

**Minutes of the Regular Meeting of the
Board of Directors of the AOA of Kanaloa At Kona
July 29, 2016 – 9:00 a.m.
Clubhouse**

Call to Order: President, Forbes Burdette called the meeting to order at 9:05 a.m.

Present: Forbes Burdette, George Pittman, Steve Tanberg, Rex Sawyer, Jerry Ernst, Bill Dallenbach and Bill Lamberton. It was established that a quorum was present.

Guests: Castle Resorts, Robin Graf - VP Operations, Dean Yamamoto - VP Finance, Violet Carlsberg - Business Development Manager, Stephen Hicks – General Manager

Approval of Minutes: President, Forbes Burdette asked for approval of the minutes from the April 29, 2016 Board of Directors Meeting.

Motion: To approve the minutes from the Board of Directors Meeting held on April 29, 2016 as presented.

Motion:	Bill Lamberton (3704)
Second:	Steve Tanberg (1902)
Vote:	Carried unanimously

President's Report: Forbes Burdette commented that we renewed our insurance with our current carrier First Insurance.

Treasurer's Report: Bill Lamberton discussed the financial period ending June 30, 2016 that were provided to the Board of Directors in the board packet. It was reported that there is \$153,665.85 in the Operating Account, \$1,725,302.76 in the Reserve Account, total year to date surplus/deficit -\$169,038.80. This is the result off multiple unforecasted projects on property being initiated.

Committee Reports:

Grounds & Safety Report: Chairman, George Pittman announced that the Grounds Department has purchased two battery powered leaf blowers to reduce noise and have installed new irrigation controllers for more efficient watering. Lau Hala trees have been removed between building 31 and 32. Darren Bermudez and Steven Sacay completed a 10-week Landscape Industry Certified Technician program. This is a positive investment in continuing training for our team. There was

a considerable amount of weeds in some areas due to rain and some neglect. The Maintenance Department did some research and discovered lines for the Main Pool spa were broken under the bathroom foundation. It was more economical to core drilled the spa and run new pipes. I am very pleased that the Main Pool spa is fully functional. Inspection of the buildings resulted in discovery of some unsafe 3rd floor lanais (4) four were in such poor condition that they were considered unsafe. John Rogge repaired the (4) four lanai's. This has been an ongoing issue and Castles inspection of the property discovered the need for immediate action. Bill Lamberton explained that this could result in shared cost if the issue with the 3rd floor lanai is a structural issue.

Investment Report: Chairman, Rex Sawyer reviewed the June 30, 2016 status of the Kanaloa at Kona Reserve Account. He reported that the Reserve Account balance reported by the Treasurer includes \$237,440.66 owed to the Reserve Account by the Operating Account and has an invested value of \$1,445,478.94. There are 10 certificates of deposits at 10 different Banks as listed on the balance sheet page 13 of the board packet. In addition, \$130,478.94 was in the UBS Government Money Market Fund. Subsequent to the April meeting, the funds at Territorial Savings were transferred to the UBS account and a 12-month CD for \$100,000 at Bank Hapoalim, with an interest rate at 0.70%, was purchased.

Motions were made as follows for new investments:

\$100,000 to be invested in a 12-month CD from funds in the UBS govt. m/m fund

Motion: Rex Sawyer (2204)
Second: Bill Dallenbach (3401)
Vote: Carried unanimously

\$200,000 to be invested in a 12-month certificate of deposit at UBS from CDs maturing in September

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

Manager's Report: General Manager, Stephen Hicks reported that Castle Resorts & Hotels just finished its first year managing Kanaloa at Kona. It has been an exciting and busy year. We put together our team with a mix of 11 long term employees and 13 new individuals to complete the team. We dealt with Dengue Fever, there was a rash of break-ins from August to January. We have made considerable progress on projects around the property from cleaning the building dryer vents to new security system. We have at least 8 units that have sold so there are a lot of new owners at the property. Maintenance has updated the roofing of the trash areas, resealed the

pool decks, installed new programmable pool motor/pump systems rebuilt multiple stairs and entries around the property and have replaced the louvered lanai doors on 6 units with three more scheduled.

