



Friends of Princeville Director Recall Position Paper

PHCA Director Recall Votes

The Princeville at Hanalei Community Association membership may soon be asked to vote on efforts to remove three members of the PHCA Board of Directors. One effort seeks the removal of Director Rose Krebs. A separate effort seeks the removal of Board Chair Patti Thiele and Vice President Dale Sands. **Friends of Princeville recommends that members:**

RETAIN Director Rose Krebs REMOVE Chair Patti Thiele REMOVE Vice President Dale Sands

Our recommendations are not based on personalities and they do not reflect an effort to replace one faction of the community with another. We have reached different conclusions about the three directors because the circumstances and reasons for the two recall efforts are different.

Who is Friends of Princeville

Friends of Princeville is an independent group of long-term Princeville owners and residents. Members of our group have participated in PHCA committees, attended Board meetings, followed Association issues for years, and worked on questions involving governance, infrastructure, planning, procurement and community policy. We care about Princeville both as a community and as a substantial personal and financial investment for its owners. We do not represent PHCA and do not claim to speak for every homeowner. Our purpose is to provide information, explain our position and offer our recommendation to the membership.

What a recall means

Director removal in a Hawai'i planned community is governed principally by Hawai'i Revised Statutes §421J-3.3. PHCA's Bylaws also address removal in Article III, Section 2. A director may be removed with or without cause. That distinction is important. The law gives members the legal ability to remove a director without establishing a formal legal cause. It does not follow that members should exercise that power without a persuasive reason.

A recall is an unusual action because it overturns the result of a regular election before the director's term has expired. We therefore believe members should ask a basic question in every recall: What has this director done that justifies removing him or her before the next regular election? That question leads us to different conclusions regarding Rose Krebs on one hand and Patti Thiele and Dale Sands on the other.

Why we recommend retaining Rose Krebs

Our position is not that Rose Krebs must be retained because Hawai'i law requires the petitioners to establish legal cause. It does not. Our position is simpler: The petitioners have not presented a persuasive reason to remove her. Ms. Krebs was duly elected by the PHCA membership. Since joining the Board, she has demonstrated an independent approach to her responsibilities. She has disagreed at times with other directors. She asked pointed questions. She challenged decisions when she believed additional information, analysis or due diligence was necessary. That is not misconduct. It is part of the role of a director.



A Board composed only of directors who routinely agree with each other would provide little meaningful oversight. A functioning Board benefits from independent judgment, questions and constructive disagreement. In our observation, Ms. Krebs has exercised that independence professionally.

The allegations advanced in support of her recall are also disputed. Ms. Krebs has issued a detailed response contesting them which is posted on the Association's online social feed. Members may reach their own conclusions regarding those competing statements, but they should recognize that the accusations are not established findings of misconduct. **We therefore return to the central question:** Has the membership been given a sufficient reason to overturn the election of Rose Krebs before her term ends? **We do not believe it has.**

The broader context of the Krebs recall

The recall effort also needs to be understood within the continuing dispute involving Starwood, the Makai golf-course property and the Save Open Space Hui, or SOSHui. SOSHui has publicly supported the effort to remove Ms. Krebs and has advocated for a different PHCA position regarding Starwood and the private Mull/White litigation. Members may reasonably differ about Starwood, development and the future of the Woods Course. Those disagreements are legitimate. **Our concern is broader: PHCA must represent the entire membership.**

We should not allow one group to gain Board control to advance a private legal dispute. ***Friends of Princeville*** believes that PHCA should independently evaluate any matter involving Starwood based on the interests of the entire Association, including obtaining legal advice when necessary and considering costs, risks and alternatives. We oppose committing Association funds to subsidize private litigation or an outside agenda without concluding that the funds will serve the entire membership. Therefore, **we recommend voting to retain Rose Krebs.**

Why we recommend removing Patti Thiele and Dale Sands

Our position regarding Chair Patti Thiele and Vice President Dale Sands is based on a different standard: their performance as leaders of the Board. We believe their leadership has fallen short in three areas directly affecting the membership: **Stewardship, Communication, and Execution**, extending well beyond the Starwood dispute.

Stewardship of member funds

PHCA operates with dues collected from its members. The Board therefore has a responsibility to make spending decisions carefully, compare alternatives and document the basis for its decisions. PHCA has its own Procurement and Bidding Policy, calling for free and open competition, price comparisons and documented evaluation. Purchases above \$10,000 should generally receive at least two bids, with three to five bids recommended above \$25,000. This reflects usual business discipline. We believe the Board has not applied that discipline consistently. A recent example occurred at the August 21 Board meeting involving the retention of additional legal counsel. The Board majority approved engaging the firm even after the General Manager acknowledged that due diligence on the firm had not been completed and members requested additional review before the decision was made. Our concern is not the identity of that particular law firm. It is the decision-making process. When PHCA commits substantial Association funds to professional services, members should expect appropriate due diligence, consideration of alternatives and a documented basis for the decision. The same principle should apply to infrastructure projects, maintenance contracts and other major expenditures.



