



Owners Association Meeting

March 18, 2017

Agenda

9:30 – 10:00 a.m.	Continental Breakfast.....	All
10:00 – 10:10 a.m.	Welcome & Opening Remarks.....	Phil Totino
10:10 – 10:15 a.m.	Election of Directors.....	Chris Lindgren
10:15 – 10:25 a.m.	Financial Update.....	Mark Morrissette
10:25 – 10:45 a.m.	Reserve Plan.....	Mark Morrissette
10:45 – 11:00 a.m.	Facility Improvements.....	Samantha Disotell
11:00 – 11:15 a.m.	Recreational Amenities.....	Cheryl Moore
11:15 – 11:35 a.m.	Sales & Marketing Program.....	Mike McManus
11:35 – 11:40 a.m.	Election Results.....	Chris Lindgren
11:40 – 12:00 p.m.	Q&A	All
12:00 p.m.	Adjournment	

Phil Totino

Welcome & Opening Remarks

Housekeeping

- **Emergency Exits**
- **Restrooms**
- **Cellphones**



Introductions

- **Board of Directors**
 - **Phil Totino – President**
 - **Cheryl Moore – Vice President of Facilities Planning**
 - **Mark Morrissette – Treasurer**
- **Other Officer**
 - **Chris Lindgren – Secretary**
- **Management Team**
 - **Samantha Disotell – Resort Manager**
 - **Mike McManus – VRI Director of Resorts**

Preliminary Matters

- **Proof of Notice of Meeting:**
 - **Vacation Resorts International (VRI) has provided proof that meeting announcements were sent to all owners eligible to vote**
- **Quorum:**
 - **The Secretary has certified that, including proxies received prior to the meeting, 25% quorum for meeting is met**
- **Vote to Approve Agenda**
- **Vote to Accept Minutes of March 19, 2016 Annual Meeting**

Progress on Turnaround Plan

- **Complete**

- ✓ **Management Company**
- ✓ **Collection Policy**
- ✓ **Proposition 30**

- **In Process**

- **Reserve Plan**
- **Pool**
- **Sales & Marketing**
 - **Individual Owner Resales**
 - **Owners Association Inventory**



Chris Lindgren

Election of Directors

Election of Directors

- **Board recommends staggered terms**
 - Top 2 candidates - 3 years
 - Next 2 candidates - 2 years
 - 5th highest - 1 year
 - Subsequent terms for 3 years
 - Always have both experienced and new directors
- **Candidates**
 - Jeff Anliker
 - Cheryl Moore (incumbent)
 - Mark Morrissette (incumbent)
 - Dennis Palumbo
 - Phil Totino (incumbent)
- **Please hand in any ballots not yet submitted**



Mark Morrissette

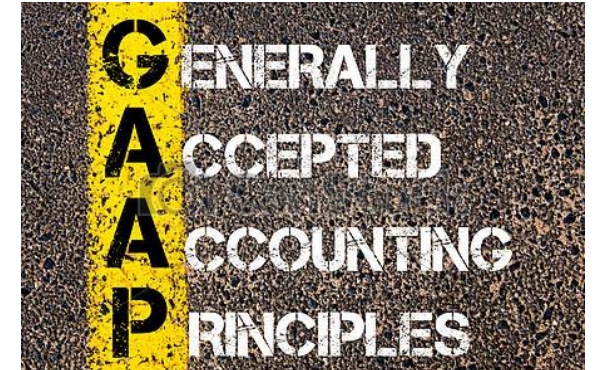
Financial Update

Financial Overview

- **Significant improvement in overall financial condition**
- **Building a foundation for long-term financial stability**
- **2017 Budget includes pool construction and operation costs**
- **Insurance review completed**

Historical Financials: NOTE

- **Direct comparison year-to-year is challenging**
- **Different and inconsistent accounting principles**
- **2016 and forward follow Generally Accepted Accounting Principles (GAAP)**
- **Numbers that follow attempt to normalize, but it is imperfect**



Historical Financials

Gain/Loss(\$000)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Net Assessment*	\$ 586	\$ 705	\$ 681
<i>Plus</i> Additional Revenue			\$ 24
<i>Less</i> Expenses	\$ 596	\$ 691	\$ 578
Gain (Loss)	\$ (10)	\$ 14	\$ 127

*Assessment minus bad debt – helps to normalize accounting differences from prior years

Historical Financials

Operating Expenses (\$000)

	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2016</u>	<u>%</u>
Operating Expenses	\$596	-6%	\$622	4%	\$578	-7%
Pool Bldg. Demolition			\$ 69			
Total Expenses	<u>\$596</u>		<u>\$691</u>	16%	<u>\$578</u>	-16%

Summary Balance Sheet

December 31, 2016 (\$000)

