

Regular Board Meeting
Board of Directors – Wavecrest Resort
Association of Apartment Owners
Kaunakakai, Hawaii

Date: March 7, 2012

Time: 8:00 A.M. HST

Place: Wavecrest Cabana & by *Teleconference

AGENDA & ORDER OF BUSINESS

Call to Order: The meeting was called to order by President Mike Nicholls at 8:00 A.M. HST

Determination of Quorum: Mike Nicholls, President – Jon Givens, Vice President – Verne Albright, Treasurer – Annie Albritton, Secretary – Glenn Lawrence, Director – Richard Felkins, Director. Also present is Resident Manager, Gary Gonder

Owners Present: Curtis Milner C210, Ken & Linda Bergstrom C312, Bruce Roessler B208, Connie Albright A305, Johnny Albritton A106 – Jean Naughtrip A310 – Ruth & Dick Cox A208, C113, C207 – Joe Howell C310 – Don Hegge A101 – Malcolm Mackey & Keri Zacher C305 – Virginia Laszewski C311 – Steven Prom A301 – Dan Reed C105 – Mike Heimbuch C214 – Suzanne O’Connell B110 – Georgia Olson A103 – Bob McCann C103 – Kathy Felkins C108, C216 – Alan & Barbara Goldberg C206

Proof of Notice of Meeting: Secretary reported Notice of Meeting was posted February 27th, 2012 at both the office and cabana and sent to the owner email distribution list maintained by the office.

Approval of Minutes: President Mike Nicholls noted that the minutes of the last regular meeting have been posted on the website for review. **MOTION** by Richard Felkins seconded by Glenn Lawrence to waive reading of the minutes of the Regular Meeting of November 10, 2011 and approve as written. Motion carried by unanimous vote.

MOTION by Glenn Lawrence seconded by Jon Givens to accept the November 10th 2011 financials as presented by Treasurer Verne Albright. Motion carried by unanimous vote.

OFFICER REPORTS: All reports were read aloud and entered into the record and will be posted on the website for review.

President’s Report: (copy attached) Mike noted that his report had been modified since originally written as information seems to be changing daily. He went into detail explaining the status of our solar project and the e-gauge system that is now connected to our existing MECO

meters to provide us with usage data on-line. That the B Building meter includes the lift station and cabana. That solar will be phase 1 of the project and hot water phase 2.

Treasurer's Report: (copy attached) Verne's gave a detailed overview of his report of for income expectations and expenses. He reminded us that a budget is not a static item but changes constantly. He also spoke in favor of retaining an engineer to evaluate our needs regarding repaving of the parking lot. Mike thanked Verne for his many years of providing us with excellent financial information.

Secretary's Report: (copy attached) Report presented by Annie Albritton with the addition of one last minute email received this morning. It suggested a scheduled walk-about inspection of the buildings and grounds and establishment of a review/and or procedure for handling accidents on-site.

Manager's Report: (copy attached) Gary said his biggest ongoing issue is with our old cast iron pipes as there is no preventative maintenance that can be done to avoid future problems. You just have to fix the problems as they occur. He said all employees are doing a great job beyond what is expected of them. They are the daily eyes and ears around the project. Bob McCann asked if Shane would be taking the exam for certification in June and Gary said Shane has now been with us a year and we have just subscribed to the text books for his studies. Gary expects he will complete his classes within the next six months and then take the next scheduled state exam after he completes his courses. There will be a financial benefit when he gets his license. Bruce Roessler said Gary now provides an air hose at the office maintenance area for car tires that need air as well as a portable jump start machine for dead batteries.

COMMITTEE REPORTS Landscape Committee: Glenn Lawrence reported they purchased a supply of on-island trees and said Jon Givens has done a lot of the leg work while he is here on island. We now have banana, lime, lemon, star fruit as well as new shrubs and trees on site. He noted that a few of the new starts had died and he believes those areas still have residual salt in the ground from last year's tsunami. Connie asked if they were replacing or planting new items and Jon said they were concentrating mainly on replacement at this time. Mike encouraged owners interested in the project to join the committee.

