

Highland Towers, Inc.

Minutes of August 2, 2021 Board of Directors Meeting

1. President's Report by Louis Mazza:

Louis Mazza welcomed and thanked everyone for their attendance for today's board meeting. He thanked all those in residence for their patience in adapting to and complying with the almost daily changes in routine due to the construction.

The President had the following additional remarks:

As the Shareholders can see in person or in the website photos, there is a great deal more damage to the Seven Stack balconies, East wall and the Six Stack balconies. Jennifer will provide an update on the restoration project and there will be a discussion related to the need for another assessment and possible financing alternatives.

In several apartments on the West side, the air conditioning condensate drains are leaking on the catwalks. With our new awareness of the cost for water damage neglect, we are requiring that these Shareholders repair this condition as soon as possible. If you have one of these units, you received a letter regarding the drain.

Reminders for Shareholders: Check email for daily updates on the restoration project and daily events at Highland Towers. As yesterday's pool room flood has proved, there is always something happening. These updates contain daily information regarding building or apartment access and impacts. Also, there is a weekly update which includes a link to the Highland Towers website for more information. If you do not receive these email updates, please contact Lou Mazza.

The waterproofing process for the walkways takes about a month to fully cure. Because of this, Shareholders are being asked to refrain from using any wheeled items such as shopping carts, wheeled luggage and trolleys, etc. on the newly completed catwalks for the month of August.

The July payments report has been issued. There is one Shareholder who has not paid this past quarter's assessment and there are several that owe late fees. The Shareholders were asked to keep in mind that for the building to pay its bills on time, the Shareholders must pay their assessments on time. Late fees are considered part of the amount due and if not paid, they will continue to accrue additional monthly late fees. The accountant will send out monthly statements to those with open balances. Shareholders with questions should reach out to Lou Mazza or Jim Keefe with questions.

As mentioned in the previous board meeting, our Engineer has been contacted to perform a survey of the lower-level columns, including those in the lobby. While this may require opening sections of the lobby walls for access, it is very important that this inspection is done. In addition, we are in the planning stages of having a re-certification type of inspection completed on the building, which would be similar to what other counties require. The intent is to have this

scheduled as the concrete renovation work is completed. There is a public meeting scheduled at the Highland Beach Town Hall on 8/5/21 at 9:00 a.m. if Shareholders are interested. Lou and Jennifer plan to attend the meeting as they will be discussing Highland Beach's program for re-certification of buildings.

The property manager search continues as there has not been a suitable company or individual found for the building yet. On July 30th another management company was interviewed by the Manager Search Committee but there was uncertainty regarding the promises made as to the services that could be fulfilled. The challenge is in finding a company or individual that can fill the need of a proper construction manager as well as a building manager. The committee will continue the search by calling in additional management companies. Shareholders were asked to assist in the effort as the committee would greatly appreciate any help that can be offered with this search.

It has become apparent with the extent of the balcony damage that the existing railings can't be re-used. At a certain point it becomes less expensive to replace all the railings with standard railings similar to what we have now, rather than have custom ones manufactured. The Board voted on July 26th to replace the railings on the balconies with railings of similar look and design if it becomes apparent that this is more cost effective than having custom built replacement railings. Five of the seven Board members voted to move forward with the similar railings.

Previous to this, there were a few Shareholders who expressed interest in glass railing. This idea was considered but rejected for the following reasons:

1. Expense:
 - a. Glass railings would cost a minimum of one and a half to twice as much as the similar standard railings.
 - b. Core Drilling – different railings have different spacing for the posts. By choosing now we can specify to the contractor what spacing the posts will be so that blockouts can be put in the slab prior to them being poured. This saves money by not having to core drill hundreds of post pockets after the concrete is poured as well as preventing drilling into existing rebar.
 - c. Swing Stage Cost – The concrete contractor will have to remove his swing stage, then the railing contractor will need to install his swing stage and once he's done and removes his swing stage, the concrete contractor will need to reinstall his swing stage to complete the work resulting in thousands of mobilization/demobilization dollars.
2. Weight: Glass is Heavier than Aluminum – we are trying to reduce the weight on the balcony slabs.
3. Engineering: Glass railing cannot be bought off the shelf and would need to be engineered to our specific balconies checking weight, wind load pressures, etc. to come up with a final design.
4. Availability: Glass railing has a much longer lead time and could require longer permitting time as a new permit would be required for the custom railing.