Assets

Cash	\$ 485
2017 Assessments Receivable	\$ 420
Pre-Paid Expenses	<u>\$ 10</u>

Total Assets **\$ 915**

Liabilities

Accounts Payable (Bills to be paid)	\$ 1
Accrued Expenses	\$ 8
Deferred Revenue	<u>\$ 784</u>

Total Liabilities **\$ 793**

Fund Balance **\$ 122**

Note on Fund Balance

- **Fund Balance is the accumulated gains and losses of the resort**
- **Balance was negative at the start of 2016**
- **Represents the overall financial stability**

2017 Budget

Operating Expenses	\$ 587,996*
Other/Discretionary	
Pool Construction Costs	\$ 177,000
Amenities Operating Costs**	\$ 48,500
Reserve Exp./Improvements	\$ <u>21,000</u>
Total Other/Discretionary	<u>\$ 246,500</u>
Total Budget	\$ 834,496

* 2017 Budget includes Bad Debt Expenses which were NOT included in Historical Financials Operating Expenses

** Amenities Operating Costs will be part of Operating Expenses in future years

Insurance Review

- **Completed full review of hazard insurance, flood insurance and fidelity bond**
- **Outcome: Increased hazard insurance coverage**
- **Insurance review will be completed annually to ensure proper coverages**



Mark Morrissette

Reserve Plan

2016 Reserve Analysis Plan

- What?**
- Detailed review of all interior and exterior facilities
 - Estimated replacement dates
 - Estimated replacement costs



- Why?**
- Foundation for setting maintenance plan
 - Foundation for setting reserve fees
 - Predictable interior and exterior repairs
 - Minimize or eliminate Special Assessments (ideally...)

2016 Reserve Analysis Plan (cont.)

Who?

- **Advanced Reserve Solutions**
 - Perform Reserve Analysis nationwide
 - Condos, Timeshares, Planned Communities



When?

- Study performed over 2 days at Neptune House
- July 2016



Reserves Plan: Goals

- **Comprehensive plan to *prioritize* repairs, maintenance, and replacement of all facilities**
- **Comprehensive plan to build cash balances for regular repairs and maintenance *and* emergencies**



Reserves Plan Output: Exterior

- **Detailed 25-year plan for all major facility items**
- ***Sample* line-item specifics of planned common-area improvements**
 - **Repair parking areas: 2019 (\$45,000)**
 - **Replace boilers: 2022 (\$100,000)**
 - **Replace roofs: 2024 (\$80,000)**
 - **Re-shingle buildings: 2032 and 2033 (\$350,000)**
 - **Repair pool: 2037 (\$75,000)**
- **Specifics subject to change!**



Reserves Plan Output: Unit Interiors

- **Immediate/short-term repairs**
 - Allocate \$3,000 per unit
 - Work on 7-8 units/year
 - Begin in 2017; completed by 2019
- **Major upgrades**
 - Allocate \$20,000 per unit
 - Complete 3-4 units/year
 - Begin in 2021; completed by 2027
 - Major upgrade for every unit, every 14 years
- **Minor upgrades**
 - \$4,000/unit
 - 7 years after completion of major upgrade
 - Begin in 2028; completed by 2034



Reserves Plan: Balancing Wants, Needs, and Costs

- **Final result is a solid plan for maintaining the Neptune House over many years**
- **2017 Reserve Assessment based on Reserve Plan**
- **Adhering to the plan allows for relatively constant fees (inflation adjusted), without need for special assessments**



Reserves Plan: Balancing Wants, Needs, and Costs

But.....

- **Never build a significant cash balance/reserve**
- **Interior budgets are less than recommended**
- **Many compromises made on timing to ensure sufficient fund balance**
- **There will be unknowns, and unexpected events**



