Harborside Update: May 27, 2014

Owners' Vote of Approval

Owners were asked to authorize the Trust's borrowing of money, in an amount not to exceed $900,000 from a recognized lending institution, to fund necessary reconstruction of and code upgrades to Building B. That request was approved by a vote of 82.52% of the ownership interests. The Trustees appreciate this vote of approval, as it is essential to our moving forward with the reconstruction project and the return of the displaced owners. During the balloting process, many differing points of view were expressed, and we are well aware that some Owners continue to object to the amount of the loan, certain elements of the egress design and other issues raised. Some of those issues were addressed in our memo of May 23rd. In moving forward, the Trustees continue to be mindful of and responsive to the concerns of all Owners.

Non-Binding Pre-Payment Preference

Along with the ballot regarding the loan, Owners were asked to indicate their non-binding preference as to pre-payment of their share of a $900,000 assessment in one lump sum or in monthly payments over the term of the loan. Although preferences have not been received from all Owners, those received indicate that over $460,000 could be made in lump sum payments.

Meetings With Travelers Insurance and Paradise Construction

On May 19, 2014, in connection with an inspection of the roof of B Building, the Trustees met with representatives of Travelers Insurance, Paradise Construction and Panakio Adjusters, our public adjuster. The primary purpose of that meeting was to define the scope and issues to be addressed at a meeting among the same group scheduled for June 4, 2014. That meeting will also include a senior officer of Travelers as well as Bruce Paradise. Our hope is to discuss and resolve outstanding issues and come closer to a settlement agreement. The Travelers representatives have also agreed to furnish us a report of the condition of the roof and a report on the status of the investigation into the cause of the October fire.

Egress Design

The Trustees sincerely regret any misunderstandings or misconceptions that have arisen with respect to the egress plans as prepared by Architect Bob Zarelli. We admit that communications between the Trustees and Bob Zarelli may have been inconsistent and likely confusing. While not an excuse, we believe this stems from turnover on the Board, our attempts to convey concerns expressed by multiple Owners regarding the cost and scope of the design, and the use of an incomplete survey as a basis for the plans. We in no way intended to suggest that the conduct of

Bob Zarelli was anything less than fully professional. Rather, we appreciate Bob's skill in creating a design that solves problems we have tried to address unsuccessfully for a long time. The Trustees sincerely apologize for any misunderstanding in this regard. We formally retract the erroneous statement included in the last Update that "the plans were not in conformity with the instructions of the Trustees." It should have read "the plans were likely in conformity with instructions of the Trustees, but did not meet all the expectations of the Trustees ."

The egress is an essential element of the reconstruction project. A Certificate of Occupancy for the affected units and common areas will not be granted by the Building Commissioner until the egress is fully in place. Many different concepts, approaches and ideas for the egress have been suggested to the Trustees. We will evaluate some of these while we also proceed with implementation of the overall project. In the end, the Trustees will determine the plan to be followed and execute its construction. We ask all Owners to understand that the affected units must have a code compliant egress and the Trustees must use their best judgment in selecting and executing a plan.

Loan From East Boston Savings Bank

Negotiations are continuing with East Boston Savings Bank (the "Bank") to obtain a loan for an amount up to $900,000. This will take the form of a construction loan, which will be converted into a five-year term loan at 4.75% interest. The final amount of the loan will depend on the settlement amount from Travelers, the amount of the assessment pre-paid by Owners and the final cost of construction.

New Trustee

Following Don Nowland's announcement that he will not seek another term as Trustee after his current term expires in July, Leslie de Moraes has been nominated to become a Trustee. We appreciate Leslie's willingness to step forward despite the many issues confronting us at this time. The nominating period will end at the end of the month and ballots will be sent for return by the end of June.

The incredible amount of time and effort given to Harborside by Don Nowland over many years reflects a tremendous depth of commitment All Harborside Owners are deeply grateful to Don for his years of dedicated service.

Thank you,

The Trustees