

## **2025 Annual Members Meeting**

The 2025 Leilani HOA Annual Meeting was held on April 5<sup>th</sup>, more than 2 months after the date mandated in our bylaws, January 27<sup>th</sup> (the 4<sup>th</sup> Monday in January). As provided in the bylaws, the meeting consists of the 2024 Board making their annual report, an announcement of the election results and the seating of the 2025 Board, and the Annual Members Meeting.

The Annual Members Meeting is our chance as members to provide guidance to our Board and, if we have a quorum, to pass binding resolutions directing the actions of the HOA. We, the members, are the owners of the HOA and we elect a Board to perform certain defined functions for us. It is our responsibility to direct and guide the Board to ensure the HOA functions to meet our needs.

Our first action was to determine whether we had a quorum so we could conduct binding business. For the Leilani HOA, the bylaws define a quorum as 10% of the total lot owners being present physically or represented by proxy at the meeting. Our threshold is 204 lots being represented. After a roll call of all the members present and counting of the proxies, 285 lots were acknowledged as present. The members agreed that this qualified as quorum and proceeded to conduct business.

Any member present was allowed to propose a motion. If seconded (someone else agreed to support the motion), the members proceed to present arguments for and against the motion. After the discussion was closed the members proceeded to vote.

The members agreed to use the “reasonable person” method of voting. This consists of a show of hands for and against the motion and then those abstaining from voting on the motion. If a “reasonable person” looking at the show of hands for and against would conclude that one side or the other would clearly have more votes, the motion was passed or defeated. If the count of hands made the result in any way ambiguous, the motion was judged “unclear” and the members could decide to proceed to a rollcall vote or to table the motion.

The following are the motions voted on by the members:

**Motion 1** – All future election will be conducted by an impartial third-party organization that can utilize both paper and electronic methods.

Nays – 0, Abstain – 4      The motion was passed unanimously by the members

**Rationale** – Over the last few years there has been a great deal of controversy over our elections for the Board of Directors. Engaging a third party to run our election totally outside of the control of the Board and any candidates for the Board will help restore confidence in our election and significantly reduce the controversies that have led to lawsuits.

Most of the costs of our elections come from copying and mailing the paper ballots and associated materials. Transitioning to electronic ballots will save much of these costs. It will also enable us to conduct votes on issues between our yearly elections, allowing cheaper direct feedback from the members. A side benefit of expanding our email coverage will be the ability to distribute more timely newsletters at a lower cost.

#### Next Steps

1. It was unclear whether our bylaws, written before the modern computer age, are worded such that electronic voting is valid. Investigate the relevant bylaws and have the membership vote to authorize electronic voting if necessary. Electronic voting will enable significant savings over mailing paper ballots (the highest cost component of current elections).
2. Select the 3<sup>rd</sup> party to conduct the election. Election Buddy has been suggested but the selection needs to be finalized. These organizations can be utilized regardless of whether electronic ballots are approved for the 2026 election.

#### **Motion 2 – Immediately drop all current lawsuits brought in the name of the HOA against members and cease any use of HOA funds for these lawsuits**

Nays – 3, Abstain – 1      The motion was passed overwhelmingly by the members

**Rationale** – The membership is tired of spending money on lawsuits as we have over the last several years. The current lawsuit in the membership's name was not authorized by the membership and has us in the position of the Board now suing its own members with the membership's money. A lot of discussion was held over mandating arbitration to resolve disputes, this was not put to a vote.

#### Next Steps

1. Contact our lawyer and inform him that the HOA has voted to withdraw the lawsuit and that no more billable hours are authorized other than those required to withdraw the lawsuit.

#### **Motion 3 – The members affirm that our bylaws prohibit the use any criteria other than being a member in good standing (being current in the payment of HOA fees) and be used to determine if someone is a valid candidate for the Board or has voting rights**

Nays – 5    Abstain – 2      The motion was passed overwhelmingly by the members

**Rationale** – The only criteria in our bylaws is that candidates for the Board be “members in good standing”, being current in their dues for the year preceding the election. The Judge in the current lawsuit has affirmed that this is the case. The previous Board has said this is a

temporary ruling as there is a belief that the bylaws may have been changed in 1977, though no change is reflected in the bylaws reviewed by the judge. The membership affirms that this should be the only criteria and directs that additional challenges be ended.

#### Next Steps

1. The court has ruled that this is the case. This Motion affirms that it is the will of the members. Drop any challenges to this ruling.

**Motion 4 – The members affirm that our bylaws (Article 3, Section 6) require the Board to notify any member whose voting rights may be suspended before suspending the member's voting rights**

Nays – 2    Abstain – 1            The motion was passed overwhelmingly by the members

**Rationale** – There was a lot of controversy over the accuracy and/or lack of invoices, the use of the 2025 dues as a criteria for voting, and members having their voting rights revoked without any notification. Our bylaws (specifically Article 3, Section 6) specify that the Board may suspend a member's voting rights but only after notification of the member. This allows time to dispute the accuracy of the information being used or pay the dues actually owed so the member retains their voting rights. The previous Board used the sending of the invoice as an assumption of notification. Given the multitude of problems with the current invoices and in previous invoice cycles, the membership voted to affirm the bylaws and require that separate notifications be sent.

