

Association of Apartment Owners
Wailea Fairway Villas
Board of Directors Meeting Minutes
January 25, 2010

Board Members Present: Ed Small, Janet Coflin, Edy Salenger
(In Person) and Mary Henig

Board Members Present: Jordan Ayan, Sanford Skaggs and
(By Telephone) Gordon Johnston

Owners Present: Judith Small, R102; Michael Martin, L103

Other Attendees: Nancy Price and Bob Wood, Destination Maui, Inc.; Sam
Schreiner, General Manager; Deidre Rockett, Recording
Secretary

I. DECLARATION OF QUORUM

There was a roll call, and a quorum was declared with five Directors present either in person or by telephone at start of meeting. Directors Coflin and Henig joined the meeting after call to order as noted within the body of these Minutes

II. CALL TO ORDER

President Sanford Skaggs called the Wailea Fairway Villas Association of Apartment Owners Board of Directors' Meeting to order at 9:37 a.m. The meeting was held at Wailea Fairway Villas, Wailea, Maui, Hawaii.

III. PROOF OF NOTICE

It was certified that the Notice of Meeting was sent to all Directors in accordance with the Association governing documents, and it was posted in compliance with Hawaii law.

IV. CONSENT CALENDAR

Items on the written consent calendar were listed as follows:

1. Approve Minutes of August 27, and October 20, 2009, Board of Directors' Meetings;
2. Grant appeals of fines filed by owners of units A103, B101, F102, F201, G202, H202, J202, L201, N101, S201, T102, T202, U101, U202, V201, V202, W103, Y101 and Y202;
3. Approve Summary of Rules
4. Approve installation of air conditioning unit outside of Unit T101;
5. Continue until next meeting consideration of policies regarding (1) high risk components and (2) repairs and improvements to common areas.

MOTION: To approve the Consent Calendar.

Johnston/Small Unanimous Approval

The President noted that Director Johnston did a lot of work on the summary of rules. The summary will be distributed to owners and tenants and serve a good purpose by summarizing the rules.

V. APPEALS OF FINES

As the appellants were not present, the President deferred hearings on appeals for fines imposed against the owners of two units for failure to provide keys until later in the meeting in order to provide additional opportunity for them to attend.

VI. REPORTS

A. Financial Report

Treasurer Small previously emailed a report to the Directors. The Balance Sheet and the Income Statement at December 31, 2009, look very good. The Operating Account and the Reserve Fund both have healthy balances.

The Treasurer voiced concern about accounts receivable, with some owners not paying their dues. He suggested that the Board might want to consider "some sort of write-off at December 31, 2009". Further discussion was deferred to later in the meeting.

B. Director Ayan

There are a number of matters delegated to Director Ayan, including electronic keys, the website and Stanford Carr. As Director Ayan has recently sold his business, he has been very busy, and unable to make any progress on them. He indicated that he will start working on these matters "from this point forward".

C. Site Manager's Report

Mr. Schreiner updated the Board on projects and activities, as follows: 1) Dumpster enclosure repair completed; 2) Violation citations issued; 3) Sound abatement wall elevation completed; 4) Grounds maintenance ongoing, with positive comments about the appearance of landscaping; 5) Jack hammer purchase; 6) Gutter diversions installed on A Building; 7) Ongoing gutter and diversion installation proceeding as time permits and as necessary; and, 8) Buildings A through H have been painted.

All the entryways have been replanted. Three inch round river rock has been ordered to be installed at several entrances. Two palm trees considered hazardous have been removed, and one more coconut palm needs to be removed. The monkey pod tree bordering the gulch has been trimmed.

(Director Henig joined the meeting at this time.)

Ms. Price recently conducted a property inspection and completed a report. She noted that management will be meeting with Island Plant Company on February 1, 2010, and a plan of action will be drafted to address the "bare spots". Ms Price said that the Association has a credit for special project work, and Island Plant will begin the plant out project in February. The

beds will be prepared prior to planting, and the irrigation system addressed simultaneously with the enhancements.