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We discovered a number of 3rd floor lanais were unsafe and need immediate repairs. The most notable upgrade is the spa at the Main Pool, this has been a bath tub for at least 10 years but not any longer, it is a functional spa as originally designed. There is a new washer in the Housekeeping Building. Grounds Keeping has worked diligently to maintain and enhance the overall look of the property. Multiple new plantings around the property. The ideal look of the property would meet the expectations of all 166 individual owners. This is a difficult challenge and we will continue to work towards this goal. Security has new video surveillance system at the front gate, we added a new patrol monitoring system and implemented a new wristband policy during the holiday weekends. The biggest change for our security this year is the retirement of Eugenio. He has been with Kanaloa for many years and is ready to relax a bit. Eugenio's last day was Monday, July 11, 2016, he is currently in the Philippines and will be back in Hawaii sometime in August. With the support we have had from the Owners and the Board of Directors our second year will be even better. Jerry Ernst explained that the foundation of the buildings have been inspected by structural engineer, Mike Krochina. We are working with Mike to determine the need of repairs for the supporting pillars for all buildings around the property. The Structural Engineer will come up with some repair recommendations and prioritize the need for each repair.

The Board of Directors would like Castle to have a draft budget prepared for the board no later the October 15.

Motion: To approve the Structural Engineer not to exceed \$10,000.00 for time and material.

Motion: Jerry Ernst (1704)
Second: Steve Tanberg (1902)
Vote: Carried unanimously

Owner Request: President, Forbes Burdette discussed the request from the Owner of #2404 to install new windows.

Motion: To ratify the request from the Owner of #2404 to install new windows.

Motion: Jerry Ernst (1704)

Second: Bill Dallenbach (3401)
Vote: Carried unanimously

President, Forbes Burdette discussed the request from the Owner of 1902 to install an air conditioner unit.

Motion: To approve the request from the Owner of #1902 to install an air conditioner unit.

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Motion: Bill Lamberton (3704)
Second: Jerry Ernst (1704)
Vote: Carried 6 to 1 with Steve Tanberg recusing himself from voting

President, Forbes Burdette discussed the request from the Owners of #104 and #405 to install an air conditioner unit.

Motion: To approve the request from the Owners of #104 and #405 to install air conditioner unit.

Motion: Steve Tanberg (1902)
Second: Bill Dallenbach (3401)
Vote: Carried unanimously

President, Forbes Burdette discussed the request from the Owners of #1001 to install enclose their lanai.

Motion: To approve the request from the Owners of #1001 to enclose their lanai.

Motion: Steve Tanberg (1902)
Second: Bill Lamberton (3704)
Vote: Carried unanimously

President, Forbes Burdette discussed the request from the Owners of #1601 to install enclose their lanai.

Motion: To ratify the request from the Owners of #1601 to enclose their lanai.

Motion: Steve Tanberg (1902)
Second: Bill Lamberton (3704)
Vote: Carried unanimously

New Business:

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The board discussed the problem with electrical lines supporting building 27 through 30. Five of the ten original aluminum electrical feeds can no longer carry a current. It is necessary to run new conduit and new copper lines. A replacement conduit is to be run from the maintenance building vault to the electrical vault at building 34.

Motion: To approve the approve Big Island Electric to complete the work needed to run the new conduit for Building #34 not to exceed \$10,500.00 for Option #1.

Motion: George Pittman (3204)
Second: Bill Lamberton (3704)
Vote: Carried unanimously

The Board of Directors discussed the need for newer Golf Carts and reviewed the proposal from Ness Turf Equipment to purchase two (2) used four-year old or less gold carts for \$2,100.00 each and \$300.00 shipping from Oahu.

Motion: To approve the approve the proposal from Ness Turf Equipment to purchase two (2) used four-year old or less gold carts for \$2,100.00 each and \$300.00 shipping from Oahu subject to inspection of the golf carts.

Motion: George Pittman (3204)
Second: Steve Tanberg (1902)
Vote: Carried unanimously

The Board of Directors reviewed and discussed the proposal in the amount of \$2,000.00 from Armstrong Consulting for a reserve study review. Full onsite study is scheduled for 2017.

Motion: To approve the approve the proposal from Armstrong Consulting in the amount of \$2,000.00 for the reserve study review.

Motion: Bill Lamberton (3704)
Second: Bill Dallenbach (3401)
Vote: Carried unanimously

Bill Dallenbach discussed the results of the questionnaire that was sent to the Owners regarding possible interest in building a work out facility. The results were as follows, out of 166 owners only 9 owners were in favor of work out room and 20 owners were against. No further action to be taken.

Next Meeting: President, Forbes Burdette announced the next meeting will be on October 28, 2016 at 9:00 a.m. This will be the regular Board of Directors meeting.

Adjournment: President, Forbes Burdette announced the meeting was adjourned at 10:00 a.m.