

STANFORD M. J. MANUIA
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November 22, 2016

Don S. Guzman
Chairman
Economic Development, Energy,
Agriculture, and Recreation
Committee
County Council
County of Maui
200 S. High Street
Honolulu, Hawaii 96793

Subject: Friends of Moku'ula's response to Chairman
Guzman's request dated November 18, 2016
RE Lease and License of County-Controlled
Parcels to Friends of Moku'ula, Inc.
(Lahaina)[EAR-2]

Dear Chairman Guzman:

This responds to yours of November 18, 2016 requesting a written response by November 22, 2016. More specifically, this reports that the completion of a comprehensive financial management audit of Friends of Moku'ula and its subsidiary, Ka Lua O Kiha is pending, and FOM's Executive Director, Blossom Feiteira is not available on November 29, 2016.

Friends of Moku'ula and Ka Lua O Kiha recently changed accounting firms and hired Kawahara+Hu, LLC Certified Public Accounts. The change permits Mimi Hu, CPA to continue to work on FOM's comprehensive financial management audit, and FOM does not have to start all over with another CPA firm.

ORIGINAL

Don S. Guzman
Chairman
Economic Development, Energy, Agriculture, and Recreation
Committee
November 22, 2016
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On November 11, 2016 FOM Executive Director Feiteira signed an engagement letter retaining the services of Kawahara+Hu, LLC, Certified Public Accountants to assume the contractual responsibilities previously assigned to Levin & Hu, CPAs. An executed copy of the new engagement letter is attached for your consideration.

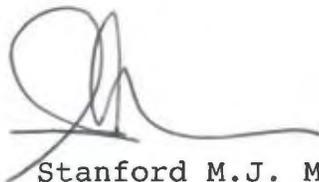
At this point, the comprehensive financial management audit has not been completed by Kawahara+Hu, LLC.

FOM Executive Director Feiteira is not available on November 29, 2016 because of a previous commitment to facilitate a conference off island. She returns to Maui next Wednesday, November 30, 2016.

In view of the foregoing, FOM will continue to remain available to you and your Committee, and will notify you when Kawahara+Hu, LLC complete the comprehensive financial management audit.

Thank you for your assistance in this matter. Please feel free to contact the undersigned if there are any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Stanford M.J. Manuia', with a long horizontal flourish extending to the right.

Stanford M.J. Manuia

Enclosure: November 11, 2016 audit engagement letter

cc: Sharon Brooks, Esq., Legislative Counsel
Kimo Falconer, President, Friends of Moku'ula
Blossom Feiteira, Executive Director,
Friends of Moku'ula
Kawahara+Hu, LLC, Certified Public Accountants

ORIGINAL



November 11, 2016

Board of Directors
Friends of Moku'ula and Ka Lua O Kiha, Inc.
505 Front Street, Suite 221
Lahaina, HI 96761

Subject: Audit and Other Services Proposal for Friends of Moku'ula and Ka Lua O Kiha, Inc. (A Non-Profit Organization) for the Years ended June 30, 2015, 2016, and 2017

Dear Directors:

We are pleased to confirm our understanding of the services we are to provide for Friends of Moku'ula and Ka Lua O Kiha, Inc. for the years ended June 30, 2015, 2016, and 2017.

SCOPE OF AUDIT

We will audit the financial statements of Friends of Moku'ula and Ka Lua O Kiha, Inc. ("Organization") which comprise the statements of financial position as of June 30, 2015, 2016, and 2017 the related statements of activities, functional expenses, and cash flows for the years then ended, and related notes to the financial statements:

Audit Objective

The objective of our audit is the expression of an opinion about whether the Organization's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the Organization's financial statements. Our report will be addressed to the Board of Directors of the Organization. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence. We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws and regulations.

You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

The Organization agrees to perform the following functions in connection with our firm's provision of the bookkeeping services:

1. Make all management decisions and perform all management functions, including determining account codings and approving all proposed journal entries;
2. Designate an individual, preferably from senior management, with suitable skill, knowledge, or experience to evaluate the adequacy and results of the services;
3. Accept responsibility for the results of the bookkeeping services, including journal entries, general ledger, and trial balances; and
4. Establish and maintain internal controls over the bookkeeping process.

