

NAPILI SHORES HOUSE RULES

1. **Animals:** Birds or animals of any kind are not allowed to be kept on the property nor within the apartments.
 2. **Common Elements:** Nothing shall be altered, constructed or stored in the Common Elements without prior written approval of the Board.
 3. **Guests:** An apartment owner or occupant may invite an individual or individuals to use the Common Elements as his sponsored guest(s). Apartment owners/occupants will be present when their guests are on property, will be responsible for the conduct of guests, will inform guests of these House Rules, and will inform guests that they must follow directions of the Manager or his employees or security guards.
 4. **Occupancy:**
 - (a) Owners must notify the Manager of the names and length of anticipated occupancy of renters or guests and must provide a copy of these House Rules to renters or guests.
 - (b) Occupancy is limited to not more than four adults in a one-bedroom apartment and three adults in a studio apartment except that this occupancy may be exceeded by members of the immediate family of an owner.
 5. **Damages:** Damages to Common Elements shall be surveyed by the Manager and the cost of repair or replacement may be assessed by the Board against the person or persons responsible.
 6. **Grounds, appearance of:**
 - (a) No unsightliness within the public view is permitted within the condominium project. For this purpose, "unsightliness" includes but is not limited to the following: laundry on lines, railings, or grass; litter, trash containers, except as specially provided; inappropriate, broken, scarred or offensively ugly furniture or plants on lanais or lawns; non-decorative gear, equipment, cans, bottles, ladders, trash, boxes, barrels, etc. stored or stowed in or on lanais, walks, etc; or unshaded or improperly shaded lights that create objectionable glare.
 - (b) Beach gear such as towels, beach chairs, snorkel/fins/SCUBA, boogie boards etc. shall be removed from lanais after every guest/owner occupancy. Sports equipment such as surfboards, paddleboards, kayaks, canoes, bicycles shall not be allowed on lanais, walkways, hallways or staircases and must be stored in locations identified by the Manager.
 - (c) No awnings, screens, air-conditioning units, or other projections shall be attached to outside walls of the buildings or to the exterior of a door or on the lanais, without the prior written approval of the Board of Directors.
 - (d) The owner of an apartment shall not, without the prior written consent of the Board or Managing Agent, display any sign or any other device in or upon any door, window, wall or other portion of the premises, or otherwise so as to be visible from the exterior.
 - (e) The employees will make every effort to police the grounds effectively. Nonetheless, these employees are not available on a 24-hour daily basis, and much of their work time must be devoted to their assigned duties. Accordingly, and in the common interest, every owner is to do his/her part and to use his/her influence on all members of his/her household to do theirs towards abating unsightliness within the condominium project to the fullest practicable extent.
 - (f) No plaques, benches, or other memorabilia in honor of persons are to be installed at Napili Shores in conformity with past AOA Board decisions concerning individual requests from owners.
 7. **Hazards:**
 - (a) No activity shall be engaged in and no substance introduced into or manufactured within the building which might result in a violation of the law or in the cancellation of the insurance or increase in the insurance rate or endanger the structure of the building within the project.
 - (b) Small children should not be permitted to wander unattended near the pools or to play or loiter in parking areas, roads, or near the ocean.
 - (c) Because of the potential health hazards involved, children under five are not permitted in the hot tub.
 - (d) Bicycles, rollerblades, and skateboards may not be used on the property.
 - (e) Use of barbecue equipment on the lanais is prohibited.
 - (f) Glassware may not be used in the pool areas.
 8. **Maintenance:**
 - (a) **Common Elements:** Under the supervision of the Board, the maintenance of Common Elements is a responsibility of the Manager; defects and deficiencies should be reported when and as observed.
 - (b) **Apartments:** Maintenance of individually-owned apartments is the responsibility of their respective owners and/or occupants.
 9. **Maintenance Employees:** Maintenance employees are under the sole direction of the Manager; during their prescribed hours of work, they shall in no case be diverted to the private business or employment of any owner, occupant, or guest. All requests for maintenance work will be directed to the Manager or his designated alternate.
 10. **Outside Contractors:** Owners shall comply with the General Conditions for Renovations Policy and submit a written scope of the project to the General Manager at least four (4) weeks prior to commencing work. Outside contractors, plumbers, and electricians must be appropriately licensed and covered by Workers Compensation and Liability Insurance.
 11. **Noise:** No noxious, offensive, or annoying activity, noise or nuisance which may transgress the rights, comfort, or convenience of others shall be created or permitted within the apartments or Common Elements. A quiet time relative to TV volume, lanai conversation, etc., will be observed from 10:00 p.m. to 8:00 a.m. The upper pool area will close at 10:00 p.m., and the lower pool will close for swimming at 10:00 p.m.
 12. **Parking:** Cars must be parked in places designated. Owners', renters', and guests' cars may be parked on premises only during periods of occupancy; cars belonging to owners, renters, or guests may not be kept or stored on premises during periods of non-occupancy, except that permanent residents of the property may keep their automobile on property for up to one month when temporarily away from the property. Boats, trailers, golf carts and other vehicles belonging to owners, renters, or guests may not be parked or stored on the premises. Any cars or other vehicles improperly parked may be towed away at the owner's expense.
 13. **Purpose:** These House Rules are designed to safeguard the life, enjoyment and property of each owner, occupant and guest.
 14. **Compliance:** In the common interest full compliance by all is anticipated and every owner is urged to require strict observance by everyone including adults, children, guests and visitors. A copy hereof should be posted in each apartment.
 15. **Extension:** The Board of Directors from time to time may post special safety or other rules concerning the use of driveways, the parking area, the pool, etc. The Board's posted rules shall be considered extensions of these House Rules.
 16. **Changes:** These House Rules are subject to change by action of the Board; suggested changes should be delivered in writing to the Manager for transmission to the Board.
- Enforcement:** Enforcement of the House Rules will be the responsibility of the Manager, his employees and/or security guards. Violations of the House Rules should be reported promptly to the Manager, his employees or security guards. All owners, occupants and guests will be expected to fully cooperate with requests for corrective action.

