

ASSOCIATION OF APARTMENT OWNERS OF KAPALUA BAY CONDOMINIUM ("ASSOCIATION")
2012 CONDOMINIUM BUDGET (a)(b)
(146 Resort Apartments and 5 Commercial Apartments)

	Annual Total	Club Units (62)	Resort Apartments (Non-Club Units) (84)	Beach Club Commercial Apartment	Sales Gallery Commercial Apartment	General Store Commercial Apartment	Resales Office Commercial Apartment	Model Unit Commercial Apartment
EXPENSES								
Accounting	129,578	45,089	84,489	-	-	-	-	-
Activities	93,325	63,461	29,864	-	-	-	-	-
Administration	216,600	68,977	147,624	-	-	-	-	-
Audit Fee	13,728	5,670	7,683	91	174	46	9	55
Board of Directors	6,500	2,760	3,740	-	-	-	-	-
Cable TV - Common	5,200	2,208	2,992	-	-	-	-	-
Electricity - Common	1,073,800	443,542	600,927	7,154	13,592	3,577	715	4,292
Fees - Food & Beverage	386,251	262,651	123,600	-	-	-	-	-
Front Desk	304,424	207,008	97,416	-	-	-	-	-
Gas - Common	93,171	39,566	53,605	-	-	-	-	-
Housekeeping - Common	264,898	109,418	148,244	1,765	3,353	882	176	1,059
Human Resources-Shared	21,948	9,320	12,628	-	-	-	-	-
Income Tax	9,500	3,924	5,316	63	120	32	6	38
Insurance	1,461,862	459,645	932,615	22,866	33,491	3,455	333	9,456
Internet - Wireless - Common	9,490	4,030	5,460	-	-	-	-	-
Landscaping	462,501	191,040	258,828	3,081	5,854	1,541	308	1,849
Loss Prevention-Shared	372,082	153,692	208,227	2,479	4,710	1,239	248	1,487
Maintenance-Shared	785,747	247,057	501,278	12,291	18,001	1,857	179	5,083
Management Fee	667,206	271,181	382,568	5,956	9,418	1,657	223	2,761
Members Lounge	39,311	20,655	18,656	-	-	-	-	-
Pest Control	15,925	6,578	8,912	106	202	53	11	64
Pool Maintenance	178,792	120,219	56,573	-	-	2,000	-	-
Refuse Collection	20,800	8,592	11,639	139	263	69	14	84
Residence Liaison	70,200	-	70,200	-	-	-	-	-
Water & Sewer - Common	162,000	66,915	90,660	1,079	2,051	540	108	648
SUBTOTAL - OPERATING EXPENSES	\$ 6,864,840	\$ 2,813,198	\$ 3,863,743	\$ 57,070	\$ 91,229	\$ 16,948	\$ 2,330	\$ 26,876
Fees - Community Association ^(d)	30,396	-	30,396	-	-	-	-	-
Fees - Golf ^(e)	84,000	-	84,000	-	-	-	-	-
Management Fees on Fees above ^(f)	11,440	-	11,440	-	-	-	-	-
TOTAL OPERATING EXPENSES^{(g), (h)}	\$ 6,990,675	\$ 2,813,198	\$ 3,989,579	\$ 57,070	\$ 91,229	\$ 16,948	\$ 2,330	\$ 26,876
Reserves ^(c)	540,000	169,790	344,500	8,447	12,371	1,276	123	3,493
TOTAL OPERATING EXPENSES AND RESERVES	\$ 7,530,675	\$ 2,982,988	\$ 4,334,079	\$ 65,517	\$ 103,600	\$ 18,224	\$ 2,453	\$ 30,369
Operating Surplus/Deficit ⁽ⁱ⁾	(65,579)	(20,620)	(41,837)	(1,026)	(1,502)	(155)	(15)	(424)
TOTAL ASSOCIATION MAINTENANCE FEES	\$ 7,465,096	\$ 2,962,368	\$ 4,292,242	\$ 64,491	\$ 102,098	\$ 18,069	\$ 2,438	\$ 29,945

