

**NOTICE  
ANNUAL MEETING OF THE  
MAUI LEA TIME INTERVAL OWNERS ASSOCIATION**

NOTICE IS HEREBY GIVEN that the annual meeting of the Maui Lea Time Interval Owners Association will be held on:

DATE: Tuesday, September 18, 2018  
TIME: 9:30 AM (Registration begins at 9:00 a.m.)  
PLACE: Residence Inn Maui Wailea  
75 Wailea Ike Drive  
Wailea, HI 96753

Below is the order of business:

AGENDA

- A. Roll Call and Determination of Quorum
- B. Proof of Notice of the Meeting
- C. Reading of the Minutes of the Previous Meeting
- D. Report of the Officers
- E. Report of Any Committees
- F. Report of General Manager
- G. Report of the AOA
- H. Election
  - 1. Election of Inspectors of Election to Conduct the Election
  - 2. Election of Directors (see enclosed director resumes)
- I. Unfinished Business
- J. New Business
  - 1. Discussion of AOA Maui Hill Annual Meeting Matters
    - a. Election of Directors
    - b. Approval to allow the AOA Association to contract for the services of employees who engage in renting units at Maui Hill, and the Association may engage a management company for the Association that also engages in renting units at Maui Hill.
    - c. Tax Resolution
    - d. Any other vote
  - 2. Any Other New Business
- K. Adjournment
- L. Owners Forum

We urge your personal attendance, if possible. If you cannot attend a Proxy Form is enclosed for your use. **It is most important that you return the Proxy in the enclosed envelope.** Your presence at the meeting will permit you to void the Proxy and cast your vote. The necessity of having a quorum to elect board members and transacting such other business as may properly come before the Association necessitates our requesting all owners to send in a Proxy at this time. **Failure to obtain a quorum will result in an extra cost to each owner.**

BY CALL OF: RICHARD ENDEAN, SECRETARY

Notice Date: August 14, 2018

**NOTE:** PROXIES WILL NOT BE VALID UNLESS COMPLETED AND RECEIVED BY THE ASSOCIATION'S SECRETARY BY **4:30 P.M. HAWAII STANDARD TIME ON FRIDAY, SEPTEMBER 14, 2018.** IN ADDITION TO MAILING, PROXIES MAY BE SENT BY FAX OR EMAIL PROVIDED THE COPY RECEIVED IS A COMPLETE REPRODUCTION OF THE ORIGINAL SIGNED AND COMPLETED PROXY. **MAILING ADDRESS: 2155 KALAKAUA AVE, 5<sup>TH</sup> FLOOR, HONOLULU, HI 96815-2398. FAX NUMBER (808) 202-5815. EMAIL ADDRESS propmgmt@aqua-aston.com.**

**URGENT:** WE NEED YOUR HELP. PLEASE RETURN PROXIES SO A QUORUM CAN BE ESTABLISHED TO CONDUCT A MEETING.

There will be an Organizational meeting and regular meeting of the Board following the close of the annual homeowners meeting.

**MAUI LEA WEB SITE: <http://www.mauilea.com>**

Enclosures: Proxy Form  
Candidate Resumes  
Annual Minutes of September 27, 2017  
FYE 2018 Audit  
AOAO Maui Hill Annual Meeting Notice  
Self-Address Return Envelope

**MAUI LEA TIME INTERVAL OWNERS ASSOCIATION  
PROXY**

This proxy for Maui Lea Time Interval Owners Association (the "Association") is in two parts. Part One is for establishing a quorum and, if you wish, designating a body or person to vote on your behalf at the meeting for election of directors. Part Two, Election of Directors, allows you to indicate your vote for the directors for election to the Board of Directors.

**PART ONE**

The undersigned does hereby constitute and appoint the MAUI LEA TIME INTERVAL OWNERS ASSOCIATION Board of Directors

OR

---

(you must print the name of your proxy holder here, if other than the Board of Directors)

as the undersigned's attorney or agent, with full power of substitution, to act in the undersigned's name, place, and stead, and to vote as the undersigned's proxy at the Tuesday September 18, 2018 Annual Association meeting, and at any and all adjournments thereof, for the transaction of any and all business that may come before the meeting, including the election and re-election of Directors according to the interest in the Association that the undersigned would be entitled to vote if then personally present, hereby revoking any proxy or proxies heretofore given, and ratifying and confirming all that said attorney and agent may do by virtue hereof. Except for Part 2, the holder of this proxy may vote in any manner.

**PART TWO: ELECTION OF DIRECTORS**

Each time share interest has one vote. If an owner has more than one time share interest, the owner has one vote for each of them.

