

Neptune House Owners Association Owners Meeting

March 30, 2019

Meeting Highlights:

- 70 Owners Attended
- Two Directors Reelected
- Recreational Amenities Project Status and Plans, and Facility Improvements, Addressed
- Financial Status Reported
- Sales and Marketing Efforts Reviewed

An Owners Meeting of the Neptune House Owners Association (the "Association") was held starting at 10:00 A.M. on March 30, 2019 at the Latitude 41° Restaurant and Tavern, 105 Greenmanville Avenue in Mystic, Connecticut. In attendance were 70 unit owners (many of whom owned multiple weeks), including all members of the Association Board of Directors ((Jeff Anliker, Douglas Carnahan, Cheryl Moore, Mark Morrissette and Phil Totino), Association Secretary Chris Lindgren and Resort Manager Samantha Disotell. Also in attendance was Mike McManus of Vacation Resorts International (VRI). 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 24, 2018, both as mailed to owners in advance of the meeting.

Phil then briefly reviewed the status of the six Turnaround Plan initiatives announced in 2016, including the four completed initiatives (hiring a management company, implementation of a collection policy and foreclosure on delinquent shares, implementation of the 30-week resort season, and developing a reserve plan) as well as two ongoing initiatives – completion of the recreational amenities project and implementation of a robust sales and marketing program. Phil indicated that later presentations would address those two initiatives in progress in greater detail.

Election of Directors

Association Secretary Chris Lindgren indicated that, at the 2017 Owners Meeting, owners approved staggered terms for the Board's five Directors, and that accordingly owners were electing two Directors at this meeting to serve three-year terms. Chris briefly described the backgrounds of the two incumbent Directors who were candidates for reelection to those two Director positions – incumbent Director Cheryl Moore and incumbent Director Mark Morrissette.

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.

Recreational Amenities Project

Association Vice President of Facilities Planning Cheryl Moore described work on the Recreational Amenities Project, including completion of Phase 1 with the opening of the outdoor heated pool on August 15, 2018. Cheryl indicated that the pool includes a handicap chairlift, outdoor shower and new pool furniture, and is accessible through two keypad-controlled entry gates. She indicated that, due to escalating costs and a shortage of new sales, Phases 2 and 3 of the Recreational Amenities Project were being scaled back. Phase 2, scheduled for completion in May, will consist of a patio between the pool and the tennis courts, with a portable fire pit and outdoor furniture and access to the pool. Phase 3, as contemplated, would include replacement of one tennis court with a grassy play area, refurbishing of the remaining tennis court and tennis court fence, and landscaping. Cheryl indicated that any Phase 3 recreational amenities were conditioned on the successful sale to new owners of shares currently owned by the Association.

Facility Improvements

Resort Manager Samantha Disotell detailed improvements made in 2018 to the living units and common areas – including replacement of the concrete pad in back of Building B and repaving of the driveway and parking area of Building A. Samantha also addressed improvements planned for the 2019 season.

Financial Update

Association Treasurer Mark Morrissette provided a detailed financial update, indicating that 2018 was a strong year for core resort operations, that the 2019 budget was consistent with the overall three-year plan, and that reserves are on plan despite overages on Phase 1 of the Recreational Amenities Project. His presentation compared 2018 operating and reserve expenses with revenues, reviewed the December 31, 2018 balance sheet, and described the 2019 budget, including Recreational Amenities Phase 2 construction, reserve and operating expenses. Mark also reported on the Board's review of the resort's insurance coverages and the status of the resort's reserve plan. He also summarized the results of the foreclosure auction held in November 2018. He noted year-over-year declines in assessment revenue, such that a successful sales plan is critical to the resort's success. Mark indicated that it was not contemplated that assessments would decrease in 2020; rather it was anticipated that total assessments will either be flat or increase slightly.

Sales Efforts

VRI Director of Resort Operations Mike McManus reviewed efforts to assist owners who wish to sell their shares, as described in the Reseller's Handbook, available online at the Owners Portal on the VRI website. Mike also reviewed the sales results for Hello Vacay, the marketing agent for Association-owned shares, and described efforts to increase the resort's rental revenue.

Marketing Committee

Director Jeff Anliker described the activities of the Marketing Committee, established by the Board in September 2018, with the goal of developing a marketing strategy to increase ownership and rentals of shoulder weeks by October 31, 2019. Jeff described the shoulder season distribution of Association-owned shares, where available shares are almost exclusively concentrated at the beginning and end of the resort's fixed week calendar. Jeff described the challenges the resort faces in selling the available shares, and the key audience and demographics of first-time timeshare owners. He indicated that the resort had established a Neptune House Facebook page and Instagram account, and was reviewing other ways to market the resort.

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 reelected Cheryl Moore and Mark Morrisette as Directors to serve three-year terms, to begin immediately following the meeting. Chris reported that owners cast a total of 167 votes for each of the two candidates.

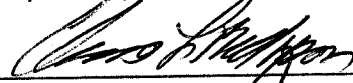
Chris and Phil reiterated the importance of owners' willingness to volunteer their time and expertise to guide the resort.

Questions and Answers/Open Forum

The Board members, Samantha and Mike responded to questions and comments from owners. Owners commented regarding a variety of items, including facility improvements, possible future recreational amenities, and the resort's sales and marketing efforts, and provided various 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 11:53 a.m.

Respectively submitted



Chris Lindgren, Association Secretary