

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
May 25, 2010**

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, May 25, 2010, in the James House Hospitality Room, 1560 North Sandburg Terrace, Chicago, Illinois, pursuant to By-Laws.

CALL TO ORDER

Duane Hickling, President of the Association, called the meeting to order at 7:05 p.m. A quorum was present in that the following directors were present:

Judy Barnes
David Beck
Duane Hickling
Betty Latson
Dan McNamara
Tom Meyers
Dorsey Ruley
Nancy Slattery

Frances Andrews was not in attendance.

Also present were Richard Vicens, Property Manager, and Allan Werth, Site Supervisor, of DK Condo, A Draper and Kramer Company. Barbara A. Roberts acted as Recording Secretary.

UPDATES: WINDOW PROJECT, FINANCING, AND KILMER LAWSUIT

Mr. Vicens reported on the current status of the Window Replacement Project:

- The shop drawings for the mock-up unit have been approved, and the manufacturer, TRACO, will begin fabrication shortly. Installing the mock-up will begin on August 3 and will take five days to complete. The mock-up must be tested and approved by Klein and Hoffman before any main window fabrication may begin.
- Phase I, West tiers 3, 5, 7, 9 and 11 – window measuring was completed on May 11. Mobilization, including pedestrian protection and mast climber erection, will begin on September 13. Window installation will begin on October 11 and end on December 17.
- Phase II, South tiers 1 and 2 – installation will begin on January 10, 2011, and end on March 18.
- Phase III, East tiers 4, 6, 8 and 10 – installation will begin on April 4, 2011, and end on June 10.
- Phase IV, North tiers 12 and 15 – installation will begin on June 27, 2011, and end on September 2.

Ms. Latson reported on the current status of the Window Replacement Project financing:

- On May 11, the Commitment Letter from Harris Bank, incorporating language required by the Board, was signed on behalf of the Association.
- The direct charges have been reviewed to ensure that the calculations and payment plans are correct.
- The letters to unit owners will be mailed starting May 26; they will contain considerable detail about payment choices, payment timing, partial payments and so on, with a page to be returned by June 15 to the Association with the unit owner's choice indicated. Billing will occur at the end of July with collection on August 1.

- Loan documents were received over the weekend and are in the process of being reviewed by Ms. Latson, David Sugar, the Association's attorney, and the Executive Committee of the Board. It is expected that the Association will close on the loan by the beginning of next week, which will allow the Association to sign the window replacement contract.

Mr. Beck reported on the current status of the Kilmer lawsuit:

- Both appeals have been denied, which means that the Kilmer unit owners do not have to pay for the James windows, and the James unit owners are entitled to use 83.3% of the reserves, including as collateral for the Window Replacement Project loan. Either side has 30 days to file a notice to reconsider or, if that is denied, to file a petition to appeal to the Illinois Supreme Court.
- The window replacement contract is nearly finalized; it is currently being reviewed by Mr. Sugar, and can be signed after the loan documents are signed.

Mr. Hickling asked if there were any questions about the updates. There were none.

REGULAR OPEN FORUM

A unit owner referred to some unused concrete work scaffolding units on the ground outside of James House and asked if they in some way constituted an expense to the Association. Mr. Vicens explained that the scaffolding belongs to Golf Construction, and that all of the scaffolding that will be used was included in the lump-sum bid from Golf Construction. He explained why the scaffolding is not currently being used, and added that new drop schedules have been posted in the mailroom areas.

A unit owner asked that the timing of the closing of the James House elevator doors be retarded. Mr. Hickling responded that Mr. Vicens will consult with the Association's elevator maintenance company to determine what can be done.

A unit owner commented negatively on the appearance of the fountain front of James House and asked if some of the additional spouts besides the central spout could be activated. Mr. Beck stated that HOA has been consulted about the fountain, and that the other spouts are sometimes used but are difficult to maintain. Marcie Johnson added that when all of the spouts are used, the wind blows the spray around the driveway and entrance area. Discussion ensued.

A unit owner asked about the schedule for measuring the windows. Mr. Vicens responded that only the schedule for Phase I was available, adding that the measurements will be made phase by phase, rather than for the whole building at once, and that the subsequent schedules will be posted as soon as he receives them. The unit owner stated that some residents have been unprepared for the measuring crew. Mr. Vicens replied that ample notice about the measuring has been provided.