Cumulative voting is allowed. Each owner may accumulate his/her votes and may cast to any one or more nominees to the Board of Directors, a vote equivalent to the votes to which such owner is entitled, multiplied by the number of directors to be elected by the Association. Each owner is entitled to give all of his/her votes to one nominee or to distribute his/her votes amongst the nominees. Since there are two vacancies on the Board, you may split the votes among candidates. For example, you can cast two votes for one nominee; or you can cast one votes for one nominee and one vote for a second nominee.

The total votes should not be more than 2 multiplied by the number of intervals owned. For example, if the owner owns 1 time share interest, then the owner has 2 votes. If the owner owns 2 time share interests, the owner has 4 votes.

Please mark the number of votes by your choice of nominee(s).

<u>Nominees</u>	<u>Votes</u>
*Paul DiMarchi	_____
David DiMare	_____
*Loren Knott	_____
Jerry Wilkins	_____
Total Votes Cast:	2 X # of intervals owned

**TOTAL SHOULD NOT BE MORE THAN TWO (2) multiplied by the number of intervals owned**

\*Incumbent

If the undersigned has indicated the manner in which he or she desires to vote upon the matters set forth below by checking the appropriate space, the undersigned's proxy holder shall vote in strict accordance, therewith; otherwise **if no direction is given the undersigned's proxy shall vote thereupon as he or she desires.**

PRINTED NAME OF OWNER(S)

SIGNATURE OF OWNER(S)

\_\_\_\_\_  
(Please Print)

\_\_\_\_\_  
(Please Print)

Unit No(s), Interval No(s): \_\_\_\_\_

SIGNED THIS DATE: \_\_\_\_\_

**IF YOU OWN MULTIPLE INTERVALS, YOU WILL ONLY RECEIVE ONE PROXY. PLEASE LIST ALL INTERVAL NUMBERS ON THIS PROXY. IF YOU WISH TO HAVE SEPARATE PROXIES FOR EACH INTERVAL, PLEASE NOTIFY THE PLAN MANAGER AT THE ADDRESS STATED BELOW.**

Please sign your name as it appears in the Association's records. Persons signing in a representative capacity (personal representatives, executors, administrators, trustees, guardians, conservators, partners, members of a member-managed LLC, managers of a manager-managed LLC, and corporate officers) are to add their titles and, if requested, are to submit evidence of their authority to act in that capacity.

For this proxy to be valid the proxy giver must provide the date that the proxy is signed, his or her printed name, signature, interval(s), and the name of the proxy holder if other than the Board of Directors.

Proxies will not be valid unless completed and received by the Secretary of the Association or the Co-Plan Manager at the address stated below by **4:30 p.m. Hawaii Standard time on Friday, September 14, 2018.** Faxed proxies are acceptable. You may also scan your proxy and email it to [propmgmt@aqua-aston.com](mailto:propmgmt@aqua-aston.com). Proxies sent by fax or email must be a complete reproduction of the original signed and completed proxy. If you own more than one (1) interval, please list all interval numbers on this proxy.

**ALL PROXIES SHOULD BE COMPLETED AND MAILED OR FAXED TO THE ADDRESS SET FORTH BELOW OR EMAILED TO THE SECRETARY. IF THIS PROXY IS TRANSMITTED BY FAX OR EMAIL, BY SIGNING THIS PROXY I AFFIRM THAT THE TRANSMISSION WAS AUTHORIZED BY ME.**

Secretary  
Maui Lea Time Interval Owners Association  
c/o Aqua-Aston Hospitality, LLC  
2155 Kalakaua Avenue, 5<sup>TH</sup> Floor  
Honolulu, HI 96815-2398  
Fax No. (808) 202-5815  
Email: [propmgmt@aqua-aston.com](mailto:propmgmt@aqua-aston.com)

MAUI LEA  
BOARD CANDIDATES  
SEPTEMBER 18, 2018

<b>*Incumbent</b>	<b>Interval No.</b>	<b>Address</b>
<b>*PAUL DIMARCHI</b>	<b>117D, 73LL</b>	<b>1776 Lands End Road, Whitewater, CO 81527 and 3701 Arapahoe Ave, Boulder, CO 80303</b>

First, thanks to the owners for support and guidance over the previous years....We have handled challenges to keep Maui Hill the wonderful place we call our second home. Being on this Board has been immensely rewarding, and I have enjoyed participating on committees that handled budgets, refurbishments, energy audits, policy/procedure and contract reviews, and lending assistance to recruiting and restructuring of the Board itself. As a fiscally conservative Board member, I plan to continue listening to your needs, maintaining value, building reserves, and making prudent decisions. I am getting a good feel for the property and its ongoing needs. I will look forward to further serving on this Board if re-elected. Thank you all in advance!

