

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

Date: Wednesday, March 10, 2010
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 Michael Nicholls at 8:00 A.M. HST

Determination of Quorum: Michael Nicholls, President – Doug Howard, Vice President – Verne Albright, Treasurer – Annie Albritton, Secretary - Bob McCann, Director - Malcolm Mackey, Director

Guests: Ruth Schultz Cox representing Gerald Smith C113 – Ken & Linda Bergstrom C312 - Georgiana Olson A103 - *Glenn Lawrence A208 – Keri Zacher C305 – Bruce Roessler B208 – Diana Hokenson B204 – Ellen Reed C105 – Don and Brita Hegge A101 – Dean Dickson C116 – Joan Nakishima A108 – Joe Howell & Steven Ray C310 – Suzanne O’Connell B110 – Curtis Milner C210 - Richard & Cathy Felkins C108 & C216 – Jean Naughtrip A310 – Johnny Albritton A106

Proof of Notice of Meeting: The Secretary reported Notice of Meeting was posted Friday, February 26th, at both the office and cabana and sent to the owner email list maintained by the office.

Approval of Minutes: President Michael Nicholls noted that the minutes of the last regular meeting and special meeting have been posted on the website for review for several months. **Motion** by Doug Howard, seconded by Verne Albright to waive reading of the minutes of the 11-19-2009 Regular Meeting and the 12-2-2009 Special Meeting and approve as written. Motion carried by unanimous vote.

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

Presidents Report: (copy attached) In discussing the status of the WWTP (Waste Water Treatment Plant) Michael announced the hire of a new employee, Sam, in February to replace JR who had to resign and return to the mainland. Relative to the “Go Green, Carbon Clean Project” in the State of Hawaii, Iese will have CFL forms at the office to sign for the free CFL’s that will be available to Molokai residents and asked everyone to let the office know how many fixtures they need and what kind. He also noted that the plumbing project is now scheduled for April 12th which differs from the dates mentioned at the last meeting. Notices will be sent to owners of the expected water shut off dates so they can inform their rental agents.

Treasurers Report: (copy attached) Verne presented a detailed, clear financial review explaining how he allocates the annual budget into a monthly grid and that while some months may show a savings, it can only be temporary. However our expenses are currently less than budgeted, which is a good thing. He also touched on the delinquent homeowners dues and noted that we budgeted for an anticipated \$45,000 shortfall this year. Capital expenditures this year include the plumbing project, painting the buildings followed by new carpet. One of the sensitive items in our budget has to do with electrical power and there is no indicator that we are out of line and seem to be on track. Linda Bergstrom asked if we could identify delinquent owners and Verne said only after foreclosure as it then becomes public information. Michael noted we can disclose the total number of delinquencies and the total dollar amount and that Atty. John Morris is extremely aggressive in our collection efforts. We are on a 30-45-60 day notice system that then goes to a non-judicial foreclosure and we buy the unit for \$1 allowing us to rent the unit for income. We currently own two units that are handled by Molokai Vacation Rentals and will rotate any future units with Friendly Isle.

Secretaries Report: (copy attached)

Managers Report: (copy attached) During Iese's report, Connie Albright asked how much prep work would be involved before the painting project begins as she has peeling paint on her lanai rails and some rotten wood as well. Iese asked all owners to please inform the office of any pre painting repairs that need to be done and they will be addressed and taken care of.

OLD BUSINESS:

Solar Update: Michael introduced Sean Costello and noted this is his fourth trip from Oahu to provide our association with current information. Sean stated there has been a significant change over the past year since MECO is nearing the 5% capacity it allows for buyback systems. Therefore our only option at this time is to go completely self contained and off the grid. He believes a 300 KW system would run WC at 3 KW per unit. There would be a battery system to collect any excess power with a propane generator for backup. Investors would build and pay for the system. We, in turn, would agree to buy our power from the investors. Keri Zacher asked if Sean thought the 5% cap set by MECO for Molokai was less than other islands and he said no, it's determined by the size of the grid. It was also noted that electrical services lines to the east end are old and power fluctuates. Also that MECO is "required" to provide power at a specific frequency, which is apparently not happening. Verne noted that power prices peaked in 2008 at 52 cents per kw, were down to 45 cents last year and are at about 36 cents this year. Sean also said wind generation is also off the table for now and that the system would consist of solar panels on the roofs of A, B, and C Buildings as well as the lawn area west of the tennis courts. The backup generator would be 100 kw propane. General discussion noting that Hawaii's electric company's actions do not follow their ads supporting renewable energy and that they are silently hostile.

