Letter to Harborside Owners – 31 July 2007 Annual Owners Meeting

28 July 2007

Dear Harborside Owners:

The purpose of this letter is to provide you information regarding the financial status of the Harborside Condominium Trust, specifically the 2007 budget projections based on our financial statements as of 30 June 2007 and the proposed budget for 2008. We also provide a status report on the Dock Accounts and Capital Reserve Projects. For reference, we invite your attention to the 16 January 2007 Trustee's letter to Harborside owners, which summarized our financial performance for 2006.

2007 Budget Status and Year-end Projection –
Based on revenue and expenses as of 30 June, we are projecting a balanced budget for fiscal year 2007.

Our assessment of the **Operating Account** is as follows:

1. The 1 January 2007 beginning Operating Account balance was $183.28. This was the carry over from the 2006 fiscal year. Projected revenues are consistent with the 2007 Budget at $146,580.
2. Based on expenditures to date:
    a. We are projecting a $6,000 overrun in Legal Fees (budget of $4,000) for a total of $10,000. Legal expenditures to date total $5,060 with $4,871 of that used to help prepare our defense of the lawsuit.
    b. Also, we are projecting a $10,000 overrun in Maintenance and Repair (budget of $33,000). This has resulted from a number of costly and unexpected maintenance expenses, such as leaks and deck repairs ($7,418), new injector pump ($3,066), B Building foundation repairs ($1,800), the D Building stairwell project ($850), and the C Building roof repairs (covered by a bank loan).
    c. To help offset the above overruns, we anticipate a $3,000 underrun in snow removal due to a mild 2006/2007 winter. We also expect a potential $1000 underrun in Exterminators fees.
    d. All other expense lines are tracking to Budget.
    e. Therefore, we are projecting an overrun of $12,000 (8%) in Operating expenses, which will be covered by Reserve Account monies. This follows the policy of using Reserve funds to cover unexpected expenses, especially for infrastructure repairs.

Our assessment of the **Reserve Account** is as follows:

1. The 1 January 2007 beginning Reserve Account balance was $2,196.
2. During the first six months of 2007, the Reserve Account was funded at $10,4167. Additionally, there were three deposits to the Reserve Account.

   a. A total of $5,102 resulted from funds remaining in the Marblehead Savings Bank account after we paid for the B Building crawlspace moisture control project.
   b. An additional $3,000 was reimbursed from the Operating Account for crawlspace work done in 2006.
   c. A third deposit of $6,832 represented Special Assessment monies paid by owners after the crawlspace project was completed.
3. Out of a Reserve Account of $27,566, we paid the following:
   a. Operating expenses of $15,000.
   b. Final payment for the B Building moisture control project of $3,810.
   c. First payment for the Unit B-9 remediation project of $4,500.
   d. As of 30 June, the Reserve Account balance was $4,253. We expect to fully fund the Reserve for the final six months, adding $12,500, and we expect $2,529 as remaining monies being collected in the current Special Assessment for the new roof for the C Building.
4. Following is a financial summary of the B Building crawlspace moisture control and B-9 mold remediation projects:
   a. For the moisture control project, we paid $33,018 to Paul Davis Restoration and $3,500 to Bergman & Associates Engineering. This was covered by a bank loan and was a Trust responsibility outside the lawsuit.
   b. For the mold remediation project, we will pay a total of $8,710 to Paul Davis Restoration. Reimbursement of this expense by our insurance company will be pursued, pending the outcome of the lawsuit.
5. We also executed two bank loans, one late last year and one this year. The interest on both loans are tax deductible. The details follow:
   a. 1st Loan for the Crawlspace Project:
      - Total Loan Amount: $45,000.
      - Total Closing Costs: $1800.
      - Total Interest Paid: $794.
      - Date Paid Off: 8 Mar 07.
      - Residual Amount Transferred to our Operating or Reserve Accounts: $11,934.
   b. 2nd Loan for the Roof Repair:
      - Total Loan Amount: $30,000.
      - Total Closing Costs: $900.
      - Total Interest Anticipated: $860.
      - Anticipated Date of Pay Off: 31 Sept 07.
      - Anticipated Residual: $2,529.

Proposed 2008 Budget (see attached) –
We are proposing a 2008 Budget of $152,580, a $6000 or 4% increase over this year in Common Element Fees (Condo Fees). In the Operating Account, Snow Removal will be reduced by $1000 and Maintenance and Repair increased by $7000, reflecting this year's financial results to date. The Reserve Account will be held at $25,000, the same as this year. For comparison, we raised the Condo Fees by 11% for 2007, 17% the year before that, and 16% the year earlier.

Status of the Dock Accounts –

As of 18 July, the Dock Operating Account balance was $3,179 and the Dock Reserve Account balance was $8,086.

1. For this season, the Harborside Dock Committee (HDC) has collected dock space fees of $8,780. The HDC also charges temporary fees for short-term use of the docks on a per diem basis ($255 so far for this season). Additionally, the Trust makes a one time, annual contribution (currently $5,400) to reflect the use of the docks by all owners and residents.
2. This year, main dock expenses will be as follows:
   a. Trex refurbishment of the south dock ($16,800).
   b. Maintenance of the docks ($1,266).
   c. Installing and hauling the docks ($4,619).
   d. Winter storage ($2,000).
   e. Other costs and fees ($250).
3. For the future, the HDC is planning Trex composite decking for the north dock ($16,800) and electrical upgrades ($8,425). They also plan to remedy the flotation problem for the south dock and resolve the "twisting" problem for both docks.

Status of Capital Reserve Projects:

In addition to the above financial information, we would like to update you on current and pending Capital Reserve Projects, which we first presented at the 2003 Annual Meeting and have updated at subsequent Annual Meetings. These major infrastructure projects resulted from follow-up inspections stemming from the Goddard Report on the state of the Harborside infrastructure and on-going engineering site reports from Bergman & Associates. These projects are summarized below:

1. Replacement of a corroded steel I-beam and lolly columns under the D Building. The site survey engineering report has been prepared by Bergman & Associates and has been reviewed in detail by the Trustees. Paul Bergman recently met with Board Members to do a re-inspection of the site, noting that deterioration of the I-beam and other supporting members continues. Paul Bergman is preparing a request for proposal (RFP) for Board review and for soliciting bids. We expect to complete this project over the coming winter months. This will be an expensive project and will require a Special Assessment. We will mostly likely execute a bank loan and distribute the Assessment over several months.
2. The B/D Building project will result in a drainage system, tied-in with drains around the B and D Buildings and running under the D Building to the southeast corner of the building foundation and seawall. We will cover the dirt flooring for moisture control and improve ventilation under the building to preclude future deterioration of the beams and foundation. This will be accomplished in concert with the I-beam replacement.
3. Repair or replacement of the failing north retaining wall between Harborside and the Boston Yacht Club. Bergman and Associates have prepared an engineering site survey. Again this year, we have temporarily deferred this project while monitoring the pace of future deterioration.

In conclusion, 2007 has been financially challenging. The Trustees' goal continues to be the establishment of a reasonable Annual Budget and to execute responsibly to that Budget. We have begun 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 we believe these expenditures are prudent and will serve us well in the years to come.

Thank you,

The Trustees

Attachment: Proposed 2008 Budget