Reserves Plan: Bottom Line

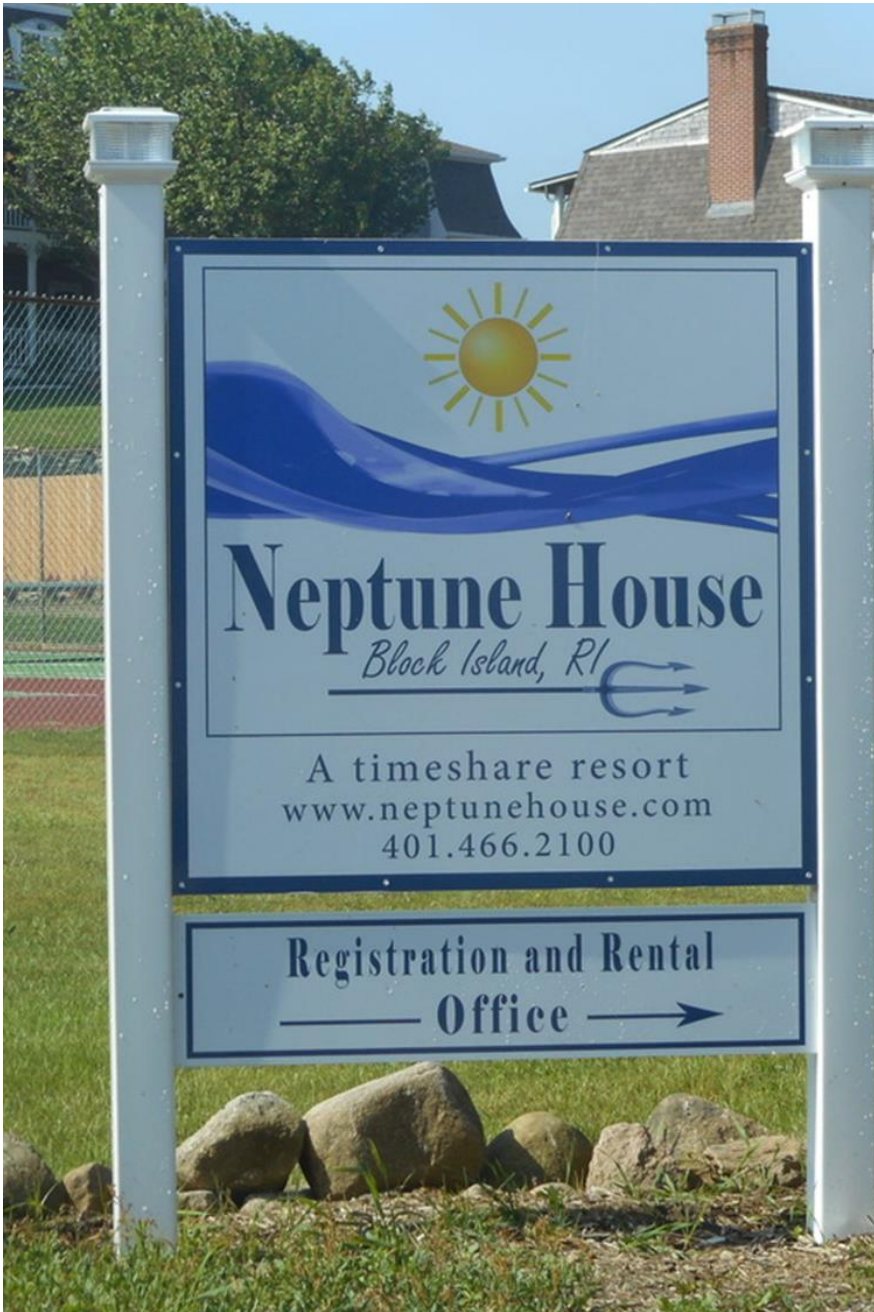
- **We have a 25-year plan based on detailed analysis (first time!)**
- ***Should* allow for consistent fees and maintained property**
- **Compromises made on timing and expenses**
- **Forecasted reserve balance rarely above \$150,000; frequently below \$50,000**
- **Increasing the number of paying shares will help reduce fees and/or improve cash balances**

Samantha Disotell

Facility Improvements

2016 Improvements Common Areas/Grounds

- **Renovated and painted lobby**
- **New carpet in lobby and second floor area outside bathrooms**
- **New room number signs**
- **Walkway pavers laid at main entrance w/ drainage**
- **Fenced-in pool area**
- **New resort sign w/landscaping and solar lights**
- **New signs for the office/registration building**
- **Stairs repaired/replaced from Building A to Building B**
- **New picnic tables and BBQ grills**



2016 Improvements Common Areas/Grounds



2016 Improvements Common Areas/Grounds

2016 Improvements Transportation

- **Used truck purchased to help with everyday tasks, trash runs, hardware runs and deliveries**
- **Van repaired/inspected**

March 18, 2017

NHOA Meeting

32

2016 Improvements Living Units

- **Front doors painted for units 16 through 24**
- **Drapes/window treatments re-installed in bedrooms**
- **Units deep cleaned**
- **Bathroom exhaust fans replaced (as needed)**
- **Appliances replaced (as needed)**
- **In-Room Guest Guide Books updated**
- **Furniture replaced (as needed)**
- **Queen mattresses replaced (as needed)**



2016 Improvements Living Units

2017 Capital Improvements Under Consideration

- **Soft renovations to 7 units**
- **Drapes/window treatments**
- **Reserve projects /plumbing & electrical**
- **Bathroom exhaust fans replaced (as needed)**
- **Appliances replaced (as needed)**
- **Furniture & queen mattresses replaced (as needed)**
- **Deck repairs Building A**
- **Drainage for Building A & B**

