Harborside Update: March 25, 2014

This update provides Harborside "Owners" an update regarding reconstruction of B Bldg. Please refer to our March 5, 2014 Update for previous background.

<u>In this update, we are providing some numbers that are still being negotiated or determined, so please do not forward this information outside of the Harborside ownership group.</u>

New Trustee

Jon Curtis is welcomed as a new Trustee and began active participation as a Board member last week. The Trustees appreciate the willingness of Jon and Bill Siddall to offer to serve as a Trustee. We are fortunate to have two such qualified candidates!

General Points

There are three major negotiations underway at this time:

- The insurance settlement negotiations between Travelers and our Public Adjuster, Panakio, are continuing. The Trustees are meeting with Harvey Rowe, the adjuster, on Wednesday, to determine the status of these negotiations and assess the possible outcome in financial terms. Harvey has told us previously that his negotiations with Travelers have gotten the number to above $800K. We hope a more definitive number can be obtained during our meeting with Harvey Rowe on Wednesday.
- The Trustees plan to meet with Paradise Construction and Architect Bob Zarelli this weekend or early next week to further negotiate the specific estimate for re-construction. As noted before, items for negotiation include some specific costs and profit and overhead numbers. At last report, we expected the final number to be close to $1.2M (not including requirements for the Egress and Sprinkler Systems). Again, we hope to be able to offer a more definitive number following our meeting with Bruce Paradise and Bob Zarelli.
- The Trustees have also been negotiating with Marblehead Bank regarding the terms of a construction loan which we believe will be in the area of $900K. At previous meetings, the Bank's attorney, Pat Lausier, has indicated some form of additional security would be required beyond a pledge of Condo Fees and Special Assessment because of the greater magnitude of this loan versus our previous borrowings. A "guaranty mortgage" arrangement suggested by the Bank was determined to be unacceptable by the Trustees, so Pat Lausier is re-considering what additional security will be required. The Trustees have also opened communications with another bank, East Boston Savings Bank, to explore

what their requirements might be. The Trustees will be communicating with Pat Lausier this week, as well.

"Prior Fire" Reconstruction

The Trustees have received and are refining an estimate from Paradise Construction to restore Unit B-3 to its condition preceding the discovery of the "prior fire" during demolition work following the October 26 fire. This work will commence as soon as the estimate is finalized and approved and the permit is issued. Work on Unit B-3 is expected to be finished within approximately four weeks. The Trustees have determined that the amount required can be paid out of our 2014 Reserve Account Budget for now, so work can commence, with a reimbursement to our account out of the loan when those funds are available. We are fortunate to have found that work done for the "prior fire" area was properly inspected and permitted at the time it was done in the late 1980s. Re-construction in the common area hallway adjacent to Unit B-3 will also begin soon.

Egress and Sprinkler Systems

The Trustees are seeking to obtain final plans and estimates regarding the fire egress and sprinkler systems. The architect, Bob Zarelli, is determining exactly what will be required by the Building Inspector and working with Paradise Construction to develop specific estimates for these two separate aspects of the project. The Trustees are also in contact with Bob Zarelli and Bruce Paradise regarding these plans and estimates. In the last report, we offered "budgetary estimates" of $270K for the egress and $110K for the sprinkler systems, which should continue to be regarded as "working estimates" and not definitive. Again we hope to obtain more definitive figures during our meeting with Paradise and Zarelli.

Legal issues

The Trustees continue to be advised by our legal counsel, Janet Aronson, of Marcus, Errico, Emmer & Brooks regarding the various legal issues surrounding the October fire and the re-construction project.

Special Meeting

At the Board of Trustees' meeting on March 5, we discussed the possibility of holding a Special Meeting of all owners to discuss the outcome of all the various negotiations and related developments discussed above. However, it is probable that these elements, which are all inter-linked, may not be all in a definitive enough form to distribute for a special meeting before our next scheduled regular Trustees Meeting on April 2. Accordingly, the Trustees will make every effort to finalize the various aspects of this project during the next several days so more definitive information can be distributed to all owners in sufficient time to allow for review and discussion on April 2. The owners' patience and continuing support is greatly appreciated.

Thank you,

The Trustees