



Proposed Three-Year Recreational Amenities Plan

September 2016

Summary

The Board of Directors recommends approval of a comprehensive plan for recreational amenities including an outdoor heated pool that could be open for the entire resort season (April – November). This plan will provide owners with desirable amenities at small additional cost. It is part of a long-term strategy to transform the resort into something wonderful again for current owners to enjoy, and to increase the value of the shares that owners now have. In addition, the improvements are intended to get more shares into the hands of paying owners by making the resort more attractive to new buyers. In turn, this will allow us to reduce maintenance fees over the long term by spreading costs over a broader base.

The plan was developed in response to feedback from owners at the Annual Meeting as well as continued requests from owners who want to have the pool restored. Work to make the pool compliant with current health and safety codes and to enlarge the pool deck would take place in phases, and would be paid for over a 3-year period via a temporary annual fee that would be in addition to the regular maintenance fee; other amenities – a playground, fire pit, basketball area, and bocce court, all of which would use the space currently taken by one of the tennis courts – would be paid for by increased revenues resulting from new owners of shares currently owned by the Owners Association. The remaining tennis court would be refurbished.

If the plan is approved by owners, the temporary recreational amenities fee will be in effect for the years 2017, 2018, and 2019. It will cover all work related to the pool component of the project. The other recreational amenities would be added if and when sufficient revenue is realized from new paying owners. The work on these components could be done during the initial 3-year period, afterwards, or in the event that our sales & marketing efforts prove unsuccessful, possibly not at all.

The total overall fees paid by owners would increase by less than \$100 per share in 2017 and remain flat in 2018 and 2019, presuming only small increases in the numbers of paying shares in 2018 and 2019. The fee increases would differ based on type of unit (float, fixed studio, fixed 1-bedroom, fixed 2-bedroom).

Approval of this plan will not affect ongoing repair and maintenance work such as has been done already this year, nor will it negatively impact plans for long-term repair and replacement of common areas and systems and for refreshing the living units on a periodic basis. The portion of the regular maintenance fee associated with reserves will cover these costs whether the plan is approved or not.

Recreational Amenities Project Components

The components of the recreational plan are as follows, broken into phases over the next few years:

- 2017
 - Pool upgraded to meet current health and safety codes; outdoor showers installed. Available in mid-summer if all goes well.
- 2018
 - Pool enhanced with enlarged apron and new 21' x 32' seating area with pergola
- TBD based on the results of our sales & marketing efforts
 - Playground installed
 - Fire Pit installed
 - Basketball area constructed
 - Bocce court installed
 - Remaining tennis court refurbished

When the pool opens in 2017, it will be enlarged to have a shallow end with a stairway. It will also have a handicap lift and a thermal cover to keep the heat in when the pool is not open. Outdoor showers will be available to rinse off after the beach and before entering the pool. A spa will not be included because of the added cost of construction and operation, as well as the impact on staff for monitoring usage – the pool itself will be plenty warm.

If future income allows, the envisioned playground would be approximately 34' x 30' and would have a swing set, slide, and climbing structure. The fire pit would be gas-fed and include benches for seating. It would occupy an area approximately 30' x 29'. The basketball area would consist of a single backboard in a regulation half court. The bocce court would be 70' x 15' on a Har-Tru surface. The remaining tennis court would be rebuilt on a concrete base, and new fencing would be installed. Landscaping would be done to enhance the overall appearance of the resort.

Please see the attached Proposed Site Plan to see how the various project components would be laid out.

Recreational Amenities Construction Costs

The cost of the work associated with the pool is \$260,000 (\$177,000 for the 2017 work and \$83,000 for the 2018 work). These figures are based on recent quotes from the companies that will perform the work. Firm estimates of the construction costs of the other components are still being developed.

\$88,400 in reserves would be applied to this project, bringing the net construction cost to be funded from new fees to \$171,600. This is the amount that would be funded by the recreational amenities fee that would be in effect for three years. The fee would pay for the work associated with the pool but not the other amenities. Construction of the other amenities would be contingent upon getting additional shares currently owned by the Owners Association into the hands of paying owners through our sales & marketing efforts.