D. Managing Agent

Ms. Price recognized Mr. Schreiner for his work, specifically on the painting project. He is inspecting from all angles to make sure that the paint has been properly applied.

Monthly property inspections are conducted, and copies of the reports are distributed to the Directors.

The major project underway is the processing of insurance claims. This began in April of 2009. The first claim was in Building V and was related to water damage in four units from a toilet overflowing and water not being turned off. The amount of this claim totaled \$82,816.58. In June, there was water damage in Building F. A water heater supply line burst, and three units were damaged. The F Building claim total was \$65,305.77. Ms. Price noted that the owners of the units where the peril originated have paid the \$5,000 per incident deductible. Management is currently working on the last claim filed in V Building, and it should be paid later this week. With concerns about water shutoff, this topic will be added to the next Board Meeting agenda.

E. President's Report

President Skaggs noted that the Board has generally agreed that its objective is to maintain and enhance Wailea Fairways Villas, so that it remains a Wailea-quality, first class community. The Board has accomplished much over the past 18 months to further that objective, and there is more to come. The President commended Ms. Price and Mr. Schreiner for their leadership skills and good work.

The Site Manager has been tasked with the responsibility of conducting a monthly review of two buildings "for compliance", so that over the year all buildings will be reviewed. The review is to confirm the existence of current registration and information forms, proof of insurance and keys. Mr. Schreiner will begin the annual process with the inspection of A & B Buildings during January.

(Director Janet Coflin joined the meeting at this time.)

VII. UNFINISHED BUSINESS

A. Rent Intercept and Termination of Common Utilities and Services Resolutions

The Rent Intercept and Termination of Common Utilities and Services Resolutions provide more tools to collect delinquent amounts from owners as permitted by Hawaii State Law. The Board approved the Resolutions and then they were submitted to a vote of the owners by written ballot. The results of the voting on the Rent Intercept Resolution were noted: 55.94850% voted in favor and 6.3873% voted against thus the Rent Intercept Resolution passed by a majority vote. The results of the voting on the Termination of Common Utilities and Services Resolution were noted: 50.8098% voted in favor and 10.7919% voted against thus that Resolution also passed by a majority vote.

MOTION: To certify the results of the votes as reported.
Johnston/Small Unanimous Approval

MOTION: To destroy all ballots after 30 days of this meeting.
Johnston/Small Unanimous Approval

B. Common Area Landscaping Letter of Transmittal

The President explained the reasoning behind formalizing agreements with owners seeking permission to work in the landscaped common areas. Included with the packet of information distributed to the Board is a cover letter outlining the need for the agreement. The second document is a simple letter agreement between the Association and the owner. There was a round-table discussion on the pros and cons of the proposal to formalize these agreements.

MOTION: To authorize the form of the transmittal letter and the letter of agreement as presented and to authorize the President and management to transmit same to the involved owners.

Salenger/Henig Unanimous Approval

There was concern voiced about tracking of the resolutions and policies over the long-term. Ms. Price explained that Bylaw amendments are recorded at the State Bureau of Conveyances. Resolutions and policies are compiled in a Resolution Book by DMI, and are assigned numbers. In this instance, a copy of the letters and the minutes of this meeting would be attached to the Resolution File. Tracking the resolutions through this type of compilation was considered important.

VIII. NEW BUSINESS

A. Painting of Additional Buildings

The balance in the Reserves as of December 31, 2010, is projected to be \$300,000, and part of this money is available to continue with the painting project. Director Small recommended \$200,000 be allocated to painting this year. Eight of 24 buildings have been completed thus far. The Board discussed negotiating a price from the contractor. Ms. Price will consult with the contractor to see if the current price will hold next year. She also will ask for a price for the Rec Building.

MOTION: To authorize the Managing Agent or President to extend the existing contracts to include the painting and stucco repair of eight additional buildings and the guttering of 12 additional buildings at costs not to exceed the amounts paid for the work done on Buildings A-H, approximately \$100,000.

