end.
  7. Rex Sawyer anticipates investing \$120,000 in a 13-month Wells Fargo CD at 1.25%. The Board is required to approve this action since the investment exceeds one year duration and will be done at the Directors meeting.
  8. Last year’s meeting reported on the requirements and restrictions of Condominium Code 514B, so it was noted that this year it would not need to be re-reviewed.
  9. In conclusion, the reserves are in good shape, but will probably close the year slightly lower due to the painting project and the additional projects to enhance

the beauty of Kanaloa.

ii. *Managers Report: Stephen Hicks*

1. Stephen thanked the Board and the attending Ownership for their support and partnership of him and his team, indicating many improvements to the property and services are mostly due to constructive feedback.
2. Forty-five water heaters were inspected, and the maintenance team will continue to inspect and monitor.
3. Steven Combes is a new team member and is working well with the rest of the Grounds Crew.
4. Stephen Hicks has been working with security on assuring glass cups and containers are not anywhere near the pool and will continue to monitor this to assure the safety of Owners and guests.
5. The main pool atrium has seen several improvements including new shelves and new furniture. Board games and books have been provided for Ownership and guest convenience. This renovation project will be complete before the July Board meeting.

iii. *Guest Report: Sonja Schmidt; Aloha Kona Realty*

1. Forbes Burdette introduced Sonja Schmidt from Aloha Kona Realty to present on the current condo sales and residential statistics for the past year.
2. Sonja commented that at Kanaloa at Kona, during the 12-month period between April 2016 and April 2017, six condos were sold with a mean sales price of \$519,333. Last year seven were sold, with approximately \$50,000 higher mean.
3. Currently there are 15 active listings, with a listing price range from \$348,880-\$995,000. The average days on the market for these current listings is 188 days.

VII. **Election of Directors**

- a. Forbes Burdette introduced the election and explained the two Board positions set to expire. The two candidates up for election, Forbes Burdette and Rex Sawyer, are currently on the Board. There are no other submissions. Forbes asked the attending Ownership if any nominations from the floor; there were no nominations.
- b. Since there were no nominations from the floor, Bill Lamberton asked the Ownership to put the election of directors to vote via acclamation. Dean Yamamoto confirmed that there was 62.353% of the ownership represented and a quorum was established.

***A motion was made by Charlie Gross (2803) to approve the re-election of Forbes Burdette and Rex Sawyer as Directors of the Board. The motion was seconded by Rich Jarvinen (1302). The motion carried unanimously.***

***Forbes Burdette and Rex Sawyer were re-elected to Directors of the Board for three-year terms via acclamation by majority Ownership vote.***

VIII. **New Business**

- a. Bill Lamberton reported on the change of the check-in process for additional security at Kanaloa.
  - i. The Board is working with Stephen and Castle Resorts to complete the front gate project.
    1. The goal will be to have cards that will give access to guests, Owners, and different contractors or managing companies.

- a. Owners will have a card that provides them long term access.
  - b. Guests will be given a card at check-in, and it will be valid until the day of check-out.
  - c. Contractors will continue with the current daily check in, they will need to sign in at the front desk but will be given an access card to enter the property up until their last day of work.
  - d. Managing agents will be given cards at the discretion of the Owner associated with them.
2. There will be a fee associated with a lost or not-returned card, the exact amount is yet to be determined.
  3. A camera will be set up at the front to capture an image of those entering the property after hours. Furthermore, a security camera would be continuously rolling in order to capture the vehicles entering and exiting the property.
  4. Ownership in attendance brought up the concern that guests need their privacy protected too. It became a worry when it was noted that all of their information and a picture would be taken during late night arrivals. The Board understood and assured the Ownership that every precaution will be taken to guarantee the security of identities for not only the Ownership but also the guests on property.
  5. More details to be provided at or before the July meeting.
- b. Bill Lamberton deferred to Steve Tanberg, who noted that IRS Revenue Ruling 70-604 is an association tax tool that permits funds/income to be carried over to the following tax year, without any tax implications.

*Steve Tanberg made a motion that any excess member assessments not used by the Association during 2017, be applied toward the 2018 assessments as provided by IRS Revenue Ruling 70-604. The motion was seconded by Forbes Burdette and carried unanimously.*

IX. **Next Meeting: Friday, April 27<sup>th</sup>, 2018.**

X. **Adjournment:** Forbes Burdette, President, adjourned the meeting at 11:57 a.m.