---

<b>DAVID DIMARE</b>	<b>52EE,73A,74ZZ,122XX,133DD,133EE</b>	<b>221 E. 50th St. #4F, New York, NY 10022</b>
---------------------	--	--

As an owner for over 25 years, I have been vacationing at Maui Hill every year since. I have purchased five additional weeks to position myself for my retirement. Currently serving my 8th year on the Global Board of the Institute of Management Accountants, and currently Treasurer of the Kiahuna Plantation Association of Beach House Owners on Kauai, I am a very experienced board member who understands the "big picture" and would do my best to work with the board to make sure that Maui Hill maximizes revenue and minimizes costs to maintain its status as a Gold Crown property.

---

<b>*LOREN KNOTT</b>	<b>34D,E,F,G, I, J, M &amp; 2B</b>	<b>140 Oak Shore Drive, Burnsville MN 55306</b>
---------------------	------------------------------------	---

I have been a Maui Lea owner of since the early 1980's and now own 8 intervals. I love Maui Hill and believe I have done a god job of representing Maui Lea owners. As a board member, I coordinate all collection activities for Maui Lea. I also own whole unit 107. Being on the Common Element Association Board, as well as the Timeshare Board is extremely helpful to Maui Lea in its inner workings with the Common Element Association. As retirees, my wife and I spend over 4 months each year at Maui Hill in either our unit 107 or in a timeshare.

---

<b>JERRY WILKINS</b>	<b>56NN and 56MM</b>	<b>4312 Cashmere Drive NE, Lacey, WA 98516</b>
----------------------	----------------------	--

My wife and I have truly enjoyed for many years our use of the timeshare at Maui Lea and the quality recreational services provided. A family member has owned our unit since the beginning. I have been the director of two statewide organizations, the president of a national association and am very much involved and serving on the Boards of numerous local civic organizations. I own a business-consulting firm and have managed other businesses. I understand the operations of a business to include finances, organizational management, business continuity planning and disaster recovery preparation. Having spent thirty-two years in the military and over twenty years in the real estate industry, I believe that my commitment and past professional work and Board experiences would allow me to make a contribution to the management team at Maui Lea. As a conservative Board member, I would listen to your needs, work to maintain value, continue to improve the overall property and make prudent decisions.

---

**Maui Lea Time Interval Owners Association  
Annual Meeting – September 27, 2017  
Residence Inn Maui Wailea**

**A. CALL TO ORDER**

President Bob Jacalone called the meeting to order at 9:35 a.m. Kari Akamine was Recording Secretary for the meeting. A quorum was established with 761 out of 3,800 intervals (excludes 2 developer intervals) (20.04%) present in person or by proxy.

**B. APPROVAL OF MINUTES**

The minutes of the September 14, 2016 Annual Meeting were approved by the Board at the November 22, 2016 meeting in accordance with the association meeting rules.

**C. REPORT OF OFFICERS**

1. President's Report – Bob Jacalone gave the President's Report with a PowerPoint presentation.
2. Manager's Report – General Manager Dennis Costa gave a verbal report noting that the property received the Gold Crown for 2017.
3. Treasurer's Report – Bill Petro gave a verbal report. He reported on the results for the fiscal year, ending June 30, 2017 and the month ending August 31, 2017. Frank Robar and Mike Robar added to the report.

The meeting was recessed at 10:48 a.m. and resumed at 11:09 a.m. There was a change in the agenda and Richard Endean gave an update on AOA Maui Hill matters.

**D. APPOINTMENT OF TELLERS**

Joe Brandner and Maureen Neglia were appointed as tellers.

**E. ELECTION OF DIRECTORS**

Nominations and elections were conducted. The results of the election are as follows:

Richard Endean	560 – 3 years
Bill Petro	534 – 3 years
Timothy Ohm	468 – 3 years
Susan O'Brien Moore	294
David DiMare	174
Richard Martin	171
John Davis	63

**F. NEW BUSINESS**

1. **HNU Energy Presentation** – Matt Messner from HNU Energy gave a brief presentation and answered questions regarding the solar project.
2. **Amendment to the Declaration & Bylaws** – Bob Jacalone explained the proposed amendments which were included for voting on the proxy.
  - a. Proposed Amendments 1,2,3, and 4 to the Bylaws Regarding Notice of Meetings – The proposed amendment would provide for notice of owners' meetings and Board meetings by electronic transmission (email).

**MOTION: CJ Law proposed to amend the Bylaws as follows:**

1. **The third sentence of Bylaws, Article V, Section 4 of titled “How to Give Notice of Meeting and Other Notices” be amended to read as follows:**

**The notice of meetings permitted or required to be delivered by these By-Laws must be given to all owners at least thirty-five (35) days but not more than ninety (90) days before the date of the meeting either by (i) personal delivery; (ii) mailing the notice by first-class mail, or (iii) electronic transmission (including email); provided that any notice by mail or email must be sent to the owner at his or her address or email address as it is shown in the records of the Association.**

2. **The last sentence of Bylaws, Article V, Section 4 titled “How to Give Notice of Meeting and Other Notices” be amended to read as follows:**

