

Neptune House Owners Association Owners Meeting

March 18, 2017

Meeting Highlights:

- 78 Owners Attended
- Staggered Director Terms Approved by Wide Margin
- Five Directors Elected
- Improved Financial Status Reported
- Reserve Plan Detailed
- Facility Improvements and Recreational Amenities Addressed
- Sales and Marketing Program Described

An Owners Meeting of the Neptune House Owners Association (the "Association") was held starting at 10:00 A.M. on March 18, 2017 at the Latitude 41° Restaurant and Tavern, 105 Greenmanville Avenue in Mystic, Connecticut. In attendance were 78 unit owners (many of whom owned multiple weeks), including all members of the Association Board of Directors (Phil Totino, Mark Morrissette and Cheryl Moore) and Association Secretary Chris Lindgren. Also in attendance were Mike McManus of Vacation Resorts International (VRI) and Resort Manager Samantha Disotell. The formal meeting was preceded by a continental breakfast.

Opening Remarks

Association President Phil Totino opened the meeting by welcoming the owners and introducing the Board members, Association officers, VRI representative Mike McManus and Resort Manager Samantha Disotell. Phil reported that VRI had certified the timely mailing of meeting announcements and proxy ballots to owners eligible to vote, and that the Association Secretary had certified that the 25% quorum required – in person or by proxy -- to hold an owner vote at the meeting had been attained.

Upon motions duly made and seconded, the owners in attendance voted to approve the meeting agenda and the minutes of the Owners Meeting on March 19, 2016, both as mailed to owners in advance of the meeting.

Phil then reviewed the status of Turnaround Plan initiatives announced in 2016, including VRI's successful first year managing the resort, actions taken to implement the resort collection policy (including foreclosure on delinquent shares), and implementation of the 30-week resort season (including completion of the float week amnesty program). Phil indicated that later presentations would address in greater detail the other Turnaround Plan initiatives – the reserve study, restoration of the pool, and implementation of a robust sales and marketing program.

Owner Voting for Director Terms and Candidates

Association Secretary Chris Lindgren indicated that owners were voting -- as called for by the By-Laws as amended by owners in 2016-- for five Directors, and also with regard to the Board's recommendation that owners approve staggered terms in order to always have a mix of both experienced and new Directors. Chris introduced the candidates for the five Director positions, all of whom were present at the meeting. Chris thanked those owners who had already submitted their ballots, and asked that owners who had not yet submitted their ballots do so, in order that those ballots could be counted

along with proxies submitted prior to the meeting. Chris indicated that the results of the voting would be announced later in the meeting.

Financial Update

Association Treasurer Mark Morrissette provided a detailed financial update, indicating a significant improvement in 2016 in the resort's overall financial condition. His presentation compared historical operating expenses with collections, reviewed the December 31, 2016 balance sheet, and described the 2017 budget, including pool construction and operation costs. Mark also reported on the Board's review of the resort's insurance coverages.

Reserve Plan

Mark then reviewed the resort's 25-year Reserve Plan, developed based on the study performed in July by Advanced Reserve Solutions, Inc. Mark described how the plan was developed in order to determine annual reserve fees sufficient to build cash balances for projected regular repairs and maintenance, and to provide a contingency for emergencies. He also provided sample timing and anticipated costs for specific improvements to both common areas and unit interiors that are incorporated into the Reserve Plan.

Facility Improvements

Resort Manager Samantha Disotell detailed improvements made in 2016 to the grounds and common areas and to the living units, and addressed physical improvements to the resort being considered for the 2017 season.

Recreational Amenities

Vice President of Facilities Planning Cheryl Moore described work planned to implement the three-year Recreational Amenities Plan approved by owners in October. She set out target milestones for the Phase 1 pool reconstruction project planned for 2017, and described the pool apron expansion and new seating planned for Phase 2 in 2018. Cheryl also reviewed future recreational amenities conditioned on the successful sale to new owners of shares currently owned by the Association.

Sales and Marketing Program

VRI Director of Resort Operations Mike McManus described the Reseller's Handbook developed by the Board, copies of which were available at the meeting and are also online at the VRI Neptune House website, intended to assist owners who wish to sell their shares. Mike noted particularly the Deedback Program described in the Handbook, which if followed would allow owners to deed their shares back to the Association after unsuccessful efforts by the owners to sell their shares. Mike further described arrangements for Points Plus, LLC to market Association-owned shares in conjunction with Interval International's Club Interval Gold points program, which Points Plus will also describe to interested owners and facilitate conversion of their shares, if so desired.

Election Results

Secretary Chris Lindgren reported that a count of ballots submitted at the meeting and proxies received earlier indicated that, without regard to Association-owned shares, owners had approved staggered director terms by a vote of 252 in favor to 13 opposed. Chris indicated that, as a result, the terms of the

five Directors elected at the meeting would be staggered such that the two candidates receiving the highest numbers of votes will serve three-year terms, the two candidates receiving the next highest numbers of votes will serve two year terms, and the candidate receiving the fifth-highest number of votes will serve a one-year term, with – in the event of a tie – Director positions being determined based on ownership seniority, with longer tenure providing higher placement.

Chris further reported that owners, without regard to Association-owned shares, had cast 237 votes for Jeff Anliker, 216 votes for Phil Totino, 216 votes for Mark Morrissette, 206 votes for Cheryl Moore and 206 votes for Dennis Palumbo, and that – using the tie-breaker rule and recognizing the candidates respective ownership seniority – accordingly Jeff Anliker and Phil Totino were each elected for three-year terms, Mark Morrissette and Cheryl Moore were each elected for two-year terms, and Dennis Palumbo was elected for a one-year term, with all terms to begin immediately following the meeting. Owners expressed their thanks for the candidates' commitment to the resort.

Questions and Answers/Open Forum

Phil, Mark, Cheryl, Samantha and Mike responded to questions and comments from owners. Owners commented regarding a variety of items, including the priorities for recreational amenities once both phases of the pool project are completed, the timing of property improvements under the Reserve Plan, and miscellaneous other suggestions that the Board took under advisement. Owner comments were generally positive and supportive of the direction being taken.

Following the question and answer session, the meeting was adjourned at 12:00 noon.

Respectively submitted

Chris Lindgren, Association Secretary