

September 24, 2024

To: Waterside Owners  
From: Board of Directors

Subject: Update on Building 3 Work

The Board last reported to you that we were in the process of engaging Jackola Engineering and Hammerquist Casalegno Construction for design work and construction services to repair Building 3. We now have signed contracts with both, and work is beginning this week.

The design work will take approximately two months, but the first step is a thorough inspection of the decks that need repair. In order to do this, the soffits (or ceilings) below the decks on the second and third floors need to be partially, or in a few cases, fully removed. That work is going to happen this coming Thursday and Friday by Hammerquist Casalegno, and Jackola will perform the inspection concurrently. Building 3 owners and residents have been informed that they will need to move deck furniture before this work begins.

As noted previously the Board have hired counsel to review potential claims that exist against third parties arising from the deck beam failures. The Board has also had counsel review the Association's insurance policies. Montana law and the terms of the insurance policy create hurdles with respect to the pursuit of these claims. The Board continues to analyze their options with counsel.

It has also come to the attention of the Board that at least one owner who had a unit in Building 4 in contract to sell had the sale fall through because the buyer could not obtain financing. The reason given was the uncertainty associated with Building 3 repair. In this case the financing was associated with Fannie Mae or Freddie Mac backing, making the loan marketable on the secondary mortgage market. We have been advised that there may be other local institutions that would be willing to lend, but this is still a serious concern with respect to the value of all our units. As the Board has stated in previous communications, a primary goal is to preserve the value of our units and the best way to do that is to permanently repair Building 3 as soon as possible. The Board believes that when we have a cost and timeline for the repair later this year, it will make lenders more comfortable.

As a reminder, the Special Assessment of \$1,000 to fund pre-construction design and costing work is due October 1. It is important to have these funds available so there are no delays in the work. The design/construction schedule anticipates construction starting as soon as late December, and finishing in the spring of 2025. Based on what we know at present, the Board will need to assess a much larger Special Assessment later this year to fund construction work. The Board will keep ownership informed as soon as possible about the magnitude of the anticipated Assessment.