Exercise Room Committee: Jon Givens reported that he and Malcolm continued to gather information for an exercise area at Wavecrest to increase our amenities. At this point the committee plans to generate a survey of owners to see gauge owner interest and potential use. The concept is for the facility to "pay for itself" thru an initial membership fee until the initial cash outlay has been replaced. The facility would then become free use for all owners. One owner noted that the local gym in town recently raised their monthly fees from \$10 a month to \$30 a month. The Board gave the committee verbal approval to move forward with the survey with the results presented to the Board in June or September.

House Rules Pool/Cabana Survey Committee: Kathy Felkins gave the results from the recent survey. 38 responses were received. Q1 – # of guests 15= (2), 21= (4 with 4 of these saying none at all) 2=unk. Q2 – owner accompany guests to pool 22=yes, 14=no, 1 each undecided/no comment Q3 – prohibit radios 34=yes, 4=no Q4 – Special Event Limits – 28=yes, 8=no Q5 –

Violation/fine system 25=yes, 11=no, 2 unk. Mike thanked Kathy and the committee for their diligence in gathering the information for the Board.

NEW BUSINESS: There is no New Business on the agenda. Jon Givens took the opportunity to remind owners of the DeFib Equipment located at the pool. Mike asked Gary to look into another scheduled class with Pam, the instructor, sometime this year. General discussion and comments from owners. Jon initiated discussion regarding hall lights being left on at night – Gary said turning off the lights is part of the Security job description. Mike noted we have CFL bulbs available at the office. Bruce cautioned owners to watch for loose palm fronds due to the recent high winds. Ruth questioned the routine schedule for Security. Mike said at the request of owners emphasis has been on the pool area with their headquarters in the cabana where all owners know they have access. Their old schedule provided more walk-about tours. When owners asked us to focus on the pool/cabana area their schedules were adjusted accordingly. Ruth also asked about reinstatement of the Kapuna check.

OLD BUSINESS: **Common Elements – Kayak Storage:** Gary reported it is not feasible to build outside storage and that there is room for approx. 34 kayaks under the cabana. Discussed a kayak theft last year and an attempted theft that was stopped by the owner. **MOTION** by Jon Givens seconded by Richard Felkins to install keyed padlocks on the kayak storage doors with a \$5 key deposit and sign-up sheet at the office. Motion passed by unanimous vote.

Common Elements – Bike Storage: Mike said after reviewing the issue, a pop-up shed was purchased from Costco and installed in an unused area of the parking area with an 8 slot stand. Now we have requests for more space. General discussion about spending general funds for bike storage, use of common element space. Jon felt it would be a benefit to have more amenities available at WC but that the Board needed more input. Mike asked Keri Zacher and Ellen Reed to head a committee and gather information for the Board i.e. how many want the shed and how it should be paid for. Suggested they draft a Newsletter Survey to be sent out by the office, results to be reviewed in June. Glenn cautioned that we need to be mindful of using our common elements for a small fraction of owners.

The discussion went back to kayaks and those being stored overnight on the lawn. Mike asked Gary to be sure and have Security take down the number and description of any kayak left on the lawn overnight and report it since they are to be put away every night under the building.

Mike Nicholls called for a 10 minute break at 9:58 A.M. Meeting called back to order 10:10 AM.

Back to general discussion about kayaks and bicycles relative to our common elements. Glenn reminded us that “space comes at a premium” at WC. After lengthy discussion by the Board and owners, it was decided to amend the kayak motion made earlier. **MOTION** by Glenn seconded by Jon to rescind the \$5 fee deposit called for in the previous motion. Motion carried by unanimous vote.

MOTION by Glenn seconded by Jon that there be a \$10 one time only fee for issuance of a key. Motion passed by 5 to 1 with Verne Albright opposed. (Note – the \$10 is NOT refundable with return of the key)

Common Elements – Personal Use Thereof: Mike said the Board has been deliberating current tenant use of common elements for cleaning fish and hanging nets out to dry. One thought was to provide a fish cleaning table near the water. He noted that our complex is required to allow public access to the water along with six public parking spaces. We have park benches and chairs along the shoreline and could provide a small, portable fish cleaning table in a specifically designated area. He recounted the time spent on making the decision to allow beach towels to be dried on lanai hooks for a period of two hours. He said drying of nets on the wall could be a similar consideration. General discussion on the concept. Connie Albright felt the car wash area was a better location and said she would not like to see it along the shoreline unless it was screened from view. Mike Heimbuch discussed the discharge of unprocessed fish along the shoreline.