5. Maintenance: Because of the salt spray, a cleaning person or company would need to be hired to clean the railing periodically.
6. Schedule and Sequence: the longer lead time for the glass railing will cause the work to jump around the stacks and prevent Shareholders from using their balconies for an extended time.
7. Aesthetics: Glass versus similar replacement rail is a value judgement and a personal preference. The Board should not be making personal views but to base the decision on objective facts within the greater context of the ballooning restoration costs.

An anticipated schedule was presented to show the Shareholders the impact that the custom glass railing would have, pushing the completion date out several months for each stack. The lead time of the glass railing pushes out the completion of the balconies by three additional months. Shareholders will not be able to use their balconies until the railing is completely installed. In addition, the seven stack is not able to run their AC until the railing and waterproofing is installed, which is currently projected to be March 2022.

The president advised that the agenda for the meeting is quite full, however all Shareholders are invited to ask any questions they may have during the Q&A portion of the meeting, at which time all Shareholders are encouraged to speak up and ask questions.

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2. Roll Call of Directors:

President – Louis Mazza, Present
Vice President – Chris Van Horn, Not Present
Secretary – Jennifer Schammel, Present
Treasurer – Jim Keefe, Present via ZOOM
Director – John Gammage, Present via ZOOM
Director – Kevin O’Hara, Present via ZOOM
Director – Bob Turrentine, Present via ZOOM

3. Approval of Prior Meeting Minutes:

A motion was made to approve the July 12, 2021 meeting minutes, it was seconded and was unanimously approved by the Board.

4. Concrete Restoration Report:

Jennifer Schammel reported on the current progress of the restoration project. Please refer to Appendix A - Concrete Restoration Monthly Report for the Month of July 2021 attached to these meeting minutes.

Progress photos in the monthly report include current views of the west catwalks which are now substantially complete as well as overviews and closeups of the Five, Six and Seven Stack balcony repairs. In addition, photos were shown of some of the conditions on the Seven Stack East wall including rusted rebar and concrete corrosion on the exterior and interior at structural columns around some of the windows, the interior of the window jambs, headers and sills where plaster and drywall was removed which exposes improper window installation and the

poor condition of the old AC infill area under the windows with rusted electrical boxes and conduit.

Additional comments provided by Jennifer not addressed in the Monthly Report included the following:

Re-Certification/Full Building Inspection Update:

The current concrete restoration work which is being performed on the building will count toward the requirements of a re-certification or full building inspection. The work that is being performed now is a concrete restoration project based on the findings of an Engineer and his survey of the exposed structure. It was never intended to be a re-certification inspection. Palm Beach County did not require a re-certification or 40-year inspection and it does not appear the building has ever had one.

The 40-year re-certification inspection includes the entire building – structure, foundation, roofing, electrical, fire alarm, plumbing systems, etc. Once the inspection is performed, all the repairs need to be made and signed off on by the Inspector to close out the process with the County.

The Board is attempting to reach out to Engineers to get in line to have our building inspected. As expected, they are very busy right now. In the meanwhile, we need to determine just what might be expected for Palm Beach County and more specifically the Town of Highland Beach as each jurisdiction may have different requirements. Since the Surfside event, each jurisdiction is scrambling to come up with their own program. The construction committee has reached out to the Building Official at Highland Beach to start the process. There is also a Coffee with the Mayor event on August 5th at the Town hall and one of the agenda items is an update on Highland Beach's re-certification program, which they indicate they have immediately begun to create.

In the meanwhile, the current Engineer of Record for the restoration project, Howard J. Miller, will perform additional inspections of the lower-level interior columns (west storage area and inside of the lobby). This may require destructive work to expose any potential issues.

