

February 22, 2020

# VIA WEB TRANSMITTAL

Hearing Date: Tuesday, February 25, 2020

Time: 2:00 p.m.

Place: Conference Room 325

Committee on Judiciary House of Representatives, the 30th Legislature Regular Session of 2020

Re: Community Associations Institute's **Testimony in support of** HB 2562

Dear Chair Lee, Vice Chair San Buenaventura and Committee members:

I am a member of the Hawaii Chapter of the Community Associations Institute Legislative Action Committee ("CAI"). We represent the condominium and community association industry and submit this testimony in support of HB 2562, as amended and as addressed in the testimony to be submitted by Steve Glanstein to this Committee prior to the 2/25/20 hearing.

Based on the foregoing, we respectfully submit that HB 2562 should be passed out of Committee with amendments. Thank you for your time and consideration.

Sincerely yours,

/s/ R. Laree McGuire R Laree McGuire CAI LAC Hawaii



# HAWAI'I STATE ASSOCIATION OF PARLIAMENTARIANS LEGISLATIVE COMMITTEE P. O. Box 29213 HONOLULU, HAWAI'I 96820-1613

E-MAIL: STEVEGHI@GMAIL.COM

February 24, 2020

Honorable Rep. Chris Lee, Chair Honorable Rep. Joy A. San Buenaventura, Vice-Chair House Committee on Judiciary (JUD) Hawaii State Capitol, Room 325 415 South Beretania Street Honolulu, HI 96813

RE: Testimony in SUPPORT OF HB2562 HD1 with Amendments; Hearing Date: February 25, 2020 at 2:00 p.m. House conference room 325; sent via Internet

Dear Rep. Lee, Chairman; Rep. San Buenaventura, Vice-Chair; Committee Members,

Thank you for the opportunity to provide testimony on this bill. I have a prior obligation and may not be at the hearing in time to provide verbal testimony.

The Hawaii State Association of Parliamentarians ("HSAP") has been providing professional parliamentary expertise to Hawaii since 1964.

I am the chair of the HSAP Legislative Committee. I'm also an experienced Professional Registered Parliamentarian who has worked with condominium and community associations every year since I began my parliamentary practice in 1983 (more than 1,800 meetings in 37 years). I was also a member of the Blue Ribbon Recodification Advisory Committee that presented the recodification of Chapter 514B to the legislature in 2004.

This testimony is provided as part of HSAP's effort to assist the community based upon our collective experiences with the governing documents and meetings of numerous condominiums, cooperatives, and Planned Community Associations.

This testimony is presented in **SUPPORT OF HB2562 HD1 with Amendments**.

#### **Summary of Bill:**

The Bill proposed to clarify the resignation process for board members in Planned Community Associations (PCAs) and condominiums, clarify the filling of vacancies by the Board, provide a direct right to vote to PCA members individually or through their proxies, and add a specific removal requirement for removing board members from a PCA.

There were concerns expressed by several stakeholders in the CPC hearing. Therefore, we collaborated with them on a revised draft.

REP. CHRIS LEE, CHAIR; REP. JOY A. SAN BUENAVENTURA, VICE-CHAIR HOUSE COMMITTEE ON JUDICIARY (JUD) – HB2562 HD1 HEARING DATE: FEBRUARY 25, 2020; HEARING TIME: 2:00 P.M. PAGE 2 OF 2 PAGES

The suggested revised draft is attached for your consideration. We have worked together to improve the wording to clarify the method for directors to resign from the board of both condominium associations and PCAs and limit the filling of vacancies by the board.

A brief summary of the changes (rather than a recapitulation of the entire bill) is provided below.

#### Recommended HD2 Section 1:

The wording has been improved regarding the resignation process for board members from a PCA.

The wording has been improved regarding the filling of vacancies to match the Condominium Property Act, i.e. Chapter 514B.

The section entitled "§421J-\_\_\_\_ Right to vote" has been removed due to concerns that the proposed amendments were intended to address an isolated issue, and changes to this section may cause significant disruption to the election procedures of many associations, some of which have been existence for decades.

#### Recommended HD2 Section 2:

The wording has been improved regarding the resignation process for board members from a condominium board. It matches the wording for resignations in "HD2 Section 1".