So WC is now looking at a "stand alone" system rather than an integrated grid system. Using MECO as a backup is not an option because of the extremely high standby service fee charged by MECO. So what we would have is a self contained system at a cost of 20 to 30 cents per kw on a 20 year contract with an opportunity to purchase the system or renegotiate the kw fee after seven years. This is a topic of great interest to owners and they were urged to contact Sean who will be staying at Wavecrest through tomorrow's Annual Meeting. Mike reminded owners there will be a ballot measure at tomorrow's Annual Meeting that requires 67% owner support to allow the Board to move forward in considering an alternative energy proposal. There is a bill currently in the Hawaiian State Senate that gives homeowner boards the same discretionary powers and that Governor Lingle said she will sign it if it makes it to her desk. Sean also said that our roof warranty would apply and stay intact since the roof panels are a non-penetrating, clip-on system. He also noted the specs for the panel system are 4 pounds PSF while the roof specs are 20 pounds psf. All cleaning and maintenance is scheduled and paid for by the investors and would most likely be handled remote from Oahu on a "first flight" basis when possible.

Michael ended the discussion by asking owners to "vote your conscience" on tomorrow's ballot issue.

Bylaws Update: Annie reported that Attorney John Morris is in the process of recording our doc's and that all owners will be notified when the new docs are available.

Swim Diaper/Pool Health Issue: Connie Albright made a presentation concerning the continued problem of small children not wearing swim diapers in the pool which is not only a health issue but also relative to cost if we have to drain the pool as well as an inconvenience to owners and guests. She asked the Board to be aggressive in notifying all owners and real estate rental agencies that all children 3 years and younger must wear swim diapers in the pool. She related an uncomfortable and somewhat confrontational experience with the father of a small child and suggested rather than confront parents it would be best to ask for their unit number and report any violation to the manager. She also suggested an immediate fine of \$100. She also asked that we enforce the "four guests per owner" rule which is not being observed, especially on weekends. She also asked that a swim diaper notice with a \$100 fine be added to the sign-in sheets at the office. The Board agreed to an immediate fine for health violations and that the language would be added to the check-in sheets at the office. Glen Lawrence said unauthorized visitors to the pool should be handled by security and that owners should not have to enforce the rules. Let security or management handle. General discussion ensued.

Owner Letter of Petition: The Board received a letter of petition concerning the cat issue at the C-Building. Cathy Felkins spoke and asked that fines be issued to those feeding the cats or to the owners of the units where tenants were feeding them. Mike agreed that if you feed them you will be fined. He noted that a letter has already been sent and a fine assessed to one of the owners.

NEW BUISINESS

Web Site Development: Mike said that our site was developed back in 2000 by our then manager, Howard Wade and it was built to HTML coding rather than the template systems we use today. It is exceedingly difficult to keep even the text portion of the system so we are looking into updating the system. We are reviewing a bid from a local company and meeting with their representative today at 3 P.M. We plan to move forward with a new, canned template site so that we can better communicate with our owners.

Suzanne O'Connell thanked Iese and the Board for hiring Zaida DeMello, our office manager and said "she is good for Wavecrest".

Kumokoa Quiet Title Action: Annie read a letter summarizing the Quiet Title Action received by the Board in July of 2009 with his recommendation that the summary be given to the homeowners at the next regular board meeting. At that time, the process seemed nothing but routine and did not involve any Wavecrest property lines. Suzanne O'Connell said it will affect future sales and refinanced mortgages since the action will appear on Preliminary Title Reports. Attorney John Morris has made a proposal to the land court to take care of the matter. Suzanne noted that owners should mention the action in their disclosure statements if they have their units listed for sale and should say it is a frivolous action. Disclosure is required under Hawaii State law.

President Michael Nicholls called for a 10 minute break at 9:50 A.M. HST. We will go into the open session when we return. 10 A.M. HST meeting resumed.

Walk-About Tour: Bob McCann has organized the tour this year to show owners what it takes to run Wavecrest on a daily basis. The tour will start at 1 P.M. at the cabana. Mike said that the tour has been turned into a positive tool rather than just a time to walk around looking for things that need to be done.

Letter from State of Hawaii: Mike read a letter from the State of Hawaii dd 3-1-2010 concerning our WWTP which states that all operators must be certified with an active or temporary license and all work must be under the licensee's direct supervision and be on-site whenever manned for operation. The Board immediately contacted Atty. John Morris as we are unable to immediately comply. We currently contract with Rex to operate under his Certificate at \$600 a month. He is one of two certified plant operators on Molokai to handle seven systems. Prior to using Rex, we contracted with Aqua Engineers on Maui for \$1600 a month which was not acceptable. Certification exams are only held twice a year with the next one in July. Applicants must have 1,000 hours in place prior to testing and Sam just started in February so he cannot meet the hour requirement. We will keep owners advised of our progress.

