

**MAKENA SURF AOA
BOARD OF DIRECTORS MEETING
Thursday, February 23, 2017**

Time: 8:00 a.m.

Place: Makena Surf Boardroom

Directors Present:

Mr. Donald Baron, President
Mr. Dick Clotfelter, Secretary
Mr. Paul Imwalle, Treasurer
Mrs. Betty Kay Anderson
Mr. Richard Michaels
Mrs. Dusty Pence
Mr. Greg Wolf

Management:

Mrs. Ann Shipman, General Manager
Ms. Enza Froio, Recording Secretary, Aloha Office Services

Owners Present:

Mr. Norm Champ, C101
Mr. Mal Johnson, F205
Mr. Roger Morgan, G201
Mr. and Mrs. Bob and Gymme Frank, E106
Mrs. Maxine Goldsmith, G204

Call to Order: President Baron called the meeting to order at 8:03 a.m.

Proof of Notice: President Baron verified that meeting notices were posted on property in three (3) places and emailed, faxed and/or mailed to all Board members on January 24, 2017.

Determination of Quorum: A quorum was established with 7 of the 7 Directors present in person.

Approval of Minutes:

The November 14, 2016 Board of Directors meeting minutes were presented for approval. Corrections were noted as follows:

- Pages 5, 6, and 8: grammatical corrections made.
- Page 6, last paragraph under the EV Station section, first sentence should read: "Mrs. Pence pointed out that homeowners voted for the installation of two (2) EV stations and questioned why only one (1) had been installed."
- Page 9, 5-Night Rental Minimum, amend the motion to read: "*To submit a ballot to approve an amendment to the Bylaws...*" (*not Declaration of Condominium Property Regime*)"

Motion: *To approve the minutes of the Board of Directors meeting dated November 14, 2016, as amended. (Anderson/Pence)*

CARRIED unanimously.

The January 9, 2017 Board of Directors meeting minutes were presented for approval.

Motion: *To approve the minutes of the Board of Directors meeting dated January 9, 2017, as presented. (Anderson/Pence)*

CARRIED unanimously.

REPORTS OF OFFICERS AND MANAGEMENT

President's Report

President Baron presented his report. Replacement of the gutters has been completed on half of the buildings thus far. The remainder will be done during next year's construction period. Bids from two (2) contractors to do the repair work to the soffits and fascia board of all 84 lanais on the ocean side (Buildings B, E, F, and G) are being obtained. Also, the hiring of a full-time painter at Makena Surf is being considered. Board members will be informed prior to a decision.

Issues related to paying bills, billing tenants, and lack of follow-through on receivables have been experienced with Management Consultants Hawaii (MCH). President Baron, Treasurer Imwalle and Mrs. Shipman are meeting with MCH representatives to address these items. The goal is to resolve the issues with MCH rather than change management companies mid-year.

Treasurer's Report

Treasurer Imwalle presented his report. He reiterated dissatisfaction with MCH's performance. He noted that Destination Residences (DR) is \$11,500 in arrears and Ali'i Resorts is \$9,700 in arrears. A meeting with MCH will be held immediately after the Annual Meeting.

Treasurer Imwalle reviewed year-end 2016 results as follows:

- Total Revenues, \$1.9 million
- Total Expenses, \$1.76 million
- Excess Revenue of \$128,384

The 2017 budget includes a 1.8% increase in fees. As of January 31, 2017, the Association is underspent year-to-date by \$3,300.

The year-end 2016 audit has been received. The Association is within generally accepted accounting principals. According to the audit, the Reserves are 80% funded. According to Barrera & Company, the Reserves are 67% funded. It is the Board's opinion that the auditor's figures are most accurate.

Treasurer Imwalle acknowledged Mrs. Shipman for her efforts; and owners for contributing to the increase in Reserve funding.

President Baron noted that there are 10 to 12 service panels that are old and require replacement. Two (2) of the service panels have been replaced. The anticipated total

project expense is \$120,000, which will need to be added to the Reserves. Bids will be obtained.