**Each member must keep the Board informed of any change in the member’s current mailing address and email address.**

3. **The third sentence of Bylaws, Article VI, Section 6 titled “Other Regular Meetings of the Board” be amended to read as follows:**

**Written notice of the time and places of regular meetings of the Board and the nature of any business to be considered must be given to each director given at least thirty (30) days before the date of that meeting by (a) written notice by first-class mail, (b) by telephone notice, (c) by written notice delivered personally to the director, or (d) by electronic transmission, including email. Any notice by mail or email must be sent to the director addressed to the director at his or her address or email address as it is shown in the records of the Association.**

4. **The second paragraph of Bylaws, Article VI, Section 7 titled “Special Meetings of the Board” be amended to read as follows:**

**Notice of the time and place of special meetings and of the nature of any special business to be considered must be given to each director by notice given at least fifteen (15) days before the date of that meeting by (a) written notice by first-class mail (b) by telephone notice, (c) by written notice delivered personally to the director, or (d) by electronic transmission, including email. Any notice by mail or email must be sent to the director addressed to the director at his or her address or email address as it is shown in the records of the Association.**

**The motion was seconded by Bill Petro.**

**Ballot Voting Results:**

**In Favor: 91.46%  
Opposed: 1.71%**

**The motion passed by majority of the time share interests present at the Association meeting.**

- b. Proposed Amendment 5, 6, 7 and 8 to the Bylaws Regarding Voting – The proposed amendments would explicitly allow owners to vote for the election of directors via written ballot either at a meeting or by proxy prior to a meeting.

**MOTION: Loren Knott proposed to amend the Bylaws as follows:**

5. **The second sentence of Article V, Section 2 of the Bylaws be amended to read as follows:**

**At all annual meetings, there will be elected a Board of Directors in accordance with the requirements of these By-Laws.**

6. **Article V, Section 9(b) be amended to read as follows:**

**(b) provide an opportunity for the member to select a choice between approval and disapproval of each matter of business determined by the Board to be controversial to be acted upon by the Association and to select candidates running for the Board of Directors, and**

7. **Article VI, Section 1(b) be deleted.**

8. **Article VI, Section 2 be amended to add the following sentence:**

**The proxy shall allow members to elect directors running for the Board of Directors. Members shall be allowed to vote for the election of directors by casting votes on the proxy or by ballot at the annual meeting. If a member votes for the election of directors both by ballot at the annual meeting and by proxy, the ballot casted at the meeting shall be counted and the proxy vote shall be discarded.**

**The motion was seconded by Dick Endean.**

**Ballot Voting Results:**

**In Favor: 98.16%**  
**Opposed: 1.71%**

**The motion passed by majority of the time share interests present at the Association meeting.**

- c. Proposed Amendment 1 to the Declaration – The proposed amendment would allow the Board of Directors to restate the Declaration or Bylaws without a vote of the owners. A restatement means to allow the Board to set forth all previous amendments in one document and/or to amend the Declaration or Bylaws as may be required in order to conform with the provisions of this chapter or of any other statute, ordinance, or rule enacted by any governmental authority. Owner approval would still be required to amend the Declaration or Bylaws.

**MOTION: Bill Petro proposed to amend the Declaration as follows:**

1. **A new subsection (e) be added to Article 13, Section 13.1 to read as follows:**

**(e) How This Declaration and the By-Laws May Be Restated.**



**Notwithstanding any other provision of this Declaration, the Association at any time may restate the Declaration or By-Laws of the Association to set forth all amendments thereto by a resolution adopted by the Board. The Association at any time may restate the Declaration or By-Laws to amend the Declaration or By-Laws as may be required in order to conform with the provisions of this chapter or of any other statute, ordinance, or rule enacted by any governmental authority, by a resolution adopted by the Board. The restated Declaration or By-Laws shall be as fully effective for all purposes as if adopted by a vote or written consent of the owners. The restated Declaration or By-Laws must be recorded and, upon recordation, shall supersede the original Declaration or By-Laws and all prior amendments thereto. In the event of any conflict, the restated Declaration or By-Laws shall be subordinate to the original Declaration or By-Laws and all prior amendments thereto.**

**The motion was seconded by Paul DiMarchi.**

**Ballot Voting results:**

**In Favor: 95.80%**  
**Opposed: 3.94%**

**The motion passed by majority of the time share interests present at the Association meeting.**

- d. Proposed Amendments 2, 3, and 4 to the Declaration Regarding Lease Extension – The proposed amendments will allow for an extension of the apartment leases. The leases currently expire on November 20, 2049. The lessor, Hill Enterprises, has indicated a willingness to allow an extension of this lease term until November 20, 2064. The below proposed amendments to the Declaration will allow the lease term to be extended.