Cheryl Moore

Recreational Amenities

Neptune House Street View

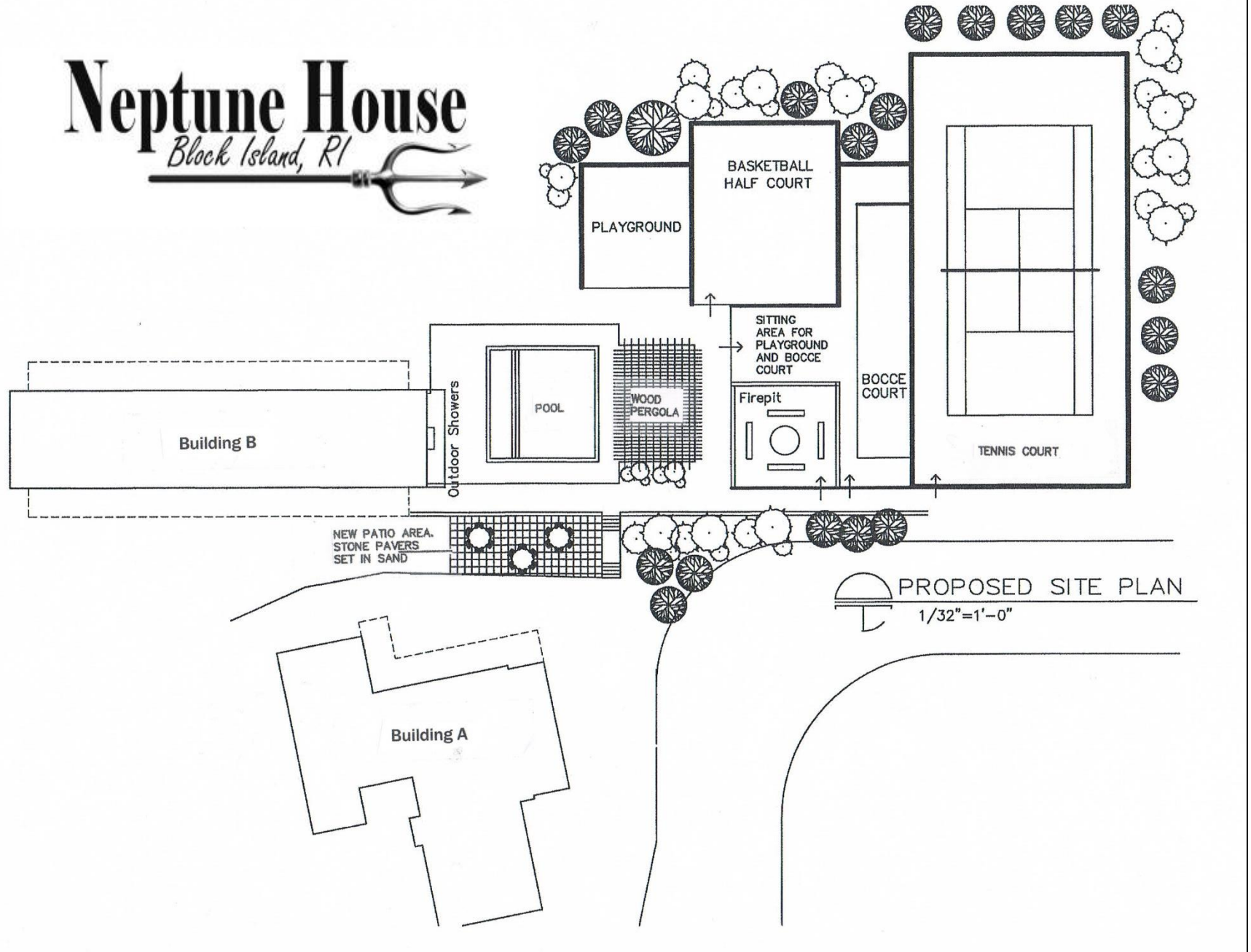


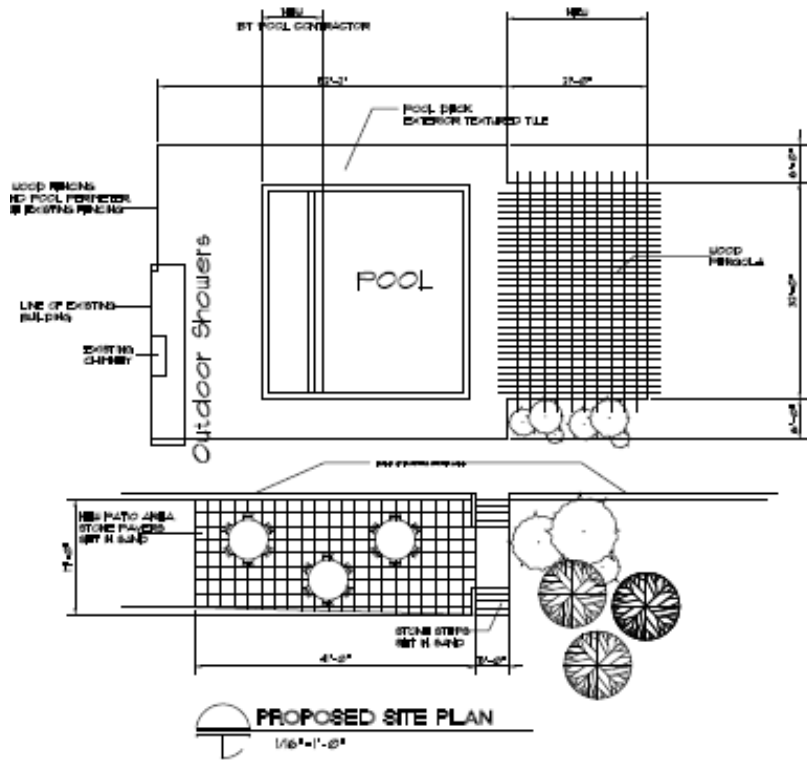
Recreational Amenities

- **3-Year Plan approved in October, 2016 with 74% YES vote**
- **2017 Work**
 - Pool upgraded to meet current health and safety codes; outdoor showers
 - Main Contractor: Hendricks Pools, Inc.
- **2018 Work**
 - Pool enhanced with enlarged apron and 21' x 32' seating area with pergola
- **Future - based on the results of our sales & marketing efforts**
 - Patio area
 - Playground
 - Fire Pit
 - Basketball area
 - Bocce court
 - Refurbished tennis court