OPEN SESSION

Joe Howell discussed the pool *access key system* and suggested it needed to be changed out. Mike said the Board investigated a swipe card system last year as well as combination locks and re-keying the existing system with no resolution. A new key system would involve the pool, laundry rooms and tennis courts. Mike asked for a volunteer to head a committee to investigate possibilities and report their findings to the Board with their recommendations. *Steve Ray* said he would head the committee. Mike stated the Board needs an owner based information pool where committee members can come to understand how the Board functions and have the potential to become future Board members themselves. Mike said we still had one other committee in place and that was for *Parking headed by Bruce Roessler* and Annie Albritton. Annie noted this committee would like more members and would need to develop data prior to the repaving of the parking lot. She believes that we have lost about 12 parking spaces over the years. Mike asked Annie to explain the six parking spaces required for public beach access.

Annie said the original Wavecrest plat included a six foot wide pedestrian right of way easement for walking access to the beach. It was designed to go from the county road along the fence between the tennis court and WWTP and extended beyond that across the Swenson's property to the fish pond. We were also required to provide six parking spaces for public use. This access does not exist today. As a way to accommodate Molokai residents who occasionally want access to the waters in front of Wavecrest, Iese has asked them to check in with the office letting us know they are on site and then to park down by the west end of A-Building and access the water from there. So if you see a Molokai resident in that area he may have permission to be there and we are required to give him access to the beach.

Linda Bergstrom asked for the current phone numbers for Security and for the Resident Mgr – Iese said Security is 658-0143 and his cell number is 336-1048. Ken Bergstrom thanked Iese for his “care of Wavecrest” on our behalf. Glen Lawrence thanked Iese for the Tsunami warning and for going around early morning and banging on everyone's doors to be sure they were aware of the situation. He asked if we ever do drills and the answer was no. Iese noted in his Managers Report that he sent owners up to the Coffee Plantation and that the Red Cross had designated the high school as an emergency shelter. The phone book still shows Kilohana School as a shelter but this is incorrect and the Red Cross blocked the school off during the recent Tsunami evacuation.

The office maintains a daily occupancy sheet “if people check in like they are supposed to” and security looks for lights on in units at night. Mike thanked the owners present for their participation. Verne reminded owners there will be two positions open on the Board with tomorrow's election at the Annual Meeting.

There being no further discussion **Motion** by Bob McCann 2nd by Malcolm Mackey to adjourn the regular session and reconvene in executive session in 10 minutes to further discuss delinquencies and liens and an employee update. Motion carried by unanimous vote. Regular meeting adjourned at 10:30 A.M. HST

Regular session reconvened at 12:15 P.M. HST. All board members present.

Motion by Doug Howard 2nd by Malcolm Mackey to adjourn the Regular Meeting of the Board of Directors. Motion passed by unanimous vote. Meeting adjourned at 12:16 P.M.HST.

Respectfully Submitted
Annie Albritton, Board Secretary

President's Report
Board of Directors Meeting
March 10, 2010

Waste Water Treatment – A personnel change was required due to the voluntary resignation of an employee returning to the mainland to be with his family. Our new employee Sam was hired in February and had ‘overlap’ training from our prior employee, RJ. As an additional follow-up, Mike Olson, the WWTP manufacturer and designer spent time with our new employee two weeks ago reviewing the system, reports, proper maintenance and operation. Test readings are well within prescribed limits and state guidelines – an extremely important factor during this annual high occupancy period. A note of caution – please heed the postings at the cabana and office bulletin boards’ regarding what can and what CAN’T be disposed of through our sanitary sewer system. Compliance with the guidelines will optimize the efficiency of our WTP.

Solar Proposal – Solar participation feeding the grid on Molokai from residential residences and businesses are approaching the limit for the island, thus will necessitate changes to our original project concept. Sean Costello will provide updates to the original proposal for your consideration at today’s meeting.

Go Green, Carbon Clean Project – Free CFL’s (compact florescent lights) will be available for Island residents after March 17th. The Wavecrest AOA has long supported the swapping out of incandescent light bulbs in favor of CFL’s in a continuing effort to reduce our energy costs. Please submit your requirement needs to the office prior to March 17th in order for us to arrange to have optimum inventory levels on hand for owners once they are available for our distribution. As an additional note, dimmable CFL’s and CFL flood-lamps are now available on the Mainland at Home Depot, Costco, Lowe’s and other hardware distributors. Conventional CFL’s distributed in the Molokai project will not operate with dimmer switches. LED track lights (another low energy light source) should also be available at the above-mentioned distributors.