	Total AOA	Annual Total Per Unit	Monthly Total Per Unit
Club Units-2 Bdrm (C2-A, C2-A-ADA)	\$843,850.91	\$46,880.61	\$3,906.72
Club Units-3 Bdrm (C3-A, C3-A1, C3-A-ADA)	\$2,118,516.72	\$48,148.11	\$4,012.34
Resort Apartments (Non-Club Units) with Fees-Community Association (R3-C)	\$467,644.25	\$58,455.53	\$4,871.29
Resort Apartments (Non-Club Units) with Fees-Community Association (R3-A, R3-A1, R3-A2)	\$1,169,442.05	\$48,726.75	\$4,060.56
Resort Apartments (Non-Club Units) with Fees-Community Association (R3-B, R3-B1, R3-B2, R3-B-ADA)	\$1,388,366.01	\$49,584.50	\$4,132.04
Resort Apartments (Non-Club Units) with Fees-Community Association and Fees-Golf (R3-A, R3-A1, R3-A2)	\$157,730.28	\$52,576.76	\$4,381.40
Resort Apartments (Non-Club Units) with Fees-Community Association and Fees-Golf (R3-B, R3-B1, R3-B2, R3-B-ADA)	\$320,607.00	\$53,434.50	\$4,452.87
Resort Apartments (Non-Club Units) with Fees-Golf and without Fees-Community Association (R3-A, R3-A1)	\$364,645.31	\$52,092.19	\$4,341.02
Resort Apartments (Non-Club Units) with Fees-Golf and without Fees-Community Association (R3-B1, R3-B2)	\$423,807.32	\$52,975.91	\$4,414.66

(a) This budget has been prepared on an accrual basis.

(b) All capitalized terms used but not otherwise defined in this budget shall have the meanings given to such terms in the Declaration of Condominium Property Regime of Kapalua Bay Condominium.

(c) The total cash reserves of the Association as of the date of this budget, October 11, 2011, is \$1,238,976. The total amount of estimated cash reserves at the end of 2011 is \$1,237,576, and the total amount to fund such reserves in 2012 is \$540,000.

(d) "Fees - Community Association" - These fees are annual dues the Association is collecting on behalf of, and as an accommodation to, the Kapalua Resort Association ("KRA") in connection with each Resort Apartment Owners' ownership of a Resort Apartment

(e) "Fees - Golf" - these fees are annual dues the Association is collecting on behalf of The Kapalua Club, in accordance with the Association's obligation under Article XXXV of the Declaration, from each Apartment Owner of Resort Apartments that has been

(f) Management Fee on "Fees - Community Association" and "Fees - Golf" will be assessed only to those owners of Resort Apartments who are billed by KRA or The Kapalua Club through the Association.

(g) The Association will provide services to the Cliff House on an as needed basis. The services provided will be reimbursed by the respective entity with responsibility to maintain the Cliff House.

(h) Other than expenses attributable to Limited Common Elements(LCE), the annual budget, prepared on an accrual basis, is allocated among Apartment Owners based on a methodology adopted by the Managing Agent that is fair and reasonable. Because expenses

(i) The Operating Surplus/Deficit is an estimated amount remaining from the 2010 fiscal year that was audited, that would be applied to the total maintenance fees owed by owners in 2012.

**ASSOCIATION OF APARTMENT OWNERS OF KAPALUA BAY CONDOMINIUM
2012 ESTIMATED OPERATING BUDGET NOTES**

1) This budget has been prepared on an accrual basis.

2) Although this site is located in Hawaii, it has been registered in California. California Law requires the association board to disseminate to members an annual report of the provisions relating to methods and procedures for funding reserves pursuant to Section 11240(b)(2)(L) of the California Business Professions Code. Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components, which the association is obligated to maintain.

3) The itemized estimate of the remaining life and estimated replacement of the major components are listed below:

Components	Estimated Useful Life in Yrs.	Estimated Replacement Cost	Estimated Remaining Useful Life in Yrs.	Anticipated Beginning Fund Balance as of 1/1/2012	% of Fund Balance over Replacement Cost	Age in Years as of 1/1/2012
Roof Replacement	21	1,153,150	18	45,303	3.93%	3
Building Painting	10	1,033,513	7	110,700	10.71%	3
External Building Maintenance	18	9,053,747	15	681,116	7.52%	3
Common Area Rehabilitation	10	3,907,670	7	400,456	10.25%	3
TOTAL		\$15,148,080		\$1,237,576	8.17%	

4) The cash flow method is being used, which is based on a minimum twenty-year projection of the association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the association by the end of each budget year.

5) The remaining life of a component can be estimated by subtracting the current age of the component from the useful life of such component. Each year, the association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest which will be earned during the estimated useful life of the asset.

6) The Board of Directors has determined that no special assessment will be required this year for either the maintenance or repair of any major component of the Resort or the funding of additional reserves other than those included in the budget.

7) Capitalized terms not defined in these footnotes have the meaning given to them in the Association of Apartment Owners of Kapalua Bay Condominium Ownership Declaration of Covenants, Conditions and Restrictions.