President Baron stated the Board will begin researching and identifying a plumber with the ability to scope and recoat the pipes (rather than replacing the pipes). This expense will also be added into the Reserves as needed.

The addition of expenses related to electrical and plumbing repairs to the Reserves will require the percentage funding to be adjusted.

MANAGER'S REPORT

Mrs. Shipman provided a written report to the Board of Directors.

House Rules

She provided a list of approved motions from years 2011 to 2016 and recommends that these items be added to the House Rules in order to increase awareness amongst owners as well as provide support when enforcing. The Board stated that Mrs. Shipman may act on the items and enforce accordingly as they have been approved by the Board.

Mrs. Anderson further noted that historically, it has been the owners who change the House Rules. She suggests this subject be placed on the agenda of the 2018 Annual Meeting for owner's vote and approval with a simple majority; and to include an amended list of House Rules in the Annual Meeting packet.

Mrs. Pence asked owners present how they felt about giving the Board the power to change the House Rules in the future so as to receive the updated information earlier; and in the meantime to make a memo of the motions to be added to the House Rules as proposed by Mrs. Shipman. Owners present in the room felt the Board should be able to update the House Rules as needed.

This item will be added to the agenda of the 2018 Annual Meeting. In the meantime, Mrs. Shipman will append the list of motions as provided to the Board to the House Rules.

Motion: *To add the items, as identified by Mrs. Shipman, to the House Rules. (Pence/Imwalle)*

CARRIED unanimously.

Mrs. Shipman highlighted the following additional items:

- A plant nursery was created on the North side of the B tennis courts.
- There are 37 unit entry doors with the older paint color. The Board previously passed a policy to gradually change over the doors to the dark brown color, as remodels occur. When plans are reviewed for a remodel that includes a change-out of the door, Mrs. Shipman will ensure that the contractor is aware of the policy. This item will also be included in the newsletter.
- There was an incident where an individual on the beach had a fatal heart attack. A member of the Makena Surf staff was one of the first persons on the scene but did not know CPR. All security guards and a majority of the staff members will be required to attend CPR training. The cost is \$55 for each person.

- There was a discussion with regard to having a defibrillator on property. Mrs. Pence expressed concern about the effectiveness of the defibrillator unless it is located in close proximity to the affected person. Years ago, a defibrillator was purchased for the property but has since reached its useful life. Mrs. Shipman does not recommend purchasing another defibrillator. She feels proper CPR training is most effective.
- Mrs. Shipman provided information on Hawaii Law regarding assistance animals. She requested the Board review the information.
- A high-risk components inspection will be done in May.
- Mrs. Shipman plans to develop a lanai maintenance memorandum in order to notify owners of what needs to be done on a regular basis to keep the lanai in good condition. The memorandum will be distributed at the Annual Meeting.

Landscape Report

Mrs. Anderson provided a written report to the Board of Directors. She commended the staff for working as a team to accomplish projects such as the improvements made to the G building garbage area.

An arborist was hired to inspect the maturing landscape at Makena Surf. The arborist recommended removal of five (5) trees, of which all but one (1) are at the perimeter of property. A diagram was provided for the Board's review. The five (5) trees include two (2) African Tulip trees; one (1) Monkeypod tree; and two (2) Kou trees.

Motion: *To remove the five (5) trees based on the professional opinion of the arborist, subject to ratification after the Board viewing within two (2) weeks and a decision to be made by email. (Pence/Imwalle)*

CARRIED unanimously.

Mr. Michaels requested that all trees slated for removal be marked with colored tape to clearly identify for owners' reference. Mrs. Shipman will mark the trees accordingly. Mrs. Anderson clarified that removal would not occur until end of April.

Mr. Michaels stated that the Monkeypod trees cause debris and suggested gradual replacement with Shower trees.

Motion: *That the General Manager, Landscape Director and professional arborist survey the trees on property and report back which Monkeypod trees can be replaced with Shower trees. (Michaels/Anderson)*

CARRIED unanimously.

Mrs. Anderson suggests keeping the Monkeypod trees on the road to continue with the look of Wailea Resort.

