

LEILANI ESTATES NEWSLETTER



Issue 001

14 October, 2025/Vol. 001

Welcome to Leilani's 1st Official Newsletter!

Aloha! This is the first official electronic communication you, our members authorized with the recent vote!

This vote makes it easier for us to send you news about what's happening in our community so that you can participate in the direction of our association.

Attached you will find several PDF files. Read them all, read one, whatever you choose.

They are broken up into:

- What's Happening with the Board?
- What's Happening with Our Money?
- What's New in Our Community?
- What's Happening with the Park Grant?
- What's Changed with Our Elections?
- What's Going on with the Member Motions?
- Tribute to Kim Falsetta



We'd love to know what you think about this. **Please send comments on format and level of content to leilaniassoc@gmail.org.**

If you are viewing this on the website and have not yet provided us an email address, please send us your email. You'll get your own copy sent to you, along with even more timely communications about breaking news.

Mahalo!



What's Happening with the Board?

Throughout 2025, the Board has been split into the two factions. The most fundamental difference has been that the four Officers have acknowledged that the member motions passed in April at our Annual Meeting are legally binding on the Board and have worked to implement them. The other 3 Directors have denied that the members have the right to direct the Board and set policy. This has resulted in the current lawsuits dragging on.

If you have attended the regular monthly Board Meetings (or watched them via streaming) or read any of the various Leilani Facebook pages, you are aware of the vicious personal attacks that our Officers have endured. There is no place for this in our community, but there is a small minority faction that seems to enjoy making trouble and stirring up controversy through misinformation and personal attacks.

Despite the disagreements on the Board and the attacks on the majority Board members, a lot has been accomplished this year. A renewed spirit of cooperation and volunteerism has enabled us to make many improvements to our community at minimal cost. We're seeing more classes and activities offered in our community (see the official website at Leilani-estates.org). More people are paying their assessments, saying they are comfortable for the first time in a while that the community is going in the right direction.

The Board had been split 4-3 until the recent resignation of Greg Armstrong. Greg had not attended any monthly Board meetings and had not participated or voted in any Special Board Meetings since the election of Officers in April. We acknowledge his health problems and thank him for allowing a more active member of our community to take his place. The Board replaced Greg by a 5-1 vote with Marianne Farrell, the 8th highest vote getter in our last election. Marianne was also elected Treasurer by a 5-1 vote after Janice Tucker's resignation.

We are coming up on a very important election cycle. It is up to you to decide if you want to continue the progress we have seen this year.



What's Happening with Our Money?

Let's be frank, it's very difficult to tell. When our Treasurer, Janice Tucker, gained access to our financial records she found an unintelligible mess. Previous administrations have not properly credited payments, have not followed up on billing issues and have not properly recorded payments going out. Although our election was not held until April, our 2024 taxes were unprepared and the information to file them was just not available. Janice filed an extension, and we should have the taxes complete in November.

The biggest discrepancies in our books come from missing billings, misapplied payments and lack of controls around payments and transfers between accounts. The root causes come down to a few issues:

1. Our member list of owners is inaccurate
2. Our administrative help did not properly register and file income and payments
3. Previous Boards did not do a thorough review of all financial reports, i.e. bank reconciliation, ledgers, deposits.
4. Documents were not filed and maintained using Generally Accepted Accounting Principles (GAAP) as required for non-profits.

A Treasurer's job is to account for our income and pay our bills, producing reports for the members on the financial standing of the community. It is not to fix the results of years of mismanagement and neglect, but that is what Janice has been doing. She has spent well over 1280 hours, helped by two part-time administrative people, reconciling our income and payments and installing new online accounting software for the office. This has included keying and scanning 3 years of documentation into both Dropbox (our library of documents) and QuickBooks (our accounting system). Digital records with backups will make our information much easier to find and reduce the likelihood of records being destroyed. A large portion of the time has been spent researching outstanding dues to see if liens were filed and why dues haven't been collected.

What's Happening with Our Money? (Continued)

The team has identified \$185,000.00 (just owners that owe \$1-2K) that we are attempting to collect from the last 5 years of assessments. Normally, the community would hire an external accounting firm for this work which would have cost the LCA well over \$100K.

