

**HAWAIIAN OCEAN VIEW ESTATES
ROAD MAINTENANCE CORPORATION**
P.O. Box 6227, Ocean View, HI 96737. Tel: (808) 929 9910
Toll Free: 866 241 7294, email: office@hoveroad.com

2011 NEWSLETTER

**Annual Membership Meeting
Saturday, October 08, 2011, 10:00 AM
Ocean View Community Center**

MEETING AGENDA

- I. QUORUM.**
- II. CALL TO ORDER.**
- III. ADOPTION OF THE AGENDA.**
- IV. LAST CALL FOR VOTING.**
- V. REPORTS.**
 - Presidents Report.**
 - Treasurers Report.**
 - 2012 Budget.**
 - Secretary's Report.**
 - Road Report.**
 - 2012 Road Plan.**
- VI. VOTING RESULTS.**
- VII. OPEN FORUM.**
- VIII. ADJOURNMENT.**

RMC BOARD OF GOVERNORS.

**President: Laura Foster, Vice President: Mike Finn, Treasurer:
Bob Armstrong, Secretary: Mike Million, 2nd VP: Bill Vinson,
Directors: Jim O'Hara, Bruce Petrovic, Jim Steenburg.**

Aloha Members,

THE H.O.V.E. ROAD SYSTEM.

The primary focus of this Board is to properly maintain and rebuild the roads in HOVE for the lowest possible assessment cost to the Membership. Our main problem as always is funding because the high cost of oil, labor and materials continues to drive prices skyward. This year our Road Crew rebuilt 8 miles of roads

The Board is coordinating many projects to cut costs and increase funding including aggressively collecting past due accounts. At the present time there is over a MILLION DOLLARS outstanding because many lot owners have not paid their road assessments. However, this year our office has collected about \$345,000 of delinquent accounts. More stringent methods are being put in place to help solve this problem.

We are looking at permitting large trucks such as water, cinder, and gravel haulers since they do considerable damage to our roads. They would buy a yearly permit to use our roads which would help pay for the damage caused by their heavy loads. We are also working on a plan to control the access to the HOVE road system from adjoining properties.

Another concept that has been discussed for years by former Boards and that is being discussed now, is using outside contractors to do our roadwork. The ideal scenario would be to resurface 15 miles of roads per year so we can redo the whole subdivision in about 10 years. The last road resurfacing job cost over **\$200,000.00** for **one mile** of road. Private contractors have estimated the cost at \$55,000.00 per mile.

The RMC Board is trying to assure safe roads for our members without having to increase your road assessments at a time when so many people are struggling to make ends meet.

Our own Office Building. Twenty One Years in the making - from the RMC archives.

On July 26, 1990 the first Special Use Permit # 740 was issued by the County of Hawaii for the purpose of building a maintenance shop and

office building. The maintenance shop was built, however, the office building designed to be 864 sq. ft., was never constructed.

In early 2003, the idea was once again discussed and the concept was placed on the 2004 membership ballot for final determination by a vote of the entire membership. It was simply stated as follows: "Do you approve of an office building being built next to the existing maintenance yard building at Lehua and Aloha, to house the administration portion of our road maintenance personnel for a cost not to exceed \$100,000." In October of 2004, at the Annual Membership Meeting, members approved this proposal. The idea was that within about ten years, we would have paid for the building through savings in monthly rent. (\$662.72 per month in those days and \$1,000 today).

In February 2004 a motion was approved by the Board and \$100,000 was placed in a Capital Reserve Fund for eventual construction. The year 2005 saw no movement toward erecting an office building. In 2006, six (6) adjacent acres were purchased by the Board for a cost of \$235,000 (without the required membership approval). Later that year, the office location was moved to the lower 3 acres, bordering on Aloha Blvd.