COMMITTEE REPORTS

Construction & Maintenance Report

Mr. Wolf reported that the 2016 construction period was in F and G buildings. There were 16 remodeling projects (Levels 2 and 3) and four (4) partial remodeling projects (Level 4). Three (3) projects were not completed by the November 18th deadline date and fines in the total amount of \$19,000 were levied against those owners. These projects were completed in the 10 days that are allowed for extension.

In 2017, there are three (3) applications of which one (1) is in E building and two (2) are in B building. The construction period for 2017 is April 24 to November 17.

President Baron further reported that Contractor Marty Hearn did two (2) remodels in the F Building. Mr. Hearn was not cooperative and caused numerous problems. President Baron had two (2) meetings with Mr. Hearn and personally inspected his work. In one unit, work was done out of code and was corrected. The Board agreed that if an owner presents a remodeling project to be done by Mr. Hearn, Mrs. Shipman will suggest that the owner contact the owner(s) who had previous experience with Mr. Hearn.

Security Report

Mr. Michaels stated there are no incidents to report. One (1) security guard was replaced because he failed a random drug test. The replacement guard is performing well.

A new system is in place that electronically captures a record to verify when the guards are checking into their stations at night and are making their rounds.

Mrs. Anderson recommends expanding the security guards' responsibilities on the weekend to include monitoring of construction activity, pool violations, items on entryway lanais, and towels hanging on glass railings. The Board agreed. Mrs. Shipman has provided a copy of the House Rules to the security guards and will follow up.

Per the recommendation of Mrs. Anderson, Mr. Michaels agreed to review the key sign-in sheet.

Mrs. Pence questioned if the cats on property are catching rodents and noted that the cats appear friendly and well fed. Mr. Michaels stated his opinion that cats are natural hunters and that feeding the cats does not deter from catching rodents. Mrs. Pence understands that cats on property are a natural deterrent for rodents, but are not as aggressive when fed. Mrs. Pence volunteered to further research and to obtain an objective opinion on this matter.

Newsletter

Mrs. Pence stated that the newsletter now includes a profile of one (1) owner and one (1) staff member or an individual who contributes to the care and maintenance of Makena Surf. Mrs. Pence will continue as Newsletter Editor next year but because she will not be on property as often, she requested assistance with interviewing owners and staff members.

Mrs. Pence was acknowledged for producing an amazing newsletter.

Nominating Committee

Mr. Roger Morgan, G201, member of the Nominating Committee, provided a report. He stated that at the last Annual Meeting a motion was passed to create a Nominating Committee of three (3) individuals with the task of identifying candidates for election to the Board and presenting such names to the Board by a certain date. Some owners interpreted the motion such that the Nominating Committee would present a slate of nominees to the Board and the Board would have the expectation to vote in favor of that slate. Mr. Morgan met with Mrs. Shipman to discuss this interpretation. Mrs. Shipman advised this is against Hawaii State law. President Baron, Mrs. Shipman and Mr. Morgan met with Attorney Merchant via teleconference to review the issue. Attorney Merchant indicated he would write a memorandum that would detail the law, which would then be made available to owners.

Mr. Morgan explained two items he has learned in the process as follows:

1. Mr. Morgan was acting based on the kind of behavior he witnessed from other Nominating Committees. He and Mrs. Shipman “kept bumping into each other” in a positive way and worked well together. Mrs. Shipman had indicated that she had never dealt with a Nominating Committee and that typically the Managing Agent has the authority to manage the process independent of the Board. The Managing Agent would send to the ownership a 60-day and a 30- day notice regarding an owner’s intent to run for election. Mr. Morgan has concluded that allowing the Managing Agent to manage the process is a more effective method and that a Nominating Committee is not needed.
2. Mr. Morgan indirectly or directly contacted nine (9) owners, of which none were interested in serving on the Board. He feels this is concerning and should be addressed.

Mrs. Anderson stated that in the past, the process was that at the November meeting the Board would formulate a slate of nominees based on discussion and who may have indicated interest (a list was received from previous Manager Bob Brooks).

Mr. Morgan stated that the Board is the best source of future candidates. Mrs. Anderson responded that this is the reason the Board formulated the slate in past years.

