HARBORSIDE CONDOMINIUM TRUST

TRUSTEE MEETING MINUTES

MAY 10, 2014

A Harborside Special Owners Meeting was held at the Boston Yacht Club on Saturday, May 10, 2014.

In attendance in person were: Trustees Don Nowland, Jim Walters, and Jon Curtis; Leslie & Ron deMoraes; Joyce Raymond; Dianne Reich; John Garibotto; Bob Alves; Jeanne McKeon; Alain & Marie Brunais

In attendance by telephone were: Kim Lord (Lesley Management); Jennifer Coolidge; Bill & Deanne Siddall; Chuck Zoubek; Dottie Martin & Bart Jones; Bert & Liz Michaud; Nancy Segee

Purpose of the Meeting: 1) Update Owners on Status of Building B Reconstruction; 2) Answer Questions; and 3) Request Owners Approve the Bank Loan

Discussion Topics:

1. **Prior Fire Repairs:**
    a. Repairs have been made to Unit B3 and immediate common area hallway, resulting from the "prior" fire.
    b. The structure around B3 was found to be sound and properly documented in Town Building Department files, but some additional sistering was necessary in the ceilings to fully meet building codes. The holes were closed up, the ceilings and portions of the walls were painted and the carpet replaced.
    c. This prior fire is not covered under the Master Insurance Policy, as it is a pre-existing condition.
2. **Travelers Master Insurance Policy:**
    a. Insurance settlement talks with Travelers are continuing with our Public Adjuster (Panakio) and the Trustees. Most of the issues have been resolved with the final demolition costs, roof replacement, and unit costs decisions still outstanding. The upcoming "roof testing" hopefully will convince Travelers that they should provide for the full roof replacement. *Note: Subsequent to the May 10th Owners Meeting, the Trustees met with Travelers, Panakio, and Paradise on Monday, May 19th, to discuss outstanding issues. A follow-on meeting will be held on Wednesday, June 4th.*
    b. If at a future date, the "actual" construction costs (backed by final invoices) exceed the insurance settlement in any area, the Trust can "go back" to Travelers for reimbursement.
    c. The policy coverage for code upgrades is minimal ($25,000) and only applies to electrical and sprinkler systems. The policy will not cover the new egress system, as the Trust had initiated work on its repairs prior to the October 2013 fire.

d. The Harborside Master Insurance Policy was written such that all "built-ins" were included in the master policy and not part of homeowner policies, as is required by the condominium documents. The Trustees communicated this information to the owners several years ago. Based on discussions with our legal counsel, the Trustees also were advised that this type of master policy coverage is fairly typical for a Massachusetts condominium. When this master policy decision was made, the Trustees had all units "valued" for insurance purposes, and last year that "valuation" was updated by assessing the insurance value of three units (B1/4, C6/7, and D4). These valuations were then used to increase the Master Policy to some $8.6 million dollars.

3. **Unit B5 Oven Testing:**
    a. Harborside's legal counsel is in communication with Travelers re the oven investigation and we will be informed of the results. If Travelers finds the oven defective and takes legal action against the manufacturer, Harborside could join that action. Travelers maintains "chain of custody" for the oven and sets the conditions for the testing. The Trustees will stay in touch with Travelers' testing and investigation through our legal counsel.
    b. The Marblehead Fire Department report reflects that the cause of the fire was "unintentional."
    c. Once all the facts are reported, our legal counsel will advise as to any potential recourse.
4. **Selection of Paradise Construction:**
    a. The Trustees explained that Paradise Construction was selected to supervise the demolition immediately after the fire to ensure that B Building was properly secured and that its condition was accurately documented for insurance purposes. Paradise thoroughly inventoried and documented the "in kind" conditions of the damaged units and their contents. This provided the Trust with the documentation to use in the insurance settlement.
    b. Thereafter, the Trustees decided to continue the reconstruction project with Paradise, since bringing in additional bidders would further delay the project, and that any other bidder would not have the detailed documentation possessed by Paradise. That fact would have resulted in low confidence in any other bidder's proposal.
5. **Pending Loan from East Boston Savings Bank (EBSB):**
    a. As for the pending loan, the Trustees first went to Marblehead Bank, as in the past. But for the size of this loan, Marblehead Bank wanted to impose onerous conditions, which would have been unacceptable to the owners. After talking to North Shore Bank, it was decided to apply for the loan with EBSB. And, the Trustees and the Management Company are still engaged in that application process.
    b. The total estimated loan amount is based on the expected reconstruction project cost. When adding the estimated cost of the egress and sprinkler systems and the repair cost of the prior fire plus contingency, the total loan is estimated at $900,000. The full amount of the estimated contract must be guaranteed at the

beginning of the project. EBSB is making one loan decision (on the full $900,000).

c. There are two options for owners' payment of the loan – Pre-pay Upfront (interest free) or Participate in Monthly Payments (with interest). However, if the reconstruction results in less cost, those that pre-paid will be reimbursed proportionally.
d. The reconstruction contract funding and loan payment process will work as follows:
   - The project will start using the current insurance account of approximately $420,000 from Travelers initial advance payments (which will be transferred from Marblehead Bank to EBSB).
   - After this insurance account is drawn down, those electing to pre-pay will make their payments into a separate account at EBSB, and the project will use the pre-payment funds to continue.
   - Once the pre-payment account is drawn down, the EBSB loan funds will be drawn down, and the Trust will begin to pay interest only (4.75%) on the "construction" loan amounts drawn. The project will then continue to completion (estimated at 6-9 months).
   - Once the project is completed, the EBSB construction loan will convert to a term loan with principal and interest (4.75%) paid in equal monthly payments until the end of the 5-year term.
e. Owners asked if they could be kept informed of construction and financial data on a monthly basis to support any claims against their homeowner policies. This is a complicated task, trying to maintain and report data for multiple different homeowner policies. The Trustees agreed to discuss this with EBSB and determine what would be feasible. We also request that owners advise the Trustees of their individual insurance requirements.

6. **B Bldg Egress System:**
   a. The code-compliant egress system design plans have been completed and approved by the Marblehead Old & Historic District Commission (O&HDC), and now must go before the Conservation Commission and the Zoning Board of Appeals (ZBA) in June. The egress system must be completed to support Marblehead Town Occupancy Certificates for B5, B6 and B2. The plans and drawings are available for review by any interested owner (and posted on the Harborside website).
   b. The decision to use a steel egress frame design is to allow greater distance between the supporting columns, thus reducing sight obstructions, and for reduced future maintenance costs.
   c. The decision to use a stainless steel wire railing system was to reduce the visual impact of the new egresses and for reduced maintenance costs. It was very favorable received by the O&HDC.
7. **The Construction Loan Voting Process and Non-Binding Pre-Payment Election:**
   a. The Trustees requested that all owners return their ballots for approving the loan by Friday, May 23, 2014.

b. Trustees also requested owners return their "non-binding" election on payment preference (Pre-Payment interest free or Monthly Payment with interest) by Friday, May 23rd.

8. **Additional Discussion Topics:**
   a. Payments to our Public Adjuster, Panakio, are based on 7% of Travelers settlement payments to the Trust.
   b. Legal fees for Harborside counsel are currently just over $9,000 for matters concerning the fire.
   c. When the Travelers insurance $10,000 deductible allocation determination has been made, owners will be informed.

Please note that additional documents and updates are posted to the Harborside website, as is the May 10th presentation for the Harborside Special Owners Meeting, May 10, 2014.

These Minutes have been prepared by the Harborside Trustees and our Legal Counsel.