September 11, 2020

Dear Neptune House Owner,

Your maintenance fee bill for 2021 and a copy of the resort's 2021 Budget are included in this mailing along with the resort's Assessment Billing and Collection Policy and our Check-In Date Calendar.

Maintenance fees for 2021 are as shown in the chart below. They represent a 1.7% increase over the 2020 fees and are identical to the fees that were in effect in 2017, 2018, and 2019. In spite of a slightly smaller ownership base and the increased costs of doing business in the era of COVID-19, we are able to control the amount of the increase due to tight spending discipline.

	2020 Maintenance Fee	2021 Maintenance Fee	Change
Float	$ 734	$ 746	+ $ 12
Studio	$ 1,200	$ 1,221	+ $ 21
One-Bedroom	$ 1,334	$ 1,357	+ $ 23
Two-Bedroom	$ 1,468	$ 1,493	+ $ 25

Total Expenses in 2021 are budgeted at $824,767, which is a 1.8% decrease from the budget in 2020. The drop is due to lower spending on projects in the Reserve Plan, which fluctuates by design from year-to-year based on the size and scope of planned major maintenance and upgrade projects. Funding will come from Total Revenue of $788,273 plus $36,494 from the accumulated Reserve Fund balance.

Revenue from Maintenance Fee Income is budgeted marginally higher than in 2020. Revenue from sources other than maintenance fees is budgeted at lower levels than in 2020. These categories include Sales Revenue, Rental Income, Licensing Income, and Bad Debt Recovery, all of which suffered this year due to the COVID-19 pandemic, and, to be prudent, are budgeted more conservatively next year.

The total costs to run the resort, which are comprised of the Operating Expenses, Administrative and General Expenses, Fixed Expenses, and Payroll & Benefits, are budgeted at $704,626 in 2021. This amount represents a 3.4% increase over the similar group of expenses in 2020. The main drivers are increases in utility costs and labor.

Spending on Reserve Plan projects plus Bad Debt Expense make up the difference of $120,141 between Total Available Funds and Total Expenses. Reserve project spending will be significantly lower in 2021 than in 2020 per our 25-year Reserve Plan, while Bad Debt Expense will be approximately the same (Bad Debt Expense is set at 2% of Maintenance Fee Income).

The Board believes that this is a realistic budget that will sustain the long-term financial and physical health of the resort. Operations are being managed efficiently; the Reserve Plan has adequate funding for long-term maintenance projects; and major work to enhance owner satisfaction and the resort's curb appeal has the appropriate level of funding. The timing of some major projects could possibly slip because of difficulties in obtaining commitments from contractors as a result of constraints imposed by COVID-19, but the funding will be available.

The levels of maintenance fees in 2022 and beyond are expected to increase modestly as operating costs rise and our ownership base continues to shrink. Our ability to limit the maintenance fee increases will depend largely on the success of our marketing efforts in generating revenues from rentals and licenses during the shoulder season (principally May and October).

If you have any questions, please send them to board@neptunehouse.com.

Board of Directors: Phil Totino, President
Chery Moore, Vice President of Facilities Planning
Mark Morrissette, Treasurer
Jeff Anliker
Doug Carnahan