Neptune House

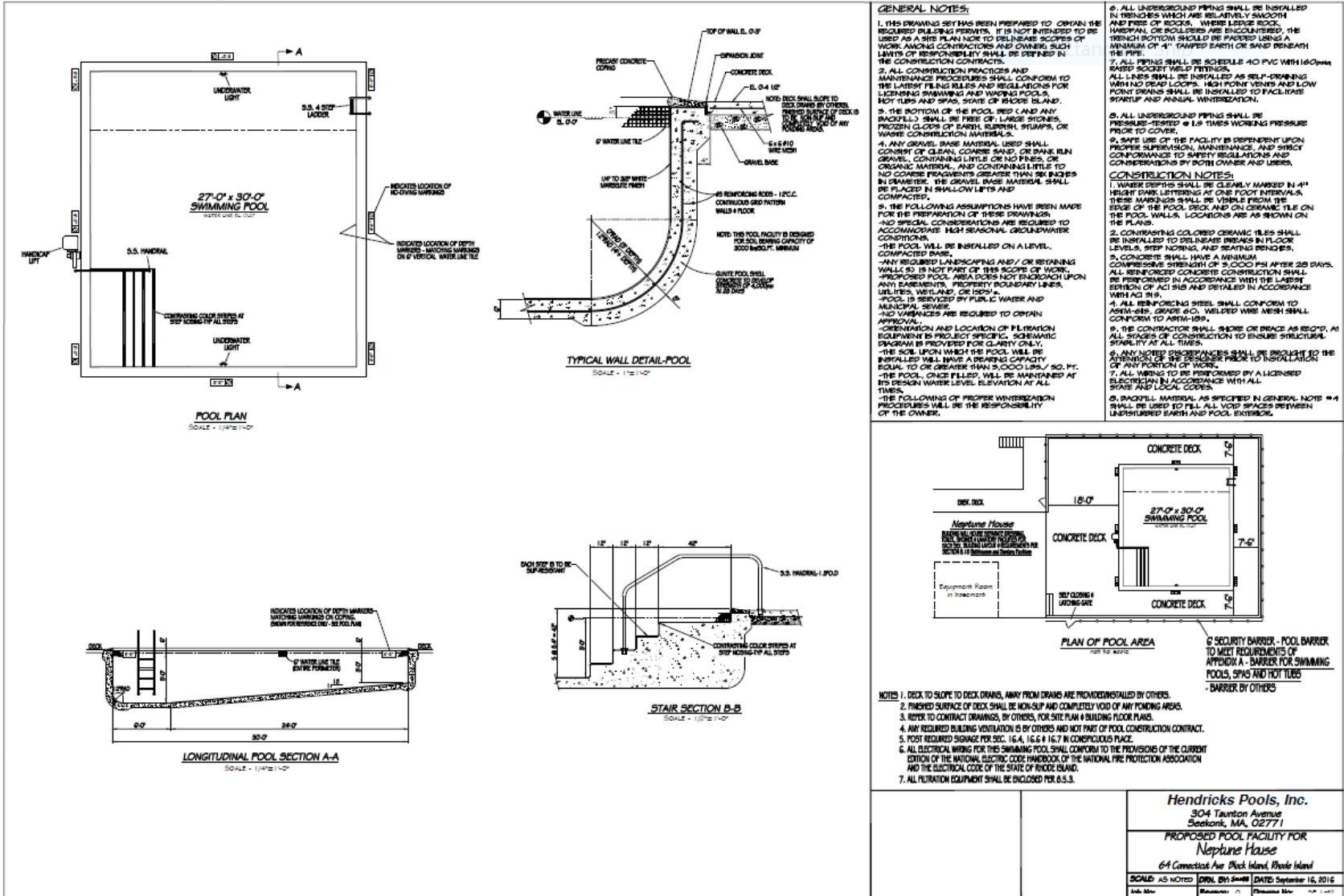
Block Island, RI





Pool Renovation – Phase 1

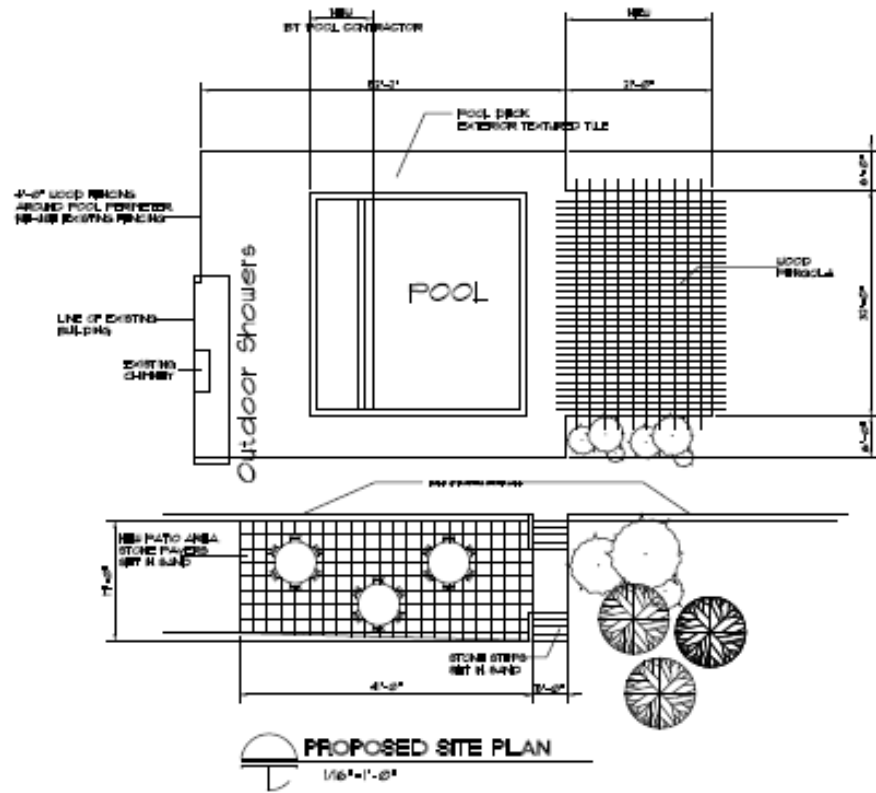
Pool Plan and Details - Phase 1



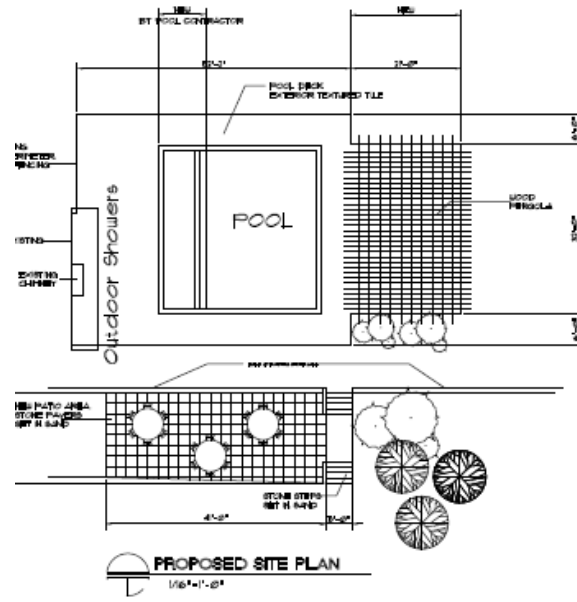
2017 Pool Project Milestones – Phase 1

- | | |
|--|------------------|
| ✓ Signed Contract | January 5 |
| • State and Town Approvals | April 1 |
| • Demolition Work | April 15 |