5. New Business

Modifications to the House Rules - New Motions:

- A. A motion was made by Lou Mazza that all assessments are due in full on the first of the month with a seven-day grace period. All payments whether electronic, by draft or cash received after the seventh of the month are deemed late and the Shareholder will be charged \$25 for a late fee per month for each payment past due as well as 18% interest on the past due balance. After board discussion, the motion was seconded by Jennifer Schammel and approved by six of six present board members.
- B. A motion was made by Lou Mazza that it shall be required when a Shareholder is moving heavy items that must be picked up and or delivered shall contact the Building Manager to schedule the covering of the catwalks and install padding in the elevator. The Shareholder

must provide a copy of the shipper or vendor's certificate of insurance. If the Manager is not informed ahead of time, the shipper or vendor will be refused entry that day. Any damages incurred to the building will be repaired and charged to the Shareholder.

Shipping/delivery times are from 8:00 a.m. until 3:30 p.m. Weekend hours can be arranged at Shareholder's expense. After board discussion, the motion was seconded by Jennifer Schammel and approved by five of six present board members.

- C. A motion was made by Lou Mazza that it is prohibited to place any objects such as floor mats on any common area floor or walkway. After board discussion, the motion was seconded by Jennifer Schammel and approved by six of six present board members.
- D. A motion was made by Lou Mazza that it is prohibited to fasten any item onto any common area walls or surfaces (including balconies). After board discussion, the motion was seconded by Jennifer Schammel and approved by six of six present board members.

Coordination of Replacement of Windows and Sliding Glass Doors:

The Board presented a proposal for the Association to assist the Shareholders with ordering and coordinating the installation of the windows and sliding glass doors Shareholders will be replacing during the concrete restoration project as a one time offering.

Due to the amount of swing stages on the building for the concrete restoration and the duration of the project, it will be very difficult to bring in other glazing contractors and their swing stages which will require the contractors to bounce around the building delaying the installation of the windows and doors, as well as prolong the restoration work. There is a lot of efficiency in using the same glazing contractor and running it through US Structures so they can work from the swing stages that are currently on the building. There is also the possibility of benefiting from some shared savings for Shareholders replacing sliding glass doors and windows at one time in the installation cost. In addition, it will be easier to coordinate the work, getting the materials to the site to have one installation at one time per stack as opposed to piecemealing it and jumping around the building.

US Structures is having their contractor submit pricing for the windows and sliding glass doors as well as the railing. The board advised that utilizing a different glazing contractor will delay the installation of these items as US Structures has priority for their swing stages so they are not delayed in the restoration work.

There was Q&A for Shareholders to ask questions and voice opinions regarding the replacement process.

New Assessment for Concrete Restoration:

The Board discussed a new assessment requirement which is due to unforeseen additional work required for the concrete restoration. In addition, the frequency of the assessment payments was discussed to ensure positive cash flow for the duration of the project.

A projected revised budget was presented for the remainder of the restoration work. It was explained that it is difficult to project these costs as there have not been any pay applications yet from the contractor to identify what the first stacks will cost.

A budget summary document was presented with the current projected costs of the project in variance from the original November 2020 budget, based on the knowledge of the repairs being completed to date and the predicted trend of the required repairs. To do this, a quantity take off was done on the specific repairs completed on the 7 and 6 stack balconies to date and applied the unit prices in USSI's contract to determine what the costs could potentially be. This was done for each type of repair. It was stressed that since it is so early in the balcony restoration, the projections could be way off either way, but it is certain that an assessment is required as soon as possible to continue to fund the project and to keep it going. The special assessment account will run out of money by October without an additional assessment.

The projections were explained by line item and it was also noted that there are several items not currently included in the projections including the window walls, AC in-fill areas, lower-level interior concrete inspection and repairs, Engineer for the window and sliding glass door replacements, Project Manager to complete the restoration project and additional contingency. In addition, no funds from the 2021 Reserves were used to offset these projections as those monies will be needed for those items after the restoration is complete.

