

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
June 23, 2009**

A meeting of the Board of Directors of James/Kilmer Condominium Association (the "Association"), an Illinois not-for-profit corporation, was called to be held on Tuesday, June 23, 2009, in the James House Hospitality Room, 1560 North Sandburg Terrace, Chicago, Illinois, pursuant to By-Laws.

CALL TO ORDER

David Beck, President of the Association, called the meeting to order at 7:15 p.m., and declared that a quorum was present in that the following directors were present:

Judy Barnes
David Beck
Lynn Conner
Duane Hickling (arrived 7:27 p.m.)
Betty Latson
Tom Meyers
Karla Ross
Dorsey Ruley

Angus Shorey was absent.

Also present were Richard Vicens, Property Manager, Debra Galassi, Assistant Property Manager, and Allan Werth, Site Supervisor, of Draper & Kramer, Inc. Barbara A. Roberts acted as Recording Secretary.

AGENDA CHANGES

Mr. Beck asked if there were any changes or additions to the agenda. Mr. Meyers requested a discussion following the Treasurer's Report about distributing the financial statements.

REGULAR OPEN FORUM

A unit owner commented about dog owners using the sodded parkway in front of James House as a dog walk area. Mr. Beck stated that he and Marcie Johnson have suggested at HOA meetings the use of other materials besides sod. The unit owner suggested that, because the area is City of Chicago property on which dogs are not allowed, signs indicating this be posted.

A unit owner commented at length on an action item that the Board would be considering later in the meeting establishing a policy that the Association would no longer honor claims for damage to units from storms or the failure of common element systems, describing damage to her unit stemming from various problems with the roof, and voicing concern about residents having to pay for such damage in the future. Mr. Beck explained that in the event of damage, a unit owner's homeowners insurance would cover damage to personal possessions and that, in some cases, the homeowners insurance carrier could subrogate against the Association's liability insurance. Mr. Vicens added that Management is considering rescheduling the roof repair work earlier than originally planned.

A unit owner brought up the matter of payment for the James House windows and the Kilmer House lawsuit. A lengthy discussion ensued about the lawsuit, whether or not James House should appeal the court's ruling, the reasons that Board discussions of pending or active litigation take place in Executive Session, the availability to the public of court records, examination of the general financial relationship between James and Kilmer, the inclusion of useful life estimates of infrastructure elements in every audit, and the published reports about repairs projected five years out. Mr. Beck reminded those present that when the Kilmer House windows were replaced, a project that was paid for from Association reserves, the Board in place at the time acted according to its interpretation of the Declaration, and that the recent court ruling has determined that that interpretation was in error, but that the previous Board should not be blamed for its actions taken in good faith.

During the discussion, Duane Hickling joined the meeting.

A unit owner inquired about a notice about water being shut off to replace a pipe, asking if this work was already performed recently. Mr. Vicens explained that the latest pipe replacement was in a different location from the previous pipe replacement.

APPROVAL OF MINUTES

Ms. Barnes asked if there were any additions or corrections to the minutes of the regular Board meeting held on May 26, 2009. Mr. Ruley suggested an addition. Discussion ensued about Board member behavior during meetings and about what should be included in minutes, namely, only a record of Board motions and resolutions, and summaries of discussions and committee reports. **Judy Barnes moved that the draft of the minutes of the regular Board of Directors meeting held on May 26, 2009, be approved as submitted. Duane Hickling seconded the motion. A roll-call vote was taken, the results of which are as follows: Karla Ross–Abstain, Judy Barnes–Yes, Betty Latson–Yes, Lynn Conner–No, Duane Hickling–Yes, Tom Meyers–No, Duane Ruley–No, David Beck–Yes. The motion carried.**

TREASURER'S REPORT

Ms. Latson reported that the approved audit of financial statements will be received next week. Mr. Vicens suggested that unit owners who wish to have copies could get them from the Management Office, rather than having the copies mailed to all unit owners. After discussion, it was agreed that anyone wishing to could come to the Management Office for a copy, but that unit owners who did not do so would receive their copies by mail.

Ms. Latson delivered the Treasurer's Report as follows:

For the five months ending May 31, 2009, the Association reported \$2.0 million in total revenue, which was less than budget by \$50,000.00. Lower garage income, under budget by \$41,000.00, was the primary reason for the revenue shortfall, although the Association also received less income from several service fee areas as well.

Operating expenses were \$1,646,000.00 for the first five months of 2009, which were higher than budget by \$34,000.00. The overage on expenses was the result of legal fees (\$24,000.00 over budget), utilities (\$14,000.00 over budget), and repair expense (\$11,000.00 over budget); these were offset by under-budget maintenance expenses (\$13,000.00 under budget) as well as a few other expense items that came in under budget. Legal fees total \$37,000.00 year to date and pertain largely to the Kilmer House lawsuit. As a result, the James/Kilmer financials are currently reflecting revenues over expenses, before the reserve contribution, in the amount of \$345,000.00.

After the provision for the Association's capital reserves of \$490,000.00, we generated an operating deficit of revenues over expenses of \$145,000.00. The operating deficit is funded by the Association's operating fund balance. At May 31, 2009, our capital reserve fund balance stood at \$4,965,000.00.