18. No Smoking: Napili Shores is a non-smoking resort. Smoking is prohibited on the entire property. Persons or guests found in violation of this policy may be asked to vacate their suite, and leave the property. There are no exceptions.

Policy for Implementing Fine Procedure for Violation of House Rules

All owners, owners' guests and rental guests at Napili Shores are expected to abide by the House Rules adopted pursuant to the property's governing documents. Such rules are to be posted in apartments and/or distributed to guests so there is no misunderstanding of what is and isn't allowed at Napili Shores. Each owner is ultimately responsible for their guests' rule violations. (See By-Laws, Art. X, Sec. 2)

Violation by a Guest or Tenant

The General Manager or designee will bring to the violator's attention any violation of the house rules, such as, for example, afterhours noise, smoking, or young children under 12 in the hot tub. A warning will be given and the violator/s will be directed to immediately cease the activity and abide by the Rule. If the violation persists or is repeated, the violator will be advised that failure to comply may result in expulsion from the property. Police may be called.

Violation by Owner

The owner will be notified verbally and/or in writing when a violation of the house rules has been determined. The notice will cite the specific infraction and provide the time period for corrective action.

For violations that can be quickly corrected (such as guests not being registered, or allowing an animal on the property other than a service animal), the violator will be directed to immediately cease the activity and abide by the rule. The owner will be advised that if immediate action is not taken or if the violation is repeated, a fine will be assessed.

For violations that cannot be instantly corrected (such as inappropriate storage or unauthorized furniture on a lanai), the violator will be directed to take corrective action within a time period determined by the General Manager to be appropriate for correcting the violation, but in no more than fifteen (15) days. And failure to do so will result in a fine.

For violations that are difficult to correct (such as tile or carpet applied to the lanai), the violator will be directed to take corrective action within thirty (30) days and failure to do so will result in a fine.

Repeated Violations or Failure to Correct

If the owner fails to correct the violation or if after the correction, the owner repeats the same violation, the owner will be fined \$50 - \$250 depending upon the nature of and severity of the rule violated, which may be a matter of aesthetic consistency, potential for damage or disruption to others or the potential of affecting the health and safety of persons or property. The amount of the fine will be that which is agreed upon by three-fourths (3/4) of the Board of Directors.