The current additional funds needed without the additional items noted above is \$1.5 million. It was noted that the \$1.5 million would be amended to include the additional costs not accounted for yet but is a number that is being used as a place holder for discussion while those costs are being identified.

A cash flow analysis document was presented showing \$330,000 in the bank currently (\$259K cash and \$71K in 2020 reserves) in the special assessment account. Spreading out the current assessment and the projected costs for each month, it showed a deficit in the month of September. It was noted that this could be paid for out of borrowing from reserve funds but by October new assessment money would be needed in the account to keep the project funded. Stopping the project is not an option as the contractor would move on to other projects and it would be very difficult to get them back.

Three options were presented for financing the assessment: 1) Building loan of 1.5 million over 5 to 7 years. 2) Hybrid solution that the building loan would be reduced by the amount of Shareholders who don't want to pay the interest and are willing to pay their assessment upfront 3) No building loan. Shareholders obtain their own financing (i.e. HELOC Loan/line of credit for 5 years etc.).

The Board will send out a survey after the meeting to gather opinions from all Shareholders on how to fund the assessment.

6. Open Discussion – Shareholder Q&A

There was open dialog between Shareholders and Board members on topics such as the leak on the pool filter, glass railing, removal of finishes around interior windows, contractor change orders, and the competitive bidding process for railing.

7. **Adjournment:** Lou Mazza asked for a motion to adjourn the meeting. A motion was made, the motion was seconded and approved. The meeting was adjourned.

Respectfully Submitted,

Jennifer Schammel, Secretary

Appendix:

Appendix A – Concrete Restoration Monthly Report for the Month of July 2021

Highland Towers Concrete Restoration Project

Monthly Report

Month of July 2021

7/31/2021

1. General Overview:

In the month of July there was one holiday and six rain days affecting construction. The contractor was able to work a partial day on all of the rain days except for one. The inspector visited the site seven times this month to review the progress of the waterproofing work on the West catwalks and to inspect ongoing exploratory chipping and demo work on the balconies as well as the East elevation windows.

2. Current Progress – West Catwalks:

In July, the focus of the work on the West Catwalks consisted primarily of completing the waterproofing, spraydeck and painting work. Waterproofing work continued on the lower floors while spraydeck coatings began on the upper floors and continued down to the lower floors as the waterproofing was completed. All floors received two coats of paint on the slabs, walls and ceilings with the exception of the ground floor, which needs it's second coat. By the end of July all catwalks were substantially complete and only lack touch up paint, final cleaning and light fixture replacement which will occur in August.

The front entrance walkway and steps are complete except the final coat of paint. The porte cochere requires repairs to it's columns and overhead structure and will be scheduled into the project. A plan for completing this work and opening up the parking lot area is forthcoming.

The South stairs and exterior wall still needs to have repairs made and final painted.

3. Current Progress – Seven Stack:

The East wall required significant concrete repairs around windows and required dust walls to be installed inside the apartments to allow removal of the plaster/drywall around the windows to expose the conditions of the concrete. In addition to some of the windows needing to be removed for the repairs, it was discovered that most of the windows on the East elevation do not have adequate anchor embedment into the structure and will most likely need to be removed. The fill-in of the old window ACs will need to be replaced as there are many voids in the wall that can be a source of water intrusion. There are also electrical receptacles, conduit and wiring under the windows that are badly rusted and will need to be replaced.

4. Current Progress – Balconies:

Seven Stack: Sliding glass doors were removed for concrete repairs at 207 and 307. 207 and 407 balcony slabs were completely removed and poured back after rebar was repaired. 607 balcony slab was partially removed and poured back. Work continued on the remainder of the balconies. In addition, the railing at several balconies has been removed due to the corrosion along the perimeter of the balcony edges.

Six Stack: The enclosures at 206, 306 and 406 were removed to allow for concrete repairs to take place. Concrete demo and rebar repair/replacement work continued on the Six Stack balconies in July. 206 and 406 balcony slabs were totally removed and poured back after rebar was repaired. Chipping continued on the other slabs and railing was removed.

