

**Hawaiian Paradise Park Owners Association  
Minutes of Special Board Meeting of February 11, 2009**

**I. Call to Order.** President Jeff Spaur called the meeting to order at 5:00 pm.

**II. Roll Call.**

Board of Directors: Jeff Spaur, President; Frank Annin, Vice President; Dale Watson; Bob Rainie; Randy Dresselhaus; Ken McGilvray, Treasurer; Ron Vizzzone; Kaniu Kinimaka-Stocksedale, Secretary.

Guests: Robin Wright, Michelle Higgins, Bobbie Alicen, Jerry L. Carr, Pat Kayl, Jeanine Fuller, Rick Fuller, Allan Deehr, Scott Marlin, Barbara Kahn-Langer.

**III. Approval of Agenda.** The agenda was changed to move the item relating to the Dexia proposal to the beginning of the meeting.

**IV. Owner Input.** There was no owner input.

**V. Consideration of Dexia Proposal.**

- a. The Dexia Proposal itself. Allan Deehr presented information related to a proposal by Dexia Credit Local who has purchased our roads bond. The proposal was made on January 22, 2009, and is an offer to buy out the bond's call provision for \$600,000. The \$600,000 is based on the present value of the call provision. Allan noted that the offer was \$600,000 as of January 22, and that amount would likely fluctuate based on current market values; between January 22 and the date of the meeting, the market has dropped 50 basis points. Scott Marlin, who worked with HPPOA in negotiating the bond, explained that he believed that Dexia is having some financial difficulties similar to those of many other banks worldwide, and is liquidating assets. It is possible that they wish to sell the bond and not having the call position would make it a better product to sell. Allan said that he could not say whether this is a good or bad offer and the offer needs to be reviewed by our attorney.

Allan explained that, should HPPOA accept the offer, it would be an addendum to the bond. Attorney fees would likely be between \$1500 and \$2000 to draft the addendum. He cautioned that, if we were to accept this, HPPOA needs to be careful about how our accountant categorizes the \$600,000 (or whatever amount is received). He also said that the use of the funds could be negotiated so that HPPOA is not restricted as to their use.

- b. HPPOA's current situation related to the bond. Allan said that he had just had a phone conversation with Scott Gortler of Piper Jaffray, the company that placed the bond. Allan said that Scott advised that HPPOA is in immediate jeopardy of having its bond rating reduced from its current BBB+. Allan said that the ramifications of this downgrade could be that Dexia could lay claim to the unexpended funds and take

remedies to recoup the remainder of the funds plus interest. The apparent cause of the possible downgrading of HPPOA's bond rating is that both the audited financial report from 2007-2008 as well as the current budget show that our income to expense ratio is less than 110%. Allan said that he was not alarmed by this as HPPOA is in a position to correct the problem with the current budget.

There was a lengthy discussion about how long Piper Jaffray had been aware of this situation and whether they had conveyed their concerns to any member or officer of the board. All board members said that they had received no such communication. It was not known whether the General Manager had been informed as she was not present at the meeting.

One of the bond requirements is that a Certificate of Compliance had to be filed within 120 days following the end of the budget year. Ken McGilvray confirmed that the General Manager had filed the Certificate of Compliance. It was also confirmed that the bond rating agency has already called for a copy of the audited financial statement. There was a discussion that centered around the question of why neither the audited financial statement nor the 2008-2009 budget had triggered a default notice. Further discussion centered around why Dexia would have made its offer to buy out the call provision in the bond if HPPOA was considered in default.

Scott Marlin explained the process if there is the possibility of default on the part of HPPOA. First the trustee of the bond has to provide HPPOA with a notice of default. Then HPPOA has 60 days to cure the default situation. Scott suggested that HPPOA call the trustee to determine if a default letter has been sent to HPPOA. If it has, they will have the information about who signed for its receipt. If it has not, then the 60-day cure period has not yet started.

- c. Revision of 2008-2009 Budget. Ken McGilvray reported that he had drafted a revision to the 2008-2009 budget which he will bring to the regularly scheduled February Board meeting on February 18, 2009. He presented this draft to the board. There were several issues discussed, and Ken said that he would make adjustments prior to presenting the proposed revision budget to the board.
- This proposed revision only deals with the roads budget.
  - The apparently incorrect amount of the debt service payment required for the year. Allan said that the amount shown was the two requirements payments minus the interest to be earned. The reason was to ensure that the interest on the bond funds that had been invested did not appear as an item on the income statement. The final budget showed this same number as an expense, but also added the interest earned as income, which made the budget incorrect with respect to this item.
  - There was a question about how depreciation should be characterized. Allan suggested that depreciation be listed separately after income and expenses.

- d. Going forward. Allan said that someone needs to be in charge of this process going forward, and asked that he not be considered to do this due to family matters. He stated, however, that he was willing to contact the trustee and find out more about the concerns regarding default, whether a default letter had been sent, and what plans were related to this.

*Dale Watson moved that the Board permit Allen Deehr to contact Piper Jaffray to advise them that we are looking into apparent problems related to the bond and to advise Piper Jaffray that, if there are problems, HPPOA will develop a solution. Ron Vizzone seconded the motion. The motion passed unanimously.*

- VI. Paving Specifications and bid proposals under consideration.** Our consulting engineer, Ron Nickel, explained that, when we let the contract for the next phase of the paving we will: (1) repair/overlay the main roads; (2) add materials at intersections where needed; and (3) repair/create radii at the intersections. In order to complete the specifications for the Request for Proposal, we need to have an inventory of what repairs are required. He said that he needs volunteers to do this, and he will train them in how to inventory the HPP roads for this. He suggested two teams of two people as the ideal corps of volunteers. Ken McGilvray said that he would arrange for coordinating the volunteers. Ron asked that the inventory be completed by the time he returns from a trip to the mainland on March 1, 2009. He will be able to complete the database he will construct, and the RFP should be able to be sent out soon after he returns. He said that he recommended that the bids be opened no later than April 1, 2009, to take advantage of the better weather that we have in the spring.

There was a discussion about sealing the pavement. Ron said that grease ring tests should be done regularly to determine the need for sealing. He suggested that some one person be placed in charge of monitoring the roads and maintaining a review schedule.

There was a further discussion about the idea that had been floated regarding the possibility of HPPOA's purchase of paving equipment. Because of maintenance and performance issues, coupled with the expense of the equipment, there was a consensus that this would not be a cost-effective alternative to contracting with a paving company to do the work.

- XV. Adjournment.** The President adjourned the meeting at 7:15 pm.

Respectfully submitted:

---

Robin Messenheimer, Recording Secretary

---

Kaniu Kinimaka-Stocksdale, Board Secretary

### **Motions Log**

*Dale Watson moved that the Board permit Allen Deehr to contact Piper Jaffray to advise them that we are looking into apparent problems related to the bond and to advise Piper Jaffray that, if there are problems, HPPOA will develop a solution. Ron Vizzone seconded the motion. The motion passed unanimously.*