Employee Health Insurance -- Late last year after investigating cost impacts on employee health insurance, Wavecrest transitioned its health benefits program to Hawaiiiana’s group policy in order to take advantage of a better rate structure and coverage. Employees annually now have the option to review differences in policy options between HMSA and Kaiser and elect the coverage which best suits their needs as long as cost factors are similar. Your board will have to review the situation annually should costs differ significantly between insurers. Honolulu papers announced on Tuesday a 7.8% HMSA increase in premiums effective July 2010 (approximately a 15% increase within 7 months). Wavecrest pays the health insurance premium for employees. Employees are responsible for spousal and dependents coverage under our group plan.

Rentals – Currently the Association is renting out two foreclosed units, thereby recouping lost HOA income on the units. An employee has continuously occupied our office rental unit for some time. We are aggressively attempting to rent additional units as they become available to the association after non-judicial foreclosure.

Auction Sale – Auction signs were illegally posted on Wavecrest property recently by an off island company. Signs were removed promptly as they are in violation of our House Rules. The Auction Company was formally notified they couldn’t conduct an auction ‘on premises’ as our bylaws do not allow for commercial activity, nor do we have parking available for non-residents participating in a non-sanctioned auction.

Propane Update – In our continuing effort to communicate expense information, our most recent billing for propane was \$3.84 per gallon – this compares to Northern CA billings around \$2.35 per gallon. During our temporary cold weather snaps do not attempt to heat your units by turning on your ovens – it is dangerous and expensive for the Association! Wrap up in a ‘Snuggie’ or wear your mainland winter clothes during these brief periods of cooler weather!

Hot Water Return Piping Project – This project is now tentatively scheduled for late April. Our Resident Manager will advise each homeowner by mail of the projected dates and estimated outage times for each building. We realize this is inconvenient at any time, but is the last stage in finalizing our piping upgrades in the attic as well as replacing original risers to and from the ground floor hot water heaters to the attics.

WAVECREST ACOA
Treasurer's Report
March 10, 2010

Budget & Expenditures	January 2010			January through December		
	Y-T-D Budget	Y-T-D Rev - Exp	Y-T-D Variance	Annual Budget	Estimated Rev - Exp	Estimated Variance
Total Revenue	\$ 67,363	\$ 70,437	\$ (3,074)	\$ 808,340	\$ 808,340	\$ -
Less: Operating Expense	62,986	57,482	5,504	781,626	781,626	\$ -
Operating Surplus		\$ 12,955			\$ 26,714	
Capital Expenditures		\$ 13,500			\$ 91,607	
Net Increase (Cash & Reserve Funds)		\$ (545)			\$ (64,893)	

January Revenues exceeded the budget and Operating Expenses were under the budget producing a surplus of \$12,955. Capital Expenditures of \$13,500 was made for half of the cost of replacing the Hot Water Return Pipes in each building resulting in a net change of (\$545).

Revenue: We have allowed for a monthly shortfall of \$3,750 from delinquent maintenance fees. This month that did not happen. Our shortfall was only about \$500. I believe that this level is temporary and net delinquencies will increase in the future.

Expenditures: The electrical budget produced a savings of \$800 for the month. The remainder of the savings is simply the difference in how expenditures are budgeted on a monthly basis and how payments are made. For example, repairs are allocated on a monthly basis at 1/12th of the annual budget, but they are paid for as needed. Over time these temporary savings will disappear.

There is nothing in the January Financial Report that appears significant enough to suggest additional incomes or deficits in our operating expenses.

The Capital Expenditures for the year are the amounts planned for 2010 plus \$27,000 carried over from 2009 for the Hot Water Return Project.

Cash & Investment Balances	Total			Total		
	Operating Fund	Reserve Fund (Invest)		Operating Fund	Reserve Fund (Invest)	
Dec. 31, 2009 Cash & Investment Balance	\$ 534,144	\$ 77,092	\$ 457,052	\$ 534,144	\$ 77,092	\$ 457,052
Net Increase (Decrease) in 2010	\$ (545)	\$ (545)	-	\$ (64,893)	\$ -	\$ (64,893)
Cash & Investment Balance Jan 2010	\$ 533,599	\$ 76,547	\$ 457,052	\$ 469,251	\$ 77,092	\$ 392,159

Funds will be transferred from the Reserve Fund for the \$64,893 needed for Capital Expenditures.