In 2007, a change to the Special Use Permit was submitted to incorporate the "new" ten acre consolidation and the office building was increased to 1500 sq. ft. In June 2008, in an email to an architect consulted for an improved office building totaling 2448 sq. ft., the notion of cost surfaced for this project. The Office Manager stated in the email to the architect; "I hope to spend around \$230,000 for everything." Thankfully this project was never brought to fruition.

The 2011 RMC Board is pleased to announce that we have contracted for the construction of a new office building which includes a conference/meeting room with a combined size of 1280 sq. ft. The good news is that this project will cost under the allocated budget of \$100,000 per previous membership approval. The building is also being placed in the location originally approved by the membership and it may well be completed before our Membership meeting this

October. The site will be the location for all of our monthly Board meetings as well as our Annual Membership Meeting.

Electronic Transmission of Information.

The Board is considering using Email to keep our members more up to date on information concerning our road system. If you haven't already sent your Email address to the office, you can do so at office@hoveroad.com. There is also considerable information available on our website at www.hoveroad.com.

BUDGET AND FINANCE.

2012 Assessments.

We have worked to keep our budget to the basics and have proposed a budget we feel is well within the amount of the assessments we can reasonably expect to collect. This is becoming increasingly difficult to do with the rapid rise in oil prices causing sharp increases in the price of road construction materials. This not only applies to the cost of the road oil itself, but to the cost of the crushed rock used which requires energy to crush. We are continuing to scrutinize our road construction techniques and our administrative operations in order to utilize our resources in the most efficient manner. However, we can continue to function at this level of assessment only if members pay their assessments on time to provide the funds we need to work. Therefore, we will continue to be aggressive about the application of the late fee and the 12% per annum penalty.

The assessment for 2012 is \$99.00. For those who pay early, **before March 1, 2012**, you pay a reduced fee of \$90.00. For those that pay late, **after March 31, 2012**, a \$10.00 late fee applies and you must pay \$109.00. An additional 12% per annum penalty will be applied to each unpaid billing after March 31, 2012, until paid.

We accept check, cash (at the office only), money order, PayPal, Visa, or MasterCard. You may mail your payment to us, or call us with a credit card payment at 808-929-9910. Do not mail cash! If you own multiple properties, you may pay with one transaction. Please enclose the top portion of all statements with your payment. You may also go to our website,

www.hoveroad.com, to make a payment online with PayPal using most major credit cards. You may also take advantage of this program by calling the office and making arrangements for a payment program.

The Corporation has a payment plan for members whose accounts have fallen behind. A payment agreement will allow the member to make monthly payments on their road assessment(s) and, instead of being charged a 12% per annum finance charge beginning 60 days after the due date, you will pay only the late charge. This is huge savings for those who are seriously delinquent. Payments must be consistent or a lien will be placed on the property. If a lien is already in place, default on the payment plan will initiate a foreclosure on the property per Corporation Articles & Bylaws 5.11. If default occurs you will be removed from the payment plan. As with any lot remanded to foreclosure, payment in full will be required. If you have not already joined our payment plan and wish to, please contact the RMC office using the contact information shown on page 1.

Revenue.

The Corporation receives its revenue from the annual road assessments charged to each property owner. Collection of past due assessments, finance charges, liens & release fees, and transfer fees, continue to keep assessments at a low rate. Added income from past due assessments has increased, but there is still more than a **million dollars in delinquent payments**. Diligence in collections will continue to decrease this amount.