#### Recommended Delete HD2 Section 3:

The wording regarding removal from the board of a PCA has been removed since it is handled in a more comprehensive manner in testimony relating to HB2563 HD1.

#### We request that you pass the bill with the attached amendments.

If you require any additional information, your call is most welcome. I may be contacted via phone: 423-6766 or through e-mail: <a href="mailto:Steveghi@Gmail.com">Steveghi@Gmail.com</a>. Thank you for the opportunity to present this testimony.

Sincerely,

# Steve Glanstein

Steve Glanstein, Professional Registered Parliamentarian Chair, HSAP Legislative Committee SG:tbs

STATE OF HAWAII

# A BILL FOR AN ACT

RELATING TO COMMON INTEREST COMMUNITIES.

### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1	SECTION 1. Chapter 421J, Hawaii Revised Statutes, is
2	amended by adding three two new sections to be appropriately
3	designated and to read as follows:
4	"§421J Board; resignation. A member of the board of
5	directors may resign from the board at any time; provided that
6	the resignation shall only be effective if the resignation is
7	presented:
8	(1) Orally at a meeting of the board of directors and
9	confirmed verbally or in writing by the presiding officer at the
10	same meeting; or
11	(2) In writing to the president or secretary of the board,
12	signed by the resigning member of the board.
13	
14	"§421J- Board; resignation. A member of the board of
15	directors may resign from the board at any time by:

1	(1) delivering written notice of resignation to the
2	association's property manager, board of directors, president, or
3	secretary;
4	(2) communicating the notice of resignation by electronic
5	mail to the association's property manager, board of directors,
6	president, or secretary at the electronic mailing address
7	designated in writing by the person receiving the electronic
8	mail; or
9	(3) providing notice during a meeting orally or in writing.
10	A resignation is effective when the notice is received, unless the
11	notice specifies a later effective date. If a resignation is made
12	effective at a later date, the board may fill the pending vacancy
13	before the effective date if the board provides that the successor
14	does not take office until the effective date.
15	
16	§421J- Board; vacancies. Notwithstanding any provision
17	in any association documents to the contrary, athe board may
18	shall only fill a vacanciesy in its membership to serve until
19	the next annual association meeting or duly noticed special
20	association meeting of the association. Notice of a special
21	association meeting to fill vacancies shall include notice of
22	the election. Any special association meeting to fill vacancies
23	shall be held on a date that allows sufficient time for owners

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1
    to declare their intentions to run for election and to solicit
2
    proxies for that purpose.
         §421J- Right to vote. Notwithstanding any provision in
3
4
    any association documents to the contrary, the right to vote at
5
    an association meeting shall be exercised by the members or
6
    through their permitted proxies. This section shall not apply
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    to the reserved developer's rights."
8
         SECTION 2. Chapter 514B, Hawaii Revised Statutes, is
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    amended by adding a new section to be appropriately designated
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    and to read as follows:
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         "$514B- Board; resignation. A member of the board of
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    directors may resign from the board at any time; provided that
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    the resignation shall only be effective if the resignation is
14
    presented:
15
    (1) Orally at a meeting of the board of directors and
16
    confirmed verbally or in writing by the presiding officer at the
17
    same meeting; or
18
      (2) In writing to the president or secretary of the board,
19
    signed by the resigning member of the board."
20
        "§514B- Board; resignation. A member of the board of
21
    directors may resign from the board at any time by:
22
         (1) delivering written notice of resignation to the
23
     association's property manager, board of directors, president, or
24
     secretary;
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1
          (2) communicating the notice of resignation by electronic
2
     mail to the association's property manager, board of directors,
     president, or secretary at the electronic mailing address
3
     designated in writing by the person receiving the electronic
4
5
     mail; or
          (3) providing notice during a meeting orally or in writing.
6
7
    A resignation is effective when the notice is received, unless the
8
    notice specifies a later effective date. If a resignation is made
9
    effective at a later date, the board may fill the pending vacancy
10
    before the effective date if the board provides that the successor
    does not take office until the effective date.
11
12
13
        SECTION 3. Section 421J-3.5, Hawaii Revised Statutes, is
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    amended to read as follows:
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    "[[]§421J-3.5 Notice required; regular annual and special
16
    meetings.[]] (a) Not less than fourteen days in advance of any
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    regular annual meeting or special meeting of an association, the
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    secretary or other officer specified in the bylaws shall give
19
    written notice of the meeting to each member of the association
20
    as provided in the bylaws of the association or by two or more
21
    of the following means:
22
    (1) Hand delivery;
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1	(2)	United States mail sent to the mailing address of each
2		unit or to another mailing address designated in
3		writing by the association member;
4	(3)	Electronic mail to the electronic mailing address
5		designated in writing by the association member; or
6	(4)	Posting of the meeting notice in its entirety on a
7		portion of the association's website that is
8		accessible to all members.
9	(d)	Notice pursuant to this section shall state:
10	(1)	The date, time, and place of the meeting; and
11	(2)	The items on the agenda, including the general nature
12		of and rationale for any proposed amendment to the
13		declaration or bylaws; any proposal for a special
14		assessment, unless the authority for a special
15		assessment is otherwise provided for in the
16		association's governing documents; and any proposal to
17		remove a member of the board.
18	<u>(c)</u>	To remove a member of the board or any committee, a
19	proposal	to remove the member of the board shall be included in
20	the notic	e of the meeting. The proposal shall be included on
21	the notic	e upon written request of any association member made
22	at least	fourteen days prior to the distribution of the notice
23	for the m	<del>leeting.</del>