**MOTION: Tim Ohm proposed to amend the Declaration as follows:**

- 2. The second sentence of the first paragraph on page 12 under “Background Information Which May Be Helpful In Understanding and Using this Declaration” be amended to read in its entirety as follows:**

**The apartments are subject to a sublease to use the land until November 20, 2049 or as may otherwise be extended.**

- 3. The second sentence of Article 6, Section 6.8 be amended to read in its entirety as follows:**

**The Board also has the right to negotiate any other matters that may arise under the apartment lease, including but not limited to, negotiating, voting and executing documents to extend the lease term.**

- 4. The first paragraph of Article 13, Section 13.2 be amended to read as follows:**

**This Declaration will remain in effect until the end of the apartment lease unless terminated sooner because of any of the following events:**

The motion was seconded by Dick Endean.

In Favor: 95.80%  
Opposed: 3.94%

The motion passed by majority of the time share interests present at the Association meeting.

3. **Discussion of AOA Maui Hill Annual Meeting Matters** – Known items to be voted and/or discussed at the master association meeting are:
- Election of Directors
  - Lease Extension Proposed Amendment
  - Smoking Amendment

**MOTION:** Carl Carlson made a motion to have the Maui Lea Board President or Vice President propose an amendment to ban smoking at the AOA Maui Hill meeting. The motion was seconded by Richard Endean and passed by unanimous consent.


**MOTION:** Bill Petro made a motion to have the Maui Lea Board President or Vice President vote the 76 unit votes at the AOA meeting as the Board determines. The motion was seconded by Paul DiMarchi and passed by unanimous consent.

4. **Owners' Forum** – An owners' forum was held.

**G. ADJOURNMENT**

The meeting adjourned at 11:32 a.m.

  
\_\_\_\_\_  
Kari Akamine  
Recording Secretary

Approved By:   
\_\_\_\_\_  
Richard Endean  
Secretary

Approved by the Board of Directors on 01/17/18.

**Maui Lea Time  
Interval Association**

*FINANCIAL STATEMENTS*

FOR THE YEAR ENDED  
June 30, 2018

**TABLE OF CONTENTS**

**INDEPENDENT AUDITOR’S REPORT** ..... 1

**FINANCIAL STATEMENTS:**

    BALANCE SHEET ..... 3

    STATEMENT OF REVENUE AND EXPENSES..... 4

    STATEMENT OF CHANGES IN FUND BALANCES ..... 5

    STATEMENT OF CASH FLOWS..... 6

    NOTES TO FINANCIAL STATEMENTS ..... 7

    EXHIBIT I, SCHEDULE OF OPERATING EXPENSES..... 12

# Shaun Thayer, CPA

Certified Public Accountant

---

## *INDEPENDENT AUDITOR'S REPORT*

To the Board of Directors  
Maui Lea Time Interval Association

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Maui Lea Time Interval Association, which comprise the balance sheet as of June 30, 2018 and the related statements of revenue and expenses, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maui Lea Time Interval Association as of June 30, 2018 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for capital improvement and renovation reserves are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wailuku, Hawaii  
August 8, 2018

*Shaun Thayer, CPA*

**Maui Lea Time Interval Association**  
**Balance Sheet**  
**June 30, 2018**

<b>ASSETS</b>	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note C)	\$ 487,391	\$ 390,579	\$ 877,970
Investments	-	352,000	352,000
Assessments receivable, less allowance for doubtful accounts of \$43,000	88,019	-	88,019
Related party receivables	25,044	-	25,044
Other receivables	15,991	-	15,991
Due from reserves	7,005	-	7,005
Prepaid expenses	46,466	-	46,466
Other assets	45,571	-	45,571
Total assets	<u>\$ 715,487</u>	<u>\$ 742,579</u>	<u>\$ 1,458,066</u>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 30,080	\$ -	\$ 30,080
Income taxes payable	3,269	-	3,269
Due to operating	-	7,005	7,005
Prepaid assessments	107,471	-	107,471
Total Liabilities	140,820	7,005	147,825
<b>FUND BALANCES</b>	<u>574,667</u>	<u>735,574</u>	<u>1,310,241</u>
Total liabilities and fund balances	<u>\$ 715,487</u>	<u>\$ 742,579</u>	<u>\$ 1,458,066</u>

**Maui Lea Time Interval Association**  
**Statement of Revenue and Expenses**  
**For the Year Ended June 30, 2018**

	Operating Fund	Reserve Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUE:</b>			
Owner assessments	\$ 3,691,364	\$ 278,724	\$ 3,970,088
Late fee income	39,120	-	39,120
Commission income	27,745	-	27,745
Interest income	7,717	-	7,717
Other income	39,204	-	39,204
	<u>3,805,150</u>	<u>278,724</u>	<u>4,083,874</u>
Total revenue			
<b>EXPENSES:</b>			
Payroll and payroll taxes (Exhibit I)	1,009,448	-	1,009,448
AOAO maintenance fees	736,121	-	736,121
Taxes (Exhibit I)	698,390	-	698,390
Administrative (Exhibit I)	361,799	-	361,799
Land lease rental	326,839	-	326,839
Utilities (Exhibit I)	212,728	-	212,728
Major replacements	94,778	68,521	163,299
Cleaning services & supplies	155,231	-	155,231
Bad debt	80,569	-	80,569
Repairs and maintenance	51,106	-	51,106
Insurance	48,491	-	48,491
	<u>3,775,500</u>	<u>68,521</u>	<u>3,844,021</u>
Total expenses			
<b>EXCESS OF REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ 29,650</u></u>	<u><u>\$ 210,203</u></u>	<u><u>\$ 239,853</u></u>