| • Pool Structure | May 12 |
| • Utilities / Decking / Finishing | June 23 |
| • Lockable Gate / Outdoor Showers | June 23 |
| • Testing and Inspections | July 7 |
| • Grand Opening | July 8 * |

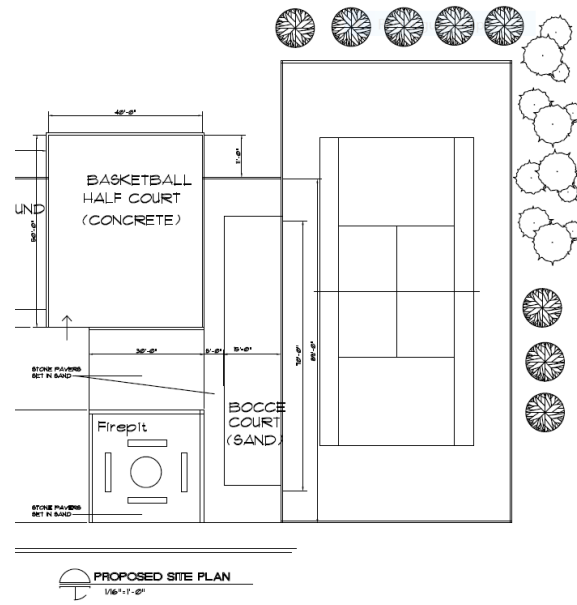
* Subject to change based on weather conditions, availability of skilled labor, ferry schedule changes, and delivery of material