A unit owner recalled mention by Mr. McNamara at more than one Board meeting that if Harris Bank stated that the reserves to be used as collateral for the Window Replacement Project loan would also be available for capital expenditures, he would drop the lawsuit, and asked whether, because the suit has been dropped and if there is no appeal, the whole situation would come to a close. Mr. Beck stated that Mr. McNamara's request for a statement from Harris Bank is now moot owing to the Court's decision but that Mr. McNamara and the Board have received the statement. Mr. McNamara stated that he feels no need to take any further legal action.

A unit owner asked how one arranges to use the Penthouse space for activities such as a yoga class. Mr. Vicens advised her to talk to Diana Cardenas in the Management Office to arrange to lease the space. The unit owner asked about posting notices on the bulletin board outside the rear exit. Mr. Vicens stated that she should bring materials to be posted to the Management Office, and that all of the bulletin boards are available for postings. The unit owner suggested that an item be included in the newsletter about recycling, citing clothes hangers specifically. Ms. Barnes responded that she has discussed recycling with Kurt Kruger, the Chief Engineer, intends to include an article about recycling in the newsletter, and would appreciate additional information about recycling. Discussion ensued about recycling clothes hangers and disused batteries, and about creating a committee to work on recycling. A unit owner mentioned that the City of Chicago will send a representative from the Department of Environment to address groups about recycling issues.

APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the regular Board meeting held on April 27, 2010. There were a few corrections. **David Beck moved that the draft of the minutes of the regular Board of Directors meeting held on April 27, 2010, be approved as amended. Judy Barnes seconded the motion, and it passed unanimously.**

Mr. Beck asked if there were any additions or corrections to the minutes of the additional Board meeting held on May 10, 2010. There were two corrections. **David Beck moved that the draft of the minutes of the Board of Directors meeting held on May 10, 2010, be approved as amended. Judy Barnes seconded the motion, and it passed unanimously.**

TREASURER'S REPORT

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

For the four months ending April 30, 2010, the J/K Association reported total revenue of \$1,625,000.00. Revenues continue to remain lower than budget by approximately \$32,000.00, due primarily to lower garage revenue.

Operating expenses were \$1,406,000.00 and were slightly higher than budget by \$8,000.00 due to gas costs. Gas costs were higher than budget by \$62,000.00 and were partially offset by lower-than-budgeted payroll expense and repair and maintenance costs.

As a result, the Association posted revenues over expenses before capital reserve contributions of \$220,000.00, which was \$40,000.00 below budget. After the provision for capital reserves of \$333,000.00, the Association generated an operating deficit of expenses over revenues of \$113,000.00, which compares unfavorably to the budgeted deficit of \$74,000.

At April 30, 2010, the operating reserve stood at a deficit of \$49,000.00. The capital reserve fund stood at \$5,505,000.00.

The deficit has decreased in both March and April, and it is possible that there are still some utilities expenses from last year included in the budget, so that when that adjustment is made, the financial situation this year will be better than reported. Utility costs are lower this year, and good cost control measures are in place.

A unit owner asked how many units are in default on assessments. Mr. Werth and Ms. Latson responded that they would have to consult the default report, but that the number is about the same as it was last year. Ms. Latson added the statistic is being tracked over the last two or three years and the number of defaults is slightly higher than it was two or three years ago.

COMMITTEE REPORTS

HOA Report

Marcie Johnson reported as follows:

- Alderman Reilly responded to an article in *Skyline* about the owners of the Germania Club building planning to raise its roof by stating that the slightly higher roof line will still be below the top of the building's parapet and so will not be visible from the street or from surrounding buildings, and also that he expects that his efforts to have the building declared a landmark will be successful later this summer.
- There have been incidents of gang-related shooting and assaults in the area and also in the Lakeview area. The commanders of the 18th District (south of Fullerton Avenue) and the 23rd District (north of Fullerton Avenue) will be working together to increase patrols in the area.

A lengthy discussion ensued about the recent incidents, security in the Village and coordination between the HOA security guard and the various building doormen, what to do about the increase in crime in the area, making HOA aware of J/K residents' concerns, the vulnerability of Sandburg Village to changes in the neighborhood and requesting a meeting with the police and Alderman Reilly to discuss what to do about it, lighting and security cameras in the James/Kilmer area, residents taking the initiative and calling 911 when criminal activity is witnessed, and designating a Village resident to attend the local CAPS meetings. Mr. McNamara indicated his willingness to attend CAPS meetings.