Legal advice and transparency

Legal advice is sometimes necessary. PHCA operates under governing documents, Hawai'i law, contractual obligations and complicated disputes. Our concern is not that the Board seeks legal advice. It is how that advice is used and communicated. The Board has obtained legal opinions on significant matters affecting the Association, yet members have often received little information about the conclusions reached or how those opinions affected Board decisions. Legal advice should inform independent Board judgment, not simply support a position already taken. When PHCA pays for significant legal review, members should receive, to the extent permitted by attorney-client privilege, a plain-language explanation of the issue considered, the general conclusion reached, and how that advice affected the Board's decision. **Members should not have to pay for important legal opinions and then be left uncertain about what those opinions concluded.**

Communication with the membership

PHCA is confronting important questions involving finances, development, infrastructure, litigation and the future of the community. Communication with members has nevertheless remained limited and episodic. Owners should not have to attend several-hour Board meetings or reconstruct decisions from scattered documents to understand what their Association is doing, including the general conclusions of significant legal reviews paid for by the Association. Members should receive regular, plain-language information about:

- major expenditures and contracts;
- major projects and their status;
- significant and legal issues and the general conclusions of material legal reviews;
- upcoming decisions;
- project schedules and delays; and
- the Board's priorities for the community.

Transparency does not require publishing every internal discussion, but it does require giving members enough information to understand how their money is being used and how important decisions are being made. **We believe the current Board leadership has not met that standard.**

Execution and long-term planning

Princeville is now a mature planned community. Our roads, pathways, landscaping, drainage systems, common facilities and other infrastructure require continuing maintenance and periodic major investment. PHCA therefore needs to manage two time horizons simultaneously: It must maintain what we have today while planning for what the community will require five, ten and fifteen years from now. We believe too many planned maintenance activities and Association projects have moved slowly, without sufficiently visible schedules, priorities and accountability.

Members should be able to see a practical plan that answers four simple questions:

- **What are we going to do?**
- **When are we going to do it?**
- **What will it cost?**
- **How will we pay for it?**

That should apply both to routine maintenance and to longer-term capital needs.

Leadership matters

Board decisions are collective. We do not attribute every PHCA problem or every disputed decision to Patti Thiele and Dale Sands individually. But leadership carries additional responsibility. The Chair establishes much of the Board's operating tone, controls the conduct and organization of meetings, and has significant influence over how and when matters are brought forward for decision. The Vice President



is part of that leadership structure and participates in those decisions. We believe Ms. Thiele and Mr. Sands have supported a style of governance that has produced **insufficient financial discipline, inadequate communication, insufficient transparency in the use of legal advice, and too little visible progress on maintenance and longer-term planning.** Mr. Sands has also publicly indicated that he intends to seek another Board term. In our view, PHCA's present workload requires directors who can provide sustained engagement with the community and its day-to-day issues. For these reasons, we recommend voting to remove Patti Thiele and Dale Sands.

This should not become a contest between factions

Friends of Princeville does not believe the answer to PHCA's governance problems is to replace one faction with another. The Starwood controversy is important. It is not the only issue facing Princeville. PHCA represents owners with different views about development, open space, assessments, vacation rentals, infrastructure, maintenance and community priorities. A healthy Board should include independent directors who can disagree civilly and reach decisions after considering the interests of the entire membership:

- Board members should ask difficult questions.
- They should insist upon due diligence.
- They should control costs.
- They should communicate with members.
- And they should execute a practical plan for maintaining and protecting Princeville.

That is the standard we are applying to all three recall questions.

Our recommendation

- **Rose Krebs — RETAIN:** No persuasive case has been made for overturning her election before the end of her term. She has acted as an independent director, and disagreement with other Board members or organized groups is not sufficient reason to remove her.
- **Patti Thiele — REMOVE:** We believe PHCA needs different leadership in financial stewardship, procurement discipline, communication, planning and execution.
- **Dale Sands — REMOVE:** For the same governance reasons, we believe PHCA needs a more engaged and accountable leadership team.

Please participate

If these recall questions proceed, PHCA should provide the official meeting notice, voting instructions, voting threshold and proxy procedures. *Friends of Princeville* will post the relevant information at www.friendsofprinceville.com when it becomes available. Recall elections can be determined by a relatively small portion of the membership. Whatever your position, please do not leave these decisions to the most organized group of voters. ***Read the information. Consider the arguments. And vote.***

Princeville belongs to the full membership. Its Board should govern that way.

Send questions or comments to: bernard@friendsofprinceville.com

Friends of Princeville
www.friendsofprinceville.com