Recreational Amenities Operations and Maintenance Costs

Re-opening the pool and constructing the other components will lead to an increase in the costs of ongoing operations and maintenance. A breakdown of these costs is as follows:

Item	Annual Operating Cost Estimate
Pool chemicals	\$ 4,000
Propane gas for pool	\$ 10,000
Pool towels	\$ 1,500
Propane gas for fire pit	\$ 2,000
Labor for maintenance of rec area	\$ 30,000
Sports equipment replacement	\$ 1,000
Total Annual Operating Cost	\$ 48,500

Neptune House Budget and Fees

Assuming 2% annual inflation, and factoring in the needs for long-term reserves, our budget plan for the next three years is shown below:

Expense Item	2017	2018	2019
Operating Costs	\$ 550,000	\$ 561,000	\$ 572,220
Taxes	\$ 15,609	\$ 15,921	\$ 16,240
Reserves	\$ 90,000	\$ 90,000	\$ 90,000
Recreational Amenities Construction	\$ 57,200	\$ 57,200	\$ 57,200
Recreational Amenities Operations & Maintenance	\$ 48,500	\$ 49,470	\$ 50,459
Total	\$ 761,309	\$ 773,591	\$ 786,119

The impact on total fees charged to owners would be as follows:

YES Vote means:	Float	Efficiency	1 Bed	2 Bed
2017 Operating Fee	\$ 539	\$ 882	\$ 980	\$ 1,078
2017 Tax Fee	\$ 15	\$ 25	\$ 28	\$ 31
2017 Reserve Fee	\$ 88	\$ 144	\$ 160	\$ 176
Temporary Rec Amenities Construction Fee	\$ 56	\$ 92	\$ 102	\$ 112
Ongoing Rec Amenities Operations & Maintenance Fee	\$ 48	\$ 78	\$ 86	\$ 95
Total 2017 Fee	\$ 746	\$ 1,221	\$ 1,357	\$ 1,493
Increase from 2016	\$ 56	\$ 79	\$ 88	\$ 97

Presuming 10 new paying shares in 2018 and another 10 new paying shares in 2019, these fees would stay the same in 2018 and 2019. While the intent is to keep total fees level, we cannot guarantee these fees beyond 2017 because conditions could change (for worse or for better).

Implications of a NO Vote

If this plan is not approved, total fees in 2017 would **decrease** from 2016 levels by \$90 for studios, \$100 for 1-bedroom units, and \$111 for 2-bedroom units. Fees for float weeks would remain at \$690.

However, without the pool (and the other recreational amenities that could be built), efforts to sell shares currently held by the Owners Association would be greatly hampered. Without substantially more shares in the hands of paying owners, it will be much more difficult to control maintenance fee increases over the long term. Furthermore, the resort would be less attractive to people looking to rent or purchase shares from current owners.

Also, please note that a portion of the \$88,400 of reserves that would have been applied to construction would be used to tear up the existing pool, dispose of the material, fill in the hole, and do landscaping. The balance of the funds would remain in the reserve fund.

Recommendation from the Board of Directors

The Board of Directors recommends approval of the recreational plan as the best path forward to provide owners with desirable amenities at small additional cost, to increase the value of units for current owners, and to spur sales of shares owned by the Owners Association, thereby spreading future expenses over a broader base and making lower maintenance fees possible.