**Maui Lea Time Interval Association**  
**Statement of Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Operating Fund	Reserve Fund	Total
BEGINNING BALANCE	\$ 454,482	\$ 615,906	\$ 1,070,388
EXCESS OF REVENUE OVER (UNDER) EXPENSES	29,650	210,203	239,853
FUND TRANSFERS	<u>90,535</u>	<u>(90,535)</u>	<u>-</u>
ENDING BALANCE	<u>\$ 574,667</u>	<u>\$ 735,574</u>	<u>\$ 1,310,241</u>

**Maui Lea Time Interval Association**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Operating Fund	Reserve Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Excess of revenue over (under) expenses	\$ 29,650	\$ 210,203	\$ 239,853
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful accounts	(1,500)	-	(1,500)
(Increase) decrease in assessments receivable	(6,354)	-	(6,354)
(Increase) decrease in related party receivables	5,095	-	5,095
(Increase) decrease in other receivables	(2,355)	-	(2,355)
(Increase) decrease in due from reserves	31,962	-	31,962
(Increase) decrease in prepaid expenses	5,696	-	5,696
(Increase) decrease in other assets	(34,502)	-	(34,502)
Increase (decrease) in accounts payable	(12,930)	-	(12,930)
Increase (decrease) in income taxes payable	3,269	-	3,269
Increase (decrease) in due to operating	-	(31,962)	(31,962)
Increase (decrease) in prepaid assessments	6,051	-	6,051
Increase (decrease) in accrued and other liabilities	(32,462)	-	(32,462)
Net cash provided (used) by operating activities	<u>(8,380)</u>	<u>178,241</u>	<u>169,861</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Matured investments	-	312,772	312,772
Investment purchases	-	(415,000)	(415,000)
Net cash provided (used) by investing activities	<u>-</u>	<u>(102,228)</u>	<u>(102,228)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Fund transfers	90,535	(90,535)	-
<b>NET INCREASE (DECREASE) IN CASH &amp; EQUIVALENTS</b>	<u>82,155</u>	<u>(14,522)</u>	<u>67,633</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>405,236</u>	<u>405,101</u>	<u>810,337</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 487,391</u></u>	<u><u>\$ 390,579</u></u>	<u><u>\$ 877,970</u></u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for income taxes	\$ 14,591	\$ -	\$ 14,591
Cash paid during the year for interest	\$ -	\$ -	\$ -

See accompanying notes to financial statements

# MAUI LEA TIME INTERVAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE A - NATURE OF ASSOCIATION**

The Maui Lea Time Interval Association was formed on October 5, 1981 under Section 514E of the Hawaii revised statutes, to manage the common affairs of the Interval Owners (Owners) within the Maui Lea Time Interval Association (Association). Owners have purchased a distinct interest in a condominium apartment (Unit) at the Maui Hill Condominium, together with the right to occupy and use a Unit and common furnishings contained therein during a use period, generally one week. The Association is composed of 76 apartment units.

The Owners become members of the Association of Apartment Owners of Maui Hill (Master Association) upon the purchase of their Interval. The Master Association manages the common affairs of the condominium homeowners (of which the Intervals are a part of). The Association assesses its owners for common expenses for the Association and in turn is assessed by the Master Association for its portion of the common expenses of all units. Owners are assessed quarterly in order to maintain the operations and pay for common expenses.

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### PRINCIPLES OF ACCOUNTING

It is the policy of the Association to prepare its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when earned and expenses are recognized when obligations are incurred.

#### ACCOUNTS RECEIVABLE AND MAINTENANCE FEES

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Receivables from members at the balance sheet date represent amounts due from interval owners for maintenance assessments and other fees. The Association's policy is to retain legal counsel and place liens on the intervals of owners whose assessments are delinquent. As of June 30, 2018, receivables greater than 90 days outstanding were approximately \$94,200. Any excess assessments at year-end are retained by the Association to fund future repairs and replacements.

#### PROPERTY AND EQUIPMENT

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual interval owners in common and not by the Association. The Association will capitalize the cost of assets to which it holds title in its name. Property and equipment will be stated at cost. Depreciation will be provided using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance costs are expensed as incurred.