Janice could not afford to continue to do this work for free. She has been working about 45 hours a week, when the Treasurer's job should take about 25 hours a month. Janice has resigned from her Treasurer role but will remain a Director. We solicited three bids from outside firms (one was Janice's firm) to complete the work Janice started. The Board voted 6-0 (Janice recused herself) to hire Janice to continue the cleanup work as she had the low-cost bid and the Board wanted to leverage her existing knowledge. Our bylaws allow a Director to also serve as a paid agent or employee, and her hiring conforms with our bylaws and the purchasing policy of soliciting three bids.

Our income falls into three basic categories – member assessments, cell tower revenue for rental of our land, and transfer fees when properties change hands. The cell tower revenue and transfer fees from the County buyouts are being used to replenish our depleted reserves, currently at about \$110,515. We have around 2040 lots, which at \$220 a lot would produce \$440,000 in income. However, more than 700 of our lots were either completely or partially covered by lava in the 2018 eruption. We did not charge assessments for these lots from 2019 until 2024 when a \$100 assessment was put in place (although the assessments were applied inconsistently). We are currently working on how to treat these lots moving forward as the \$100 assessment is not valid under our bylaws. If we take the "lava lots" out, we have about \$330,000 of expected operating income for 2025 of which we have collected approximately \$285,000 since January (a little over 85%).

What's Happening with Our Money? (Continued)

This fiscal year, the largest category of spending has been for salaries:

- Michael Hauanio for maintaining our common area and the verges of our roadways
- Kim Falsetta for administrative services through July
- Cyndy Helton for part-time administrative services since July
- Kimberly Schor for part-time administrative services since May
- Brian Hosang for handling our website, recording meetings and helping with technology. Salaries and benefits make up about 35% of our projected income and over 40% of our collected assessments this year.

Insurance is the second biggest category of expense. We carry coverage on our facilities, auto insurance on our truck, liability insurance on our roads and common areas, and Directors and Officers insurance against lawsuits. Because of the numerous lawsuits over the last several years, the cost of lawsuit insurance has skyrocketed and now costs over \$25K a year with a \$35K deductible. Insurance costs us about 13% of our projected income for the year and around 15% of what we have collected this year.

Lawyer fees are currently the biggest unknown in our budget this year. The previous Board did not pay their lawyer for work he did during their tenure, leaving the new Board with about \$35K in fees owed. In addition, because the minority Board members would not drop the lawsuit despite the vote of the members to end it, total legal costs are now around \$80K. It is unclear how much of this we will end up having to pay from LCA funds. A hearing is scheduled for November that, hopefully, will settle the case and determine who owes what to whom. If the community is held liable for all the lawyers' fees, this would use about 25% of our operating income and a bit under 30% of what we have collected this year. We also have monthly expenses for electricity, security systems, internet, etc. This makes up less than 5% of our operating income and a bit under 6% of what we have collected this year. Without lawyer fees and capital expenses, we will spend about 60% of what we have collected. With lawyer fees that goes to about 90%. Our new Treasurer will make a more complete financial accounting at the Annual Members Meeting on January 31st, 2026.

What's New in Our Community?



WHAT'S
NEW?

Operating Changes

The biggest changes instituted by the majority members of the new Board have been around how the Board operates, communicates with our members and manages our money.

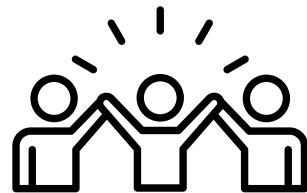
- 1) The Board has and continues to invest a tremendous amount of resources into cleaning up our financial information. This is our number 1 priority and is detailed in What's Happening with Our Money.
- 2) The Board has also completely revamped how we communicate with our members. We have reinstated monthly meetings and streamed video and audio of these meetings to those who cannot attend personally. We supported the bylaw changes that now make monthly meetings mandatory, added quarterly electronic newsletters and enabled us to communicate and vote electronically. We have hired a part-time professional technology person to manage our website and our videos. Our Secretary, John Segalla, has responded to a tremendous number of member questions without the need for written and notarized requests, as previous Boards attempted to enforce.
- 3) The majority members of the Board acknowledged the members' right to direct the actions of the Board with the motions passed at the Annual Members Meeting and have initiated member working groups to implement these motions. See What's Going On with the Member Motions.
- 4) We changed our office and administrative staff. Our long-time office person was unwilling to adapt to the accounting processes and technology required to get our financial information under control.