Per the Board’s request, Mrs. Shipman read the legal opinion on this matter provided by Attorney Merchant as follows:

“The question was asked of the Board and of me whether the slate selected by the Nominating Committee restricts the Board’s ability to vote proxies for candidates who are not on the slate selected by the Nominating Committee. Essentially, the question was whether the slate becomes an “all or nothing” selection for the Board. Similarly, the question was posed whether the existence of a slate put forward by the Nominating Committee restricts or precludes nominations from the floor at the meeting.

The answer to both questions is “no.” The Nominating Committee does not alter the pre-existing procedures and rights regarding elections. The Board can cast those proxies provided to it by selecting from the Nominating Committee’s slate

or from other candidates. The procedure for nominating from the floor is unchanged.

As discussed in previous meetings, the Nominating Committee is simply a tool for encouraging more candidates and encouraging wider representation; it does not restrict voting rights or procedures.”

A copy of the legal opinion will be provided at the Annual Meeting.

Mrs. Pence stated that the owners’ understanding was that the Nominating Committee would recommend a slate to the Board. In response, Mr. Morgan reiterated that he and Mrs. Shipman worked together seamlessly. An actual slate was not given to the Board. Mrs. Shipman verified that she did not receive a slate from the Nominating Committee. Mr. Morgan stated that two (2) of the candidates sent their letters of interest to him and (2) of the candidates sent their letters of interest to Mrs. Shipman.

UNFINISHED BUSINESS

FEMA

Mrs. Anderson stated that two (2) buyers went into escrow for Unit F110. The first buyer fell out for a variety of reasons unrelated to FEMA. In the second instance, it is a good possibility that either the real estate agent or escrow agent were not notified of the FEMA problem.

Motion: *That the managing agent should have on file for any purchaser of Unit F109 and Unit F110 that there is a FEMA problem with those two (2) units; and that information is passed on to the escrow by the managing agent if there is an escrow that comes about. (Clotfelter/Wolf)*

CARRIED unanimously.

Motion: *The managing agent should have in their file for the event of any sale on the property that two (2) units, F109 and F110, have a FEMA issue. (Clotfelter/Pence)*

CARRIED unanimously.

This item will remain on the agenda.

Fitness Center

Mr. Clotfelter reported that the boardroom is not the best location for the fitness center. The second floor would be a good alternative but there are structural issues and costs involved in order to handle the weight. It has been concluded that Destination Residences (DR) would take the space upstairs and the remaining space across the hall would be divided in half so that one-half is for DR storage and the one-half on the

parking lot side would be for the fitness center. Two (2) doors would be installed in the front and back. It was noted that DR is in full support of swapping the space.

Code of Conduct

Mrs. Pence clarified that President Baron requested this item be placed on the agenda. President Baron and Mrs. Anderson brought it to the attention of Mrs. Pence that there is an omission in the motion that was previously approved by the Board, such that (newly reelected) Board Members need to be added to the motion.

Motion: *To change the previously approved motion related to the Code of Conduct to state as follows:*

*“To accept the proposed Code of Conduct and that each incoming **or newly reelected** Board member must sign the document in order to serve on the Board of Directors. “*

(Pence/Anderson)

Motion **CARRIED.**

In Favor: Pence, Anderson, Imwalle, Baron

Opposed: Michaels, Wolf, Clotfelter

5-Night Rental Minimum

Mrs. Anderson reported the owners' voting results of the ballot regarding the 5-night rental minimum as follows:

70 In Favor

24 Opposed

Ballot **PASSED.**

Appraisal

Mr. Clotfelter stated that the appraisal of the total value of the building was based on the type of construction. A replacement cost considers what it would take to rebuild at today's cost. As a result, the appraisal was raised from \$52 million to \$65 million in terms of total dollars. The Board is comfortable with the adjusted appraisal of \$65 million.

Basketball Hoop

The Board discussed the owner request to install a basketball hoop. The following items were noted:

- The best location would be on the North side facing the road.
- The cost would range from \$800 to \$1,300.
- Portable hoops are a liability. An anchored hoop would be required.