Small/Johnston Unanimous Approval

B. Re-striping of Parking Lots

With some of the parking lot identification numbers fading and wearing thin, the Board considered re-striping the parking lot this year. The parking lot is scheduled for resurfacing in

2012 at the cost of an estimated \$50,000 to \$60,000. A proposal was solicited and the bid to re-stripe was \$8,635. Other bids can be solicited. The President recommended the work proceed and be scheduled as soon as possible at an amount not to exceed \$8,635. Some of the Directors questioned the wisdom of proceeding at this time, given that the resurfacing would occur in the near future. No action was taken, and the matter was tabled. The Managing Agent was asked to consider interim measures to repaint space numbers as necessary.

C. Collection Policies

Current collection policy was reviewed, including a phone call, demand letter and placement of liens. With the option of rent intercept now in place, the Association can collect the past due amount from the rental agent or from the tenant. Any costs or attorneys fees incurred by the Association are assessed to the delinquent owner. The Board has adopted a Priority of Payment Resolution.. All monies received go to pay for attorney's fees and late fees first. If the Board authorizes the termination of utilities, the owners must be given 60 days written notice. Utilities can only be terminated in owner-occupied units. The Association also has the option of proceeding with a non-judicial foreclosure, and the pros and cons of this type of action were discussed.

Management is working cooperatively to determine the "status" of each unit in an effort to determine the best collection action to take. Management will keep the Board up-to-date on actions taken monthly with the Financial Statement.

Director Small has discussed this issue with other Association Board members, and he cited an example of what another Association is doing to collect from delinquent owners.

MOTION: To ratify the current collection process as detailed by Ms. Price and authorize DMI to send notice at 60 days of potential termination of utilities and restriction of access to common areas; further, to authorize DMI to proceed with a rent intercept action.

Ayan/Small Unanimous Approval

The President clarified that this motion authorizes DMI to send notice but does not authorize it to actually terminate utilities or restrict access to the common areas without further action by the Board. Since Board meetings are held quarterly, this will delay action considerably.

The Board then considered authorizing the Managing Agent to move forward with collection actions, including the termination of water, cable and parking without further Board action.

MOTION: To authorize the Managing Agent to pursue all remedies to collect delinquent amounts from owners without further approval of the Board, including the termination of utilities and use of common areas.

Ayan/Johnston Unanimous Approval

Ms. Price noted that all Directors will receive notice of actions taken. In addition, she will report to the President prior to taking any "drastic action".

D. Removal of Trees in the View Plain

The President explained that the trees in question are the trees along the golf course. The golf course has given permission for the Association to trim or remove trees at the Association's cost as long as the property owners adjacent to the trees agree.

Director Salenger attended a meeting organized by an owner from Ekolu. That owner is very interested in having people contribute to a fund to remove the eucalyptus trees on the oceanside of the golf course. A bid to remove was received in the amount of \$21,718. There also was an offer to remove the Kiawe trees at \$600 or \$700 each. It was noted that the trees belong to the golf course. Options were discussed, including topping and trimming. It was noted there is \$22,000 in the budget to trim offsite trees.

Also, there are three dead trees that need to be removed regardless of the success of the effort proposed at the meeting. It was suggested that the Wailea Community Association be approached to pressure the golf course to remove the dead trees for safety reasons.

MOTION: To approve an expenditure of up to \$15,000 to remove eucalyptus trees along the golf course in accordance with the proposal from Mary's Tree Service.

Salenger/Coflin

Director Ayan had questions about the removal of the trees, including a concern about a conflict of interest. Director Salenger explained there are 33 eucalyptus trees along the ocean side of the golf course that are proposed for removal. The balance of the cost for removal will be contributed by other communities, i.e. Ekolu. The prior Motion was withdrawn, and the following Motion was made.

MOTION: To authorize an expenditure of \$15,000 towards the project described in the proposal and to authorize Director Salenger to continue to negotiate, subject to contracts that are approved by the President or the Association Attorney.

