September 5, 2013

Dear Harborside Owners:

This letter is to update you regarding some important developments with respect to changes in flood insurance for our property. Under new FEMA guidelines our flood insurance premiums may significantly increase.

Last week, we were able to obtain four new flood insurance policies on our properties at rates in line with what we have been paying in past premiums. In the past week you may have seen surveyors, engineers and underwriters on the property. They were hired to verify elevation levels of each building and the seawall for flood insurance. Thanks to the efforts of many people, we obtained flood coverage for the next year with an annual premium of approximately $45,000, close to the amount included in the 2014 budget presented in our recent Annual Meeting.

While we were fortunate to obtain flood insurance for the next year, we are faced with the need to act to minimize significant increases in flood insurance premiums in subsequent years.

On August 19th, we received a bill for $294,495/per year for flood insurance on Building B and $5,800/per year for Building A. Our flood insurance policies on Buildings C and D were to renew in September and we expected an additional $300,000 in premium costs at that time. Needless to say, this came as a sudden and unexpected shock.

The near term solution was to obtain new policies before FEMA's revised insurance regulations go into effect on October 1, 2013. By writing new policies, we obtained flood insurance for the next 12 months under FEMA's old rates. However, next year will be a challenge.

We are looking at all options for reducing FEMA's flood ranking for Harborside including: self-insuring the properties; reducing the level of flood insurance coverage; and, participating in community outreach groups to address the issue.

Another option considered was discontinuing flood insurance. If we were to discontinue coverage, lending institutions would 'force place' insurance upon borrowers. Generally, this is a more expensive option and the reason we are considering other options.

Throughout the year, we will provide regular updates and before any action is taken we will seek the input of the Owners.

Sincerely,

Donald E. Nowland, Chairman
Board of Trustees