



Aloha From Kauai



Aloha,

All our hard work over the past five years is nearing fruition in many different ways. The resort as a whole is in better shape than it has been in a very long time due to the energy and efforts of our associates, the Board, Grand Pacific Resort Management and all our Owners working together to better HBR.

We see it in the accolades the resort is receiving, whether it is Lillian winning our first gold ARDA award, the Lobby renovation winning the silver ARDA award, or finishing 3rd out of 2,500 resorts for the RCI Green Award. These awards show progress in the right direction. We are also pleased to announce that we have currently surpassed the Westin to become the #2 resort for Princeville on Trip Advisor and have set our sight on the # 1 spot.

We see it in our generous spirit with the resort's involvement in many charitable events which include the Hawaii Lodging and Tourism Associations Charity Walk, where proceeds go to 53 different charities on island; donations to various school PTSA's to help improve their schools; and donating time to the Boys and Girls Clubs of Kauai cleaning up play areas and helping build better facilities for the kids. Inspired by a donation from the Leutheiser who donated the amazing map for our Lobby area, we have donated the same map to all the schools that our associates' children attend. It is heartwarming to see not only staff donating time to all of our charity events, but also seeing owners taking time from their vacations to help support the resort. For the first time this year we actually had a large group of owners walk with us at the charity walk.

We are so close to seeing the reopening of the Happy Talk bar, set to open sometime in November. They have accelerated work in both the bar and restaurant, with a focus on the bar first. The bar will have a kitchen complete with a pizza oven, while the Bali Hai will receive an elevated bar area which overlooks guests dining on the lanai. They have a very capable General Manager who is committed to working with us to make this the best resort on the island.

The VOA and AOA Boards have recently approved the upcoming budgets for 2016. We have been very successful in controlling operational expenses for both the AOA and the VOA, however, both Boards and management are focused on continuing to take a proactive approach to our reserve funding in order to ensure that we are able to continue necessary repairs and improvements and maintain our beautiful resort.

The 2016 AOA budget includes a 3.3% increase to assessments, with the majority going to build the reserve fund, which has been hit hard with all of the major projects that have been completed over the past few years such as the spalling and stairwell work, with more to be done. Grand Pacific's Director of Construction, Bruce Zelenka, has completed a detailed resort inspection covering all structural, electrical, plumbing, and HVAC items as well as a review of our current reserve studies to make sure they are all synched together. The AOA Finance Committee is working closely with management to develop a financial plan for the future, which in all probability will include an additional reserve assessment in 2017.

The VOA 2016 budget reflects a 3% increase covering both the AOA increase as well as a 47% increase in property taxes. VOA revenues remain strong thanks in large part to our rental program which continues to offset our non-performing weeks. Our new VOA sales program continues to be very successful and we are welcoming new owners every week.

As we move into the fall season and prepare for the upcoming year, it is important to remember that the progress that has been made is thanks to both Associations working together as a team. Here at the resort we use the phrase "We are all in this canoe together" and nothing rings more true for our resort's future. The Boards are entering into their second year of conducting joint board meetings to discuss resort issues, budgeting, reserves, and concerns around the community. With both associations committed to a thoughtful, proactive approach, we are confident the Hanalei Bay Resort will continue to get better and better!

Many Mahalos,

Scott