Ms. Latson stated that because a ruling has now been handed down with regard to the Kilmer House lawsuit and also because additional information about the windows project has been received from the consulting engineers, the Finance Committee may now approach banks to request proposals for financing the windows project for review by the Committee.

There was considerable discussion about whether or not to include details about the judge's ruling on the Kilmer House lawsuit in the notes to the audited financial statements, with some contending that without that information, the statements would be misleading to prospective buyers, and others countering that the statements are accurate as of the effective date of the audit, and that they include information about the proposed window replacement project and about the lawsuit and therefore are not misleading. Further discussion ensued about the mechanism for including information about the results of the lawsuit in the audited statements. Ms. Latson suggested asking the auditors how to implement the inclusion of the ruling in the audit report; the Board agreed.

COMMITTEE REPORTS

Management Search Committee

Ms. Barnes reported that on June 9 the Committee sent a letter to seven management companies, including Draper and Kramer, whose contract with the Association ends this year, indicating that the Committee is performing a review of the industry and anticipates sending out Requests for Proposal this summer. She added that the letter included a 20-question request for information, and that she has received six responses to date. Ms. Barnes stated that they will be reviewed by the Committee, which will then make recommendations to the Board about proceeding with the search.

Windows Committee

Mr. Beck reported that some of the window samples have been received and have been stored in the old office area, with the expectation that they may be exhibited within the next two to three weeks.

Infrastructure Committee

Mr. Hickling reported that the Committee is trying to arrange window installer and window manufacturer interviews on three dates: July 9, July 13 and July 16.

Mr. Beck stated that Ms. Conner would deliver her Penthouse Committee report at the time that the action item concerning the penthouse redecorating project was to be considered.

MANAGEMENT REPORT

Mr. Vicens noted that he has altered the format of the Board packet and invited comments about the change. He then reported on several items, as follows:

- Draper and Kramer continues to hold meetings of managers on a range of subjects, and he will be attending several such meetings on June 30.
- In order to bring the garage entrance into compliance with the latest City of Chicago building codes with regard to handicap access, a sensor has been installed on the exterior pedestrian ramp that prevents the pedestrian door from opening and hitting a person if they are in front of the sensor. Quotes are being sought to install the same mechanism for the double doors leading from the B level of James House to the garage.
- Power washing of the garage will begin on June 29 and is expected to take four days to complete. Procedures are being followed to ensure that the drains do not become clogged.
- Zipcar® will again be manning a table in the James House lobby on June 24 to sign up more users; the special registration fee is \$25.00 instead of the regular fee of \$75.00.
- Work on the ComEd vault is expected to begin right after the Air and Water Show so as to allow full use of the garage during the show.
- Some window and sliding door glass and assembly samples have been delivered and are stored in the disused management office.

Mr. Vicens finished by inviting owners to visit him to discuss any issues that concern them. In response to a question from Mr. Meyers, Mr. Vicens stated that according to the schedule, the budget would be ready for Board review at its October meeting. There was a discussion about the use of scrubbers when the garage is power washed. Mr. Vicens stated that he would closely supervise the power washing to ensure that it is done thoroughly and correctly. A unit owner asked about water dripping on her car from pipes in the garage; Mr. Vicens stated that he would investigate the problem.

ACTION ITEMS

Approval of Reimbursement of Claims Discussed in Executive Session

Upon motion duly made by Tom Meyers and seconded by Dorsey Ruley, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the reimbursement of a total amount of \$29,550.30, divided into varying amounts, to ten owners of units that received damage as a result of the August 2007 and August 2008 storms. After discussion, the motion passed, with Duane Hickling abstaining.

Approval of Public Policy With Regard to Damage Claims

Upon motion duly made by Judy Barnes and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve a public policy to no longer reimburse claims for damage to personal property in units caused by storms, the failure of common area elements and other like events, the policy to become effective at 12:01 a.m. on June 24, 2009. After discussion, a roll-call vote was taken; the motion passed unanimously.

During the discussion that preceded the vote, in response to remarks from a unit owner and from Mr. Meyers, Mr. Beck stated that while the Association's insurance policy does not cover damage to personal property within a unit caused by failure of a common element, it does cover damage to common elements, and the unit owner's homeowners insurance policies cover damage to personal property; he added that if the Board or the Association is deemed to be negligent in not correcting the cause of a common element failure, the unit owner's homeowners insurance carrier can seek compensation from the Association's liability insurance for damage caused by that failure.

Approval of Interim Redecorating of the Penthouse Space

Ms. Conner reported that the Penthouse Committee held a number of meetings and sent Requests for Proposal to several contractors to discover what it would cost to perform repairs on the 44th floor, including:

- Painting all the rooms, including removing old wallpaper, and scraping and patching walls
- Repairing or replacing ceiling tiles
- Electrical work to repair or replace electrical fixtures
- Replacing carpeting

Ms. Conner characterized the proposed project as "deferred maintenance" necessary to make the spaces on the 44th floor once again usable for all residents; she also conveyed assurances from Kurt Kruger that he can repair leaks in windows so that the new paint and carpeting will not be damaged. Ms. Conner then briefly described the bids received and conveyed the Committee's recommendation that Scandinavian Builders be engaged to do the work at a cost of no more than \$40,000.00. She stated that the work was expected to take four weeks to complete, and she directed the Board's attention to some paint and carpet samples.