The fine assessed will be treated as a special assessment and billed to the owner with a specified time period for taking corrective action (15 days or more) and paying the fine. Continued failure to correct the violation will result in \$10 per day fine for each day the violation continues past the correction deadline date. Fees accrued in the owner's account will be subject to the Association's policy for delinquent fees and penalties, including referral to an attorney and placing a lien against the property.

The Board of Directors reserves the right to enter an apartment to abate and remove any structure, thing, or condition that violates the House Rules without being considered trespassing. (See By-Laws, Art. X, Sec. 2)

Appeals

Any owner who disputes the action of the General Manager and the Board of Directors may appeal the decision. Such appeal shall be in writing. The filing of the appeal will not halt the accrual of any ongoing fines imposed for the violation, which is the subject of the appeal. The Board will hear and discuss the appeal at the next regularly scheduled Board meeting and a decision will be rendered and the owner notified in writing within 20 days of such meeting. The Board's decision shall be final.

September 25, 2009

**DELINQUENCY POLICY AND PAYMENT PRIORITY POLICY
OF THE ASSOCIATION OF APARTMENT OWNERS OF NAPILI SHORES**

Whereas, the AOA Bylaws, at Article VI, Section 1. Common Expenses states, "The Owner of each Apartment shall be liable for and pay a share of the common expenses in proportion to his interest in the common elements appurtenant to his Apartment."; and

Whereas, *Hawaii Revised Statutes* §514B-104 Association; powers, states that [an association may] "(11) Impose charges and penalties, including late fees and interest, for late payment of assessments and levy reasonable fines for violations of the declaration, bylaws, rules, and regulations of the association, either in accordance with the bylaws or, if the bylaws are silent, pursuant to a resolution adopted by the board that establishes a fining procedure that states the basis for the fine and allows an appeal to the board of the fine with notice and an opportunity to be heard and providing that if the fine is paid, the unit owner shall have the right to initiate a dispute resolution process as provided by sections 514B-161, 514B-162, or by filing a request for an administrative hearing under a pilot program administered by the department of commerce and consumer affairs"; and

Whereas, *Hawaii Revised Statutes* §514B-157 Attorneys' fees, delinquent assessments, and expenses of enforcement, states "(a) All costs and expenses, including reasonable attorneys' fees, incurred by or on behalf of the association for: (1) Collecting any delinquent assessments against any owner's unit; (2) Foreclosing any lien thereon; or (3) Enforcing any provision of the declaration, bylaws, house rules, and this chapter, or the rules of the real estate commission; against an owner, occupant, tenant, employee of an owner, or any other person who may in any manner use the property, shall be promptly paid on demand to the association by such person or persons;" and

Whereas, the Board desires to establish and communicate a policy that formalizes procedures for collection efforts to include the assessment of late fees, payment prioritization, communications and additional means up to and including legal action when deemed necessary for the protection and financial stability of the Association as a whole;

Now, Therefore, the Board has adopted the following Delinquency and Payment Priority Policy:

- 1st Day of Month 1** Assessment due and payable using coupon books sent to owners at start of year, or via EFT, if owner chooses.

- 16th Day of Month 1** Delinquent Posting Date. If payment not received by the 15th of the month, owner is assessed a \$35 late fee, a \$50 penalty and interest of 18% per annum on the delinquent maintenance fee. Managing Agent sends the first letter advising of non-receipt of payment, assessment of the late fee, penalty and interest, and need for immediate payment.

- 16th Day of Month 2** The late fee of \$35 and penalty of \$50 will be assessed on the unpaid current month maintenance fee only. Interest will be charged at 18% per annum on the TOTAL unpaid maintenance fees (current and prior months' delinquent amounts) excluding late fees, penalties and prior interest charges.

Managing Agent sends second collection letter indicating that if balance is not received by the 1st day of month 3, the matter will be referred to the Association's attorney for action, and any costs associated with the action taken by the Board to collect delinquent assessments, late charges, etc., will be added to the outstanding balance owed by the owner.