Keri Zacher asked to read a statement into the record at this time (copy attached) concerning several items relative to personal use of common elements. Mike thanked her for the input and said she had covered a lot of what we are discussing now and that we may have to table the issue for now.

General discussion between owners and the Board resulted in Mike asking Gary to make complaint forms available at the cabana area offering easy access for owners. Annie said owners had suggested the House Rule sheet attachment at check-in should remind people of forms available and of the fine system. Ann noted we really want to keep the House Rule's to one sheet and that there is only room for so much information – she and Zaida will attempt to add the additional info.

MOTION by Jon Gives seconded by Annie Albritton to allow Gary to design a fish cleaning area by the water appropriately screened from view at the SE corner of the cabana. This to be done after confirming with local authorities that recreational fish guts can be disposed of in the water. Motion passed by unanimous vote. **MOTION** by Jon seconded by Glenn that fish nets can be hung on the wall during the day but not overnight in an area designated by Gary. Motion carried by unanimous vote.

The Board held general discussion concerning the House Rule Survey results with the following action being taken to amend the House Rules: **Question #1** Motion by Verne seconded by Jon to allow 6 people per occupied unit on any one day permitted at the BBQ/pool cabana area. Motion carried by a vote of 5 to 1 with Glenn Lawrence voting NO. **Question #2** Motion by seconded by Jon that owners/occupants must accompany guests to the BBQ/pool/cabana area. Motion passed by unanimous vote. **Question #3** Motion by Jon seconded by Glenn that no “out loud” music is allowed at the pool from electronic sources (radios boom boxes, etc) except when used with ear-buds/headphones except for approved special occasions. Motion passed by unanimous vote. **Question #4** Due to the complexity of this issue and enforcement issues, the matter is tabled until the June meeting. **Question #5** Fines for pool/cabana violations. Gary felt this suggestion was already addressed and being followed under current House Rules as personal behavior issues. Therefore no action was taken at this time.

Fire Hose Disposition: Mike presented a history of the fire hoses at Wavecrest and explained that the decision to eliminate or keep all or a part of the hoses will be a ballot issue for homeowners at the Annual Meeting.

Wavecrest Sign Policy Review: Gary said there had been no problems or complaints with the open houses held over the past three months and he felt that asking people to park at the office was unnecessary and “overkill”. General discussion between the Board and owners.

MOTION by Annie seconded by Glenn to modify the existing sign policy as follows: Item #1 will read only one open house per day. Item #2 remains the same. Item #3 is changed to read Signage is permitted on the day of the Open House for one sign at the driveway entrance (2 ft X 2 ft maximum) and no more than two directional signs as near as practical to the unit being shown. Next sentence about “parking at the office” is deleted entirely. Final sentence remains the same. The policy will be re-evaluated in June. Motion carried by unanimous vote.

Open Session: General discussion about complaint procedures and role of security. Joe Howell asked about recycle and Gary said some recycle is already being accomplished at WC. Those interested in recycle should see Gary. Joe and Keri said they would review what is available. Malcolm Mackey read a statement not entered into the record that asked the Board to reconsider the pool sign in sheet and hours that security are available stating he felt security was not needed early during the week but would serve better later in the evening. He was in agreement with the resolution for fishing nets and asked that if security hours were changed that Tevita be considered for more hours.

It was suggested that we have a way to track the complaint system such as with a spread sheet so that it can be easily determined how many complaints have been filed on specific issues without complainant names being involved. Suzanne asked for more owner communication for changes – which there have been a lot of this year. Ruth offered to provide a flat screen TV for the cabana if WC would provide the cable TV hookup. Bruce reminded everyone that they will still use the “rock by the gate” for the beginning of special events which will be an exception to the rule. Mike asked Ruth to send her TV suggestion to the Board for their consideration.