The ensuing very lengthy discussion covered a number of topics, among them the following:

- Restoring a pleasant amenity for residents
- Coordinating the proposed repairs with current corridor and lobby repairs, and with the major redecoration scheduled for 2012
- Possible damage to the new paint and carpeting by the window installers if they use the North Room as an office
- Reluctance to approve the proposed expenditure without knowing the proposed finished appearance of the areas
- Displaying paint and carpeting samples for the Board to see, and allowing residents to vote on them
- Performing the work in phases rather than doing the whole floor at once
- The greater cost-effectiveness of ordering all carpeting and installing it at one time
- Delaying the project until the window replacement and deck projects are completed
- Whether there is any or enough money in the budget for the project
- Whether the proposed redecoration is a temporary fix which could delay the proper renovation of the penthouse by five to ten years
- Whether the renovation of the penthouse should be moved ahead so a proper renovation is done rather than a temporary fix

Upon motion duly made by Dorsey Ruley and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the proposal submitted by Scandinavian Builders, Ltd. on February 19, 2009, to improve and remodel the penthouse space to bring it back to a usable condition, for an amount not to exceed \$40,000.00. A roll-call vote was taken, the results of which were as follows: Dorsey Ruley–Yes, Tom Meyers–Yes, Duane Hickling–Abstain, Lynn Conner–Yes, Betty Latson–No, Judy Barnes–Yes, Karla Ross–Abstain. The motion passed.

Preceding the vote, further discussion ensued about the price quoted by Scandinavian Builders and the contingency amount added to it at Mr. Vicens's suggestion to cover unanticipated expenses, about possible unanticipated additional electrical work, about surveying the residents for their opinions on the project, about using a phased approach, and about the positive impact of the project on residents. In response to a question from Ms. Barnes, Mr. Vicens stated that he will manage the project.

Approval of Purchase of Fitness Center Equipment

Upon motion duly made by Lynn Conner and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the proposal submitted by Total Fitness on June 25, 2009, to supply and install three Precor c956i treadmills, in the amount of \$14,672.03, including tax. After a brief discussion, the motion passed unanimously.

Approval of Remodeling Requests

Upon motion duly made by Duane Hickling and seconded by Lynn Conner, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of Unit #2011 and Unit #2606 according to the requests submitted by the unit owners that have been reviewed and found to be in compliance with the Association's rules, regulations and conditions, and that will be subject to ongoing inspection by the Association's Chief Engineer. The motion passed unanimously.

Approval of Engagement of Accounting Firm to Evaluate Spending Attributed to Kilmer House and James House Respectively

Upon motion duly made by Judy Barnes and seconded by Karla Ross, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the proposal submitted by Picker and Associates on June 5, 2009, to evaluate both operating and reserve spending histories for Kilmer House and James House respectively, in the amount of \$10,000.00. After discussion, a roll-call vote was taken, the results of which were as follows: Karla Ross–Yes, Judy Barnes–Yes, Betty Latson–Yes, Lynn Conner–No, Duane Hickling–Yes, Tom Meyers–No, Dorsey Ruley–No. The motion passed.

During the discussion preceding the vote, some expressed the opinion that the evaluation and its results will serve no useful purpose and will be a divisive factor, and others expressed the opinion that it could change the perceptions that residents of each building have of the relative status of their building versus the other, could quell dissent between residents of Kilmer House and of James House, and

would provide factual, relevant data on which the Board may base future decisions, including the Board's consideration of splitting the two buildings' budgets, if that issue is raised in the future, and decisions involving common and limited common elements.

DISCUSSION ITEMS

New Uniforms for Door Staff

Mr. Beck stated that he would like to ask Mr. Vicens to provide samples and cost estimates so that new door staff uniforms could be included in the budget. The Board agreed.

Mandatory Insurance for Owners and Renters

Mr. Vicens directed the Board's attention to the letter that he proposes to distribute to all unit owners to ensure that they understand the importance of having a homeowners insurance policy, noting that without such a policy, a unit owner will likely expect the Association to cover damages. He mentioned either listing the Association as an additional insured on a policy or requiring unit owners to show their certificates of insurance to Management each year as ways to ensure that policies are renewed as necessary. Mr. Vicens stated that the Association's rules need to be updated with regard to insurance and other matters; Mr. Beck added that the proposed new rule about insurance can be considered on its own in advance of other proposed changes. The Board agreed that Mr. Vicens should present a new rule requiring homeowners or renters insurance for its consideration at the next Board meeting.

ADJOURNMENT

There being no further business to come before the Board, upon motion duly made by Judy Barnes and seconded by Tom Meyers, the meeting was adjourned at 9:34 p.m.

Respectfully submitted,



Judy Barnes, Secretary