

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

July 13, 2018

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 Friday, July 13, 2018. All members (Jeff Anliker, Douglas Carnahan, Cheryl Moore, Mark Morrissette and Phil Totino) were in attendance. Also in attendance were Secretary Chris Lindgren, Resort Manager Samantha Disotell, 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 June 7, 2018, as circulated in advance to the Board members.

President Phil Totino reviewed the terms of a proposed First Amendment to Management Agreement as negotiated with VRI, extending the VRI contract for three years until December 31, 2021 and including a 3% per year increase in the fees payable to VRI and a phase-in of an assessment, billing and collection fee. Upon motion duly made and seconded, the Board voted to approve the First Amendment to Management Agreement as so negotiated with VRI, and authorized the President to execute the amendment on behalf of the Association.

### Resort Management

Mike McManus updated the Board on the status of the pool construction project. Mike reported that the fence surrounding the pool is to be installed the week of July 16, and that remaining items (including installation of lights on the fencing, installation of the pool chair lift, completion of drainage from the pool deck, and installation of a walkway by the side of the pool) would then be completed, after which inspections by the town and the Rhode Island Department of Health could be scheduled. Mike indicated that he anticipated the pool could be open by mid to late August, barring further setbacks. Mike also addressed the anticipated spending that will be required to complete Phase 1 of the pool project. Phil observed that the budget overrun is on track to significantly exceed what had been projected at the Owners Meeting in March.

Regarding Phase 2 of the project, to expand the pool deck, the Board noted that attorney William Landry had not yet prepared the presentation to the Town to obtain approval of Phase 2, which is a precursor to starting that work. The Board discussed whether it would be advisable to wait a year to start any Phase 2 work, both because some Phase 2 funds may be needed for Phase 1 work and to allow time to determine whether the size of the existing pool deck is sufficient to meet owner requirements. The Board noted that, in the absence of significant sales of Association-owned shares, work on Phase 3 of the recreational amenities project could not be undertaken.

Mike reviewed the list of other repair and maintenance projects, including reserve projects, scheduled for 2018. The Board instructed VRI to complete the reserve projects scheduled for 2018, including repair of the concrete pad behind Building B, and to repair the retaining wall by Building A, in that sufficient reserve funds exist despite cost overruns on the pool project.

### Sales and Marketing Program

Mike summarized efforts by Hello Vacay to sell Association-owned shares, which have been disappointing to date. No sales have been completed so far this year. Phil indicated that he would arrange a special Board meeting to discuss with Hello Vacay and Interval International how sales efforts could be improved.

### Financial Management

Mike reviewed the May financial report -- including payments to date -- as distributed to the Board in advance of the meeting, as well as a variance report regarding revenues and expenses that he and Resort Manager Samantha Disotell had prepared.

Mike then addressed the separate report that he and Samantha had prepared comparing revenue from long term rentals to contractors in the resort's off-season with the additional expenses incurred as a result, which concluded that the resort had profited by approximately \$4500 from long-term off-season rentals. Samantha indicated that future expenses would be identified as pertaining to Building A or Building B where feasible, so that the resort could more accurately determine the incremental costs associated with long-term off-season rentals.

Secretary Chris Lindgren reported on his and Samantha's discussion with Attorney Rodio regarding outstanding collection activities. Chris indicated that foreclosure of delinquent shares was a possibility, with the cost of foreclosure actions to be compared to the likely benefits to the Association. Chris also reported on his and Samantha's discussions with Attorney Rodio and the resort's prior general manager regarding how shares owned by the prior general manager could be transferred to new owners.

Phil reviewed the Fixed/Float Week status report as of June 30, and observed that the resort owns 108 shares in the 30-week resort season, and that -- when accounts placed with Attorney Rodio for collection are also taken into account -- there were 126 non-performing shares at June 30, 2018 (one share less than at May 31). Phil noted that the comparable number at the end of 2016 was 113, and at the end of 2017 was 116.

Treasurer Mark Morrissette described a 10-year planning model he has developed, which -- presuming that current rates of delinquencies and owner deed-backs to the Association continue -- projected that resort ownership could decline from 510 fixed week shares to 450 fixed week shares over the next several years, resulting in average fixed week fees increasing from the present \$1400 per share to \$1800 per share. Mark indicated that the model reiterated the need to sell shares -- particularly shoulder season weeks -- to new owners.

### Agenda Items for Next Meeting

Phil indicated that he would circulate a draft of a newsletter, to be sent to owners in September, for discussion at the Board's August 10 meeting. Mark indicated that he would work with VRI on a preliminary budget for 2019, also to be discussed at the August meeting, which would be finalized at the Board's September 7 meeting. Chris also asked that VRI distribute proposed pool rules to be addressed at the August meeting.

Executive Session

Samantha Disotell and Mike McManus left the meeting. The Board members then met in executive session with Secretary Chris Lindgren present.

Following the executive session, upon motion duly made and seconded, the Board adjourned the meeting at 9:30 a.m.

Respectively submitted

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Chris Lindgren, Secretary