The Corporation reinvests its income when available into the Merrill Lynch operating and investment accounts which in return earn dividends and interest. The following is a chart showing revenue received. **The figures for 2011 are as of May 31, 2011.**

REVENUE	2010	2011
Assessment Income	997,901	865,741
Cinder Loading	5,833	
Misc. Income	13,486	626
Refunds		
County Auction Income	<u>20,492</u>	<u>31,947</u>
TOTAL	\$1,037,712	\$898,314

**H.O.V.E. Road Maintenance Corporation
Proposed 2012 Budget**

<u>Operating Expenses</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2011 Actual</u> <u>05-31-2011</u>	<u>2011 Budget</u>	<u>2012 Budget</u> <u>(proposed)</u>
Base Yard Expenses	22,072	12,500	1,003	12,200	5,500
Equipment Expense	12,251	55,700	7,644	40,700	55,500
Fuel	5,155	50,000	11,109	50,000	40,000
Road Construction Materials	221,473	241,200	180,129	262,000	337,000
Total Operating Expenses	\$260,952	\$359,400	\$199,885	\$364,900	\$438,000
Operating Expense in Percent	37%	38%	46%	41%	47%
<u>Administrative Expenses</u>					
Fees	17,349	23,050	18,836	17,100	24,100
Office Expenses	23,148	24,000	10,268	29,000	22,000
Insurance - Liability/Property/Equipment	51,869	62,400	45,299	62,400	56,400
Postage/Printing	26,340	21,500	5,245	18,000	27,500
Professional Services	43,022	35,000	14,442	60,000	30,000
Utilities	7,776	10,000	3,286	9,500	9,500
Total Administrative Expenses	\$169,504	\$175,950	\$97,375	\$196,000	\$169,500
Administrative Expense in Percent	24%	19%	22%	22%	18%
<u>Personnel Expenses</u>					
Benefits - Medical/Annuity	35,367	52,000	14,623	43,500	42,500
Employee Certification/Training	874	950	0	700	4,000
Employee Payroll Taxes	29,142	26,700	18,864	41,000	36,000
Labor - Office	56,772	80,000	25,846	90,000	70,000
Labor - Road Crew	150,528	245,000	62,509	160,000	160,000
Contract Labor	10,668	500	14,527		20,000
Total Personnel Expenses	\$283,351	\$405,150	\$136,369	\$335,200	\$332,500
Personnel Expense in Percent	40%	43%	31%	37%	35%
TOTAL FUNDS SPENT/BUDGETED	\$713,807	\$940,500	\$433,629	\$896,100	\$940,000

2012 Road Plan.

The budget for 2012 allocates \$300,000 for road building materials (base gravel, chip and oil). The unknown variable here is the fluctuating cost of oil. With some assistance from our supplier, we are proposing that we resurface the entire length of Tiki Lane from highway 11 at the bottom, up to Seaview at the top. This is a distance of approximately 5 miles. At a cost of roughly \$55,000 per mile, the estimated material cost for this project will be \$275,000. This leaves us a small margin in the event of oil price variance. Other needed road repairs will continue as usual including pothole repairs, signage repairs and roadway weed control.

2011 Election of Directors. Two Directors are to be elected.

The deadline for filing applications for the RMC Board of Directors is 30 days before the Newsletter is mailed.

Only two persons applied to run for office and both of them are presently serving on the Board. Laura Foster, our President and Bob Armstrong who is our Treasurer both have volunteered to remain on the Board for another term.

Laura joined the Board in April 2009, and states; "The past 2 1/2 years have gone by quickly. I have enjoyed working with a Board which sets goals and gets things done. Our primary focus is to keep assessments low while improving the maintenance to our road system. I would appreciate your vote for a new 3 year term".

Bob has served on the Board for a number of terms and during his tenure he has spent many hours each month to keep the accounts of RMC accurate. The hard work on his part is finally paying off as our corporate audits are now getting much closer to being up to date. Simply stated "a good Treasurer is a Treasure".

Proposed Bylaws Changes.

The changes we ask you to consider relate directly to the Directors of the Corporation. We believe that the persons elected to the trust position of Director should be efficient,

accountable, and acting without regard for their personal agendas. The changes should help make that happen.