What's New in Our Community? (Continued)

She was terminated with severance and replaced by two part-time staff members (at a lower cost). Cyndi Helton concentrates on interacting with members and handling bills and payments. Kimberly Schor concentrates on assisting Janice in cleaning up the member list and reconciling past payments and bills.

- 5) We've encouraged volunteering and community building. This can be clearly seen in the number of member groups that are now offering classes and meetings in the pavilion (see the calendar on Leilani-estates.org or in the longhouse). Also, we helped organize a community BBQ on 6/29 to celebrate Independence Day (Mahalo to Mark Hauanio and Neighborhood Watch for building an imu and roasting the pork). We have instituted a popular community fruit sharing box at the Longhouse for excess produce. See below the many physical improvements volunteers have made to our community this year.
- 6) We reviewed long standing contracts and insurance policies to eliminate inefficiencies. Some of these included a complete review of our insurance policies (including cancelling some unnecessary ones), cancellation of our Pitney Bowes stamp machine contract and replacing our pay for help with volunteers to open and close our common facilities each day.
- 7) We reimbursed Marianne Farrell for Board expenses she had paid out of pocket. In 2021, Marianne was asked to help with the annual election mailing and put almost \$4000 on her personal credit card. She was directed by then Treasurer Greg Armstrong what company to use, and to use her personal card because he and the President were not available and the mailing had to make a 5 PM deadline. The Board did not reimburse her. At the 2023 Annual Members Meeting the members voted overwhelmingly to pay these expenses. Previous Boards ignored the members will.

What's New in Our Community? (Continued)



Physical Changes

- 1) Leilani Avenue has been opened to connect with Nohea Street. Through one of our members, Mark Hauanio, we had the County of Hawaii bulldoze and remove the lava that covered the intersection of these two streets at no cost to us. The corner has been paved, and the county is installing guardrails and reflective signs. This was easily 6 figures worth of work. Mahalo Mark!
- 2) Installed new climbing equipment in the Children's playground. A group of volunteers, (Rich Willing, Mark Hauanio, Phil Denney, Pete Wilson, John Segalla, Enzo Segalla, Bob Wytosky, Michael Hauanio and Tom Mason) installed the playground equipment purchased by the previous Board that had been sitting in the parking lot for months. Mahalo to these volunteers for saving over \$15,000!
- 3) Updated the longhouse bathroom. Ben Poling donated the paint and painted the bathroom and we replaced the defective faucet. Marianne Farrell continues to clean it on weekends. Mahalo!
- 4) Installed a U/V water purification system in the longhouse.
- 5) Installed a new quiet fan in the office toilet.
- 6) Repaired cracks in pavilion floor.
- 7) Installed a light timer in the pavilion to auto switch off the lights at night.
- 8) Painted the old emergency water tank
- 9) Added a speed bump to Kahukai Street Road near the stop sign. Mahalo again Mark Hauanio!
- 10) Replacing an unsafe electrical box that could be accessed by members and their children. The box has been secured, and we are contracting an electrician for replacement.



What's Happening with the Park Grant?

The 2024 Board (primarily Al Morrow and Rod Kindel), in partnership with the Leilani Neighborhood Watch (NW) secured a grant of \$435,000 from the County of Hawaii in November of 2024. These grants, largely funded by the Geothermal Energy Venture, are awarded throughout the island and difficult to come by.

NW was involved due to county requirements about the category of non-profit that could receive the money. They will manage the flow of money but will not be involved in soliciting bids or managing contractors.

Receiving the money has been as complicated as securing the grant. The county has revised their requirements several times and we are still working to satisfy them so we can get started on our proposed improvement projects. In short, we need to have a licensed general contractor overseeing the projects, all contractors must be licensed and insured, there must be 3 bids for each project, the money will be disbursed project by project based on bid, and the county must be specifically insured for the work. Securing the required bids has been difficult.

Our number one priority is safety repairs. The biggest expense is the repairs to our pavilion. The structural steel in the pavilion has been deteriorating, and visible holes now exist. The smaller safety repairs are to our walking track and the handrails near the longhouse. We have a few bids in hand (some above our budget) and are actively seeking more bids. If any members are aware of general contractors who can take on this work and additional contractors who can perform it, please let us know at leilaniassoc@gmail.com

We have proposed several other improvements to the playground and larger common area. After the safety repairs, we will work with the county to refine this list and solicit bids.

What Changed with Our Elections?



Our recent bylaw changes to enable electronic communication and voting have had several important impacts on our election process.

