

**KAHANA FALLS
ASSOCIATION OF APARTMENT OWNERS (AOAO)
AND
INTERVAL OWNERS ASSOCIATION (IOA)
COMBINED BOARD OF DIRECTORS MEETING**

**Wednesday, March 25, 2015; 1:00 p.m. (HST)
Kahana Falls Resort**

MINUTES

I. CALL TO ORDER / ROLL CALL

The meeting was called to order by AOAO/IOA Acting President Karen Cornwell at 3:45 p.m. (HST). Those in attendance were:

AOAO Board Members Present

Milton Jantzen	Vice President
Katherine Ivey	Secretary
Jesse Arman	Treasurer
Karen Cornwell	Director
Kevin Ramage	Director
Martin Hewitt	Director

IOA Board Members Present

Karen Cornwell	Vice President
Katherine Ivey	Secretary
Jesse Arman	Treasurer
Milton Jantzen	Director
Kevin Ramage	Director
Martin Hewitt	Director

Board Members Absent

Richard Roll	President (AOAO/IOA)
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Management Present

Loren Gallagher	President and CEO
Gail Turner	Sr. Vice President of HOA Accounting
Tom O'Brien	Sr. Vice President of Resorts
Joanne Hallert	Director of Resort Operations
Suzie Moore	Resort General Manager
Amy Strange	Administrative Assistant

Guests Present

Mike Fitzgerald	Fitzgerald and Associates, CPA
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II. APPROVAL OF AGENDA

With no objection, the agenda was approved as presented.

III. APPROVAL OF MINUTES

The minutes of the September 18, 2014 board meeting were unanimously approved as submitted.

IV. REPORTS

MANAGEMENT REPORTS

Action Items

The board reviewed and discussed the action item list.

Onsite Management Report

The board reviewed and discussed the onsite management report.

Suzie Moore recommended that the coconut trees be drenched soon for pest control and added on to next year's budget.

Suzie Moore noted some staffing changes that have taken place.

The board expressed their concern about current staffing at the property and the need for more staff.

Jesse Arman moved to make a budget exception to add to the housekeeping budget for the approximate annual cost of \$60,000 per year for staffing to compensate for the increase in rentals. The motion was seconded by Kevin Ramage and approved unanimously.

Occupancy Report

The board reviewed and discussed the occupancy reports.

The board directed management to research the percentage of no-shows and to report to the board if it is high compared to other timeshare properties.

The board directed management to only include five years of history on the yearly occupancy report comparison. They would like to keep the table history, but only include the last 5 years' on the graph.

Comment Card Summaries / TripAdvisor

The board reviewed and discussed the comment cards received from September 2014 through February 2015 as well as the TripAdvisor report as of March 15, 2015.

Suzie Moore noted that the TripAdvisor photographer was onsite recently and took pictures of the hotel units as well as everything in them to have updated/current photos on the TripAdvisor site.

II/RCI Report

The board reviewed and discussed the II comment card report for the months October through December 2014 and the RCI comment card summaries for September 2014 through February 2015.

Inventory/Sales Report

The board reviewed and discussed the inventory and sales reports.

FINANCIAL REPORTS

2014 Draft Audit

Mike Fitzgerald from Fitzgerald and Associates, CPA reported on the 2014 audit reports in detail for the year ended December 31, 2014 for the IOA and the AOA. He stated that the audits were a clean opinion and that the audit went very smoothly.

A motion was made by Jesse Arman duly seconded by Milton Jantzen and unanimously approved to accept the 2014 audited financials for filing.

January 2015 Financial Statements (Combined)

The board reviewed and discussed in detail the financial statements for the month ended January 31, 2015.

A motion was made by Jesse Arman, duly seconded by Karen Cornwell and unanimously approved to indicate that the board reviewed the unaudited January 2015 financial statements.

Proposed Reserve Expenditures

The board reviewed and discussed the proposed reserve expenditures and projections.

Delinquency/Collection Report

The board reviewed and discussed the delinquency report from February 28, 2015 and the collection reports from March 12, 2015.

V. CONTINUING BUSINESS

COMMITTEE REPORTS

Finance Committee

Jesse Arman presented the comparison of financial ratio trends in the industry noting positive trends and healthy cash flows for Kahana Falls. He reported that net margins are lower and the delinquency rate continues to rise.

Jesse Arman motioned to provide Andy at Great Destinations up to 20 weeks per month of an optimal even/odd unit interval mix to be determined with assistance from TPI based on forecast sales demand of Great Destinations. The motion was seconded by Kevin Ramage and unanimously approved.