We seek to modify **Bylaw 3.1**, Number of Directors. In the 1990's, the **minimum** number of directors was reduced by a vote of the members from five (5) to the current level of three (3). The current **maximum** number stands at eleven (11). We are asking that you vote to reduce this number to seven (7). By reducing the number to seven you will provide for a more competitive process in the selection of Board members. Essentially, the current number assures anyone running for a Board seat to be guaranteed a spot. By reducing that number, members will have a true choice of the Board member to represent their best interest. Also, in the 1990's, the addition was placed in the bylaws that Board Members **must** be current in their dues and assessments. What was never addressed was a remedy to deal with those who are not. Our proposal would add language that would allow for the automatic removal of any Board Member who was not current with their dues and assessments by the due date. ***Any member of the Board of Directors not current with their dues and assessments by the due date shall automatically be removed from their position(s) on the Board at the next monthly Board of Directors meeting.*** A **YES** vote will insure that all directors are current in their assessments.

The next section we are asking you to modify is **Bylaw 3.3**, Election and Tenure. We are asking to install "term limits" for Directors positions to reflect the following. ***Directors will have term limits of two (2) terms after which a required mandatory one (1) term break in service prior to any further appointment or election. No Director shall be allowed to serve more than eight (8) continuous years.***

The final issues dealing with Directors are **Bylaw 3.4**, Removal of Directors and **Bylaw 3.18**, Removals, Resignations, Vacancies. We recommend adding the following language to **Bylaw 3.4**: ***Any Director who has been removed from office by a vote of the membership shall be permanently prohibited from further nomination, election, or***

appointment to the Board of Directors. It is our belief that the cost to remove a Board member through a vote of the members is extremely expensive and if the reasons for removal are affirmed by the members, the individual does not deserve to again place the membership in a similar situation. It is also essential that Directors be diligent in their duties and attend regular meetings of the Board in order to be current with the issues concerning the Corporation. We would like to change the absence section of **Bylaw 3.18** to read as follows: ***A Director shall be removed from the Board for any three (3) non-excused absences from regular Board meetings during any calendar year.***

Below is how the affected Bylaws will read if an affirmative vote is received.

Bylaw 3.1, Number of Directors; There shall be a Board of Directors of the Corporation of not less than three (3) nor more than **seven (7)** members. Subject to the foregoing limitations, the number of directors shall not be less than the number of members of the Corporation willing to serve. One third (1/3) of the directors shall be elected each year by the members of the Corporation at their annual meeting to hold office until their successors shall have been elected, provided that the number of directors may be decreased or increased subject to the foregoing limitations, and if increased, the additional directors may be elected by the members at any special meeting called for such purpose to hold office until their successors have been elected. All members of the Board of Directors must be members of the Corporation in good standing and current with their dues and assessments. ***Any member of the Board of Directors not current with their dues and assessments by the due date shall automatically be removed from their position(s) on the Board at the next monthly Board of Directors meeting.***

Bylaw 3.3, Election and Tenure; Directors shall be elected to serve a term of three (3) years beginning when installed at the annual meeting in October. Each director shall continue to exercise the powers and duties of the office until

his successor shall have been installed by the Corporation. ***Directors will have term limits of two (2) terms after which a required mandatory one (1) term break in service prior to any further appointment or election. No director shall be allowed to serve more than eight (8) continuous years.*** Any Director elected before the adoption of these Bylaws shall continue to serve until his term expires

Bylaw 3.4, Removal of Directors; The entire Board of Directors or any individual Director may be removed from office without cause by vote of a majority of members voting by proxy, ballot or in person at any annual or special membership meeting. Any Director may be subject to removal if a petition signed by 100 or more lot owners is delivered to the Corporation or any Director at least twenty-five (25) days prior to the notice of annual or any special meeting called pursuant to paragraph 2.10 for that purpose. ***Any Director who has been removed from office by a vote of the membership shall be permanently prohibited from further nomination, election, or appointment to the Board of Directors.***

