

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

May 5, 2023

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, May 5, 2023 (the meeting, originally scheduled for April 28, having been postponed to May 5) . All members (Douglas Carnahan, Dave Cohen, 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 VRI Americas (VRI).

President Phil Totino addressed the substantial unbudgeted increase in the resort's April 1 insurance renewal received from The Armstrong Company, attributable to the increase in property insurance premiums. He indicated that Resort Manager Samantha Disotell and Mike McManus of VRI had sought additional insurance quotes to mitigate the increased cost, with one bid received through broker RogersGray for property-only coverage with Lloyd's of London, which would result in annual savings of approximately \$35,000 compared to the property-only coverage included in the April 1 renewal. Mike reported that two other firms had declined to bid to provide coverage currently, but indicated that they would be willing to provide proposals when insurance coverage is renewed in 2024.

The Board noted that the proposed Lloyd's of London coverage would incorporate higher deductibles in exchange for the lower premium. Mike reported that RogersGray indicated that the proposed Lloyd's of London coverage met the requirements of the Association's governing documents. After discussion, upon motion duly made and seconded, the Board voted to cancel as of the end of May the property insurance coverage currently in effect and to bind replacement coverage with Lloyd's of London as set forth in the RogersGray proposal. This action does not cancel any other insurances, including general liability, umbrella and other coverages, currently in place through The Armstrong Company.

Phil reviewed items resulting in unbudgeted 2023 expense increases, including a \$52,000 increase in insurance (after taking into account the anticipated \$35,000 savings from the change in property insurance and the penalty for early cancelation of the property component of the current coverage), a \$6000 increase in property taxes, and a possible \$25,000 increase in heating costs resulting from the shift to propane. With respect to an increase in heating costs, Phil indicated that it was too early to assess the magnitude of any increase, given that the propane boilers had only recently been installed, and Samantha indicated that steps were in process to limit propane usage.

Phil then reviewed ways to address the increased costs through a mixture of revenue increases and expense reductions, with added revenue coming from a possible non-judicial foreclosure of units in default and an anticipated increase in rental income, and expense reductions coming in part from deferring additional new window treatments in Building A and work on the parking area in front of Building B. Samantha indicated that the membrane roof replacement for Building A is anticipated to cost less than budgeted, and that a roofing inspection of Building B indicated that that roof will not require replacement in 2024 as scheduled.

The Board discussed whether, given the magnitude of the unanticipated unbudgeted costs, a special assessment might be warranted in 2023. In light of the various items to be factored into a decision as to how much additional revenue might be needed, Phil and Treasurer Mark Morrissette agreed to further model budget and maintenance fee projections to address the expected cost structure in 2023, 2024

and beyond, and the Board agreed to meet again telephonically on Friday, May 12 at 7:30 a.m. to review the results of those budget and maintenance fee projections.

The Board discussed a non-judicial foreclosure on eleven units in default, one of which is a prime season unit. Phil indicated that, after expenses, the foreclosure sale is estimated to result in a net revenue of \$4000. The Board agreed that Rodio & Brown, the resort's legal counsel, should proceed with the non-judicial foreclosure, with the foreclosure likely to occur in August.

Phil addressed a proposal from Capital Vacations to provide a new resort website, indicating that the proposed product did not provide the flexibility of the resort's current website. Mike indicated that, with the transition of VRI's website to Capital Vacations, a new button would be added to the owners section of the NeptuneHouse.com website, so that owners would pay future bills through a secure link to the Capital Vacations site. Mike also indicated that the Neptune House documents currently on the VRI website would also be moved over to the new owners section of the NeptuneHouse.com website. Phil stated that he would work with the resort's webmaster to properly categorize the documents to be transferred to the NeptuneHouse.com website.


Director Cheryl Moore left the meeting part way through the discussion of this topic.

Phil noted that Capital Vacations will be sending an email to resort owners regarding the new owner portal for payments, and – given that the resort will also be communicating to owners regarding the unbudgeted expenses – requested that he and VRI coordinate the text and timing of that email.

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 voted to adjourn the meeting at 9:05 a.m.

Respectfully submitted



Chris Lindgren, Secretary