A motion was made by Katherine Ivey, seconded by Jesse Arman and unanimously approved to amend the agreement between the associations to change the loan amount from \$130,000 to \$200,000 from the IOA operating fund to the AOA replacement fund to be repaid within 120 months with no interest.

A motion was made by Katherine Ivey, duly seconded and unanimously approved to reverse the transfer of \$30,000 from IOA operating reserves to its replacement reserves which was previously approved by the board and is no longer needed, based on the actual IOA 2014 yearend replacement reserves balance.

Nominating Committee

Milton Jantzen noted that the Nominating Committee recommends that the board cast their votes in the 2015 election for the incumbents up for re-election.

Mr. Jantzen asked that each of the directors review their individual evaluations and provide them back to him.

Management Committee

Karen Cornwell reported that the Management Committee discussed the current contracts. Ms. Cornwell motioned to approve the proposed 3 year management contract renewal from TPI and also to approve 3 year automatic renewals. The motion was seconded by Jesse Arman and approved unanimously.

Ms. Cornwell noted that the Management Committee reviewed and completed the TPI evaluation form.

Refurbishment Committee

Milton Jantzen noted that the committee unanimously approved the occasional chair as per Suzie Moore's recommendation with the color fabric choice "61-Caspian".

Mr. Jantzen noted that the committee discussed new mattresses. Kevin Ramage made a motion, seconded by Milton Jantzen to proceed with the purchase of 106 mattresses and 56 foundations/frames to be replaced as damaged to total \$90,630.78. The motion was approved unanimously.

Mr. Jantzen indicated that the committee has requested a per-unit estimate of life cycle costs and life expectancy from Suzie Moore for a comparison of vinyl, tile, bamboo, and carpet for the living room flooring. The committee will reconvene in a teleconference meeting to consider the information and make a final decision. .

ELEVATOR UPDATE

The board discussed the elevator renovation project.

Motion was made by Milton Jantzen and seconded by Katherine Ivey to proceed with the accelerated Schindler bid dated March 19, 2014, and to have Suzie Moore contact the vendor directly to set up the next reasonable window for the onsite work to be done. The motion was approved unanimously.

WI-FI UPDATE/COUCHES

The board discussed the Wi-Fi update. Suzie Moore reported that the higher speed Wi-Fi is expected to be installed by Fall.

VI. NEW BUSINESS

Insurance Review

Suzie Moore introduced Della Nakamoto and Ron Tsukamaki (*telephonically*) with Atlas Insurance. Della presented a summary and explanation of the current Kahana Falls insurance policies in place that are due to expire in June 2015. Atlas does not anticipate an increase in the rate, but due to the increase in property values, they anticipate a 2% increase in the annual premiums.

The board requested a flood/earthquake coverage proposal from Atlas Insurance as well as the current statement of values.

The board directed Della and Ron with Atlas, to bid amongst different carries for premium comparisons in the market for the most competitive program.

After the insurance review, the board continued its discussion and requested that Suzie Moore look into filing a claim for the elevators under the equipment breakdown policy.

Property Tax Assessed Values

The board reviewed and discussed the tax regulations and compliance and noted that the assessments for 2015 went down slightly.

VII. OTHER BUSINESS

Owner Forum / Correspondence

The board reviewed and discussed the owner correspondence.

The board directed management to provide a monthly or quarterly summary of owner correspondence received.

Expedia

The board reviewed and discussed the Expedia rankings report. Kahana Falls has an increase in ranking week over week on the current report.

2016 Draft Calendar

The board reviewed and discussed the proposed 2016 calendar and noted a change from January 2015 to January 2016.

The board re-scheduled the budget meeting in September to the 22nd from the 16th.

The 2016 calendar as proposed was approved unanimously.

VIII. EXECUTIVE SESSION

It was noted that the Executive Committee, with all present board members in attendance, held an executive session earlier that day at 10:35 a.m. (HST) to discuss the TPI evaluation and legal matters.

The Committee exited executive session at 1:22 p.m. (HST).

IX. ADJOURNMENT

With no further business, the meeting was adjourned at 4:48 p.m. (HST).

Submitted by:
Trading Places International
Its: Managing Agent

Approved by:
Kahana Falls Resort AOA/IOA

By: _____
Joanne Hallert
Director of Resort Operations

By: _____
Karen Cornwell
Acting President (AOAO & IOA)