There being no further business **MOTION** by Richard seconded by Glenn to adjourn the regular session and reconvene in executive session to further discuss delinquencies and liens. Motion carried by unanimous vote. Regular meeting adjourned at 12:50 PM HST

Regular session reconvened at 1:40 PM HST

MOTION: by Glenn seconded by Verne to adjourn the Regular Meeting of the Board of Directors. Motion passed by unanimous vote. Meeting adjourned at 1:42 P.M. HST

Respectfully Submitted

Annie Albritton, Board Secretary

ATTACHMENTS:

President's Report
Board of Directors Meeting
March 7, 2012

Update on Solar PV System- I am pleased to report Maui County finally approved our electrical permit and installation work has commenced on our long awaited PV panel installation. Laws and restrictions have also been relaxed in order for the AOA to take advantage of increased generation capabilities over and above the original 37kW authorized. Electronic monitoring of our building's electrical usage commenced early in February, allowing a just-in-time recording of each building's power usage. The system also allows for our PV system reporting as well as kW's fed back into the grid and/or used locally within our AOA. The electronic monitoring is dynamic and our websites update on a continuous basis, 24/7.

Tree and Landscape Committee Update - The committee chaired by Glenn Lawrence has reported the successful planting of a number of new trees and ornamental plants throughout our Wavecrest grounds.

Swimming Pool Deck - The vendor has been placed on notice to correct construction issues reported at our last meeting.

Carpeting - Our carpet installer continues to postpone the loose carpeting issue and has been placed on notice to correct the situation prior to March 15th or the matter will be turned over to our attorney for enforcement of their contractual agreement.

Propane Update - Propane has continued to increase in price since my last report. We currently are paying \$5.12 per gallon versus \$4.19 per gallon in January 2011 and \$4.39 in April 2011.

House Rules - the board will review and discuss the recent survey regarding the pool and cabana area, following the committee's presentation, during today's meeting. This is a divisive topic and extremely sensitive to people on both sides of the various issues.

Security - The board implemented the recommendations of homeowners at the November board meeting and instructed our Resident Manager Gary to adjust work schedules to provide 'back to back' shifts. This new schedule eliminates the 'gap' in

security coverage previously encountered and assures Homeowners the pool/cabana area has coverage they requested. The requested change in back-to-back coverage by homeowners conflicted with Tavita's off-site part time employment schedule that necessitated a change in his hours at Wavecrest. The Board wishes to recognize Tavita for his years of service and continued presence as one of our valued Security staff.

Budget – Verne will review highlights of our year-end budget closing. The good news, overall we came in below budget and also received unanticipated major payments on past due HOA dues.

Reserves – Between painting, carpeting and stairway replacement, we spent over \$200,000 of our reserves during the last year and half. As reported last March, we now are in the accrual process, continuing to build necessary funds to pay for the expensive Parking Lot and Driveway Asphalt Overlay Project slated for 2013. Earlier estimates pegged this project at \$201,000 and our HOA dues were not increased substantially for several years based on the information we had been working on. Much to our dismay, one of the preliminary quotations on the project may be twice as much as budgeted for in our reserve study. Costs on petroleum products have escalated – just looking at the price at the gas pump or auditing propane bills begins to tell the story. Your board has been advised deferred maintenance may have contributed to a degradation of the base material. In order to properly determine whether this is factual; or in fact an inflated bid proposal; we are considering the use of a respected third-party to evaluate the base material situation and report back to the board their findings. The third-party, a state licensed engineering firm, could also write specifications on the proposal and if hired, the AOA also has the option of them supervising the job, conducting diagnostic testing and assuring the contractor is fulfilling their contractual obligation. We do have several options for consideration – accepting the low cost competitive proposal, pushing out the project an additional 4 or 5 years and accruing reserves at an accelerated pace through increased HOA dues, patching as necessary to reduce 'alligator cracking' which is costly and prone to failure, breaking the project into two segments separated by a couple of years or in a worst case scenario, assessment.

WAVECREST AOA
Treasurer's Report March 7, 2012

January 2012

Budget & Expenditures	January Budget	January Revenue-Expense	Variance
Total Revenue	\$ 70,525	\$ 75,847	\$ 5,322
Less: Operating Expense	73,628	81,528	\$ (7,900)
Operating Surplus	\$ (3,103)	\$ (5,681)	\$ (2,578)
Capital Expenditures		\$ -	
Net Change (Cash & Reserve Funds)		\$ (5,681)	

Revenue:

Revenues exceeded the budget by over \$5,000 for the month. A unit was sold in December by an Owner 9 months in arrears in maintenance fees, and the fees were deposited in January. But this is a one-time event rather than an on-going trend.