Salenger/Coflin

The Motion passed by a majority vote. Director Ayan opposed.

E. Interior Improvement Policy

The President presented a draft policy regarding improvements to the interior of units; however, he would like the attorney to review before adopting. After review by the attorney, the policy will be considered by the Board at another meeting.

F. Amendments to the Association Governing Documents

The Board considered proposed amendments to the governing documents prepared by the Association's attorney at the request of the Board. The attorney also has drafted an in depth letter explaining the amendments for use by the Board. In addition, the President suggested a short cover letter to the owners explaining why the amendments are proposed. By consensus, the Board agreed to submit two ballots to the owners, the first dealing with the housekeeping issues related to insurance claims and changes to the common areas and the second prohibiting smoking.

IX. OWNERS' FORUM

At the request of Mr. Martin, the owner of L103, the discussion of amendments was suspended, so that he could make his comments as he had to leave the meeting. He voiced concern about the amount of delinquencies and collection methods. He suggested getting tough and terminating services to these owners. He had questions about the accounts that were past due over 18 months. The President explained the challenges with proceeding with high cost foreclosure actions, and that foreclosure does not work well when there is no equity in the property.

In regard to the trash enclosure, Mr. Martin suggested installing a smaller door inside the gates to avoid wear and tear.

X. NEW BUSINESS (continued)

F. Amendments to the Association Governing Documents (continued)

As drafted, the proposed amendment would prohibit smoking: 1) On the lanais; 2) Within 25 feet of any building; 3) Within an apartment if the smoke unreasonably affects another person as determined by the Board or someone delegated by the Board after an opportunity to be heard; 4) Any common element designated as a no smoking area; and 5) Anyplace where smoking is prohibited by law. There was discussion about the pros and cons of proposing an amendment that would prohibit smoking within the units.

It was agreed by general consensus to eliminate item three above and authorize the Managing Agent to propose an amendment that would prohibit smoking: 1) On the lanais; 2) Within 25 feet of any building; 3) In any common element designated as a no smoking area; and 4) Any place where smoking is prohibited by law.

MOTION: To send the proposed amendments, as revised by consensus, to the owners for a vote by written consent ballots.

Ayan/Henig Unanimous Approval

G. Enforcement Priorities

Discussion on enforcement priorities was deferred to the next meeting.

H. Board Email Address

The challenges of a Board designated email address were noted. Options were discussed. Director Salenger suggested that all emails be forwarded to the Secretary of the Association. The Secretary would then be responsible for routing the emails to the correct person. It was agreed that routine emails would be sent to management first. This method of answering emails will be subjected to a trial period for analysis. Director Ayan will set the email address, so that all emails are forwarded to Director Salenger's email address for acknowledgement and distribution.

I. Write-Off of Delinquencies

Bad debt/write off policy was discussed.

MOTION: To authorize Director Small in consultation with the Managing Agent, Ms. Price, to create a write-off of up to \$50,000 to be reflected in last year's write-off of Reserves.

Small/Salenger Unanimous Approval

J. Appeals

Fines against two owners were imposed for non-compliance with key requirements. The owners have appealed the decision of the Board to impose fines. The Board considered the appeals. An opinion was solicited from the Association attorney, and the attorney responded explaining that the Association has the legal right to enforce this regulation. The Declaration gives to the Association certain rights; however, there are steps generally followed when it is necessary to use a key to enter a unit. The President outlined the policy in this regard and noted safeguards implemented in the storage of the keys. Options were discussed.

MOTION: To deny the appeals from the owners of units N101 and U101 and give them to February 10, 2010, to provide keys. If the owners respond and provide keys, the fines will be waived. If the owners don't comply, the fines will continue to accrue at \$50 per day.

Johnston/Small Unanimous Approval

XI. ADJOURNMENT

The meeting adjourned at 12:40 p.m.

Respectfully submitted,

Louise Rockett

Louise Rockett
Transcriptionist

Approved for distribution by Sanford Skaggs, President