# MAUI LEA TIME INTERVAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### FAIR VALUE

The carrying amounts reflected in the balance sheet for cash and cash equivalents, receivables, and payables approximate their respective fair values due to the short maturities of those instruments.

#### INCOME TAXES

For the year ended June 30, 2018, the Association elected to file Federal Form 1120H. Under this election, income and expenses related to membership activity are not subject to taxation. Non-membership activity, primarily service fees and interest income, is subject to a flat tax of 32% for Federal taxes and regular State of Hawaii corporate tax rates. For the year ended June 30, 2018, the Association has reflected Federal and State income tax expense of \$19,429. In evaluating the tax positions and related income tax contingencies as of June 30, 2018, the Association believes it has no uncertain tax positions that would require disclosure or adjustment. The Association's Federal and Hawaii income tax returns for 2015 through 2018 are open tax years under the normal three-year statute of limitations and are therefore potentially subject to examination.

#### FUND ACCOUNTING

The accounts of the Association are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Interfund amounts represent amounts due to/from between the operating and reserve funds.

Operating Fund - The Operating Fund is used to account for financial resources available for the general operations and maintenance of the Association.

Reserve Fund - The Reserve Fund accounts for Capital Improvement Reserve and Renovation Reserve funds accumulated and spent on future major repairs and replacements related to the units of the Association.

#### MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# MAUI LEA TIME INTERVAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE C - CASH AND CASH EQUIVALENT BALANCES

Cash equivalents reflected in the financial statements include certificates of deposit and other investments with original maturities of three months or less. The Association maintains its cash and cash equivalent balances at the financial institutions noted below. The Bank of Hawaii accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Uninsured funds were approximately \$428,800 at June 30, 2018. Money market accounts with Fidelity are insured by the Securities Investors Protection Corporation (SIPC). At June 30, 2018 cash and cash equivalents consisted of the following:

Operating:

Bank of Hawaii, operating checking	\$423,568
Bank of Hawaii, manager's operating checking	33,820
Bank of Hawaii, payroll	<u>30,003</u>
Total operating:	<u>487,391</u>

Reserve:

Fidelity, non-scheduled reserve money market	218,459
Fidelity, capital improvement money market	113,867
Fidelity, scheduled reserve money market	<u>58,253</u>
Total reserve	<u>390,579</u>
Total cash and cash equivalents	<u>\$877,970</u>

### NOTE D - CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from owners are for maintenance fees for the operation of the Association and assessments from the Master Association.

### NOTE E – LAND LEASE

The Association leases the land upon which the Maui Hill condominium is situated under a Master Lease Amendment (Lease) dated November 1979. The Lease ends in November 2049 and is adjusted annually based on the annual calendar year increase in the cost-of-living as measured by the U.S. Department of Labor. For the year ended June 30, 2018, lease payments totaled \$326,839. The following is a schedule by years of future minimum rentals under the lease:

For the year ending June 30,

2019	\$ 329,484
2020	329,484
2021	329,484
2022	329,484
2023	329,484
Thereafter	<u>8,703,869</u>
Total	<u>\$10,351,289</u>

# **MAUI LEA TIME INTERVAL ASSOCIATION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

### **NOTE F – 401(K) Plan**

The Board of Directors approved the adoption of a 401(K) plan effective July 1, 1997, for the Association's employees. The terms of the plan include a 50% contribution by the employer per \$1 of the employee's gross wages up to the first 6% of compensation. Plan expenses, including administrative costs, were \$5,942 for the year ending June 30, 2018.

### **NOTE G - COMMITMENTS**

As of June 30, 2018, the Association had various annual contracts or commitments, which consist of:

Accounting services with Condominium Fiscal Management, Inc. of \$11,237 per month.

Management services with Aqua-Aston Hospitality, LLC of \$5,899 per month.

Timeshare services with Nancy Benson of \$3,196 per month.

Maintenance fees to AOA Maui Hill of approximately \$66,400 per month.

County of Maui real property taxes of \$511,954 for the fiscal year.

The Association has also entered into various other minor service contracts.

### **NOTE H – RELATED PARTY TRANSACTIONS**

Certain operating costs are allocated between the Maui Lea Time Interval Association, Maui Hill Resort, and the Association of Apartment Owners of Maui Hill (AOAO). Certain individuals serve as members of the Board of Directors for both the Association and the AOAO. The organizations are managed as follows:

AOAO Maui Hill – Managed by Aqua-Aston Hospitality, LLC

Maui Hill Resort – Managed by Aqua-Aston Hospitality, LLC

Maui Lea – Fiscal management by Condominium Fiscal Management, Inc.

Maui Lea – Administrative management by Aqua-Aston Hospitality, LLC

### **NOTE I – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 8, 2018, the date that the financial statements were available to be issued.