Bylaw 3.18, Removals, Resignations, Vacancies; The Board of Directors may, at any meeting called for the purpose by a vote of the majority of their entire number, remove from office any officer of the Corporation for or without cause. The Board of Directors, at any meeting by vote of a majority of the directors present at such meeting, may accept the resignation of any officer or director of the Corporation, or remove or accept the resignation of any agent or any member of any committee appointed by the Board of Directors, or by any committee appointed by the Board of Directors or by any officer or agent of the Corporation. Any vacancy occurring in the office of president, vice-president, secretary or treasurer, or any other office, shall be filled by the Board of Directors and the officers so chosen shall hold office for the unexpired term in respect of which the vacancy occurred and until their successors shall be duly elected and qualified. ***A Director shall be removed from the Board for any three (3) non-excused absences from regular Board meetings during any calendar year.***

H.O.V.E ROAD MAINTENANCE CORPORATION
P.O. Box 6147, Ocean View, HI, 96737
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bod@hoveroad.com

October 08, 2011, BALLOT INSTRUCTIONS.

It is important that you vote on the issues included herein. This is your opportunity to be counted and help decide the issues. Do not wait until the last minute – **Vote early.**

The number in the corner of your mailing label represents the number of lots you own. If this number is incorrect, contact us. **Do not alter the number on your label.** If this number is altered your vote will not be accepted. Each consolidated lot has only one vote, regardless of the acreage.

On Ballot Questions, except Election of Directors, you have **one vote per lot for each item on the Ballot.** Place your total number of votes in either the **YES** or **NO** box. (See the Ballot sheet for instructions on voting for Directors).

The completed ballot must be returned in the envelope provided. Be sure to place a first class stamp on the envelope before mailing. Please allow at least TEN DAYS mailing time. On the back of your mailing envelope, there is a line for you to sign your name across the sealing flap in order to insure that your ballot has not been tampered with. Your vote will still be totally secret.

To be counted, your MAILED ballot must be received in our office prior to the meeting on Saturday, October 08, 2011. Our office will close at 5:00 pm, HST, on Friday, October 07, 2011.

Hand carried ballots or proxy ballots will be accepted at the meeting up until the Last Call for Voting.

Note: If you intend to vote by proxy, please see our web page at www.hoveroad.com or contact our office for information.

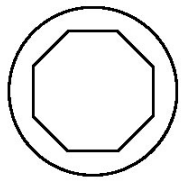
If you have any questions on this voting procedure, please check our Web Page, www.hoveroad.com or email any questions to: **bod@hoveroad.com**. You may also call the RMC office at **808 929 9910**.

IMPORTANT CHANGE OF OWNERSHIP FORM.

If you have received this ballot in error because you no longer own the lot(s) in Hawaiian Ocean View Estates or, if your mailing address is incorrect, please notify the Corporation Board immediately at either address above. (RMC Bylaws Art II, 2.5).

If you have sold the lot(s) and have the new owners mailing address, please forward this ballot and the attached Newsletter to the new owner. (RMC Bylaws).

October 08, 2011 BALLOT



Election for the Board of Directors. (Two (2) Directors to be elected).

(For this section only, take the number of lots you own and multiply by two (2). This is the total number of votes that you can split between any of the candidates. You may put your total on one candidate or split the number between any or all of the candidates. Don't exceed your total number of votes when you add up the boxes).

Bob Armstrong

Laura Foster

(For the sections below, you get one (1) vote for each lot you own. Take this total figure and enter it in either the YES or NO Box for the questions in each section below).

I approve the 2012 Budget.

YES

NO

I approve the 2012 Road Plan.

YES

NO

Changes to the Bylaws.

I want to change Bylaw 3.1, Number of Directors.

YES

NO

I want to change Bylaw 3.3, Election and Tenure.

YES

NO

I want to change Bylaw 3.4, Removal of Directors.

YES

NO

I want to change Bylaw 3.18, Removals, Resignations, Vacancies.

YES

NO

If you have any problems with this Ballot please check on the reverse side of this page.