Five Stack: The five stack was mobilized during July. A swing stage was set up between the 5 and 6 stacks window wall as well as a swing stage on the five stack balconies. The construction zone and fencing was extended to include the closure of the first floor building access to the pool deck area. Access to the pool, deck and beach was rerouted by using the exterior South gate and stairs during this phase of the restoration. (Phase II).

Window protection was applied to both the windows and sliding glass doors of the five stack and post shores were installed. Concrete chipping of the balconies will begin the first week of August.

5. Budget:

The Contractor has been paid \$387,974.34 through the month of June 2021. This includes a 10% retainage reduction. The July invoice has not been received yet. As of July, the work on the North and West catwalks has incurred a total budget overrun of \$157,563 for additional work due to the significant unanticipated extent of the repairs. The overall projected overage on the catwalks is approximately \$175,000. The original overall budget for the catwalks was \$562,104 and the projected total cost for the catwalks is currently \$737,174 resulting in the \$175,000 budget overage.

US Structures' original schedule of values for the catwalks was \$235,604. To date, USSI has submitted change orders totaling \$258,332 for the additional required repairs. Their projected final cost for the catwalks is \$503,674. Contingency and other allowance line items in the budget have reduced the overall impact to the catwalk budget. Both the North and West catwalks are responsible for the budget overrun as far more full depth repairs were required than originally anticipated.

Although the balcony phase has started, the first pay application which will include the costs for the balcony work will not be received until August. It has become obvious through the extensive repairs being performed on the 6 and 7 stack as well as the East 7 stack windows, that the balcony budget will have significant overruns as well. A projection for these overruns has been made and will be discussed in the board meeting.

Additional budget issues include the following:

- 1.) Seven Stack Tower Repairs. Extensive repairs are required at the North, East and South Seven Stack tower walls which had significant repairs (especially the East elevation) due to cracks, spalls and deterioration at windows, shutters and multiple other areas on the vertical surfaces.
- 2.) Interior investigative work (i.e. removal of drywall/plaster) at all 7 stack East windows including the building of dust walls inside the apartments at each window. Costs for drywall replacement have been included in the revised budget.
- 3.) Shutter Removal and Repairs. The budget did not allow for the amount of shutter removal and repairs being performed. Most of the shutters are having to be removed and corrosion caused by the shutters repaired. In some cases, the track was removed to make the repairs.
- 4.) Handrail Removal. The budget did not include removing or replacing the handrail. Due to early exploratory chipping at the balconies, it is evident handrail will need to be replaced.
- 5.) Extensive balcony slab repairs. Far more full depth concrete repairs are required than originally anticipated.
- 6.) Window wall repairs in general were not included in the original budget. After discovering the voids in the old window AC areas and rusted boxes and conduit in the walls, these items will need to be added to the budget as well.

6. Project Issues:

- a. Safety – Safety of residents, visitors, employees and workers continues to be the major focus for the project. As the work on the catwalks is substantially complete, the focus on safety will shift to the balcony phase. As the pool will mostly remain open during much of the restoration, the construction zones have been fenced off and safe access to the pool, deck and beach will be maintained.
- b. AC concerns – ACs can be turned back on with some exceptions. Those that leak condensation from the condensers onto the catwalk slabs will need to have their drain line rerouted inside the utility closet so that the water doesn't pond on the catwalk causing rust stains, potential water intrusion, etc.
- c. Swing Stage Logistics – Now that it has been determined that the railing on the balconies will need to be replaced in conjunction with sliding glass door and window replacement, there will need to be numerous swing stages on the balcony walls and will need to be moved back and forth to accommodate lead times for the materials and to complete the work. Because of this, it may be necessary to run all railing and window and door replacement through the concrete contractor to eliminate duplication of swing stages and schedule impacts. USSI is finalizing their proposals for railings, windows and sliding glass doors.