# **MAUI LEA TIME INTERVAL ASSOCIATION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

### **NOTE J –SUBSEQUENT EVENT**

The Association of Apartment Owners of Maui Hill (Master Association) entered into an agreement to extend the master ground lease for fifteen years and to purchase the master lessee interest for \$300,000 plus legal fees and closing costs. The purchase is being funded by a special assessment due on August 1, 2018. The purchase is anticipated to close in September 2018.

### **NOTE K – INVESTMENTS**

The Association has invested a portion of its reserve funds in certificates of deposit with various banks. The certificates mature from October 2018 to May 2020 and have interest rates of 1.45% to 2.75%. The investments are stated at cost, which approximates market value as of June 30, 2018. The Association has the ability and intent to hold the certificate until maturity.

### **NOTE L – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association is funding for major repairs and replacements over the estimated useful lives of the components based on an internally prepared reserve study's estimates of current replacement costs, considering amounts previously designated for future major repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds become available.

**Maui Lea Time Interval Association**  
**Schedule of Operating Expenses**  
**For the Year Ended June 30, 2018**

Payroll and payroll costs	
Housekeeping	\$ 586,119
Front desk	215,370
Employee benefits	167,989
Shared payroll	95,919
Payroll taxes	66,461
401K expenses	5,942
Less reimbursements received	(128,352)
Total payroll expense	<u>\$ 1,009,448</u>
Taxes	
Real property taxes	\$ 511,954
General Excise Tax	167,007
Income taxes	19,429
Total tax expense	<u>\$ 698,390</u>
Administrative	
Accounting	\$ 134,844
Management fees	70,788
Meeting expenses	41,082
Timeshare services	37,512
Office	21,764
Professional services	18,265
Postage	11,867
Other	25,677
Total administrative expense	<u>\$ 361,799</u>
Utilities	
Electricity	\$ 208,427
Telephone	4,301
Total utility expense	<u>\$ 212,728</u>



**NOTICE OF ANNUAL MEETING  
OF THE ASSOCIATION OF APARTMENT OWNERS  
OF MAUI HILL**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Association of Apartment Owners of Maui Hill has been called pursuant to Article II, Section 2 of the By-Laws and will be held on:

DATE: Wednesday, September 19, 2018  
TIME: 9:30 a.m. (Registration begins at 9:00 a.m.)  
PLACE: Residence Inn Maui Wailea  
75 Wailea Ike Drive  
Wailea, HI 96753

There will be an organizational and regular meeting of the Board of Directors following the close of the annual homeowners meeting.

**AGENDA**

- (a) Roll call and Determination of Quorum
- (b) Proof of notice of meeting
- (c) Minutes of preceding meeting
- (d) Reports of officers
- (e) Report of Board
- (f) Reports of resident manager
- (g) Election of inspectors of election
- (h) Election of directors (2 directorships for 2 years)
- (i) Unfinished business
- (j) New business
  - 1. Tax Resolution
  - 2. Approval to allow the AOA Association to contract for the services of employees who engage in renting units at Maui Hill, and the Association may engage a management company for the Association that also engages in renting units at Maui Hill (See Attached)
- (k) Adjournment

As provided by Article II, Section 10 of the By-Laws, the required quorum shall be at least 50% of the total authorized votes at the Project.

All owners are encouraged to attend the meeting. However, whether or not you currently plan to attend the meeting, **PLEASE COMPLETE AND SIGN THE ENCLOSED PROXY** and return it immediately in the envelope provided. This will ensure that a quorum will be present so business may be transacted. If you attend the meeting and desire to vote in person, your proxy will be returned upon request and you will receive a ballot to vote as you wish. Please remember that if a quorum is not present, the meeting will have to be rescheduled and the Association will incur additional expenses for a **SECOND** mailing. Directors shall be elected by cumulative voting.

**NOTE: PURSUANT TO STATE LAW, PROXIES WILL NOT BE VALID UNLESS COMPLETED AND RECEIVED BY THE MANAGING AGENT, AQUA-ASTON HOSPITALITY, LLC, NO LATER THAN 4:30 P.M. (HST), MONDAY, SEPTEMBER 17, 2018.**

**URGENT:** WE NEED YOUR HELP. PLEASE RETURN PROXIES SO A QUORUM CAN BE ESTABLISHED TO CONDUCT A MEETING.

There will be an Organizational meeting and regular meeting of the Board following the close of the annual homeowners meeting.

BY CALL OF: ALEX CORDAS,  
SECRETARY

Date of Notice: July 24, 2018

Enclosures: Proxy, Board Candidate Resumes, Motion re employees, Self-Address Return Envelope

**NOTE: The Insurance Summary is no longer required to be sent to AOA owners, pursuant to State Law. You may view the summary on your Association's website at [www.mauihillaoao.com](http://www.mauihillaoao.com). Copies can be requested through Docutrieve at (808) 533-2292.**