We do, however, now have 3 of the 4 units that we own through foreclosure rented with a monthly income of \$1,800 (\$21,000 annually) if they stay rented. This is double the budgeted amount. Two of the units were recently rented about the first of the year. We are responsible for GE-TA taxes and homeowner insurance reducing the net income by \$2,000.

In addition, two other owners have rented their units and are directing the proceeds to be applied to their delinquencies.

Operating Expenses:

Operating expenses exceeded the budget for the month by approximately \$8,000. This was caused by the December electrical bills (\$9,000) being carried over and paid in January along with normal January costs. Funds from last year's electrical budget also carried over and added to our Operating Fund Balance at the start of this year.

In contrast with last year's deficit in Insurance costs, we expect a savings of about \$6,000 over the entire year. For once, insurance rate increases were less than expected by the industry. This will go to help cover unanticipated costs related to obtaining County approvals to proceed with our solar projects (\$2,400), for cleaning and sealing the gutters on all buildings (\$3,800), and between \$3,000 and \$4,000 for engineering consultation to analyze the parking lot condition and make recommendations for repair if the board approves proceeding with the contract.

Capital Expenditures

No expenditures occurred in January, but we do have an annual allotment of \$33,597 for minor projects.

Overall

The payments received for past delinquencies and the new apartment rentals, give us a good start on meeting our goal of reducing our annual delinquencies from \$45,000 to \$35,000. Beyond the projects mentioned above, no other problems have developed in the budget since its adoption last fall.

The recent increases in oil prices, however, may increase our utility costs in the future.

Cash & Investment Balances

		January	
	Total	Operating	Reserve
		Fund	Fund
			(Invest)
Dec. 31, 2011 Cash & Investment Balance	\$ 405,661	\$ 51,455	\$ 354,206
Net Increase (Decrease) in 2012	\$ (5,681)	\$ (7,706)	\$ 2,025
Cash & Investment Balance	\$ 399,980	\$ 43,749	\$ 356,231

Secretary's Report

March 7, 2012

Since our last regular meeting of 11-10-2011, the Board has received correspondence from twelve of our homeowners. This last quarter owners have shared their concern on a variety of issues including the following:

Large groups and noise at the pool/cabana area

Suggestions for more bike racks

A recurring water leak situation

The new security schedule

What uses of common elements are allowed

Lock boxes in our halls

It is my goal to answer all inquiries in a timely manner and to maintain a record of all correspondence. My favorite saying is that my filing system is great but it's my retrieval system that could use some improvement.

Over the years, your questions relating to our bylaws and declarations have prompted me to become very- very familiar with those documents and your questions "keep me on my toes". And by now I'm sure you know I'm a firm believer that we as an organization need to abide by our governing documents or change them when it benefits the majority of our owners.

Respectfully Submitted

Annie Albritton

Board Secretary

Managers Report

Buildings:

- ☒ Bids to replace asphalt, Maui Paving \$379,750.00, JM Paving bid \$509,652.00. T.J. Gomes Trucking bid, \$268,871.00
- ☒ Added trash bin by A Building
- ☒ Solar metering equipment is being installed, completed at Office, A, B, and C buildings
- ☒ Repaired broken cast iron pipe in several units
- ☒ Repaired A building concrete walkway
- ☒ Construction Engineering labs to give me a bid to evaluate the asphalt and itemize the price of item #1 \$2951.00 + tax
- ☒ Hawaiian Telcom trimmed the trees around their phone lines
- ☒ Gutters cleaned and leaks repaired
- ☒ The fire hoses we have under the stairways are not needed according to the Fire Inspector or our insurance company, the owners will decide if the hoses will be removed at the March 2012 meeting, confirmed 2/27/12 by Fire Inspector

Grounds:

- ☒ Planted 5 new Plumeria trees in front of A building
- ☒ Planted 6 new Manila Palm trees along roadway
- ☒ Potted at WWTP 14 palm trees, 4 Manila and 10 coconut palms
- ☒ Pressure washed courtyard walkways
- ☒ Ongoing irrigation testing and repairs
- ☒ Fertilized all lawn area every 4 months
- ☒ Purchased new gas powered equipment, 1 weed eater and 1 hedger
- ☒ Reset irrigation timers seasonally
- ☒ Replacing walkway lights as needed
- ☒ Installing cinders in planter areas

Wastewater treatment plant

- ☒ WWTP drain field controller panel replaced
- ☒ Remove bushes, trim trees and organize compound
- ☒ Setup weekly testing schedule for lift station phone line, pumps and control panel
- ☒ Test both backup generators weekly
- ☒ Installed new battery chargers for backup generators
- ☒ Installed sink and toilet for cleanup at WWTP
- ☒ Serviced control panel at WWTP

- ☒ Installed additional security locks on blower shed
- ☒ Completed injection well report to State
- ☒ Clean lift station twice weekly
- ☒ Clean and service Tanks A, B & C daily
- ☒ Wasting holding tanks A, B & C monthly

Swimming Pool and Cabana:

- ☒ Installed new pool signs (House Rules) at pool
- ☒ Changed pool gate code November 1st (8241) will change again May 1st
- ☒ Sealed new concrete decking
- ☒ Cleaned cabana carpet
- ☒ New concrete pool decking completed
- ☒ Backwashing pool to maintain Cyanuric acid level
- ☒ We check and clean the pool and cabana area daily
- ☒ New BBQ's and gas valves installed

3-7-2012 Board Meeting Attachment

Keri Zacher

March 7, 2012

It's still not about feral cats, barking dogs or off-key crowing roosters. But it is still about people. It's about the people who have chosen to live at Wavecrest either part time or full time, owners or renters, individuals, couples, or families. It is about the people who live here and the community we create. At the Sept. 1st 2011 Board Meeting it was decided, "the existing system of handling complaints was reviewed and it was determined that we should create a paper trail for accountability." The motion for such a form was carried by unanimous vote. We now have an Owner Request for Action of Rules Violation form in the office and on the website. Therefore, we have in place a system that accounts for complaints. We have accountability, yes? Anyone of the 126 owners can submit complaints and when there is evidence of a problem it can be addressed. At the Nov. board meeting a Pool and Cabana committee was formed. The committee sent out a cover letter with their pool survey on January 9th with the following statements, "For those homeowners unaware of the issues, and the reason for this survey, pool problems have made it almost impossible for other homeowners to use the barbecues and swim in the pool. They felt intimidated because of large groups taking control of the barbeque, and the pool area." The committee did not gather their information from written complaints. There are none. There was not one written

complaint filed by any of the 126 owners. Yet the 6 person committee decided to include me, as I am a homeowner. I strongly object to the committee insinuating all homeowners who have been here since September or longer share the opinion they stated in their letter. I also object to the board allowing this when the system for accountability which they voted into place was not followed. The backlash of this has been a kindergarten school type sign-up sheet, security ridiculously spending time "guarding" the pool and cabana area, and the cutting of hours of a 10 year trusted and loyal employee, Tevita He, because he cannot start work at 4:00 weekdays, because of his other job. Four o'clock is the time deemed necessary to have security babysit the pool and cabana area to provide continuous coverage.

It is about the people who live here and the community we create. In January, Nelson Puailihau was forbidden to dry his fishing nets on the wall, to put out his dry box for the purpose of drying fish and squid, and to clean fish in the carwash area. No written complaint form was filed from any of the 126 owners. Yes, perhaps the fish cleaning created a problem, but banning everything completely was the answer decided. Nelson has become an informal ambassador of good will and traditional Hawaiian practices here. He exemplifies the aloha spirit in his relationships with owners and visitors.

It is about the people who live here and the community we create. Presently decisions are being made in a reactionary knee-jerk manner. Time is not being used to investigate the situation and evaluate possible solutions. I would not be voicing my opinion today if I felt a more honest way of assessing what owners want had been utilized. It is about the people who live here and we do have choices in the community we create. Shouldn't we use some of the aloha that is so abundant on Molokai to influence how we make choices for our Wavecrest community. We are akamai, we can figure this out.