

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

August 10, 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, August 10, 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 motions duly made and seconded, the Board voted to approve the minutes of its meeting on July 13, 2018, and the minutes of its special meeting on July 30, 2018, each as circulated in advance to the Board members.

Resort Management

Mike McManus updated the Board on the status of the pool opening. Mike reported that, following the completion of remaining tasks, the Town had approved the pool on July 30 and that, on August 1, the Rhode Island Department of Health had also inspected the pool and requested minor changes, which had been accomplished with the exception of documentation yet to be provided by Hendricks Pools, Inc. Resort Manager Samantha Disotell indicated that the documents should be provided by Hendricks to the Department of Health in the next few days, following which the Department should permit the pool to open. Samantha also reported that a new license would be needed for the pool next year, when the current pool license expires.

The Board reviewed the pool rules posted in the pool area, as required by the Rhode Island Department of Health. After discussion, upon motion duly made and seconded, the Board voted to approve the pool rules as specified by the Department of Health and the hours (9:00 a.m. to 9:00 p.m.) that the pool is to be open. To further assure that owners and guests are aware of the rules, the Board instructed Samantha to also insert a sheet with a listing of the pool rules in the Guidebooks for owners and guests in each room of the resort, and to establish a process for having owners and guests sign an acknowledgement of the pool rules at the time they check in to the resort.

President Phil Totino indicated that he would provide final wording for a postcard and email to owners regarding the opening of the pool, to be sent by VRI once final Department of Health approval is obtained. He also requested that, after final approval, VRI update the neptunehouse.com website to reflect the completed pool.

The Board discussed a scaled-down proposal for additional recreational amenities, in light of the cost overruns on the pool project and disappointing sales of Association-owned shares. As discussed, the revised recreational amenities plan would, in Phase 2, consist of a patio with pavers between the pool and the existing tennis courts, with a portable fire pit and outdoor furniture and with a gate in the fence to the pool area. In Phase 3, the revised plan would demolish the tennis court nearest the new patio, install an irrigated turf field – for lawn games – in place of that tennis court, resurface the remaining tennis court, and refurbish or replace the fence around that court. The Board asked that Mike work with

Tracey Dillon to obtain firm bids for that work. The Board also asked that Mike follow-up with Attorney Landry regarding the need to obtain Town approval for the proposed revised recreational amenities plan.

Mike reviewed the list of other repair and maintenance projects, including reserve projects, scheduled for 2018. The Board confirmed that, in addition to the scheduled repair of the concrete pad behind Building B, the projects include repair of the retaining wall by Building A, construction of the stairs at the corner of the pool and the tennis courts, and rebuilding the walkway in front of Building B near the pool, with those added projects to be paid from a projected surplus in the operating account.

Samantha reported that she had received a favorable \$20,000 quote from Asphalt Co. LLC to repave the driveway in front of Building A, a reserve project scheduled for the 2019 year. She indicated that the paving company was currently working on-island and had excess asphalt, which accounted for the company's favorable quote. Samantha also indicated that the same firm had years ago successfully patched the Building A driveway, and that the company had completed other satisfactory work on-island. After discussion the Board approved proceeding with the paving, including the parking area adjacent to the driveway if possible at reasonable cost, to be paid from reserves budgeted for 2019.

Sales and Marketing Program

Mike summarized efforts by Hello Vacay to sell Association-owned shares. Resort Manager Samantha Disotell reported that Hello Vacay had entered into sales agreements with existing owners in the last week for three Association-owned shares. Mike agreed to follow up with Hello Vacay regarding the status of the "vacation club" possibility discussed at the Board's July 30, 2018 meeting, whereby the Association might be able to realize additional income in exchange for what would otherwise be unused inventory. Mike also reported that Attorney Rodio was considering the feasibility of selling licenses for use of Association-owned weeks, as opposed to selling deeded shares. Phil indicated that the Board would need to consider whether to extend Hello Vacay's contract beyond its scheduled October 31, 2018 expiration date.

Financial Management

Mike addressed the draft audit report on the Association's financial statements for the 2017 calendar year, prepared by independent auditors Kirshenbaum & Urban, LLP. The Board noted that the report indicated that, in the independent auditor's opinion, the financial statements presented fairly, in all material respects, the financial position of the Association as of December 31, 2017 and for the year then ended. After discussion, upon motion duly made and seconded, the Board voted to approve the draft audit report as presented.

Mike then reviewed the June financial report as distributed to the Board in advance of the meeting, as well as a variance report regarding revenues and expenses that he and Samantha had prepared. Mike reported that, as of July 31, 93.8% of 2018 maintenance fees had been paid.

The Board reviewed a proposal to facilitate the transfer of shares owned by the resort's prior general manager to new owners, and to foreclose on shares held by delinquent owners, including a review of a draft foreclosure auction sales sheet. Secretary Chris Lindgren indicated that he would follow up with Attorney Rodio regarding a proposed foreclosure auction, including the time and place where such an

auction could be held. Phil, Samantha and Chris agreed to meet to finalize details of the proposal, prior to its presentation to the prior general manager.

Phil reviewed the Fixed/Float Week status report as of July 31. He observed that the resort continued to own 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 July 31, 2018 (the same number as at June 30). Phil noted that the comparable number at the end of 2016 was 113, and at the end of 2017 was 116.

Mike addressed a preliminary 2019 budget prepared by VRI. The group provided comments to Mike on the initial budget proposal, including the need to incorporate realistic payroll increases, a projection of bad debt recovery revenue and estimated sales revenue, and other key items. Regarding the proposed internet expense, the Board discussed the feasibility of obtaining a satellite internet service to replace the current internet provider (the conclusion being that the satellite internet alternative was not sufficiently reliable at this time). Phil also indicated a need to include a higher amount for advertising in the 2019 budget, and he asked Jeff Anliker and Douglas Carnahan to identify any owners they knew who might be able to assist the Association with an advertising and marketing effort.

Mark Morrissette left the meeting.

Communications

The Board discussed a preliminary draft of the newsletter to be sent to owners in September. Phil indicated that he would revise the draft to include a paragraph on the recently-completed audit of the resort's finances, and a description of the anticipated foreclosure auction on delinquent shares.

Agenda Items for Next Meeting

Phil indicated that the 2019 budget and the newsletter to be sent to owners are to be finalized at the Board's September 7 meeting.

Executive Session

Samantha Disotell and Mike McManus left the meeting. The remaining 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 9:57 a.m.

Respectively submitted

Chris Lindgren, Secretary