

MyMondrian keeps all owners and residents up to date about what is happening at the Mondrian.

This 16th edition of the **MyMondrian** Newsletter includes:

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Settlement of Claim against the HOW insurer

As foreshadowed at the Mondrian AGM, the final settlement negotiations for Mondrian's claim for defect rectification costs under its Home Owners Warranty policy took place on November 24th. These negotiations were attended by Mondrian's solicitors and the two nominated members of the Executive Committee. Details of what took place at this meeting are set out in the attached letter from solicitors Sachs Gerace Broome.

The Owners Corporation's claim for expenses incurred in identifying and rectifying building defects totalled \$1.4m. Settlement was finally agreed in the sum of \$1.225m. This was an extremely positive result and well above the estimates that our solicitors were able to provide at the AGM. Insurance policies of this type do present Owners Corporations with a number of challenges when it comes to claiming consultant and legal fees. The scale of the settlement represents a great success on this front and is testimony to the large amount of work done to identify and document clearly and accurately the costs incurred over the past 6 years.

Currently we have contractors on site until mid 2016 rectifying fire defects in compliance with the terms of the fire order. The lump sum cost of this contract is covered by the settlement, although Mondrian will remain liable for any contract variations that arise. Just where this puts Mondrian financially is covered in the section below on Mondrian's financial position.

Hot Water Piping Replacement

You would be aware from previous newsletters that a report was commissioned earlier this year to identify the remediation work required to deal with the frequent bursting of Mondrian's hot water pipes. The incidence of pipe failures in the car park is increasing and we experienced the first failure in a "riser" shaft a few weeks ago. The report and associated laboratory tests identified that a combination of poor installation and oxidisation have reduced the life of our primary hot water piping.

This acceleration in deterioration suggests that we need to commence the remediation as soon as possible to avoid the consequences of burst pipes (flooding and other damage). To this end a full scope of work has been commissioned, which will form the basis of a tender in the new year. The work involves replacement of the hot water pipes in the car park and risers with copper pipes instead of the current polybutylene. The system will also be converted from a deadleg system to a circulatory system, which will eliminate any potential health risks associated with legionella. This work will not necessitate entry to individual apartments and it is anticipated that the disruption to residents will be minimal. The costs of the work will become apparent from the tender but are estimated at between \$250K and \$300k. As the pipe failures first manifested themselves after the expiry of the home owners warranty period, Mondrian is unable to support an insurance claim in respect of these works.

Mondrian's Financial Position going forward into 2016 / 2017

The insurance settlement monies should be received shortly and will supplement Mondrian's cash flow in a way that should enable all payments under the current fire defects rectification



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contract to be met without the need for borrowing and its associated costs. Mondrian however still has some significant financial obligations to be met and consideration needs to be given as to the best way of paying for them.

We need to find the funds to pay for the replacement of the hot water circulation system as well as to make sure that the items included in our Sinking Fund Plan are fully provided for. This includes the major costs of fully repainting the Mondrian, something that has not been done since Mondrian was completed some 12 years ago, with work planned to commence in late 2016.

Our current forecasts indicate that at 30 June 2016 The Mondrian Sinking Fund will need an additional \$330,000 to meet our ongoing repair and replacement commitments. Another way of looking at this is to say that, but for the need to pay for the Hot Water Circulation remediation, the recent insurance settlement would have put Mondrian in a financial position where current levies could have maintained our fund's balances at the levels needed to go forward. An Extraordinary General Meeting of Owners is planned for the new year so that decisions can be made on the best way of funding these works, now that we know exactly what we are receiving from the insurance settlement.

Impact of Fire Defects Rectification Works

Work on apartments in Building 1 should be completed ahead of Christmas and the contractors will be returning to site in late January to work through apartments in the other buildings. A proposed schedule of work will be available in the new year showing estimated dates. This schedule will be subject to change as works proceed and will be updated from time to time to reflect any changes to plans. All apartments will need to be accessed with work scheduled to be completed by August 2016.

Our New Building Manager

We welcome Stephen Bakalich-Murdoch as our new building manager who replaces Mick Collins but who also works through ABMS, our appointed contractor. Please make Stephen welcome and use the opportunity to make sure that he has your up to date contact details, whether you reside as an owner or have let your apartment to tenants.

How to make Applications to do works etc.

Whether you want to install air conditioning, change the type of flooring in your apartment or just get permission to keep a pet, please remember that a formal application needs to be made. Forms are available from the building manager or on the Mondrian website www.mondrianwaterloo.com.au and they show clearly the process involved. Please remember that the building manager can assist you, but does not have the authority to approve applications. Please allow plenty of time ahead of when you intend to start work and make sure that you have provided all the information requested on the form. The application process is designed to help ensure that By laws are followed and that any alterations made do not unfairly impact on other Mondrian residents and owners.

With best wishes for a safe and enjoyable holiday season

Mondrian Executive Committee

Chairperson & Treasurer - John Hutchinson Secretary - Karen Hannan
Committee - Mark Rodgers Chris French Ian Hulme Chris Peat

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