

Harborside Update: May 3, 2014

This update provides Harborside Owners an update regarding reconstruction of B Building in advance of the Trustees Meeting on May 7th and the follow-on Special Meeting scheduled for May 10th.

Owner Discussion Forum

The regular meeting of Harborside Trustees will be held on Wednesday, May 7, 2014 at 3:00 p.m. in Jim Walters' Unit C-6, and we expect issues having to do with the reconstruction of B Building will be discussed at that time, along with normal Trust business. Because the reconstruction project has reached a point at which important decisions must be made by both the Trustees and Owners, we are holding a **Special Meeting on Saturday, May 10, 2014 at 3:00 p.m. at the Boston Yacht Club**. This Special Meeting is intended to be an "Owner Discussion Forum" at which all issues regarding the reconstruction can be openly discussed by Owners. All Owners are encouraged to attend this Special Meeting either in person or by calling in to the regular call-in number.

Owners' Vote of Approval

Following the discussion at the Special Meeting on May 10, Owners will be asked to vote to approve the proposed borrowing from the East Boston Savings Bank, described below. The vote will be taken by ballot sent electronically to all Owners and to be returned in hard copy.

Trustees' Approval of the Assessment and Construction Contract

Following the Owners' voting and assuming the proposed borrowing is approved, the Trustees will finalize the assessment to cover the loan and the construction contract with Paradise Construction.

Loan from East Boston Savings Bank

The Trustees have negotiated with East Boston Savings Bank (the "Bank") to obtain a loan for an amount 'up to' \$900,000. As reported previously, our expectation is that we will need less than that amount, but we have sought approval of that amount in order to assure coverage of our needs for the reconstruction project. The loan will have a five-year term with interest of 5% and will be secured by a special assessment dedicated to repayment of the loan. Three representatives of the Bank performed a site inspection of Harborside on Thursday, May 1, 2014. These representatives told us that they were very pleased with our selection of Paradise Construction as the Bank has dealt with Paradise frequently. They also told us that our loan will not require approval by the Bank's internal loan committee. Once our application is complete, the Bank's internal approval will require only the signature

of three officers and a closing could be scheduled within approximately two weeks following approval.

As with past loans, Owners will be given the opportunity to pre-pay their share of the assessment amount in order to avoid interest and other charges. Owners may determine their share of this amount by contacting Don Nowland.

Contract with Paradise Construction

The Trustees are negotiating a contract with Paradise Construction for the reconstruction of Building B. The amount agreed to under this contract is estimated to be about \$1,205,000, which reflects a reduction from the proposals first offered by Paradise. Bruce Paradise has been amenable to making changes and reductions in the amount of the contract. Paradise Construction is prepared to start general reconstruction work as soon as the contract is approved by the Trustees and funding is in place. The \$1.205 million figure does not include the sprinkler systems for the affected units nor the egresses for Building B, which still require approval by the Town of Marblehead Conservation Commission and Zoning Board of Appeals.

Negotiations with Travelers Insurance

The insurance settlement negotiations between Travelers and our Public Adjuster, Panakio, are still going on. Through the efforts of Jon Curtis, we have been able to prepare detailed analyses of the numbers in question and these analyses are being reviewed by Travelers. Our expectation is that this settlement will be in the \$900,000 range. The fact that Travelers is continuing to review our analyses is taken by the Trustees as a positive sign.

“Prior Fire” Reconstruction

Work to restore the Plauche’s Unit B-3 to its condition preceding the discovery of the “prior fire” during demolition has been completed. The Plauches are free to re-occupy their Unit at their convenience. Reconstruction in the common area hallway adjacent to Unit B-3 will commence along with the general reconstruction work on Building B.

Roof Repair and Reconstruction

The Trustees have been made aware that damage to the roof of Building B was more extensive than originally perceived. A specialist in moisture penetration has inspected the roof and given us a better determination of the scope of the damage. In order to prevent further damage from occurring, the Trustees have arranged with Paradise Construction to begin repair and reconstruction work on the roof as soon as permits can be obtained.

Sprinkler System

The architect, Bob Zarelli, has worked with the Town Building Inspector to determine the required scope of the sprinkler system. He has determined that the installation of sprinklers will be required only in the four Units affected by the fire. Paradise Construction is preparing a specific estimate for this system, which we expect will be less than the estimate we originally received. As noted previously, the sprinkler system is not covered under our master policy. Water flow tests have been conducted to determine if we need to enlarge the pipe supplying water from Lee Street. We have not received the results of those tests at this time.

Fire Egress

At a meeting held on April 15, 2014, the Old & Historic Districts Commission ("O&HDC") approved the plan for the fire egress we are required to construct for Building B. This approval included the stainless steel railing system as proposed. Plans submitted by Bob Zarelli were not in conformity with the instructions of the Trustees, which called for the egress to meet minimal requirements of the Town with respect to a fire egress. Although, this non-conformity will not affect the approval received from the O&HDC, the Trustees have instructed Bob Zarelli to re-draft these plans in accordance with the original instructions. As with the sprinkler system, Paradise Construction is preparing an estimate regarding the fire egress. Again, the fire egress system is not covered under our master policy.

Other Approvals

The Trustees are seeking to expedite the approval process of the Town Boards and Commissions that must review and approve various aspects of the reconstruction project. We are on the agenda of upcoming meetings of the O&HDC, the Conservation Commission and the Zoning Board of Appeals.

The Trustees appreciate the support and patience of all Owners as we work through these difficult issues. We encourage all Owners to attend at least one of the upcoming meetings at which important issues will be openly discussed. Following these meetings, Owners will be requested to vote to approve the Bank loan.

Thank you,

The Trustees