Window Design Subcommittee

Ms. Slattery reported that the sample of the chosen paint color did not meet the Subcommittee's expectations and that several other colors have been chosen. She stated that James Swint of Klein and Hoffman suggested that samples of paint be applied to the concrete, and when that is done, the Window Design Subcommittee will examine the colors and make a recommendation to the Board.

Garage Committee

In Ms. Andrews' absence, Ms. Barnes reported that Eddie Main, the garage manager, is working with the Germania Club to solicit business and thus increase revenue by offering parking for special events. She added that bulletins will be posted in the garage entrances, in the mailroom area, at entrances and in the newsletter to advise residents about when special event parking will take place.

Infrastructure Committee

Mr. Hickling reported that the Committee met last week and discussed balcony accessibility. He stated that the Committee members endorsed the decking solution rather than terrace doors or other solutions, primarily because the decking can be installed when and where needed and removed when it

is no longer needed. Mr. Hickling stated that next step will be to determine the cost of the decking, depending on the decking materials, and how it would be installed. He added that Klein and Hoffman will provide information about how to clean the decking.

Communications Committee

Ms. Barnes reported that the Committee is succeeding in producing a newsletter every two months, and that the next issue will be published in early June. She asked that anyone with ideas for articles or other submissions e-mail them to her, and added that her goal is to write the newsletter from a unit owner's perspective by including information that unit owners would need to know. Ms. Barnes also stated that the Committee is working with Mr. Vicens and Ms. Demers to coordinate communication to residents about the Window Replacement Project.

Pet Committee

Betsy Ruley reported that she and Carol Abrioux have nearly completed formation of the Committee and are planning to have another focus group meeting, tentatively scheduled for June 9, that will include non-pet-owners. She added that information about the meeting will be published in the newsletter and posted in the buildings.

MANAGEMENT REPORT

Mr. Vicens reported on the following:

- The air conditioning has been turned on. The heat was shut off on Friday morning, and the pipes had to be allowed to cool down before the chilled water could be run through them.
- Michael Schall of Picker and Associates will be at the Association on May 26 to work with John Zissis on the 2009 audit. Mr. Schall stated that the Association's books appear to be in very good order, and that he will need an update on the litigation to include in the notes accompanying the audit.
- The agenda for tonight's meeting includes a vote on the new Reserve Study, for which four proposals have been received.
- The garage will be power washed during the week of June 14.
- A new drop for the concrete project is scheduled; anyone with any questions about the project should address them to Management.
- Management has conducted conference calls about the ComEd vault repair project with Meade Electric and Primera. Primera will core-drill the walls to determine what will be required in the way of shoring up the walls during the repairs. The start date of the project is still not known because a new proposal is now required, as the previous proposal is outdated.

Ms. Latson noted that the Finance Committee has to submit the 2009 audit to Harris Bank by June 30 and asked if it will be ready by then, noting that the Finance Committee must review the draft of the audit and the Board must vote to accept it before it can be submitted to Harris Bank. Discussion ensued. Mr. Vicens stated that he will inform Mr. Schall about this.

ACTION OR DISCUSSION ITEMS

Approve Direct Vote with Secret Ballot Rule

Mr. Hickling asked that the Board alone address this item as needed, as unit owners have already been given a chance to comment on it and ask questions about it. **Upon motion duly made by Judy Barnes and seconded by David Beck, the following resolution was made:**

BE IT RESOLVED, that the Board of Directors adopt a Direct Voting system rule utilizing a Secret Ballot and prohibiting the use of proxies for the election of individuals to the Board of Directors, as authorized by Section 18(b)(9) of the Illinois Condominium Property Act. After discussion, a roll-call vote was requested, the results of which are as follows: Dorsey Ruley–No, Tom Meyers–No, David Beck–Yes, Judy Barnes–Yes, Betty Latson–Yes, Nancy Slattery–Yes, Dan McNamara–No. The motion passed.

The discussion that preceded the vote began with Ms. Barnes reading aloud a number of discussion points about the direct vote, summarized as follows:

- Any unit owner who cannot or does not want to attend Annual Meetings has in the past been able to vote by signing a proxy.
- The use of direct votes eliminates the use of proxies.
- Eliminating proxies ends disputes and abuses stemming from use of unregulated proxies, simplifies and reduces the cost of counting votes, and ends inappropriate proxy solicitations by candidates or their agents.
- Direct voting requires that unit owners vote exclusively by means of a direct vote ballot, which must be submitted in person – either at the Annual Meeting or at the Management Office – or by mail, fax or other means.
- Those voting will have to make choices based on a candidate's resume, statements at Candidates Night, or, in the case of incumbent Board members, past performance and contributions.
- To ensure fairness to all candidates, direct voting legislation requires various procedural and administrative safeguards as a condition of eliminating proxy voting.
- The secret ballot rule requires that after ballots are counted by the auditors, the portion of the ballot showing the name, signature and/or unit number of the vote must be removed and destroyed.
- Unit owner signature cards will be kept on file in the Management Office so that signatures on the ballots may be verified to prevent fraud.