- The Board is in receipt of one (1) email from one (1) owner that indicates that 32 owners support the request, but the Board has not received any names of those in support.
- Per the Board's previous request, the owner of F208 did not place the item on the 2017 Annual Meeting agenda.

Mr. and Mrs. Frank, E106, spoke in opposition to the installation, noting the noise factor and that approval could set a dangerous precedent. Mrs. Goldsmith, G204, and Mr. Michaels voiced opposition for the same reasons.

Motion: *To decline the request from F208 to install any kind of a basketball hoop. (Anderson/Michaels)*

CARRIED unanimously.

EV Station

Mrs. Pence reiterated that owners approved two (2) double EV stations but only one (1) has been installed.

The Board noted the following:

- The cost of installing an EV station is much more than anticipated, although there was no restriction on price on the motion.
- The spirit of the homeowners was particularly so that those owners with an electric vehicle would have access to an EV station; that an EV station makes the property look progressive; and is environmentally the right thing to do.
- The motion does not reflect a time limit for installation of the EV stations.
- The Board previously agreed to bring this item to the 2017 Annual Meeting to suggest delaying the installation of a second station until there is demand. However, this issue did not get on the agenda of the Annual Meeting.

Mrs. Pence suggested that the Board announce at the Annual Meeting that a second station has not been installed because the cost is much higher than anticipated; that there have been no requests for installation of a second station, but if requested, the Board will proceed accordingly. The Board agreed.

President Baron requested Mrs. Shipman to include this item on the agenda of the 2018 Annual Meeting. Should the Board receive a request for installation of a second station prior to the 2018 Annual Meeting, the issue will be addressed at that time.

President Baron further noted that currently Mr. Michaels is the only owner using the station and if this continues, the payback will be about 30 years. To achieve a faster payback, President Baron recommends that Destination Residences and Ali'i Resorts be allowed to use the station at the same rate as Mr. Michaels. All Board members agreed provided that DR and Ali'i use the station during the daytime only.

Mr. Clotfelter further suggested that DR and Ali'i promote the use of the charging station to their guests.

NEW BUSINESS

New Gates

President Baron stated that the Reserves reflect \$8,500 to \$10,000 to complete upgrades to the gates. Mrs. Anderson suggests a visual, decorative upgrade to the gates due to their dated condition. She requested President Baron to appoint one (1) Board member to act as a mini-committee to contact the two (2) companies on-island to explore how the gate could be improved and to present options to the owners at the 2018 Annual Meeting.

This item will be placed on the June Board meeting agenda in order to establish a committee to begin investigation.

RECESS TO EXECUTIVE SESSION:

The Board agreed to recess the meeting to Executive Session at 11:01 a.m.

DATE OF NEXT MEETING

The Annual Owners Meeting is scheduled for Saturday, February 25, 2017 at 9:30 a.m. A Board of Directors Organizational Meeting will immediately follow.

ADJOURNMENT

The meeting was unanimously adjourned at 12:38 p.m.

Respectfully submitted,
Enza Froio
Aloha Office Services
Recording Secretary

Reviewed and accepted by:

Dick Clotfelter
Secretary, Makena Surf AOA

Reviewed and accepted by:

Donald Baron
President, Makena Surf AOA

**MAKENA SURF AOA
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MOTIONS
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Motion: *To add the items, as identified by Mrs. Shipman, to the House Rules. (Pence/Imwalle)*

CARRIED unanimously.

Motion: *To remove the five (5) trees based on the professional opinion of the arborist, subject to ratification after the Board viewing within two (2) weeks and a decision to be made by email. (Pence/Imwalle)*

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Motion: *That the General Manager, Landscape Director and professional arborist survey the trees on property and report back which Monkeypod trees can be replaced with Shower trees. (Michaels/Anderson)*

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(Pence/Anderson)

Motion **CARRIED**.

In Favor: Pence, Anderson, Imwalle, Baron

Opposed: Michaels, Wolf, Clotfelter

Motion: *To decline the request from F208 to install any kind of a basketball hoop. (Anderson/Michaels)*

CARRIED unanimously.

APPROVED