HARBORSIDE CONDOMINIUM TRUST

27 November 2006

Letter to Harborside Owners – 2006 Financial Projections & 2007 Budget

Dear Harborside Owners:

The purpose of this letter is threefold:

- To provide an update of the 2006 Year-end Budget projections.
- To present the new 2007 Budget (attached).
- To inform you of our intent to obtain a bank loan to fund the B Building Crawlspace project.

2006 Financial Projections – As indicated in recent Trustees Meeting Minutes, we remain confident in balancing the Operating Budget and, at the same time, funding the $20,000 Reserve Account. While projecting overruns in Maintenance & Repair and Legal Fees, it is anticipated that they will be offset by projected underruns in Snow Removal, Extermination, and several other accounts. A bad year-end snowfall(s) remains the only wild card. The good news again this year is that it has not been necessary to use Reserves or Special Assessments to cover operating expenses.

2007 Budget – At the August Owners Meeting, we proposed a 2007 Budget of $136,930, a $5,000 increase from the 2006 Budget, which would have resulted in a 5% increase in Common Element Fees (Condo Fees). This $5000 will be added to the 2007 Reserve Account, raising it to $25,000. This increase will provide for potential contingency projects next year. It is anticipated that some expenses liable to the Harborside Trust will occur with the Unit B-9 restoration project, which is primarily covered by insurance. Such expenses would occur if interior structural issues are discovered during restoration resulting in the Trust owning responsibility.

Since August, two factors have caused us to raise the 2007 Budget:

(1) As a result of our renewal this fall, the Master Insurance Policy premium has gone up by $6650 to a total 2007 expense of $27,000. This premium increase resulted from ongoing litigation and the proximity to the sea coast, which is affecting many coastal communities.

(2) We have recently determined that the heating and hot water systems located in the common areas in Buildings A, B and C, which are the responsibility of the Trust, need to be more thoroughly checked and serviced. We are engaging Keyspan Home Energy Services to inspect these systems, so we have created a new expense line for Heating Systems and budgeted $3000 for next year to cover the cost of these inspections and any needed repairs. Since the heating systems in the D Building are in the individual units, those are the responsibility of the unit owners.

Therefore, the new 2007 Budget of $146,580 (attached) will result in an 11% increase in Condo Fees, effective on 1 January 2007 (please see attached fee schedule). This increase compares favorably with the 17% increase in 2006, 16% increase in 2005, 33% increase in 2004, and 20% increase in 2003.

Bank Loan to fund the B Building Crawlspace Project – As reported to you at the Annual Meeting, we are improving moisture protection in the B Building crawlspace. That $35,000 project must be completed before the B-9 renovation is initiated, and is currently on schedule to be finished in January 2007. To fund the project, we had two basic choices:

(1) Request an emergency Special Assessment which would have required all unit owners to pay their Assessment starting this November; or

(2) Secure a loan to immediately pay for project and request a Special Assessment to pay off the loan. We chose the latter option, despite the slightly higher costs associated with the bank fees and interest expenses, to avoid the immediate Assessment burden on unit owners. A Special Assessment of $45,000 will be spaced over three months from January to March to allow us to pay off the loan in March, incurring interest expenses of approximately $850. You will receive an assessment notice later this week. A breakdown of all estimated costs is as follows:

- Project Cost – $35,000
- Closing & Legal Costs – $2000
- Bergman Engineering – $3500
- Contingency – $3650
- Interest – $850

As for other projected Special Assessments – We remain hopeful that the D Building I-beam replacement Capital Reserve Project, currently projected for 2007, can be deferred beyond next year. We will again consult with Bergman Engineering concerning this and the condition of the north retaining wall (between Harborside and the Boston Yacht Club), which has been a deferred project for the last two years. As soon as we determine the best course of action, we'll update you.

In summary, the goal of the Trustees remains to create reasonable Operating and Reserve Budgets that will not require Special Assessments to pay for operating expenses, while at the same time be mindful of the long term infrastructure needs of our uniquely beautiful and valuable place to live.

Thank you,

The Trustees

Attachments: 2007 Budget and Fee Schedule