Letter to Harborside Owners – 2004 Year-end Financials

17 Feb 2005

Dear Haborside Owners:

The purpose of this letter is to provide you information about the financial status of the Harborside Condominium Trust, specifically the 2004 year-end financial performance. For reference, we invite your attention to the financial status report made at the 3 August 2004 Annual Owners Meeting.

For 2004, our Harborside financial performance resulted in a 2.1% overrun ($2082 over our total budget of $97,130). This overall performance is much better than in recent years where very substantial Special Assessments had to be requested to cover "operating" overruns, instead of Capital Reserve Projects.

Unfortunately, we were able to only fund the Reserve Account by $4165 (vice a budget of $10,000). The bottom line is that the Reserve Account was, in effect, applied towards an 8% overrun in actual Operating Expenses ($6974 over the Operating budget of $87,130). The majority of the overrun came from unexpected expenses associated with Office Administration, Maintenance & Repair, Landscaping & Cleaning, Water & Sanitation, Snow Removal, and Insurance. None of the overrun resulted from the on-going lawsuit. At our August Owners Meeting, we estimated an year-end overrun of 7.5%, so we were fairly close in our projections.

Going forward into 2005, we feel confident that our Operating budget will be sufficient to cover projected operations, unless we are faced with significant, unexpected expenses. The Reserve Account for 2005 will also include the additional funds from the Special Assessments for the Seawall Repair and Carpentry & Painting Capital Reserve Projects. With an increased 2005 Operating budget, we believe that we will finally turn the corner on establishing a true Reserve Account.

Our overall 2005 Budget is $112,350, a 16% increase over the 2004 Budget of $97,130. While there will be slight increases in Admin, Utilities, and Common Services, Maintenance & Repair and the Reserve Account will reflect the majority of the increase. In Maintenance & Repair, we have a 29% increase to $32,000 (from $24,880 in 2004). The Reserve Account has increased 50% to $15,000 (from $10,000 in 2004).

At past Owners meetings and in budget correspondence, we have communicated to you that there was very minimal investment in Harborside infrastructure from the 90's through 2003. Common Element Fees (Condo Fees) increased very little between 1994 and 2001. A small increase in the 2002 Budget was followed with a 20% increase in the 2003 Budget and a 33% increase in 2004. Significant Special Assessments were necessary in 2001, 2002, and 2003 to meet operating expenses. In short, our investment in Harborside had not kept pace with rising property values. The annual increases in Maintenance & Repair costs are fully representative of the imperative to significantly invest in Harborside's backlog of infrastructure needs. Additionally, we are increasingly pressed by Owners to improve the quality of services in general. For example, we have had repeated demands for a higher quality of painting and carpentry services instead of being faced with yearly rotting decks and peeling paint. If we are to get ahead of the long-standing infrastructure backlog, we will have to make these major investments.

Status of Capital Reserve Projects – In addition to the above financial information, we would also like to update you on the pending Capital Reserve Projects, which we first presented at the 2003 Annual Meeting and updated at the Annual Meeting last August. These major infrastructure projects resulted from follow-up inspections stemming from the Goddard Report on the state of the Harborside infrastructure (first conducted in September 1995). These projects are summarized below:

- Repairs to the Sea Wall – We have a permit in place and the Special Assessment funds for the repairs to the seawall. North Shore Marine will execute those repairs before the docks go in the water in May.
- Carpentry & Painting Project – Osgood Company has begun the replacement of rotted boards, etc, and will complete all such repairs and painting before the end of May (weather permitting). Collection of Special Assessment funds are underway, spread out over five months.
- Replacement of a corroded steel I-Beam under the D Building – The Site Survey engineering report has been prepared by Bergman & Associates and reviewed in detail by the Trustees. We have decided that this project, while critical to the infrastructure of the building, can be deferred until 2006. Early next year, we anticipate requesting a Special Assessment for that project, and obtaining bids for the replacement of this beam later in the year. We will also be addressing drainage and moisture issues under and around the D and B Buildings.
- Repair or replacement of the failing North Retaining Wall between Harborside and the Boston Yacht Club – Bergman & Associates has prepared an engineering Site Survey. Again, we have temporarily deferred this project until 2006 or beyond, depending on the future pace of deterioration.

Once again, the goal of the Trustees is to create a reasonable operating budget and to execute responsibly to that budget. We have come closer this year than in years past, but we continue to be challenged, as we try to close the gap between years of infrastructure neglect and the demand of Owners to keep pace with increasing property values. We have a unique and beautiful place to live, and your Trustees believe these expenditures are prudent and will serve us well in the years to come.

Thank you,

The Trustees