- 1) **ALL MEMBERS CAN VOTE**, regardless of dues status. The Board has chosen NOT to execute the process required to suspend member voting rights due to the inaccuracies in our member list and the time before the election. **EVERYONE will be counted** for the upcoming 2026 election.
- 2) The calendar of events for our election has changed substantially. Timings were moved forward to accommodate using ElectionBuddy and new milestones were added.

The deadlines for 2026 are:

**DON'T
FORGET!**

- **October 22nd** – Electronic suggestions for Member Motions. This enables remote members to provide input. Local members who cannot attend the meeting can drop off suggestions at the office by this date.
- **October 25th** – First Annual Regular Meeting to discuss and rank member motions for the election packet. This enables all members to vote on the member motions we choose to include, not just the members at the Annual Meeting.
- **November 13th** – Discussion of proposed Member Motions at Regular Board of Directors Meeting. This provides an official recording and final selection of the proposed motions.
- **November 30th** – Nominations and Member Motions for Annual Election Packet. We moved this forward a month to accommodate the timing of using ElectionBuddy

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What Changed with Our Elections? (Continued)



- **January 2nd** – ElectionBuddy sends out electronic and paper voting packets.
- **January 22nd** – All paper ballots and proxies not mailed directly to ElectionBuddy must be received and timestamped in the office. Our office will pack and mail the documents received so that ElectionBuddy can count them.
- **January 31st** – Annual Members Meeting. Voting results on the new Board and the Member Motions within the election packet are announced. Additional Member Motions will be voted on at the meeting.

3) Members who have opted into electronic communication will receive only an electronic election packet. They can vote via email or on their cell phone.

If you have not yet provided your email, please contact the office at 808-965-9555 or send an email to leilaniassoc@gmail.com

4) Proxies will count only for the business portion of the Annual Members Meeting. The voting for Directors is completed before the meeting. To vote for our Directors, fill out and submit a ballot. A report assigning proxies for the business portion of the meeting will be provided prior to the meeting so each member attending knows how many votes they can cast for member motions.



What's Going On with the Member Motions?

A majority of the members of the Board (until recently the four Officers now joined by Marianne Farrell) acknowledge that the member motions passed at the April Annual Members Meeting are valid and legally binding. We sent out a recent update with the voting package you all received so here are the highlights and changes since then.

Motion 1 – All future elections will be conducted by an impartial third-party organization that can utilize both paper and electronic methods. You, our members, overwhelmingly approved (91%) the use of electronic communications and electronic voting. The Board approved (7-0 vote) the recommendation of the Elections working group and has selected ElectionBuddy as the organization to be used for the 2026 election. This motion is **COMPLETE**. **If you have not yet provided your email, please contact the office at 808-965-9555 or send an email to leilaniassoc@gmail.com**

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. This should be resolved in November in a hearing with the judge. At that time, we will know who owes what to whom. Counsel for the plaintiffs (previous Board) has withdrawn due to lack of payment. The motion remains **IN PROGRESS**.

Motion 3 – The members affirm that our bylaws prohibit the use of any criteria other than being a member in good standing (being current in the payment of HOA fees) to be used to determine if someone is a valid candidate for the Board or has voting rights. This is how the majority members of the Board will conduct the 2026 election. **COMPLETE**

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.

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What's Going On with the Member Motions? (Continued)

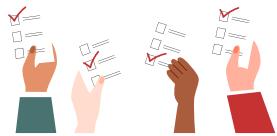
The majority members of the Board acknowledged that they have not suspended anyone's voting rights, so everyone's vote counted in the recent election on electronic communication and voting. The approved bylaw changes define a very detailed process that must be executed to suspend voting rights. It is now incorporated in our bylaws. **COMPLETE**

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. This is where we have made the least progress. Part of this is that there is a significant difference between a normal audit and a forensic audit. In a normal audit, the auditing firm double-checks all the corporation's transactions to ensure that money was recorded correctly and that balances are correct. A forensic audit goes well beyond this to try to uncover evidence of fraud that can be used for criminal prosecution. The proof required in court is quite high and the required analysis is very expensive.

