

Meeting of the Board of Directors of the Neptune House Owners Association

September 14, 2016

The Board of Directors (the "Board") of the Neptune House Owners Association (the "Association") met telephonically by conference call at 7:30 a.m. on Wednesday, September 14, 2016. All members (Phil Totino, Cheryl Moore and Mark Morrisette) were in attendance. Also in attendance were Secretary Chris Lindgren and Mike McManus of Vacation Resorts International (VRI).

Administrative Items

Upon motion duly made and seconded, the Board voted to approve the minutes of its meeting on September 2, 2016, as circulated in advance to the Board members.

Resort Management

Vice President of Facilities Planning Cheryl Moore reported on meetings on-island with contractors who could construct components, beyond the pool, included in the proposed comprehensive plan for recreational amenities, including a rebuilt tennis court, basketball area, bocce court and landscaping.

The Board and Mike McManus then discussed assumptions and costs to be included in the Board's consolidated planning model for the proposed comprehensive recreational amenities plan, including the costs for an outdoor heated pool based on price quotes previously received. As a result of that discussion, the Board agreed on the following assumptions and costs incorporated into the model and to be included in the communication sent to owners describing the recreational amenities plan:

- a \$550,000 operating budget for 2017, in addition to \$15,609 for taxes
- a projected starting reserve balance as of January 1, 2017 of approximately \$85,000
- \$90,000 in reserve additions planned for each of 2017, 2018 and 2019, and \$115,000 annually for 2020 and beyond
- a 2% inflation rate for 2018 and future year expenses
- a 3% owner payment delinquency rate
- 10 Association-owned fixed weeks assumed sold each year in 2018 and 2019
- \$48,500 in annual operating and maintenance costs for the reconstructed pool and other proposed recreational amenities, as adjusted for inflation
- \$260,000 for pool reconstruction costs, to be financed by a combination of the starting 2017 reserve balance and a temporary recreational amenities fee, spread evenly over the years 2017-2019, with additional recreational amenities (beyond the pool) in the comprehensive plan to be funded as and to the extent that revenue permits.

Based on the agreed-upon assumptions, the Board determined that the \$260,000 in pool reconstruction costs would result in a temporary total fee increase – over and above the 2016 maintenance fee -- of less than \$100 in each of the 2017-2019 years, with the smallest increase being for float week units, with slightly higher increases for efficiency, 1 bedroom and 2 bedroom fixed units, with that increase varying slightly by the potential occupancy of the different types of fixed units in each of the years.

Upon motion duly made and seconded, the Board voted to recommend that owners approve the proposed comprehensive plan for recreational amenities as discussed, with information regarding the

proposed plan along with ballots for owner votes to be sent to owners by mail during September and with the ballots to be mailed back by the end of October.

Following the above discussion, the meeting was adjourned.

Respectively submitted

Chris Lindgren, Secretary