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1 ______(d) The requirements of this section shall not be
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- 2 interpreted to preclude any association member from proposing an
- 3 amendment to the declaration or bylaws [or proposing to remove a
- 4 member of the board at an association meeting].
- 5 [(d)] (e) The requirements of this section shall not be
- 6 interpreted to apply to any board meetings or committee meetings
- 7 of a planned community association."
- 8 SECTION 43. Statutory material to be repealed is bracketed
- 9 and stricken. New statutory material is underscored.
- 10 SECTION  $\frac{54}{4}$ . This Act shall take effect on July 1, 2050.

#### Report Title:

Common Interest Communities; Planned Community Associations; Condominium Associations; Removal; Vacancies; Right to Vote; Board of Directors

#### Description:

Specifies the manner in which a member of a board of a planned community association or condominium association may resign. Limits a planned community association board's ability to fill a vacancy. Clarifies the right to vote in planned community association matters. Requires any proposal to remove a board member of a planned community association be noticed and the proposal to remove included on the meeting notice, upon 14 days' request by an association member. Takes effect on 7/1/2050. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



February 24, 2020

Representative Chris Lee, Chair Representative Joy A. San Buenaventura, Vice Chair Members of the House Committee on Judiciary Thirtieth Legislature, Regular Session of 2020

RE: HB 2562, HD1 – RELATING TO COMMON INTEREST COMMUNITIES Hearing Date: February 25, 2020 at 2:00 p.m.

Aloha Chair Lee and Members of the Committee on Judiciary,

Mahalo for the opportunity to submit testimony on behalf of D.R. Horton Hawaii LLC ("D.R. Horton") in **OPPOSITION** to HB 2562, HD1 – RELATING TO COMMON INTEREST COMMUNITIES. D.R. Horton is one of Hawaii's largest home builders and has been working on projects throughout Hawaii for decades.

HB 2562, HD1 puts stringent requirements on the operations of planned community associations governed by HRS Chapter 421J by: (1) specifying the manner in which a member of an association board may resign; (2) limiting an association board's ability to fill a vacancy or remove a board member, and (3) overhauling voting of an association, irrespective of size, by implementing a "right to vote" provision.

Specifically, with regards to the "right to vote," HB 2652, HD1 would require the right to vote at an association meeting to be exercised by the members or through their permitted proxies. This provision will eliminate the "voting member" process in the bylaws of many associations, which system protects homeowners by assuring representation from all communities within a master community rather than the few members who customarily participate in association matters. Requiring voting by the members will also result in expensive compliance for associations, many of whom have thousands of members. Among other things, an association will have to plan to house a meeting place for thousands of members annually notwithstanding that only a small percentage of members will attend. It will also radically change the way associations have operated and may constitute an unlawful impairment of contract. We strongly urge you to remove this requirement or defer HB 2652, HD1.