You are required to disclose in the financial statements the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date subsequent event note earlier than the date of the management representation letter.

OTHER SERVICES

We will prepare the Organization's federal and state tax returns for the period ended June 30, 2015, 2016, and 2017 based on information provided by you. We will also prepare the financial statements in conformity with U.S. generally accepted accounting principles based on information provided by you and propose various adjusting journal entries. The 1120 corporate tax return for Ka Lua O Kiha, Inc. for the fiscal year end June 30, 2015 was prepared by Christine Riecke-Gonzales, CPA, LLC.

Bookkeeping and Tax Procedures

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statements and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will not perform management functions or make management decisions on behalf of the Organization. However, we will provide advice and recommendations to assist management of the Organization in performing its functions and making decisions. We will advise management with regards to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

Privileged Communication

In accordance with federal law and under no circumstances will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the due date of the return. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone or by turning over information about those communications to the government, you, your employees, or agents, may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside advisor's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

The return(s) may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax return(s).

Record Retention

It is our policy to keep records related to this engagement for seven (7) years. However, we do not keep any of your original records and will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies.

Audit and Other Services Fees

Robert Kawahara is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Based on our preliminary estimates, the fee should approximate \$12,000 per year for the audit and the preparation of the tax returns for both Organizations. Our fee for bookkeeping is based on the actual hours worked at our standard hourly rates. Hourly rates vary from \$75 to \$300 depending on the staff member providing the services. We shall charge the applicable Hawaii General Excise Tax on all fees.

Our fee will also include any travel and other out-of-pocket costs such as report production, typing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur the additional costs.

Our fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur the additional costs.

Our invoices, for these fees will be rendered periodically as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes sixty days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Use of Firm's Name

You agree that you will not use our firm's name or the name of an employee of the firm in a communication containing a financial presentation without the written permission of our firm nor will you allow personnel of the organization to do so. If you do use our firm name or the name of an employee of the firm in a communication containing a financial presentation, you agree to include an "auditor's report" or a "disclaimer" on the financial presentations that we so specify. Further, you agree to provide us with printers' proofs or masters of any document that contains our firm name or the name of an employee of the firm and a financial presentation for our review and approval before printing of the document. You also agree to provide us with a copy of the final reproduced material that contains the firm's name and/or the name of an employee of the firm and a financial presentation(s) for our approval before it is distributed.

Privacy

CPAs, like all providers of personal financial services, are required by law to inform their clients of their policies regarding privacy of client information. We consider your privacy extremely important. We collect nonpublic information about you that is provided to us by you or obtained by us from third parties with your authorization. It is our policy not to disclose any nonpublic personal or privileged financial information to any third parties without your permission as required or permitted by law, except as noted below. Legally permitted disclosures include, for instance, providing information to our employees, and in limited situations, to unrelated third parties who need to know that information to assist us in providing services to you. In all such situations, we stress the confidential nature of information being shared.

Indemnification, Defend, Protect and Hold Harmless

You agree to fully defend, protect, hold harmless and indemnify Kawahara + Hu, LLC against any and all liabilities or lawsuits or claims or legal proceedings arising from this engagement and services performed that are in any way caused or related to either in whole or in part by any misrepresentation or erroneous or false information or inaccurate or unsupported financial figures provided or supplied to Kawahara + Hu, LLC by either you, your employee, or director and/or officer. You understand that the accuracy of information and representations obtained from you are your responsibility to substantiate or verify and that Kawahara + Hu, LLC is relying upon said information in order to perform and complete this engagement.

Documentation Retention Policy

The audit documentation for this engagement is property of Kawahara + Hu, LLC and constitutes confidential information. It is our policy to keep records related to this engagement for seven (7) years. However, we do not keep any of your original records and will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies.