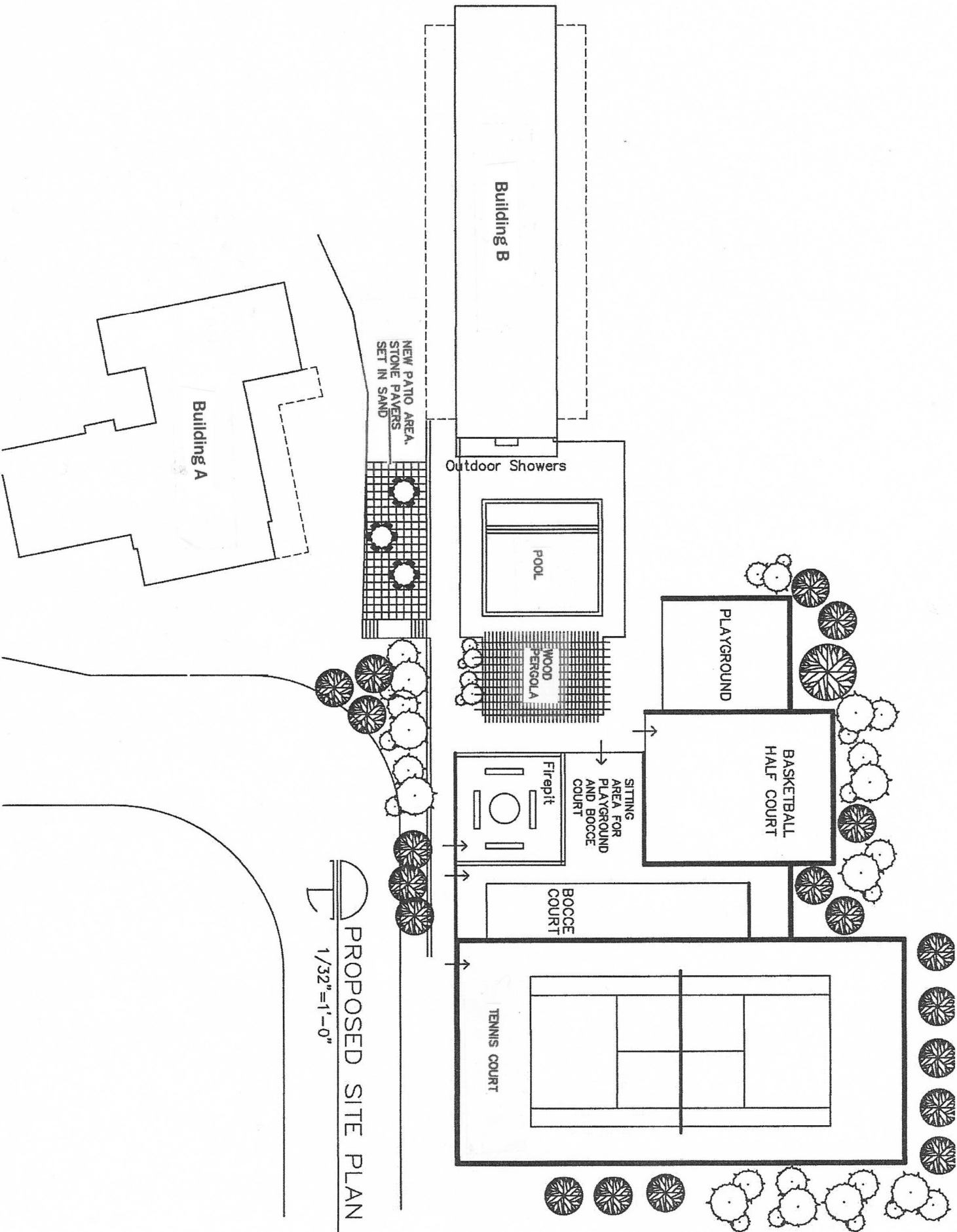
Regardless of whether we are able to generate enough revenue from our sales & marketing efforts to construct some or all of the new recreational amenities envisioned in the plan (in addition to the pool), we should be able to reduce maintenance fees in 2020 below the levels where they are in 2016. That is what we are working towards, but it is not something that we can promise.

Voting Process

Please use the attached ballot to indicate either that you APPROVE the proposed outdoor heated pool and associated temporary recreational amenities fee as well as the addition of other recreational amenities as and to the extent that revenues permit, or that you DO NOT WANT the proposed outdoor heated pool and associated temporary recreational amenities fee. The ballot must be signed and returned by October 31, 2016 in order to be counted. The ballot should be returned to Neptune House, c/o Vacation Resorts International, P.O. Box 399, Hyannis, MA 02601-0399 or faxed to 508-775-6396. There is one vote for each share owned. Owners must be current on all fees in order to vote. The majority of votes cast will decide whether or not the recreational amenities plan as proposed is approved.

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

Board of Directors: Phil Totino, President
Cheryl Moore, Vice President of Facilities Planning
Mark Morrissette, Treasurer



PROPOSED SITE PLAN
 1/32" = 1'-0"



NEPTUNE HOUSE OWNERS ASSOCIATION

VOTE ON PROPOSED RECREATIONAL AMENITIES, INCLUDING AN OUTDOOR HEATED POOL

BALLOT

Vote for one of the following by placing a "check" or an "X" next to your decision.

_____ **YES** – I/WE APPROVE THE PROPOSED OUTDOOR HEATED POOL AND ASSOCIATED TEMPORARY RECREATIONAL AMENITIES FEE, AND THE ADDITION OF OTHER RECREATIONAL AMENITIES AS AND TO THE EXTENT THAT REVENUES PERMIT

_____ **NO** – I/WE DO NOT WANT THE PROPOSED OUTDOOR HEATED POOL AND ASSOCIATED TEMPORARY RECREATIONAL AMENITIES FEE

Total Number of Shares (Unit-Weeks) Owned: _____

List All Shares (Unit-Weeks) Owned (i.e. Unit 22, Week 26): _____

Dated: _____, 2016

Print Full Name of Primary Title Holder as shown on Your Deed
(If there are multiple owners, all owners should sign)

X _____
(Signature)

X _____
(Signature)

X _____
(Signature)

Please Note: In order for the Ballot to be counted, it must be signed by an Owner and returned no later than October 31, 2016. The Ballot can be returned in the enclosed envelope addressed to: Neptune House, c/o Vacation Resorts International, P.O. Box 399, Hyannis, MA 02601-0399 or faxed to 508-775-6396.