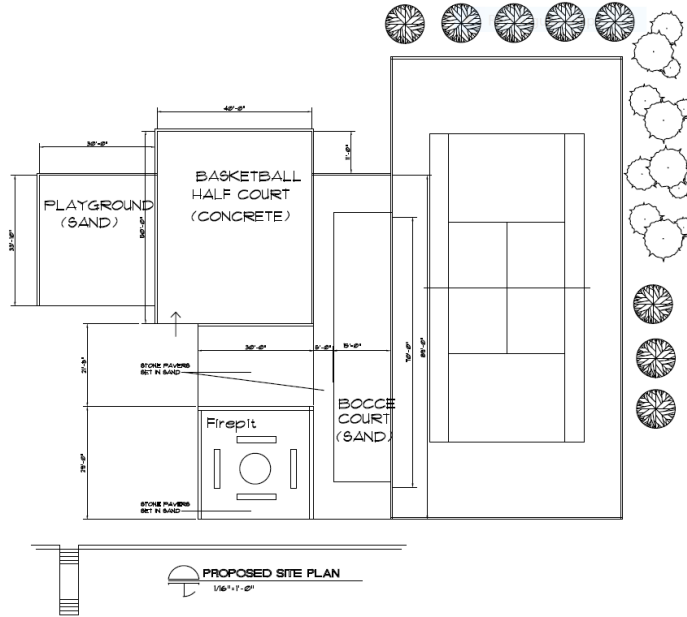
Pool Expansion Area – Phase 2



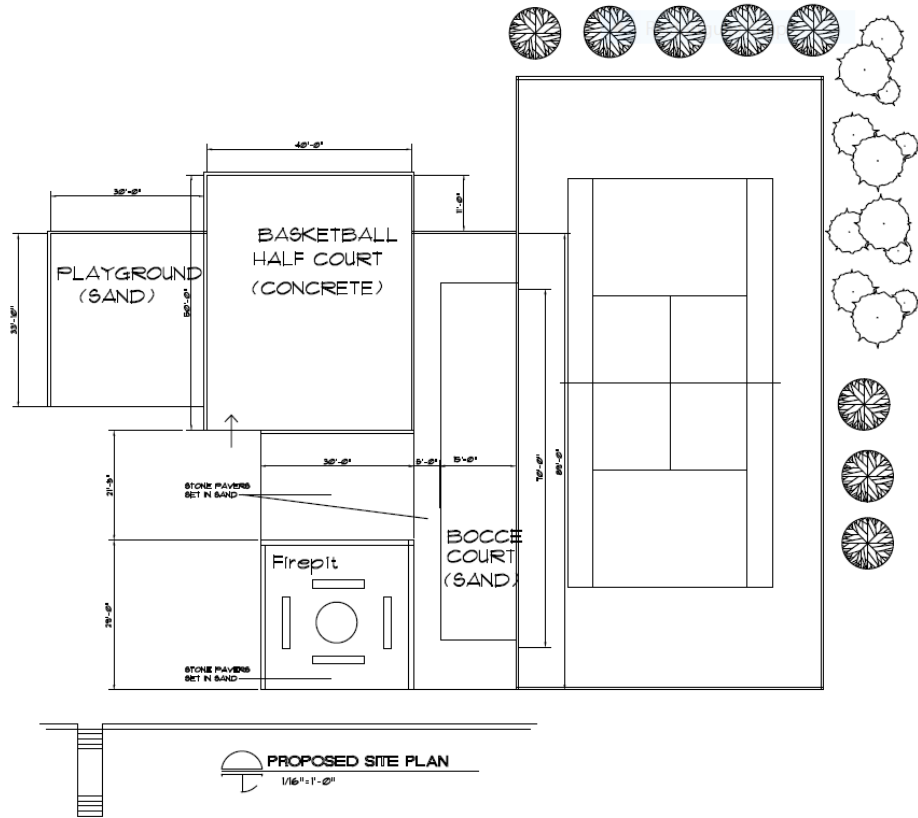
New Patio Area – Phase 3



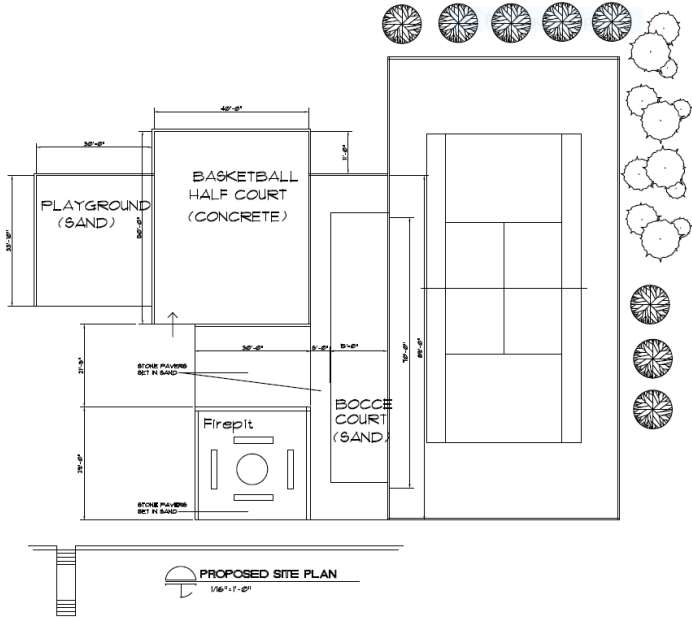
Fire Pit – Phase 3



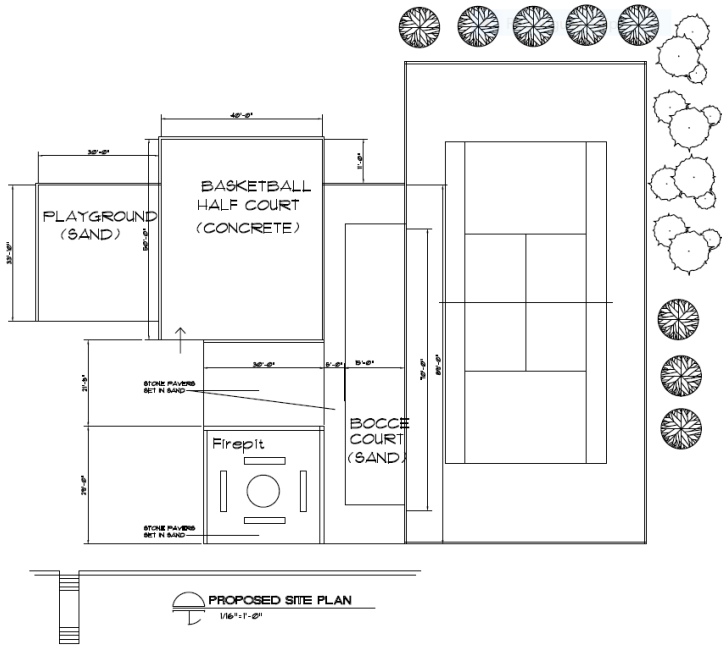
Bocce Court – Phase 3



Playground – Phase 3



Half Basketball Court – Phase 3



Tennis Court – Phase 3



Mike McManus

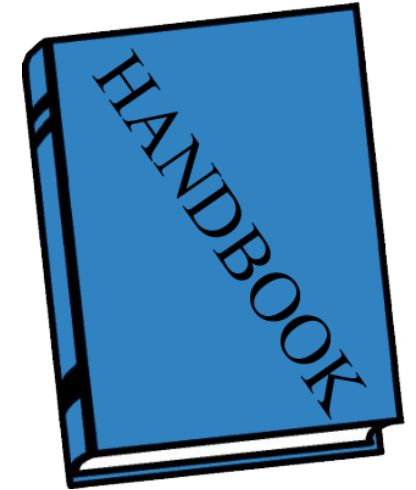
Sales & Marketing Program

Sales of Shares

- **Individual Owner Resales**
- **Owners Association Inventory**

Individual Owner Resales: Reseller's Handbook

- **Sales Channels**
- **Lead Time**
- **Setting Your Asking Price**
- **Ad Copy**
- **Legal Matters**
- **Deedback Program**



Owners Association Inventory

- **Interval International Points Program**
- **Sales Company: Points Plus, LLC**



Points Program



Club Interval = Flexibility

- Use points across unit size and/or seasons
- Full week exchanges across Interval's entire network
- Interval Options allows members to apply points toward the purchase of a cruise, spa or golf vacation
- ShortStay exchanges allow members to use their points for day increments
- Facilitates multiple stays by providing "change back"
- Ability to combine points from multiple deposits and trade up to larger unit and/or higher season





Interval OptionsSM Cruise Exchange



- Apply Club Interval Gold points towards the purchase of a cruise, golf, spa or tour package
- Any cruise line or itinerary
- Cruise bookings available online
- Pre-packaged and custom golf and spa vacation packages available at leading golf resorts and spas



Chris Lindgren

Election Results

Election Results

- **Staggered Terms**
- **Newly-Elected Directors**
 - **3-year terms (expire March 2020)**
 - **2-year terms (expire March 2019)**
 - **1-year term (expires March 2018)**



Q&A

