

## Neptune House Owners Association Owners Meeting

March 19, 2016

### Meeting Highlights:

- 172 Total Attendees
- Amended By-Laws Approved by Wide Margin
- Resort Financial Status and Plans Detailed
- Meredith McAloon Feted

An Owners Meeting of the Neptune House Owners Association (the "Association") was held starting at 11:00 A.M. on March 19, 2016 at the Latitude 41° Restaurant and Tavern, 105 Greenmanville Avenue in Mystic, Connecticut. In attendance were over 100 unit owners (many of whom owned multiple weeks), including all members of the Association Board of Directors (Phil Totino, Mark Morrisette and Wayne Rioux) and Association Secretary Chris Lindgren. Also in attendance were Rich Muller and Mike McManus of Vacation Resorts International (VRI) and Resort Manager Samantha Disotell. The formal meeting was preceded by a continental breakfast.

### Opening Remarks

Association President Phil Totino opened the meeting by welcoming the owners and introducing the Board members, Association officers and the VRI representatives and resort manager. Phil reported that VRI had certified the timely mailing of meeting announcements and proxy ballots to owners eligible to vote, and that the 25% quorum required – in person or by proxy -- to hold an owner vote at the meeting had been attained.

Phil then reviewed key actions taken since the current Board's election in October 2015, including the hiring of VRI to manage the resort, the hiring of Sayer, Regan & Thayer as legal counsel, the web posting of Board meeting minutes and email addresses, and communications to owners of budget and financial reports. Phil also addressed the amendment of the Association By-Laws to increase the Board to five Directors, with staggered terms, and steps to implement cost saving aspects of Proposition 30, whereby the number of float weeks would be reduced to provide for a 30-week resort season. In addition Phil summarized planned buildings and grounds improvements for the current resort season, including signage, fencing, walkways and the refurbishing of the lobby.

### VRI Services

Rich Muller, VRI Senior Vice President of Resort Operations, described VRI's history and the variety of resorts currently managed by that organization, many of which previously faced issues similar to those now facing the Neptune House. Rich reviewed the services VRI will provide to the resort, including the consolidation of owner account information, governing documents and resort policies on the VRIresorts.com website, and responded to questions from owners.

### Changes to By-Laws

Association Secretary Chris Lindgren reviewed the By-Law changes as approved by the Board and mailed to owners in February 2016, including the increase in the number of Board members to five, provision for staggered Board terms, and simplification of procedures for Board and owner meetings and

communications. Chris then explained that the By-Law changes would not be effective until approved by the owners at this meeting and recorded in the Block Island land records as an amendment to the Time Share Declaration. Chris then asked that owners submit their ballots regarding approval of the amended By-Laws, which would then be counted along with proxies submitted prior to the meeting, with the result of the voting to be announced later in the meeting. Board members and the VRI representatives assisted in collecting the ballots.

### Financial Update

Board Member and Association Treasurer Mark Morrisette provided a detailed financial update, comparing historical operating expenses with collections, reviewing the December 31, 2015 balance sheet, addressing the resort's 2015 cash crunch, and describing the 2016 budget. Mark also summarized fee collections through mid-March.

Mark indicated that his presentation would continue, with a discussion of the Board's turnaround plan for the resort, after a break.

### Results of By-Laws Voting

Following the break, Secretary Chris Lindgren reported that a count of ballots submitted at the meeting and proxies received earlier indicated that, without regard to Association-owned shares, the amended By-Laws had been approved by a vote of 355 in favor to 7 opposed, prior to eliminating proxies – if any - received earlier from owners who subsequently elected to vote at the meeting. Chris indicated that the amended By-Laws were therefore approved, and would be recorded in the Block Island land records.

### Turnaround Plan

Treasurer Mark Morrisette then addressed financial considerations of the Board's turnaround plan, including fixed and variable operating costs and interior and exterior maintenance costs, based on a 30 week resort season and approximately 635 paying shares. Mark described maintenance and replacement costs that would be addressed by a reserve study to be completed this year, and how the resulting reserve plan could be incorporated into annual maintenance fees with the goal of funding planned maintenance and replacement costs and thereby avoiding the need for special assessments.

Mark then addressed turnaround actions taken and in process, with the overall objective of improving the financial health and physical condition of the resort and stabilizing annual fees. Actions taken include hiring VRI to achieve lower operating costs and improved efficiency, implementing a collection policy to lower bad debt and repossess unpaid weeks, and implementing a 30 week resort schedule – by providing for four float weeks – to achieve the economies of Proposition 30 while retaining the flexibility of float weeks, which allow owners to schedule around varying April vacations and allow the resort to adjust its season should that prove desirable later on. Mark also addressed the reversion of the 2016 float week maintenance fee to the previous \$690/week rate in order to encourage float week owners to retain their weeks, and described the float week amnesty program approved by the Board, whereby float week owners in good standing could deed their weeks to the Association for the \$91 recording fee.

Mark also addressed turnaround actions in process, including a more robust sales and marketing program, the reserve study to provide a long-term plan for the resort, and the evaluation of the impact of a reconstructed pool on owner retention and recruitment and ongoing costs. With respect to the

pool, Mark indicated that, while further assessment was needed to determine whether a pool made sense, the eventual decision regarding the pool would be made by the owners.

#### Questions and Answers/Open Forum

Following Mark's presentation, Mark, Phil and the VRI representatives responded to questions and comments from owners. Owners asked questions regarding a variety of items, including the VRI rental program, the planned reserve study, the resort's assessment and collection policy, exchange programs, and the future of the pool (various owners indicated their strong support for continuing to provide a pool). Owner comments were supportive of the turnaround actions being taken.

#### Presentation to Meredith

President Phil Totino then presented former General Manager Meredith McAloon with a framed collection of pictures depicting the history of the Neptune House, including a letter on behalf of the Neptune House owners, employees, Board of Directors and officers thanking Meredith for her dedication, determination and instrumental leadership to make the Neptune House a family vacation destination for generations to enjoy. Resort Manager Samantha Disotell also presented Meredith with a card containing messages of thanks and appreciation from the owners, and indicated that a commemorative brick for Meredith would be set in the walk being constructed in the Mary D park on Water Street. All those present gave Meredith a standing ovation.

Following the presentation, the meeting was adjourned, and owners enjoyed coffee and cake and the opportunity to thank Meredith individually for her service to the resort.

Respectively submitted

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Chris Lindgren, Association Secretary