1st Day of Month 3

Managing Agent forwards the delinquent account to the Association's attorney for collection efforts to include filing of a lien. Costs associated with the action taken by the Board to collect delinquent assessments, late charges, etc. will be added to the outstanding balance owed by the owner.

16th Day of All Future Months (until balance is paid)

Late fee of \$35 and penalty of \$50 is assessed on the unpaid current month maintenance fee only. Interest will be charged at 18% per annum on the TOTAL unpaid maintenance fees (current and prior months' delinquent amounts), excluding late fees and prior interest charges.

Payments received are applied in the following order:

Payments received in the current month are applied to the current month's maintenance fee or other charges due that month.

Payments received in a given month in excess of the current month's maintenance fees and other charges are applied to the outstanding charges, oldest coming first, in this order:

- Legal fees
- Collection costs
- Late charges
- Interest
- Fines
- Services (water, electric, etc.)
- Special assessments
- Unpaid maintenance fees

Please be advised that per *Hawaii Revised Statutes*, §514B -146(c), "No unit owner shall withhold any assessment claimed by the association. A unit owner who disputes the amount of an assessment may request a written statement clearly indicating: (1) the amount of common expenses included in the assessment, including the due date of each amount claimed; (2) the amount of any penalty, late fee, lien filing fee, and any other charge included in the assessment; (3) the amount of attorneys' fees and costs, if any, included in the assessment; (4) that under Hawaii law, a unit owner has no right to withhold assessments for any reason; (5) that a unit owner has a right to demand mediation or arbitration to resolve disputes about the amount or validity of an association's assessment, provided the unit owner immediately pays the assessment in full and keeps assessments current; and (6) that payment in full of the assessment does not prevent the owner from contesting the assessment or receiving a refund of amounts not owed."

**POLICIES & PROCEDURES GOVERNING TERMINATION
OF COMMON SERVICES AND ACCESS TO THE COMMON ELEMENTS
ASSOCIATION OF APARTMENT OWNERS OF NAPILI SHORES**

I. Introduction

A. Authority

1. These Policies and Procedures are authorized by Hawaii Revised Statutes §§514B-146(e) & 146(f) and §§514A-90(e) & (f).

B. Purpose

1. The purpose of these Policies and Procedures are to permit the Association to cease providing services and to terminate access to the common elements to delinquent owner-occupants.

II. Scope

- A.** These Policies and Procedures are applicable only to those apartments in which the owner is delinquent in common expenses and the apartment is owner-occupied. The Board may determine that an apartment is owner-occupied if it is vacant or occupied by a non-paying guest of the owner.

III. Process and Procedure

A. Initiation of the Process

1. The manager or managing agent shall inform the Board, its manager, or other designated agent or employee when an owner-occupant is delinquent in common assessments for thirty (30) days or more.

B. Notice to the Apartment Owner

1. After being advised by the manager or managing agent, the Board of Directors may, in lieu of filing a foreclosure or commencing a foreclosure action, send written notice to the owner.
 - a. This shall not prevent the Association from filing an action for money damages or asserting the priority of the Association's lien.
2. The written notice:
 - a. Shall state that the owner is delinquent in payment of common assessments;
 - b. May set forth the amount the association claims is due and owing by the delinquent owner; and

- c. Shall state that the Board will terminate access to the common elements and cease supplying the apartment with any and all services normally supplied or paid for by the Association if payment is not made within 60 days.
- d. Shall be copied to the first mortgagee of the apartment.

C. Termination of Access to Common Elements and Services

- 1. If the owner does not make payment within 60 days of receipt of the letter, the Association may terminate access to the common elements and services as it deems appropriate.
- 2. The Board may in its sole discretion elect not to terminate certain access or services in its discretion.
- 3. The Board may in its sole discretion determine that unusual health or safety considerations warrant continuing to provide access or services.

D. Restoration of Access to Common Elements or Services

- 1. Upon payment in full, the Association shall restore terminated services and privileges.