Mr. Meyers stated his agreement with adopting a direct voting system, but asserted that "secret ballots" would not be secret and should not be used because, with the exception of two units in James House, all James/Kilmer units have a different percentage of ownership and so can be identified; he also noted that tearing off the signature portion of the ballot prevents anyone from investigating possible voter fraud, adding his opinion that having the signature cards in the Management Office would be of no use to the auditors at an Annual Meeting. A lengthy discussion ensued about proxies versus direct-vote ballots, the provisions in the Illinois Condominium Property Act affecting voting, how direct voting works, the number of unit owners who have complained about proxy voting, the effect of direct voting on elections and the make-up of the Board, campaigning practices, objections to having signature cards on file in the Management Office, the Board's wishes with respect to changing the Association's voting practices, and what changing the rule is intended to accomplish. Mr. Beck reminded those present that with a petition signed by unit owners representing 20% of the total ownership and submitted within 14 days, the unit owners can petition the Board for a unit owner vote to override the Board's decision. Following this discussion, the roll-call vote was taken, after which Mr. Beck asked that a notice be posted the next day informing unit owners of the Board's action and of their right to petition to overturn the vote..

Approve Hiring a Consultant for the Reserve Study

Upon motion duly made by Nancy Slattery and seconded by David Beck, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve hiring Reserve Advisors to perform a Reserve Study update, in the amount of \$8,900.00, in accordance with its proposal dated March 24, 2010.

A lengthy discussion ensued. Mr. Vicens stated that the Reserve Advisors proposal was for an update of the study that it completed in August 2005, for a much lower cost than an entirely new study. Mr. Hickling noted that the Infrastructure Committee was in favor of spending less on the Reserve Study so that funds would remain for necessary targeted engineering studies to be performed later. In response to a question from Ms. Latson, Mr. Vicens and Mr. Hickling stated that the study would distinguish between common elements and limited common elements, with the limited common elements separated by building. Ms. Latson expressed concern about whether the proposed Reserve Advisors study was merely an extension of the study it performed in 2005 and, if so, whether that would be sufficient for the Association's planning and budgeting purposes. Mr. Vicens explained that Reserve Advisors planned to review its previous work, which was a comprehensive study, and update it. Mr. McNamara asked about Reserve Advisors' recognition of the difference between categories that have materially changed and those that have not. Mr. Meyers favored using a different firm to do the current study, even if it would cost more, and bringing in experts to review specific elements. Mr. Hickling explained about targeted engineering studies, such as the Klein and Hoffman window study and the Siemens utilities savings study, and also noted that Reserve Advisors will not examine areas that it already knows must be repaired or replaced, whereas a new reserve study firm would do so, at greater expense. Mr. Werth stated that the Reserve Advisors consultants will discuss with Mr. Vicens and with Kurt Kruger, the Chief Engineer, about building elements that do or do not exhibit problems. He added that Reserve Advisor usually charges less than other firms, and that the consultants can be asked to contact specific service providers, which will add to the cost of the study. Ms. Latson stated that she needs the study in time to use it as the next budget is being developed. Mr. Beck stated that the Reserve Study is needed for projecting Replacement Reserve expenditures over the next 5, 10 or 15 years, for budgeting purposes. After further discussion, the Board agreed that in order to have a Reserve Study in the Finance Committee's hands by mid-August, Mr. Vicens would convey the Board's questions and concerns to Reserve Advisors and request a listing of Reserve Advisors' responses and what it intends to do, and then distribute that information to the Board to review, as well as a comparison of the services that all four bidders offered in their proposals, after which the Board would vote by e-mail on a motion to approve the proposed Reserve Study.

Ms. Slattery withdrew the motion.

Approve Remodeling Requests

Upon motion duly made by Nancy Slattery and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of Units #308K, #1805, #1815, #3201, #4109 and #4202, 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.

ADJOURNMENT

There being no further business to come before the Board, upon motion duly made by David Beck and seconded by Tom Meyers, the meeting was adjourned at 8:40 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David Beck', written over a horizontal line.

David Beck, Secretary