Our financial information, particularly as we go back in time, is very fragmented and incomplete. To perform a forensic audit will cost us well upwards of \$100,000 for the period stretching back to the lava flow and may be impossible. This will require a special assessment of at least \$60-75, above our normal assessment for the year. It seems to us that it is only worth paying for this if we can act and recover money based on the findings. Even then, we may well be in the position of spending \$10 to recover \$1. It appears that the most serious theft (over \$20,000) is a class B felony which carries a 3-year statute of limitations. Doing a forensic audit earlier than the 2023 fiscal year cannot result in prosecution and the time is running out on 2023.

We are committed to providing you the most accurate financial information we can, but we are severely hampered by the problems created by previous Boards. We will not complete a forensic audit this year. We intend to put a motion in the 2026 election package for a forensic audit and a special assessment on which the membership can vote. The motion remains **IN PROGRESS.**

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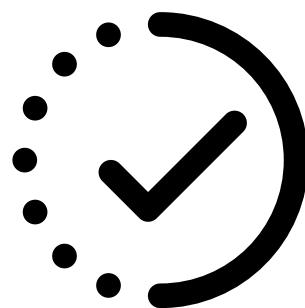
What's Going On with the Member Motions? (Continued)

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. Training has been held on Robert's Rules of Order for most of the Board members. This has resulted in changes to how the Board conducts its monthly meetings to maintain civility and order. **COMPLETE**

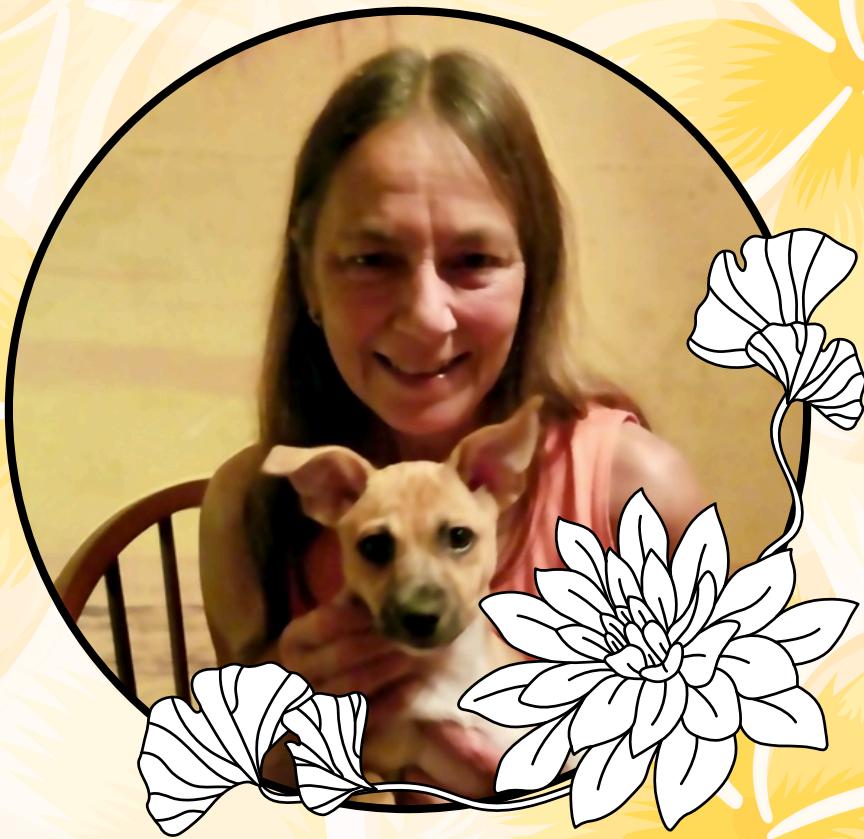
Motion 7 - Did not pass.

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.

This working group continues to work on a very difficult issue. They hope to have recommendations completed in time to make a bylaw changes motion part of the 2026 election package so that assessments can be properly set for 2026 and our budget can be set accordingly. **IN PROGRESS.**



In Loving Memory Of



Kim Falsetta

Kim Falsetta, 68 years young, beloved daughter, sister, aunt, friend, and an avid dog lover passed away on September 27, 2025.

For 11 years, Kim served as Leilani Community Association's Office Manager, where her warmth and reliability made the office a welcoming haven.

Known for her kindness, she greeted every owner with a smile and ensured no dog left without a drink of water or a friendly pat. Her dedication strengthened our community, creating lasting connections among residents. As we honor Kim's memory, let us continue to build the welcoming, caring community she cherished, keeping her aloha spirit alive in Leilani.