

From: Neptune House Board of Directors

November 2, 2015

Dear Fellow Owners,

Thank you very much for your votes in the recent election for Board of Directors. We are honored that you have put your trust in us to revitalize the Neptune House vacation resort. We reaffirm our commitment to open communication, regular elections, and implementation of Proposition 30, the proposal to restructure the resort's time shares into a 30-week season.

We wish to thank our immediate predecessors on the Board (Steve Perrotti, Steve Hague, and Valerie Erickson) for their years of service and for working with us to effect a smooth transition. We also commend the other owners who offered themselves as candidates for the Board. It is encouraging to see the level of passion and commitment that so many have to our resort.

As our term in office gets under way, our highest priorities are to assure a stable financial footing for the resort and to address the physical deterioration of the facilities.

### **Financial Status**

As part of our start-up activities, we are in the process of conducting a thorough review of the finances and operations of the resort. What we have found so far is quite sobering. The financial situation that we face is very serious – much more so than we had previously believed. The disconnect between expenses and revenues is large.

Drastic measures will be required to get our finances in order in the near term. In the long term, the restructuring envisioned by Proposition 30 should provide a meaningful benefit. But it won't come in time to help us get through 2016.

Stringent financial controls and active oversight from the Board are being put in place to prevent unexpected deficits in the future. We will cut expenses where we can, but the only significantly effective lever that we have is an increase in maintenance fees.

We anticipate completing work on the 2016 budget in approximately two weeks. You should expect maintenance fees for 2016 to increase significantly, as necessary to create a balanced budget and assure the financial viability of the Neptune House.

Please note that it is critically important that all owners pay the special assessment for the pool demolition and 2015 deficit elimination that was sent out in October by the prior Board. It is necessary that this be paid by the end of December so that we go into 2016 without any unpaid bills. If the special assessment is not fully paid, our financial difficulties will persist.

### **Facilities**

Two initiatives are under way that will provide information to help us improve the condition of our facilities and keep them in good shape. First, a group of owners led by architect Cheryl

Moore has developed a punch list of repair and maintenance items for the living units. More than 250 issues have been identified in the 23 units. Work is in process to perform a cost estimate and to prioritize the list. A remediation plan will be established to bring all of the units up to a standard level of quality over time.

Second, the Board is preparing to contract with a firm to conduct a Reserve Study. This will encompass the shells of the buildings, the common areas, and the grounds. Items such as roofs, boilers, driveways, and tennis court surfaces have known useful life spans and replacement costs. This information will be used to plan a Reserve Fund to assure that funding is available when needed. Taking this approach should preclude the need for surprise special assessments for occurrences that can reasonably be predicted.

### **Pool**

The pool building has been demolished, but the pool itself remains intact. However, the pool will not be in operation during 2016. Even if there were an affirmative vote to restore the pool in some manner, the time to do the work to make the pool operational and to comply with current health and safety laws and regulations will make it impossible to have it ready by this summer. It's unfortunate and frustrating for those who consider the pool a key part of their vacation experience, but that's the reality that we are faced with.

In case there's any confusion about the pool situation, the online vote this past summer was a referendum – an advisory recommendation to the Board of Directors. The new Board's intention is to have a ***binding vote*** of the owners. To facilitate this, we plan to supplement the information gathered for the referendum with information about annual operating costs under each option. Furthermore, we plan to present the costs, benefits, and risks of each option in a way that is easy to understand and to make comparisons.

### **Owners Meeting**

After the budget has been put in place, we will turn our attention to the pool situation and to Proposition 30. We have established a goal of holding an Owners Meeting in late March 2016 at a site on the mainland where these topics can be addressed fully.

### **Future**

Our long-term goals are to make all of us proud to be owners of the Neptune House vacation resort, satisfied with the value that we derive from our annual maintenance fees, and pleased with the governance structure and management of the resort.

We will keep you informed of significant decisions regularly via email. We value your input and feedback, and we ask for – and we fervently expect – your help and support along the way.

Sincerely,

Phil Totino, President

Wayne Rioux, Vice President

Mark Morrissette, Treasurer