Mahalo for your consideration,

Michael L. Iosua, Partner Imanaka Asato, LLLC

# CASE LOMBARDI & PETTIT

A LAW CORPORATION

Lissa H. Andrews David G. Brittin Lisa K. Broulik Michelle J. Chapman James M. Cribley Stacey W.E. Foy Adelbert Green Michael L. Lam

Dennis M. Lombardi† Michael R. Marsh Jon M.H. Pang Ted N. Pettit, Ph.D. Lauren R. Sharkey Mark G. Valencia Nancy J. Youngren John D. Zalewski

† A Law Corporation
Daniel H. Case (1925-2016)

PACIFIC GUARDIAN CENTER, MAUKA TOWER 737 BISHOP STREET, SUITE 2600 HONOLULU, HAWAII 96813-3283

TELEPHONE: (808) 547-5400 FACSIMILE: (808) 523-1888 E-mail: info@caselombardi.com http://www.caselombardi.com

Matthew A. Cohen Mark J. Driessen Harrison K. Goo Jana M. Naruse Ellen A. Swick Stephanie M. Teece Steven E. Tom

Maria Amparo Vanaclocha Berti

Of Counsel John R. Dwyer, Jr. Gregory M. Hansen Frederick W. Rohlfing III

February 24, 2020

Representative Chris Lee, Chairperson Representative Joy A. San Buenaventura, Vice Chairperson House Committee on Judiciary House of Representatives, 30<sup>th</sup> Legislature, Regular Session of 2020 Hawaii State Capital 415 South Beretania Street Honolulu Hawaii 96813

Re: Testimony in OPPOSITION TO HB2562, H.D. 1 "Right to Vote"

Hearing: 2:00 pm, February 25, 2020

Dear Chairperson Lee, Vice-Chair San Buenaventura and Committee members:

Thank you for the opportunity to provide testimony on this bill.

Case Lombardi & Pettit has provided housing and community development expertise in Hawaii for over 150 years.

We believe the intent of Hawaii Revised Statutes Chapter 421J is to create a statutory mechanism to enhance member participation in the affairs and governance of their planned communities. The proposal under HB 2562 to amend HRS Chapter 421J to provide that "[n]otwithstanding any provision in any association documents to the contrary, the right to vote at an association meeting shall be exercised by the members or through their permitted proxies," although well-intended, will render as illegal a reasonable, pragmatic solution that is already in place — and working — to enhance member participation, in favor of a fundamentally flawed system that will create a untenable burden on large communities and is likely to undermine homeowner participation through minuscule quorum requirements.

Existing systems protect homeowners and enhance member participation: Many large communities — those consisting of 1,000 or more members and made up of multiple subcommunities — use a "voting representative" system, whereby all homeowners are members of a "master" association under HRS Chapter 421J, but a single person represents the subcommunity at the master community level. The voting representative has the potential to vote the entire interest held by the sub-community, but each homeowner (i) receives notice of the master community meeting and the agenda, and (ii) is entitled to direct the voting representative as to how to vote such member's interest. For any portion of the sub-community interest for which the voting representative does not receive direction, the voting representative is entitled to vote such interest in the best interests of the sub-community.

The benefits of a voting representative system are as follows: (1) the master community can reasonably plan a meeting of 30 to 100 people without sacrificing the ability of each member to contribute and have their view known; (2) each unit owner member has notice and an

Testimony opposed to HB2562 "Right to Vote" February 24, 2020 Page 2

opportunity to direct their vote; and (3) a reasonable quorum standard can be used (e.g., 40-60%). Just as important, a voting representative system assures a much broader representation of the communities involved than what will eventuate under the bill as proposed.

In contrast, under the misnamed "right to vote" proposed amendment, those benefits are lost.

The proposed legislation will result in a morass: Under the misnamed "Right to Vote" proposed legislation, all 421J associations, large and small, must plan for an annual meeting of all members – even if the association is in excess of 10,000 members.

