

**KAHANA FALLS  
INTERVAL OWNERS ASSOCIATION  
AND  
ASSOCIATION OF APARTMENT OWNERS  
FINANCE COMMITTEE MEETING**

**KAHANA FALLS RESORT  
WEDNESDAY, MARCH 23, 2016; 11:00 A.M. (HST)**

**MINUTES**

**I. CALL MEETING TO ORDER**

Chairperson Jesse Arman called the meeting to order at 12:35 p.m. (HST). The following persons were in attendance.

**COMMITTEE MEMBERS PRESENT**

Jesse Arman	Chairperson
Richard Roll	Member
Katherine Ivey	Member
Kevin Ramage	Member

**GUESTS PRESENT**

Karen Cornwell  
Milton Jantzen  
Martin Hewitt

**MANAGEMENT PRESENT**

Gail Turner	Sr. Vice President of HOA Accounting
Loren Gallagher	CEO of VRI/TPI
Joanne Hallert	Director of Resort Operations
Suzie Moore	Resort General Manager
Kristen Makinen	Administrative Assistant

**II. APPROVAL OF THE AGENDA**

A motion to approve the agenda was made by Richard Roll and seconded by Kevin Ramage. The agenda was approved with flexibility.

### **III. APPROVAL OF MINUTES**

A motion to approve the minutes of the September 1, 2015 Finance Committee meeting was made by Kevin Ramage, seconded by Richard Roll and unanimously approved.

A motion to approve the minutes of the September 22, 2015 Finance Committee meeting as amended was approved by all.

The minutes of September 22, 2015 were amended to change the word *employ* to *hire*.

### **IV. CONTINUING BUSINESS**

#### **Financial Ratio Trends**

The committee reviewed and discussed the presented report.

Jesse Arman advised liquidity, solvency and profitability were all up and that the resort is in relatively good condition financially. "Quality of earnings" metric is somewhat lower, as the results show higher net income than free cash flow.

#### **Delinquency Report**

The committee reviewed and discussed the delinquency report.

Dr. Arman inquired regarding the change since 2015, and discussed that this has shown a small drop in the delinquency percentage.

The board asked how their delinquency rate compares to other resorts in the industry. Gail Turner advised that Kahana is a bit higher than the average but that all resorts tend to be trending upward in delinquency each year.

#### **Great Destinations**

The committee reviewed the report and inquired regarding the slowed sales in December through February. From looking at the sales trends for all resorts that Great Destinations sells, Ms. Hallert confirmed that this time period is slower.

The committee will recommend that a conference call be conducted with Andy Genuso of Great Destinations to look further into the issue.

#### **Reserves**

Katherine Ivey reviewed the reports for the AOA and IOA reserves.

The committee will recommend that a portion of retained earnings be transferred into reserves. They discussed how quickly they could transfer these monies without bleeding their operational fund. The recommendation of the exact amount shall be determined by Katherine Ivey.

A motion to transfer amounts to be determined from retained earnings, keeping the balance between funding a month of annual operations and strengthening reserves, was made by Katherine Ivey and seconded by Kevin Ramage. The motion passed.

## **V. NEW BUSINESS**

### **Rental**

Gail Turner suggested a study to identify the rental income compared with the cost of renting units to identify the true contribution margin and thus to help in deciding how valuable the B Unit rentals are as these rentals pull the RCI rating down and affect the resort as a whole.

### **2015 Audit Review**

Mike Fitzgerald presented the 2015 audit, which was distributed to the board as a handout. He reviewed the IOA and AOA reports and answered any questions posed by the board.

It was added to New Business the discussion of tax assessment values.

### **Assessed Tax Value**

Joanne Hallert discussed the tax appeal she recently considered. She advised a deficit of \$8,000 would be shown at year end. Research did show a spike of assessed value in the Lahaina area, within which Kahana Falls is located. She further advised that comps pulled confirmed that the assessed value is in the ballpark for the resorts in the area.

She balanced the cost to appeal and the increase. She said there would be little to uphold the case for appeal.

The committee discussed if there was a need to appeal. It was determined that an appeal would not be beneficial, and it may actually be worse to appeal.

### **Financials**

Gail Turner reviewed the monthly financials, as previously distributed.

The board discussed the year to date financials.

## **VI. ADJOURNMENT**

A motion to adjourn was made by Kevin Ramage and seconded by Katherine Ivey. The motion was unanimously approved to adjourn the meeting at 2:12 p.m. (PDT).

Submitted by:  
Trading Places International  
Its: Managing Agent

Approved by:  
Kahana Falls Finance Committee

By: \_\_\_\_\_  
Joanne Hallert  
Director of Resort Operations

By: \_\_\_\_\_  
Jesse Arman  
Chairperson