HARBORSIDE CONDOMINIUM TRUST

July 26, 2012

Dear Harborside Owners,

The purpose of this letter is to provide you information regarding the financial status of the Harborside Condominium Trust, specifically the 2012 budget projections based on our financial statements as of June 30, 2012, and the proposed budget for 2013. We also provide a status report on the Dock Accounts and Capital Reserve Projects. For reference, we invite your attention to the February 20, 2012 *Trustee's Letter to Harborside Owners,* which summarized our financial performance for 2011. Also attached are the Minutes from the 2011 Annual Harborside Owners Meeting.

2012 Budget Status and Year-end Projection: Based on revenue and expenses as of June 30th, both the Operating and Reserve Accounts are projected to be within budget.

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

1. The January 1, 2012 beginning Operating Account balance was $3,912 (carryover from the 2011 fiscal year). Projected revenues are consistent with the 2012 budget at $179,000. In addition, $1,260 was collected in late fee income.
2. Based on expenditures to date:
    a. We are projecting an overrun in Insurance ($800), Telephone Conference Line Item ($1,200) (not previously included in the budget) and Maintenance, and Repairs ($6,000) as a result of expenses dictated by Insurance Carrier mandates (mounting of fire extinguishers, etc). We also project a slight overrun in Electricity ($300).
    b. We are expecting an under-run in Legal/Professional fees ($3,000); Office Expense ($1,000); Snow Removal ($5000) as a result of the mild 2011-2012 snow season; Cable TV ($500); and, Natural Gas ($300)
    c. All other expense lines are tracking to budget.

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

1. The January 1, 2012 beginning Reserve Account balance was $0 and to date $15,990.44 has been deposited into the account.
2. There have been no withdrawals from this account.

Special Assessment/Marblehead Bank Loan: The Board approved a $110,000 loan with the Marblehead Bank effective December 1, 2011 through January 1, 2014. The purpose of this loan was to satisfy 2011 Unpaid Invoices; Emergency Fireproofing to Unit B9, Building B Crawlspace, and Building B Mechanical Room; Building B Drainage; Sea Wall Repairs; Securing of Building B Footings; and, Building B Fire Escape Modification plans.

<u>Loan Recap:</u> The Association took out a $110,000, 24 month term, loan effective December 1, 2011. Total amount including interest is ~$116,200. At the onset of the loan, we collected

$59,421 and a subsequent payment of $4,377 from the sale of Warren Hendriks' unit. By Year-end 2012, we expect to have collected $24,942, We expect to collect $24,942 in Year 2013, and $2,079 in Year 2014. Therefore, the total amount to be collected on the loan is $115,761: the slight variance is directly related to those funds collected on the on-set of the loan.

As of June 30, 2012, the funds were dispersed as follows:

o Emergency Fireproofing to Unit B9*	$21,588
o Emergency Fireproofing to B Crawlspace	$24,371
o Emergency Fireproofing to B Mechanical Room	$15,287
o Building B Drainage	$ 1,458
o Sea Wall Repairs	$ 8,200
o Repair to Footings	$ 1,788
o Building B Fire Escape Modification	$18,708
o Misc. 2011 Unpaid Invoices	$ 5,400
o Reimbursement to D. Nowland (2011 Invoices)	$ 3,333
o Reimbursement to J. Raymond (2011 Invoices)	$ 5,395
	Total $105,528

- Emergency fireproofing to Unit B9 were required by the Marblehead Building Commissioner and Fire Department. Reimbursement is under discussion.

Proposed 2013 Budget (see attached): We are proposing a 2013 Operating Budget that includes an increase of $8,325 or 4.6%. This includes increased expenses of $4,600 for Insurance, $400 for Electricity, $2,600 for Water & Sewer (all Water & Sewer charges now will be paid by the Trust), $1,100 for Telephone Conference Expense, and $125 Dock Insurance. We will maintain the Reserve Budget at $35,650. For comparison, we raised common element fees 4.3% for 2012; 2% in 2011; 3% in 2010; 4.5% in 2009 and 4% in 2008.

Although the Special Assessment Income line item in the 2013 budget is $58,080, we had a number of owners who paid at the on-set of the loan. Therefore, we expect to collect $24,942 in 2013, having already collected the balance.

Status of Dock Accounts: As of June 30th, the Operating Account is $16,979.92, and the Reserve Account is $15,876.71. We anticipate some increase in the income to the Operating Account from temporary dock renters, but that amount will be minimal. And we anticipate the $5,400 contribution to the Reserve Account from the Harborside Trust in December.

Anticipated expenses for the balance of 2012:

Float Haul in the fall	$2,700
Storage of Floats	$2,000
Harbor Float Fee	$122
	$4,822

The Harborside Dock Committee finances are sound and we are well on our way toward building a solid Reserve for future capital improvements. In the future, we will need to replace both gangways and upgrade the North float. The cost at this point is unknown.

Status of Capital Reserve Projects: We have again this year deferred the repair or replacement of the failing north retaining wall between Harborside and the Boston Yacht Club. We will continue to monitor the site conditions. In addition, we have deferred B Building roof replacement; D-1/D-2/D-3 total deck refurbishment; repair of low areas in the parking lot; seal coating and lining of parking lot; composite refurbishment of the north dock; addition of blue stone at the C Building entry; and, and replacement of Building B rear foundation flashing.

In conclusion, 2012 has been not been as challenging financially as were 2010 and 2011, which drove the need for the Bank Loan and Special Assessment. We continue 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

Attachments: 2011 Annual Meeting Minutes
2012 Budget/2013 Projected Budget