- Proponents of the "right to vote" proposal suggest that only a fraction of members typically attend an annual meeting. This is true. However, this does not excuse the obligation of the association to <u>plan</u> annual meetings for all members to attend. If a community is conservative, and plans to have all members attend, it is likely the community will incur needless expense. On the other hand, if a community reasonably expects 50 owners to attend an annual meeting and reserves space, prepares ballots, and otherwise plans accordingly, but 500 owners actually show up, the meeting may have to be postponed, causing unneeded expense. Thus, the association is placed in an unwinnable situation.
- Proponents of the "right to vote" proposal suggest the solution is for associations to have a very small quorum 20 to 30 people, regardless of the size of the community. Accordingly, a small minority that satisfy quorum could actively plan to exclude the majority of owners from an annual meeting. It is inequitable for a tiny minority to be structurally empowered to control a much larger community, and contrary to the legislature's intent to enhance participation. Nonetheless, such a result is almost certain under the proposed legislation.

**Preserve homeowners' rights**: It is our position the proposed legislation is unnecessary. However, if the legislature finds it important to provide additional protections in HRS Chapter 421J that ensures members' right to vote, we suggest the following revision (additions underlined, deletions not shown):

Notwithstanding any provision in any association documents to the contrary, the right to vote at an association meeting shall be exercised by the members, or through their permitted proxies, or through a voting representative as designated in the association documents. This section shall not apply to the reserved developer's rights.

We ask that you delete the "Right to Vote" provision from HB 2562 H.D. 1, or revise the "right to vote" with the suggested language.

We are happy to provide the Committee with additional information. Please contact the undersigned at (808) 547-5400 with any request.

Very truly yours,

CASE LOMBARDI & PETTIT

Dennis M. Lombardi

Submitted on: 2/24/2020 2:43:28 PM

Testimony for JUD on 2/25/2020 2:00:00 PM



Submitted By	Organization	Testifier Position	Present at Hearing
Jane Sugimura	Hawaii Council for Assoc. of Apt. Owners	Support	No

#### Comments:

Hawaii Council of Community Associations supports the intent and purpose of this bill and incorporates by reference the testimony of Steven Glanstein insupport of this bill.

<u>HB-2562-HD-1</u> Submitted on: 2/22/2020 10:27:36 AM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Emery	Associa	Support	No

# Comments:

The Bill is needed to clarify voting issues.

Submitted on: 2/23/2020 11:29:26 AM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted l	By Org	anization	Testifier Position	Present at Hearing
Jeff Sadino	o In	dividual	Oppose	No

#### Comments:

Chair Lee, Vice Chair San Buenaventura, and Members of the Committee,

I **OPPOSE** HB 2562 HD 1 relating to COMMON INTEREST COMMUNITIES in its **CURRENT** form.

I would **SUPPORT** this Bill if Section 2 relating to HRS 514B were amended so that a Board Member can **resign only through Writing and not simply Orally.** 

A Board whose majority habitually disagrees with one Board Member could simply state the Board Member gave their resignation Orally and there would be no way to prove otherwise. A written statement of resignation signed by the resigning Board Member is not an unreasonable burden on the Board Member and would provide a written paper trail.

Thank you for the opportunity to testify,

Jeff Sadino

# Sandra-Ann Y.H. Wong

Attorney at Law, a Law Corporation

1050 Bishop Street, #514 Honolulu, Hawaii 96813

## TESTIMONY IN OPPOSTION TO SECTION 2 HB 2562, HD1

Before the Committee on Judiciary on Wednesday, February 12, 2020 at 2p.m. in Conference Room 325

Aloha Chair Lee, Vice Chair San Buenaventura, and members of the Committee:

I have been a condominium owner in Hawaii for the last 28 years and I have served both past and present on my condominium boards.

I am in opposition to Section 2 as it is currently drafted and respectfully request:

**First choice:** That the Committee delete this Section for further discussion by stakeholders. The current language in Section 2 seems to forget a very important point, members of a condominium Board are all volunteers, thus, no law or person should prevent them from resigning from the Board if they so choose.