By signing this engagement letter, you acknowledge and agree that upon expiration of the seven-year period, we are free to destroy our records related to this engagement.

Subpoena of Documents

As a result of our services to you, we may be required to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part

of this engagement and we shall be entitled to additional compensation for our time and reimbursement of our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

Representation Letter

Before we issue our report and the financial statements we have prepared for the Organization, we will require a letter known as a representation letter from the Organization confirming oral representations made to our firm by the Organization's personnel during the course of our engagement. This representation letter must be signed by the Executive Direction. You agree that our report on the financial statements and the financial statements we have prepared for the Organization will not be issued or delivered to the Organization until the representation letter has been appropriately signed.

Mediation, Arbitration and Ethical Standards

Any other controversy, claim, or dispute between you (client) and us (Kawahara + Hu, LLC) relating in any way to our services, expenses or charges; any claims of professional negligence, malpractice, or breach of contractual, legal, fiduciary or ethical duty; this agreement or Scope of Engagement Letter or any related matters shall be first submitted to mediation administered by either Dispute Prevention & Resolution, Inc. ("DPR") in Honolulu or by any other mediator or mediation service as agreed to between you and us pursuant to its then-applicable rules for such a mediation. Any claim, dispute or controversy between you and us that is not resolved by mediation will be finally and bindingly determined by arbitration administered by DPR in Honolulu, Hawaii under its then-applicable rules for the arbitration of such disputes or by any other arbitrator or arbitration services as agreed to between you and us. The arbitrator will have the authority and discretion to determine and award reasonable attorneys' fees, arbitration fees and costs to the prevailing party. The decision of the arbitrator will be final, binding, and enforceable as and by a judgment of any court with jurisdiction over it pursuant to Chapter 658A of the Hawaii Revised Statutes, as amended. You and we understand and agree that in agreeing to final and binding arbitration of any disputes, claims, and controversies between us, we are giving up rights to obtain information before the arbitration hearing, to trial by jury and to appeal as provided in the legal rules and procedures that apply to court lawsuits, and that we make this arbitration agreement knowingly and voluntarily to obtain the informality and finality of the arbitration process.

Termination of Engagement

This agreement may be terminated by either of us at any time. In the event you terminate this arrangement, you agree to be responsible for all fees and charges incurred through the date of termination, and we agree to work with you to provide for an orderly transition of this matter. If we terminate this arrangement, our termination will be consistent with the terms of our Code of Professional Responsibility and any applicable Treasury or Internal Revenue Service regulations.

Friends of Moku'ula and Ka Lua O Kiha, Inc.
November 11, 2016
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We appreciate the opportunity to be of service to you. We believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



Robert Kawahara, CPA
Principal
Kawahara + Hu, LLC

RESPONSE:

This letter correctly sets forth the understanding of the Board of Directors of Friends of Moku'ula and Ka Lua O Kiha, Inc.

Officer signature: *Blossom Feiteira*

Print Name: BLOSSOM FEITEIRA

Title: EXECUTIVE DIRECTOR

Date: 11.11.2016

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

Councilmembers
Gladys C. Baisa
Robert Carroll
Elle Cochran
Don Couch
Stacy Crivello
Riki Hokama



Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

November 18, 2016

Stanford M.J. Manuia, Esq.
701 Bishop Street
Honolulu, Hawaii 96813

VIA FIRST-CLASS MAIL AND EMAIL (stanfordmanuia.aal@aol.com)

Dear Mr. Manuia:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

The Maui County Council's Economic Development, Energy, Agriculture, and Recreation Committee continues to review the Friends of Moku`ula's ("FOM") operation of the parking lot concession on County-controlled real property in Lahaina, Maui, pursuant to Section 10 of the Lease and License, dated January 2, 2002, as amended.

At its meetings of October 13, 2015, and November 3, 2015, the Committee requested, and FOM promised to provide by January 2016, a comprehensive financial and management audit of FOM and its subsidiary, Ka Lua O Kiha, from Levin & Hu, LLP, as well as a copy of FOM's contract with the auditor and confirmation that FOM would provide all documents requested by the auditor.