7. Schedule and Phasing:

The balcony phase of the project having started as anticipated in May is well underway and by the end of July had three stacks under restoration (Seven, Six and Five). The swing stage on the west catwalk will relocate to the South stair tower for painting and potential concrete repair work. Once this tower is complete this swing stage and crew will relocate to the balconies – stack 4. Also the East elevation of the 7 stack swing stages will also relocate to the balconies once that work is complete. There are currently seven swing stages on the building.

8. Shareholder Concerns:

Shareholder Impacts: All balcony floors of each stack will be worked on at the same time in a sequence that allows the contractor to work where he can. Alternating floors will be worked on while the remaining floors are supporting them. Although there is access to the units from the front door, there is not access to the balcony or patio and the view will be lost with blue protective film applied to your windows and sliding glass door. In addition, if the sliding glass door needs to be removed, plywood will go up to protect the opening. Also, the enclosures will need to come down if the Engineer deems it necessary to remove it to repair the balcony slab. The existing enclosure will not be able to be replaced. There is a possibility that shutters may also need to be removed if there is corrosion at the windows/sliding glass door and it can't be repaired with the shutter in place. It will also be loud and dusty due to concrete chipping, grinding and sandblasting. The 7 stack will also not be able to run their AC if the condenser is located on the balcony slab. Please refer to previous meeting minutes for suggestions for AC and humidity control while your AC is off.

General Considerations:

- Balcony restoration work will be very loud, dusty and an inconvenience to all occupants in the building. Windows and doors should be closed while contractor is chipping, grinding, sandblasting or power washing. Although there are dust filters/collectors on the tools and contractor uses netting during sandblasting, there is still a lot of dust that travels in the air to other surfaces around the building, pool and deck area.
- There is no available parking along the North Alley wall. This needs to stay clear for the building's trash removal and the Contractor's dumpster switch out and other construction deliveries. Shareholders are to ask all visitors, service vehicles, Realtors, etc. to park across the street.
- The Contractor's fenced off staging area in front of the building and in the alleyway is a hardhat construction zone and should not be entered as it is dangerous due to overhead work. Protected

walkways to access maintenance, storage and ground floor apartments should be the only means for access on the ground floor.

- All Shareholders receive a daily Construction Notice email from Construction@highlandtowers.org for all impacts to catwalks, ACs and access to their units. Shareholders are responsible for reading the daily construction notices to understand the impacts to their unit and plan their activities accordingly.
- Shareholders are also responsible for forwarding the notices to their visitors. In addition, daily construction notices are posted in the elevators.
- Shareholders can log in to the website highlandtowers.org to see construction updates under the Restoration Project tab and can view construction progress photos in the gallery. Weekly updates are posted every Saturday. All Shareholders should check it weekly to keep updated on the project and important reminders that impact the Shareholders.

