Letter to Harborside Owners – 2006 Year-end Financial Performance

January 16, 2007

References:

1. **Letter to Harborside Homeowners – 2005 Year-end Financial Performance, dated January 17, 2006**

2. **Letter to Harborside Owners – Aug 2006 Annual Owners Meeting, dated 26 July 2006**

3. **Letter to Harborside Homeowners – 2006 Financial Projections and 2007 Budget, dated November 27, 2006**

Dear Harborside Homeowner:

The purpose of this letter is to provide you with information regarding the financial status of the Harborside Condominium Trust, specifically the 2006 year-end financial performance. The above references reflect the previous financial updates associated with this year's performance.

For 2006, as reflected in the attached 2006 performance to budget, we once again achieved a 5% under-run, equaling the 2005 year-end financial results. As reported to you in our November 2006 letter, we continue to operate the Harborside Condominium without utilizing Reserves or Special Assessments to cover operational expenditures. We also fully funded the budgeted Reserve Account contribution of $20,000.

Moving forward into 2007, we feel confident that our operating budget once again will be sufficient to cover projected operations, unless we are faced with significant, unexpected expenses. Our November letter communicated a 2007 budget increase of 11% and its substantiation. The main reasons for this increase include additional master insurance premium of $6,650, inspections and potential repairs of boiler and hot water systems located in the common areas, and a Reserve Account funding increase of $5,000 ($25,000 in 2007 compared to $20,000 in 2006). The increase in the Reserve contribution will provide for potential contingency projects next year. We continue to anticipate that the Trust will experience some liability regarding the Unit B9 restoration project. Such expenses may occur if common area structural issues are discovered during the project.

As also indicated in the November letter, it was necessary for the Trust to borrow $45,000 from Marblehead Savings Bank to fund the moisture protection project in the B Building crawlspace. We plan to use the current Special Assessment monies to pay that loan off in March 2007. This was a necessary Capital Reserve Project that required Special Assessment funds.

We have established a Harborside Safety Committee which is currently addressing many common items such as drainage, lighting and fire safety. We continue to work with the maintenance and landscape contractors to improve the appearance of the Harborside property.

The Capital Reserve Projects for the Building B I-beam replacement and North Retaining Wall repairs continue to be deferred, and we will update you once the best course of action has been determined.

In summary, our goal remains to create balanced Operating and Reserve budgets that will not require Special Assessments to pay for operational expenditures, while at the same time attending to the long term needs of our uniquely beautiful and valuable place to live.

Thank you,

Harborside Board of Trustees

Attachments: 2006 Performance to Budget

HARBORSIDE CONDOMINIUM TRUST

2006 PERFORMANCE TO BUDGET

		OPERATING ACCOUNT ACTUAL		2006 BUDGET	VARIANCE ACTUAL VS BUDGET		RESERVE ACCOUNT TOTAL	ASSESSMENT ACCOUNT TOTAL
	Balance January 1, 2006	15,272.78					688.44	0.00
REVENUE								
4000	Condominium Fee Income	124,434.94		131,430.00	(6,995.06)		0.00	0.00
4010	Assessment Income	7,703.00		0.00	7,703.00		0.00	7,703.00
4060	Laundry Income	0.00		500.00	(500.00)		0.00	0.00
4100	Late Charge	375.00		0.00	375.00		0.00	0.00
4120	NSF Fees	0.00		0.00	0.00		0.00	0.00
4160	Interest Income	0.00		0.00	0.00		71.97	0.00
4990	Transfer from Reserve	0.00		0.00	0.00		0.00	0.00
	Transfer to Reserve	0.00		0.00	0.00		34,999.99	0.00
	Other Income	0.00		0.00	0.00		0.00	45,000.00
	SUB-TOTAL REVENUE	132,512.94		131,930.00			35,071.96	52,703.00
	TOTAL REVENUE	147,785.72		131,930.00			35,760.40	52,703.00
EXPENSES								
5010	Management Fees	7,700.00		8,400.00	(700.00)		0.00	0.00
5110	Office Expense	1,635.73		2,000.00	(364.27)		0.00	0.00
5200	Maintenance & Repair	34,617.34		32,000.00	2,617.34		25,728.91	14,400.00
5210	Painting & Decorating	0.00		0.00	0.00		5,150.00	0.00
5230	Cleaning & Bulbs	3,421.55		4,500.00	(1,078.45)		0.00	0.00
5240	Landscaping	9,973.78		7,630.00	2,343.78		0.00	0.00
5285	Extermination	450.00		1,500.00	(1,050.00)		0.00	0.00
5300	Electricity	1,884.80		2,700.00	(815.20)		0.00	0.00
5310	Water & Sanitation	4,048.55		4,900.00	(851.45)		0.00	0.00
5315	Fire System	0.00		500.00	(500.00)		0.00	0.00
5320	Trash Collection	4,731.45		5,100.00	(368.55)		0.00	0.00
5325	Snow Removal	4,121.24		8,000.00	(3,878.76)		0.00	0.00
5330	Natural Gas	487.78		1,000.00	(512.22)		0.00	0.00
5340	Cable TV	4,015.00		4,800.00	(785.00)		0.00	0.00
5440	Legal / Consulting	4,826.00		3,000.00	1,826.00		0.00	1,800.00
5510	Dock Fees	5,400.00		5,400.00	0.00		0.00	0.00
5520	Insurance	17,443.00		20,350.00	(2,907.00)		2,685.90	0.00
5550	Taxes & Tax Preparation	143.23		150.00	(6.77)		0.00	0.00
9020	Reserve Contribution	19,999.99		20,000.00	(0.01)		0.00	0.00
	TOTAL OPERATING EXP.	124,899.44		131,930.00			33,564.81	16,200.00
5450	Additional Transfer to Reserve	22,703.00		0.00	22,703.00			
	Balance December 31, 2006	183.28					2,195.59	36,503.00