The Committee has not received the audit or the contract.

While FOM produced an engagement letter from Levin & Hu, LLP to FOM for a basic financial audit on March 1, 2016, the letter did not include any terms the Committee had requested to address the fundamental issues. **Moreover, FOM has not produced the audit to date.**

Further, you were present at the Committee's meeting on March 15, 2016, when Committee members expressed difficulty and frustration in obtaining information from FOM necessary for the Committee's review of FOM's operation of the parking lot concession. Because FOM had not produced the requested

Stanford M.J. Manuia, Esq.
November 18, 2016
Page 2

information, the Committee deferred the matter, again delaying its review of FOM's operation of the parking lot concession.

By letter dated March 18, 2016, the Committee requested that you, as FOM's attorney, work with FOM to produce a dollar-for-dollar detailed tracking of the gross proceeds of the parking concession for Fiscal Years 2010-2015, which had been requested by letter to FOM's Executive Director on March 11, 2016.

On April 14, 2016, you advised the Committee that FOM would submit its response to the Committee's earlier requests on April 11, 2016. However, no further response has been received.

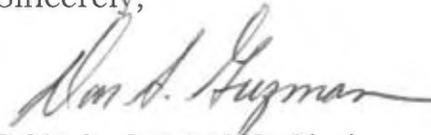
Please note the Committee is still awaiting *full* production of documents requested from FOM by correspondence to FOM's Executive Director or to you, dated September 22, 2015, October 23, 2015, December 21, 2015, February 23, 2016, March 11, 2016, and March 18, 2016. Copies of the letters are attached.

May I ask that you work with your client to provide this Committee with the requested information, including the comprehensive audit, for review at the Committee's next scheduled meeting?

I intend to schedule this matter for consideration by the Committee on November 29, 2016, and I would, therefore, appreciate receiving a written response by **November 22, 2016**. To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Should you have any questions, please contact me or the Committee staff (Sharon Brooks at (808) 270-7137, or Pauline Martins at (808) 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

ear:ltr:002a09:scb

Attachments

cc: Blossom Feiteira, Executive Director, Friends of Moku'ula, Inc.
Mayor Alan M. Arakawa
Director of Parks and Recreation

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

Councilmembers
Gladys C. Baisa
Robert Carroll
Elle Cochran
Don Couch
Stacy Crivello
Riki Hokama



Director of Council Services
David M. Rantz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

September 22, 2015

Blossom Feiteira, Executive Director
Friends of Moku`ula, Inc.
505 Front Street, Suite 221
Lahaina, Hawaii 96761

Dear Ms. Feiteira:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

At its meeting of September 15, 2015, the Council's Economic Development, Energy, Agriculture, and Recreation Committee embarked on its review of the Friends of Moku`ula, Inc. ("FOM") operation of the parking concession located on County property in Lahaina, Maui, Hawaii, as required by Section 10 of the first amendments to FOM's lease and license of the property. A copy of the provision is attached.

The Committee expressed its appreciation for your presentation concerning the history and restoration plans of Moku`ula, and asked that you provide the information requested in its attached letter dated September 4, 2015.

The Committee also raised questions concerning the operation of the parking concession, financial records regarding concession income and expenses, and involvement of FOM's for-profit subsidiary, Ka Lua O Kiha, Inc. ("KLK").

May I please further request that you provide the following:

1. A copy of all contracts executed by FOM or KLK regarding the operation, maintenance, or other services connected with the parking concession from 2002 to 2015, including all contracts with Diamond Parking;
2. A copy of all documents reporting gross revenues generated by the parking concession from 2002 to 2015;
3. A report of revenues collected by FOM and KLK from the parking concession and an itemization, by each entity separately, of the specific use of those funds from 2002 to 2015;
4. Articles of Incorporation for KLK, and the names of KLK's current officers and board of directors;
5. Federal tax returns for KLK from 2006 to 2015;
6. An explanation of the rationale for establishing KLK and how KLK is related to FOM, including a detailed statement of how:
 - a. Income and expenses are allocated between the two entities;
 - b. Staff, officers, and resources are shared;
 - c. Benefits are provided from KLK to FOM; and
 - d. Accounts are segregated.
7. A written agreement between FOM and KLK, if any, covering all aspects of any shared facilities, equipment, supplies, services, employees, and costs; and
8. A revised version of the FOM Revenue and Expenses spreadsheet submitted by FOM at the Committee's September 15, 2015 meeting, clarifying its contents, including an itemization of expenses.