Highland Towers Restoration Project

July 2021 Update



West Catwalks Substantially Complete



Stacks 5, 6 and 7 Balconies



5 Stack



Window Wall
Between 5-6



6 Stack



7 Stack



7 Stack - South



7 Stack - East





East 7 Stack Wall - Rusted rebar found in columns at windows



East 7 Stack Wall - Rusted rebar repaired in columns at windows



East 7 Stack Wall - Rusted rebar found in beams above windows



East 7 Stack - Old Window AC fill-in beneath windows



East 7 Stack - Interior dust walls built inside apartments at windows



7 Stack - Interior dust walls built inside apartments at sliding glass doors



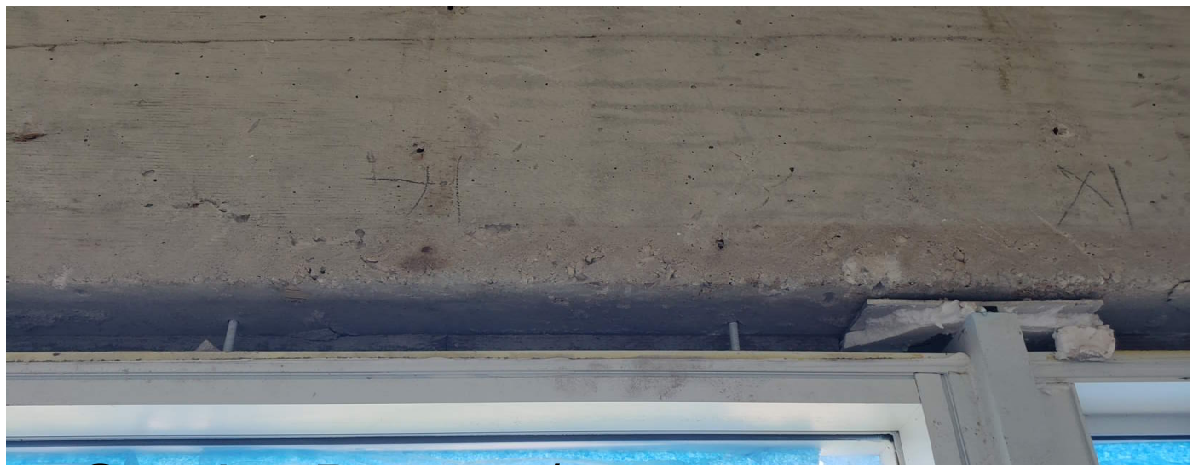
East 7 Stack - Drywall/plaster removal exposing rusted rebar in columns at interior windows



East 7 Stack - Drywall/plaster removal exposing window anchors with little or no embedment into structure at jambs



East 7 Stack - Drywall/plaster removal exposing window anchors with little or no embedment into structure at jambs

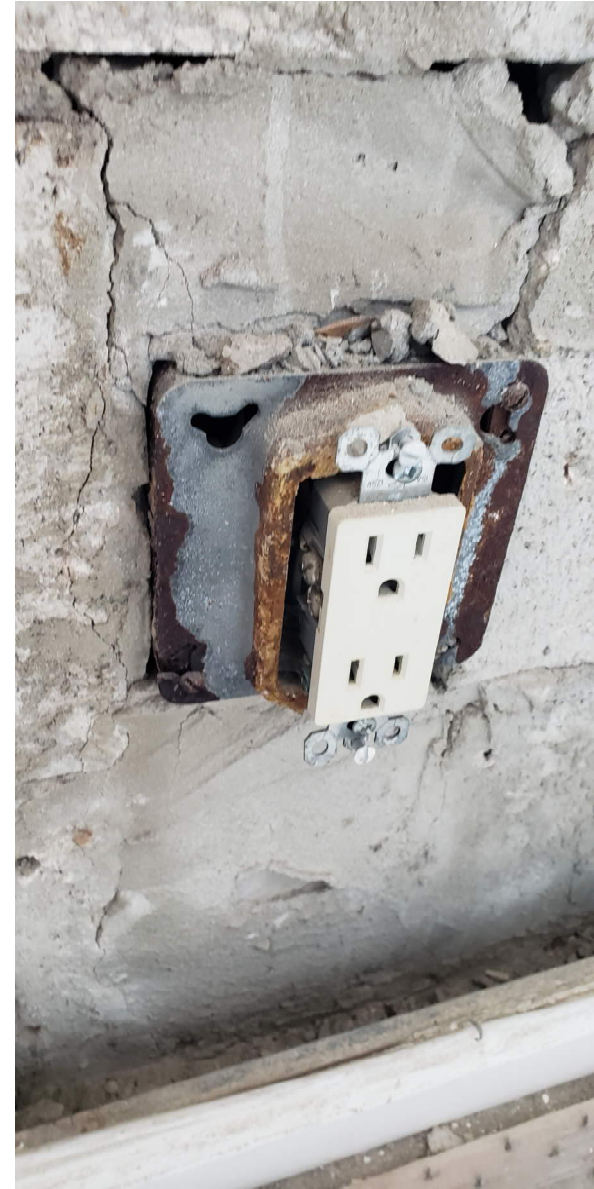


East 7 Stack - Drywall/plaster removal exposing window anchors with little or no embedment into structure at header





East 7 Stack - CMU fill-in at window ACs



East 7 Stack - Rusted electrical boxes, conduit and wiring under windows