#### Next Steps

1. The Board will establish a clear, documented process for the form and timing of these notifications. The timing must provide sufficient time for the effected member to address the reason for the suspension.
2. The Board will communicate the procedure to the membership

**Motion 5 – The members authorize a forensic audit for the fiscal years 2019 through 2024. The audit process is to begin on Monday 4/7 and be completed as fast as is practical.**

Nays – 0    Abstain – 3            The motion was passed unanimously by the members

**Motion 5** – The membership has largely lost confidence that our money has been managed properly and accounted for accurately. A forensic audit at the transaction level will determine what money we have collected from various sources and what we have spent it on. The membership voted to have the audit for fiscal years 2019, 2020, 2021, 2022, 2023, and 2024 (our last fiscal year). This will give us an accurate accounting of all our finances from the

eruption year until the present. The intent is to restore confidence in our financial management and eliminate this as a reason for members not to pay their dues.

Our bylaws specify that no member (including the members serving on the Board) can be part of the actual audit. The membership voted to establish an independent audit committee and to require all financial records necessary be made available to the outside audit team.

#### Next Steps

1. Establish an audit firm selection team comprised of members who have not been board members during the period being audited
2. Draft a statement of work, receive bids from candidate firms and select an audit partner
3. Turn over all required financial documents and statements for the targeted fiscal years
4. Review audit findings
5. Draft and communicate a summary of the audit findings
6. Make the entire audit report accessible to the membership

**Motion 6 – The members require that all Board members, either elected or appointed between elections, must undergo training in the relevant state HOA laws, our bylaws, Robert’s Rule of Orders and the other key processes we utilize to run our HOA.**

Nays – 3    Abstain – 1                      The motion was overwhelmingly passed by the members

**Rationale** – It appears that previous Boards have not had a complete understanding of state law governing HOA’s and the bylaws governing our HOA in particular. This has led to controversies and a lack of confidence in the Boards. In particular, the laws and bylaws around availability of financial information to members has been a major sore point. The membership requires that consistent training materials be developed to ensure all Board members have a common and accurate understand of the various laws and bylaws that govern our operation. This training can be made available to members as well to, hopefully, reduce controversy.

#### Next Steps

1. Establish a Training working group to help research and develop the mandated new training.
2. Develop a skeleton description of what the training will encompass and how the training will be delivered
3. Authorize the funds for any outside firms that will assist in developing the training and/or the delivery method

**Motion 7 – The members recognize that all owners of “lava lots” are members in good standing without any payment of HOA dues.**

**Rationale** – For the first time since the eruption, the Board levied an assessment of the owners of “lava lots”, those lots buried or substantially effected in the 2018 eruption. It was proposed that those assessments be eliminated and that lava lot owners be considered as members in good standing without the payment of dues as they do not have access to their lots through Leilani maintained roads and cannot live there. It was mentioned that the \$100 assessment on the lava lots was invalid as our bylaws clearly state that all lots must be assessed the same amount – either the lava lots should be charged \$220 or all lots should be charged \$100. An alternative motion was suggested that we study the issue of lava lots and develop an overall strategy. The vote was called on the original motion and did not pass using the reasonable person test.

It was decided that whether this motion was passed or defeated could not be determined by a reasonable person based on a show of hands. The members declined to take a rollcall vote and the motion was tabled.

**Motion 8 – The members require that a working group be formed to resolve how lava lots will be treated. This working group will determine the definition of what a lava lot is, if there are different categories of lava lots based on objective criteria, and how each category should be treated**

Nays -                      Abstain -                      The motion was overwhelmingly passed by the members

**Rationale** – This was the alternative motion suggested during discussion of Motion 7. The membership voted to establish a committee to study the current lava lots, define what criteria should be used to designate a lot a “lava lot” and to determine the criteria and sub-categories of different types of “lava lots”. Recommendations for how to handle each category need to be developed and presented to the membership as we will have to change the bylaws to enact these changes.

#### **Next Steps**

1. Designate a working group of members to analyze the lava lot situation and submit proposed changes to our bylaws
2. Following the process in our bylaws for changing our bylaws, submit the proposed changes to the members for a vote

### **In Summary**

As you can see, the members in attendance were very busy and much was accomplished. Our challenge now is to ensure that these motions are executed as our members' desire. These notes have been forwarded to the new Board for their implementation. The majority of the Board, including the officers, have expressed support for these motions and it appears that there will be a formal vote to adopt them at the first board meeting currently scheduled for May 15th. However, a few of the Board members have expressed an unwillingness to drop the lawsuits and have talked about challenging the legality of the member motions. Please come to the Board meeting and express your support for these motions.

The Board will be establishing several working groups to help implement the member motions and to other priorities we did not discuss. If you are interested in helping with any of the working groups, please contact our new Secretary, John Segalia, and/or attend the next Board meeting to volunteer.