I intend to schedule this matter for consideration by the Committee in October. I would, therefore, appreciate receiving a written response by **October 2, 2015**. To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Blossom Feiteira
September 22, 2015
Page 3

Should you have any questions, please contact me or the Committee staff
(Sharon Brooks at 270-7137, or Pauline Martins at 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

ear:ltr:002afom02:scb

Attachments

cc: Mayor Alan M. Arakawa
Director of Parks and Recreation
Kimo Falconer, President, Board of Directors, Friends of Moku'ula

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

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Director of Council Services
David M. Raatz, Jr., Esq.

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October 23, 2015

Blossom Feiteira, Executive Director
Friends of Moku`ula, Inc.
505 Front Street, Suite 221
Lahaina, Hawaii 96761

Dear Ms. Feiteira:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

At its meeting of October 13, 2015, the Council's Economic Development, Energy, Agriculture, and Recreation Committee considered obtaining a comprehensive financial and management audit of Friends of Moku`ula, Inc. ("FOM") and its subsidiary, Ka Lua O Kiha ("KLK"), to assist the Committee in its review of the nonprofit's operation of the parking lot concession.

At the meeting, you informed the Committee that FOM is willing to obtain an audit of FOM and KLK. Please be advised that I have requested Mark Walker, Deputy Director, Department of Finance, to recommend the kind of audit that should be performed; and he has indicated a willingness to work with you in the audit process. Once we receive his recommendation, I will contact you to confirm FOM's ability, and timeframe, to obtain the audit.

Further, may I please ask that you provide the following previously-requested documents:

1. Contract between KLK and Diamond Parking, if any (FOM produced an agreement between FOM and Diamond Parking, not fully executed, but advised the Committee that FOM is not operating the parking lot concession, rather it is being operated by KLK);

Ms. Blossom Feiteira
October 23, 2015
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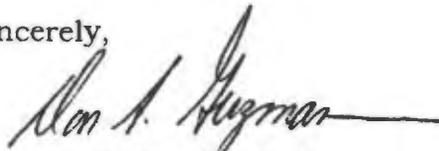
2. Income tax returns for FOM from 2009-2015 (FOM produced only the 2009 income tax return);
3. An Agreement between FOM and KLK;
4. Articles of incorporation, names of board members and officers for KLK;
5. All contracts regarding the parking concession from 2002-2015; and
6. FOM's annual reports to the Department of Parks and Recreation (FOM produced only the annual report for 2013).

I intend to schedule this matter for consideration by the Committee on November 3, 2015, and I would, therefore, appreciate receiving a response by **October 29, 2015**. To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

May I further request your attendance at the November 3 meeting to discuss an audit of FOM and its subsidiary.

Should you have any questions, please contact me or the Committee staff (Sharon Brooks at 270-7137, or Pauline Martins at 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

ear:ltr:002a04:scb

cc: Mayor Alan M. Arakawa
Director of Finance
Director of Parks and Recreation
Kimo Falconer, President, Board of Directors, Friends of Moku'ula

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

Councilmembers
Gladys C. Baisa
Robert Carroll
Elle Cochran
Don Couch
Stacy Crivello
Riki Hokama



Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

December 21, 2015

Blossom Feiteira, Executive Director
Friends of Moku`ula, Inc.
505 Front Street, Suite 221
Lahaina, Hawaii 96761

Dear Ms. Feiteira:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

At the meeting of November 3, 2015, the Council's Economic Development, Energy, Agriculture, and Recreation Committee was informed that Friends of Moku`ula ("FOM") would obtain a comprehensive financial and management audit from Levin & Hu, LLP to assist the Committee in its review of the nonprofit's operation of the parking lot concession.

