

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

February 12, 2016

The Board of Directors (the "Board") of the Neptune House Owners Association (the "Association") met telephonically by conference call at 7:00 a.m. on Friday, February 12, 2016. All members (Phil Totino, Mark Morrissette and Wayne Rioux) were in attendance. Also in attendance were Vice President of Facilities Planning Cheryl Moore, Secretary Chris Lindgren, Resort Manager Samantha Disotell, and Mike McManus of Vacation Resorts International (VRI).

Administrative Items

The Board, upon motion duly made and seconded, unanimously voted to approve the minutes of its meeting on January 29, 2016, as circulated in advance to the Board members.

Owners Meeting

Secretary Chris Lindgren addressed the proposed amended By-Laws, as reviewed by Association counsel Sayer, Regan and Thayer and as circulated to the Board prior to the meeting, including changes to update meeting procedures and to increase the number of Association Directors from three to five. Chris noted that the changes had been discussed by the Board at prior meetings. The Board then, upon motion duly made and seconded, unanimously voted to approve (1) the By-Laws as so amended and circulated to the Board, and (2) a mailing to be sent to owners notifying them of the March 19 Owners Meeting and including a form of proxy for owners who are not planning to attend the Owners Meeting to indicate whether or not they approve of the By-Laws as so amended. Mike McManus reported that VRI would mail the meeting notice and the proxy form to owners.

The Board then discussed a float week amnesty program, including a reduction in float week maintenance fees to encourage owners to retain their float weeks, as proposed by President Phil Totino. After discussion, upon motion duly made and seconded, the Board unanimously voted to approve the float week amnesty program as presented, with the program to be announced to owners at or before the upcoming Owners Meeting.

Following that approval, Phil summarized the points to be addressed at the Owners Meeting regarding the implementation of Proposition 30. He noted that:

While the Board remains in favor of the general objectives of Proposition 30, after carefully studying the specifics of the proposal as originally conceived, the Board realized that there were shortcomings and possible unintended consequences of strict adherence to its tenets. In particular, the revisions to deeds and other documents that would be required by a 30-week fixed season, as initially proposed, would be burdensome and costly in terms of administrative effort and legal fees.

The Board has chosen instead to act in the spirit of the proposal by recognizing that its primary intent is to find innovative ways to ensure the financial viability of the Neptune House and provide funds that could be used to improve the physical condition of the property.

Specifically, the Board has decided to move to a shortened 30-week schedule as called for by Proposition 30, but to retain some float weeks (rather than moving to an all-fixed week

schedule) in order to provide flexibility to owners who have varying April vacation schedules, and to permit flexibility in the future should it be desirable to modify the length of time that the Neptune House is open.

We are planning to decrease the number of float weeks from the current 9 weeks (5 in November and 4 in April) to 4 weeks. The remaining float weeks will be the first week in November (Week 44) and the last three weeks in April (Weeks 15 – 17). If needed based on reservations and owners' demand, the first week of April (Week 14) will be added.

Taking these actions will allow the Neptune House to realize the benefits of Proposition 30 without the administrative costs that would be incurred. A vote by the owners to approve changes to the governing documents will not be required, as the number of fixed weeks is not being increased.

Additionally, the Board will follow through with a float week amnesty as envisioned in Proposition 30. The Board is also open to declaring amnesty periods for float weeks in future years, but that will be up to the Board in place and the situation at the time.

Also, based on the reaction of owners to the large increase in the 2016 maintenance fee for float weeks, the Board has re-evaluated the way in which float week fees are set. The Board has decided that annual maintenance fees for float weeks will revert to \$690 for the 2016/17 float week season. Furthermore, it is the intent of the Board to keep the annual maintenance fees for float weeks substantially lower than the annual maintenance fees for fixed weeks in the future, recognizing that there is less demand for the off-season float weeks.

Considering that it is critical to our long-term viability that we maximize the number of shares in the hands of paying owners, this approach of declaring a float week amnesty and reducing float week maintenance fees will both encourage current owners to retain their float weeks and make it attractive for people to take ownership of float weeks held by the Owners Association or by individual owners who may no longer wish to own them at some point in the future.

The Board indicated its agreement with Phil's summary.

Phil then summarized the points to be addressed at the Owners Meeting regarding the status of the pool. He noted that:

The online referendum that took place last summer to gauge owner sentiment about the pool did not reveal overwhelming support for or against a pool. Furthermore, some owners questioned the validity of the referendum because there was no information about the annual maintenance costs of having a pool or about the potential savings from not having a pool.

As the new Board of Directors that took office on November 1, 2015, we had previously stated our intention to gather information about maintenance costs and potential savings and to hold a binding vote of the owners to determine the fate of the pool.

However, given the severe financial difficulty that the resort is facing and the need to develop a comprehensive, long-term plan to restore the financial health and physical condition of the resort, we have determined that it would be imprudent to consider the future of the pool without evaluating it in the context of a long-term plan.

The pool building has been demolished, but the pool itself remains intact (the pool has been covered). The options for reviving the pool in some form remain viable. We plan to evaluate the options in terms of the benefits that they would provide for owner recruitment and retention.

We intend to work with VRI and potential Sales & Marketing firms to determine the benefit of a pool versus the cost of restoration. We also intend to look into the availability of a loan that could spread the cost over a number of years.

In short, it is too soon – with too much still uncertain – to hold an owners' vote on the future of the pool.

It took several years to get into the situation that we are in. It will take at least a few years to get ourselves back on track. We don't know what all of the answers will be, but we know the questions to ask, and we have a framework for moving forward. Our approach is to resolve the future of the pool in the context of a comprehensive get-well plan for the resort.

The Board concurred with Phil's summary regarding the status of the pool.

The Board and officers further discussed the presentations to be made at the Owners Meeting, with draft presentations by the President, Treasurer and Secretary to be reviewed at the Board's February 26 meeting.

Financial Management

Mike McManus reported on the status of payments of the October Special Assessment, with 488 of an anticipated 625 shares having paid \$145,958 of that Special Assessment to date. He also reported that \$533,708 had been received so far as 2016 maintenance fees. Mike noted that late payment notices had been sent to 90 accounts in early February, and Samantha Disotell reported that she was also calling owners regarding overdue accounts.

Treasurer Mark Morrisette reported that he had received accountant Adam Urban's compilation of 2015 financial results, and that a summary of that financial report would be included with the notice and proxy for the March 19 Owners Meeting when those materials are sent to owners.

Resort Management

The Board reviewed a proposed rental policy, as recommended by VRI based on its experience with other resorts and circulated to the Board in advance of the meeting. After discussion, upon motion duly made and seconded, the Board voted unanimously to approve the rental policy as presented.

Mike indicated that VRI's insurance department was reviewing the adequacy of the resort's various insurance policies, including workmen's compensation, general liability and directors and officers liability coverage.

Mike and Samantha both reported that the transition of responsibilities to VRI was going smoothly.

Wayne Rioux at this point needed to leave the meeting.

The remaining Board members and officers then discussed physical improvements that might be made before the resort opens in April. Vice President of Facilities Planning Cheryl Moore indicated that she would work with Mike to suggest redesigned signage and to assess possible landscaping and other improvements.

Neptune Owners Website

The remaining Board members and officers discussed revisions proposed by Roger Pare to the NeptuneOwners.com website.

Executive Session

Samantha Disotell and Mike McManus left the meeting, and the remaining members of the Board then met in executive session with officers Cheryl Moore and Chris Lindgren present.

Following the executive session, the meeting was adjourned.

Respectively submitted

Chris Lindgren, Secretary