

President's Report
Yacht Harbor Towers
AOUO Annual Meeting
March 17, 2020

For the third consecutive year your Board of Directors focused attention on renewal of our aging building infrastructure. With major concrete work on the 1P wall and our garage floors behind us, other important repair work commenced. The most significant of these repairs is replacement of the cast iron waste pipes.

After years of planning and preparation, we began replacing Ewa Tower pipe in May, 2019. Using multiple layers of oversight and the most comprehensive contract vehicle ever developed by YHT, the project team is delivering our new plumbing system on schedule and well within budget. ***Note that the second prepayment installment is due July 1, 2020. Please do not submit second prepayment installments prior to June 1, 2020.***

The Ewa Tower pipe work will be completed in May, 2020 with the Diamond Head Tower scheduled for completion one year later. The project team pursued every opportunity to minimize the impact of the lengthy project on our daily lives. However, that nature of the project remains very intrusive and disruptive. We appreciate the spirit of cooperation and understanding which typifies the YHT community's attitude toward the project.

Improved fire safety will be the target for major capital investments in 2020 and 2021. Experts in the field recently identified some correctable deficiencies in our fire safety system. One major problem area is the alarm system. The alarm system is budgeted for upgrade with the reserves earmarked to fund the project. The fire alarm system and related peripherals will be a major area of Board focus early in 2020.

Another major project underway at YHT is the Injection Well Program. As most of you are aware, our ability to air condition our towers is being threatened by water purity and temperature limits imposed upon us by the Board of Water Supply. Our solution is to discharge our air conditioning chilling water into a well instead of the Ala Wai canal. We hope to be testing the quality, temperature of the water at a depth of 400 feet in a few weeks. Soil absorbency will also be tested. The results of these tests and the strategy we will pursue with the wells will be discussed at the Annual Meeting.

We are still having difficulty with our water temperatures and pressures in both Towers. We found that other critical system components such as huge storage tanks, high pressure pumps, compressors and a myriad of other parts were inadequate, past their useful life, or had completely failed. Every questionable component was replaced over the past year. With our water system fully refreshed, we should be able to re-balance our temperatures and pressures across the towers. An engineering firm is now preparing recommendations to help us resolve these nagging problems.

Major building maintenance is expensive and we are investing millions in our towers. A capital plan is a roadmap to these investments and is crucial to a sustainable, sound infrastructure. It's good business practice. Your Board developed a comprehensive reserve study which projects budgetary needs for 2020 and far beyond. The capital expenditures required to properly maintain our buildings in the future are reflected in this study. A copy of the study was attached to the November 2019 newsletter. Please review this study to understand our future investment priorities.

Based upon the reserve study we recently advised that your monthly payment for Maintenance Fees and Reserves is reduced for 2020. While the Operating Budget has increased 3% due to planned utility and services cost increases, we are able to offset these costs with reduced Reserve payments while maintaining a strong reserve posture. Your owner monthly payment for 2020 was reduced effective January 1, 2020. Your Board will look for opportunities to further reduce monthly payments in the future.

I urge you to attend the Annual Meeting on March 17, 2020. Come participate in this important session and cast your ballots in person. If you cannot attend, please return your proxy to Hawaiian Properties. One important aspect of the Annual Meeting is election of directors. Your proxy may be assigned to me, the Board, declared candidates or other owners. Our collective goal must be to elect or re-elect individuals with a clear vision for the future of our condominium community.

I want to conclude with saying that it has been a challenge and a pleasure to serve as your President this year. Thank you for the opportunity. I also want to thank everyone on the Board and the staff for their cooperation and willingness to work together as we continue to lay the groundwork for a better and safer YHT in the future.

**Respectfully,
Ron Falter**