The audit shall include FOM's for-profit subsidiary, Ka Lua O Kiha ("KLK"), and address the issue of whether gross revenues from the parking concession are being used exclusively for restoration purposes. In that analysis, the use of all revenues from the parking concession must be tracked in detail and accounted for, whether ultimately used by FOM or KLK.

May I ask that you provide a copy of FOM's contract with the auditor for the audit, and that you confirm that FOM and KLK will provide all documents requested by the auditor for that purpose?

Please note the Committee is still awaiting the documents requested from FOM by letters dated October 23, 2015, and September 22, 2015, copies of which are attached.

I intend to schedule this matter for consideration by the Committee in January 2016, and I would, therefore, appreciate receiving a response by

Blossom Feiteira, Executive Director
Friends of Moku`ula, Inc.
December 21, 2015
Page 2

January 6, 2016. To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Should you have any questions, please contact me or the Committee staff (Sharon Brooks at 270-7137, or Pauline Martins at 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

ear:ltr:002a05:scb

cc: Mayor Alan M. Arakawa
Director of Finance
Director of Parks and Recreation
Kimo Falconer, President, Board of Directors, Friends of Moku`ula

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

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Director of Council Services
David M. Raatz, Jr., Esq.

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February 23, 2016

Ms. Blossom Feiteira, Executive Director
Friends of Moku`ula, Inc.
505 Front Street, Suite 221
Lahaina, Hawaii 96761

Dear Ms. Feiteira:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

At its meeting of November 3, 2015, you advised the Maui County Council's Economic Development, Energy, Agriculture, and Recreation Committee that Friends of Moku`ula, Inc. would obtain a comprehensive financial and management audit from Levin & Hu, LLP to assist the Committee in its review of the nonprofit's operation of the parking lot concession in Lahaina.

By letter dated December 21, 2015, the Committee followed up on the expected receipt of the contract, but to date the contract has not been provided.

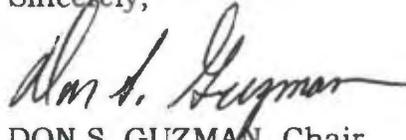
Therefore, may I ask again that you provide the contract, and that you confirm that Friends of Moku`ula, Inc. and its subsidiary, Ka Lua O Kiha, Inc., will provide all documents requested by the auditor for that purpose?

To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Ms. Blossom Feiteira
Friends of Moku`ula, Inc.
February 23, 2016
Page 2

Should you have any questions, please contact me or the Committee staff
(Sharon Brooks at 270-7137, or Pauline Martins at 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

ear:ltr:002a06:scb

cc: Mayor Alan M. Arakawa
Director of Finance
Director of Parks and Recreation
Kimo Falconer, President, Board of Directors, Friends of Moku`ula, Inc.

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
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Director of Council Services
David M. Raatz, Jr., Esq.

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March 11, 2016

Ms. Blossom Feiteira, Executive Director
Friends of Moku`ula, Inc.
505 Front Street, Suite 221
Lahaina, Hawaii 96761

Dear Ms. Feiteira:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

As you know, the Maui County Council's Economic Development, Energy, Agriculture, and Recreation Committee has been tasked with reviewing the operation of the parking lot concession by the Friends of Moku`ula, Inc. ("Friends") under the County's 2003 grant of a lease and license to the nonprofit.

Fundamental to the Committee's consideration is an analysis of Friends' use of the proceeds from the parking concession. To date, the Committee's analysis has been hampered by the commingling of proceeds between the nonprofit and its for-profit subsidiary, Ka Lua O Kiha, Inc. and the dilatory provision of necessary documents to this Committee by Friends.

Friends provided spreadsheets entitled "FOM Revenue and Expenses" and "Friends of Moku`ula, Inc. Parking Lot Revenue" on September 14, 2015, and October 12, 2015, respectively, but neither provided the specific tracking information sought.