Delinquencies	Beginning Balance	January Charges	January Payments	Ending Balance
Maintenance Fees	82,710.47	8,747.68	7,142.09	84,316.06
Legal Fees	12,171.37	1,630.78	630.00	13,172.15
Late Fees	6,091.16	1,000.16	372.64	6,718.68
Other	1,027.25	97.00	58.25	1,066.00
Total	102,000.25	11,475.62	8,202.98	105,272.89

Delinquencies increased by a net of \$3,272.64 in January (\$11,475.62 in new charges less \$8,202.98 in payments). Fourteen active owners are in arrears plus three inactive owners who have lost their units due to foreclosure.

Secretaries Report
March 10, 2010

Since our last regular meeting on November 19, 2009, the Board has received inquiries from and/or sent correspondence to the following owners:

Connie Albright (A305) on 9-20-2009 with suggestion for handling the swim diaper issue in our pool. Subsequent correspondence concerning “earth friendly grocery bags” at WC.

Michael Peters (C213) on 12-12-09 with a question about our Owner Insurance Resolution.

Dan Burkitt (B101) on 1-10-2010 asking for water supply line replacement clarification.

Letter of Petition on 1-15-2010 signed by seven owners and five tenants requesting the cat issue behind the C Building be included in the next agenda. Owners C108, C113, C209, C210, C216, C312, B110 and tenants in C107, C109, C114, C302, B103.

2-25-2010 Suzanne O’Connell (B110) concerning the status of the pending Kumokoa Quiet Title Action and it’s effect on pending real estate transactions.

Correspondence was also received from the following non-owners;

1-29-2010 Letter from tenant Pam Wilkinson relating to the cats.

2-4-2010 Correspondence with Rose Hartman – Ke Nani Kai sharing board information.

The Board also received two inquiries from buyers interested in Wavecrest units asking for foreclosure information relative to financing their purchases. Inquiries were dated 1-20-2010 and 2-16-2010. We also received inquiries from owners asking for information required on bank refinance forms.

In December of 2009 an end of the year newsletter was sent to all owners, created by our Office Administrator, Zaida DeMello.

Respectfully Submitted.
Annie Albritton
Board Secretary

Managers Report
For Wavecrest Board Meeting.

Completed Projects:

Buildings:

Repair and replaced B building 2nd floor south stairwell.
Repaired C 316 bedroom lanai railings.
Replaced electrical outlets in both lanais of C116.
Repaired B110 bedroom lanai railings and wall.
Repaired and replace worn out drain pipe joints in C312, 212 and C112.
Replaced the hydrant in front of B101, also the 4x4 post and the railing.

Grounds:

Purchased a parking striper and traffic paint and restripe the parking lot, also painted the handicap parking with blue paint.
Remove the weeds and caulked the cracks in the parking lot also leveled the low areas with black top asphalt.
Painted the No Parking sign in front of the office entry and in between B and A building parking, walkway towards the pool.
Replaced a sprinkler valve in front of A101.

Wastewater treatment plant:

We hired a new waste water person to replace RJ, his names Sam and Mike Olson came over last week for a workshop with Sam and also to make some adjustments to our system. Mike's recommendations are, to have the maintenance on the pre loader done at the same time the water is turned off for the buildings hot water return maintenance and at the same time drain A tank to check for leaks.
Put up awareness notices on our bulletin board informing tenants of what not to be put in the drains as these things will damage our pumps as well as drive the waste water chemicals out of balance.

Swimming Pool and Cabana:

Purchased a time clock for the pool area.
Cleaned and caulked the cracks around the pool deck.
Replaced the first 4 feet of carpeting when you enter the Cabana with Dri Dek, it's a non skid rubberized material used around pools and spas, hopefully this will even out the wear of the whole Cabana carpet.
Scheduled Maintenance:

Buildings:

We have scheduled to have our hot water return, cold water supply and hot water pipes replaced as of April 12, 2010. We will closely work with the contractors as to minimize the water down time. We will start from A building and work our way towards C building.
Painting of the buildings will start on the first week of June.
The replacement of the carpet will start as soon as we've done with the paint job.

WWTP:

Depending on the weather, we have scheduled the maintenance of the pre loader to start on the April 12,2010. I will try and have Mike Olson to stay overnight and work on A aeration tank the following day.

Pool deck:

This project is still in the bidding process.

Summary:

Perhaps you have seen the rise in our building maintenance, this is because of the leaks that we have been experiencing in our drain system, and since all the damages are below the 10,000 dollars deductible the insurance will not cover them and we end up paying for the repairs.

I suggest that the home owners that are renting their units out, to include in their unit packets places to go in time of emergencies, the safest place to go when a tsunami is approaching is Coffees of Hawaii, they have a snack shop there and also bathrooms and if you cannot get back to Wavecrest, Molokai high school is the emergency shelter.