**Second choice:** If the Committee is inclined to pass out this Bill, I would respectfully request that the language be amended as follows:

A member of the board of directors may resign from the board at any time.; provided that the resignation shall only be effective if the resignation is presented:

- (1) Orally at a meeting of the broad of directors and confirmed verbally or in writing by the presiding officer or by motion of the board at the same meeting; or
- (2) <u>In writing to the president or secretary of the board, signed by the resigning member of the board."</u>

**Third choice:** I would request that the bill be amended as follows:

- (1) Orally at a meeting of the broad of directors and confirmed verbally or in writing by the presiding officer or by motion of the board at the same meeting; or
- (2) <u>In writing to the president or secretary of the board, signed by the resigning member of the board.</u>"

The amendment to subsection (1) is necessary in cases where the presiding officer has his/her own agenda or is ineffective. The amendment to subsection (2) takes into account that most Board members communicate with each other via email, thus, no signature should be required.

Thank you for the opportunity to provide Testimony in Opposition but offering amendments if the Committee is inclined to pass out the Bill.

Submitted on: 2/24/2020 10:35:44 AM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing	
Anne Anderson	Individual	Support	No	

#### Comments:

Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

I support the intent of H.B. 2562, H.D.1, but believe that it needs to be amended. I support the changes proposed by the Hawai'i State Association of Parliamentarians Legislative Committee and ask the committee to approve the bill with those changes.

Respectfully submitted,

Anne Anderson

Submitted on: 2/24/2020 10:44:28 AM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark McKellar	Individual	Support	No

#### Comments:

Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

I support the intent of H.B. 2562, H.D.1, but believe that it needs to be amended. Isupport the changes proposed by the Hawai'i State Association of Parliamentarians Legislative Committee and ask the committee to approve the bill with those changes.

Respectfully submitted,

Mark McKellar

Submitted on: 2/24/2020 11:09:23 AM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Bradford Lee Hair	Individual	Support	No

#### Comments:

Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

I support the intent of H.B. 2562, H.D.1, but believe that it needs to be amended. I support the changes proposed by the Hawai'i State Association of Parliamentarians Legislative Committee and ask the committee to approve the bill with those changes.

Respectfully submitted,

Bradford Lee Hair

Submitted on: 2/24/2020 1:38:01 PM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing	
Lance S. Fujisaki	Individual	Support	No	

#### Comments:

Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

I support the intent of H.B. 2562, H.D.1, but believe that it needs to be amended. We support the changes proposed by the Hawai'i State Association of Parliamentarians Legislative Committee and ask the committee to approve the bill with those changes.

Respectfully submitted,

Lance Fujisaki





Submitted on: 2/24/2020 2:17:04 PM

Testimony for JUD on 2/25/2020 2:00:00 PM



Submitted By	Organization	Testifier Position	Present at Hearing	
mary freeman	Individual	Support	No	Ì

#### Comments:

Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

I support the intent of H.B. 2562, H.D.1, but believe that it should be amended. I support the changes proposed by the Hawai'i State Association of Parliamentarians Legislative Committee and ask the committee to approve the bill with those changes.

Respectfully submitted,

Mary S. Freeman

Ewa Beach

Mary S. Freeman

Ewa Beach



Submitted on: 2/24/2020 2:21:45 PM

Testimony for JUD on 2/25/2020 2:00:00 PM

Submitted By	Organization	l estifier Position	Present at Hearing
Rachel Glanstein	Individual	Support	No

#### Comments:

I'm a practicing parliamentarian. The issues of:

- 1. resignation in both condominium and planned community associations;
- 2. filling of vacancies in planned community associations;
- 3. cumulative voting in planned community associations; and
- 4. resignations in both types of organizations

have been interpreted differently by different attorneys. It can turn effective annual meetings into a forum search by the board of directors. I support the proposed changes by the Hawaii State Association of Parliamentarians to address these issues.



Dear Rep. Lee, Chair, Rep. San Buenaventura, Vice Chair, and Members of the Committee:

I support the intent of H.B. 2562, H.D.1, but believe that it needs to be amended. I support the changes proposed by the Hawai'i State Association of Parliamentarians Legislative Committee and ask the committee to approve the bill with those changes.

Respectfully submitted,

Chandra R.N. Kanemaru