At its meeting of November 3, 2015, you advised the Committee that you would obtain an audit to help clarify these issues. By letters dated December 21, 2015 and February 23, 2016, the Committee requested that Friends provide a copy of the contract for the audit, but it was only on March 1, 2016, that the Committee received an engagement letter from Levin &

Ms. Blossom Feiteira
March 11, 2016
Page 2

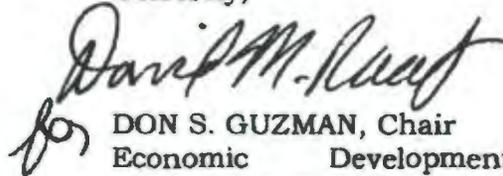
Hu to Friends for a basic financial audit. The letter not include any terms addressing the fundamental issue.

Therefore, may I ask that you provide to this Committee, for fiscal years 2010-2015, a detailed tracking of the gross proceeds of the parking concession, dollar-for-dollar, from its receipt by the contractor to its ultimate, specific use? The information should be in ledger form: for example, for each dollar that is received by the parking contractor, how much of that dollar is kept by the contractor, how much is used by Ka Lua O Kiha, and how much is used by Friends? Further, please specify exactly what the ultimate use is for each user of each amount, e.g., \$1.00 used by Ka Lua O Kiha on a certain date to pay salary of a named payee.

This matter is scheduled for consideration by the Committee on March 15, 2016. I would, therefore, appreciate receiving a written response by **March 15, 2016**. To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Should you have any questions, please contact me or the Committee staff (Sharon Brooks at 270-7137, or Pauline Martins at 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

Ear:ltr:002a07:scb

cc: Mayor Alan M. Arakawa
Director of Parks and Recreation

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

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Director of Council Services
David M. Raatz, Jr., Esq.

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www.MauiCounty.us

March 18, 2016

Stanford M.J. Manuia, Esq.
701 Bishop Street
Honolulu, Hawaii 96813

Dear Stan:

**SUBJECT: LEASE AND LICENSE OF COUNTY-CONTROLLED
PARCELS TO FRIENDS OF MOKU`ULA, INC.
(LAHAINA) (EAR-2)**

The Maui County Council's Economic Development, Energy, Agriculture, and Recreation Committee is in receipt of your letter dated March 14, 2016, stating that you are counsel for the Friends of Moku`ula ("Friends") and requesting that the Committee reschedule its continued review of the nonprofit's operation of the parking concession on County real property in Lahaina, Maui.

The matter was noticed for the Committee's meeting on March 15, 2016, so that rescheduling would not have been appropriate under the State's Sunshine Law. We understand that you were present at the meeting where Committee members expressed difficulty and frustration in obtaining information from Friends necessary for the Committee's review, and deferred the matter for consideration at a later date.

Please be aware that the Committee has made a request to Blossom Feiteira, Friends' Executive Director, for a dollar-for-dollar detailed tracking of the gross proceeds of the parking concession for Fiscal Years 2010-2015. A copy of the letter dated March 11, 2016 is enclosed.

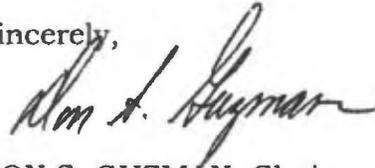
May I ask that you work with your client to provide this Committee with the requested information, containing specific itemization of each recipient of funds from the parking concession with a description of the use of the funds?

Mr. Stanford M.J. Manuia, Esq.
March 18, 2016
Page 2

I would appreciate receiving a written response by **April 8, 2016**. To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Should you have any questions, please contact me or the Committee staff (Sharon Brooks at 270-7137, or Pauline Martins at 270-8039).

Sincerely,



DON S. GUZMAN, Chair
Economic Development, Energy,
Agriculture, and Recreation Committee

ear:ltr:002a08:scb

Attachment

cc: Blossom Feiteira, Executive Director, Friends of Moku'ula, Inc.
Mayor Alan M. Arakawa
Director of Parks and Recreation