

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
October 26, 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, October 26, 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 7:01 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 (arrived 7:10 p.m.)

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, the latter arriving at 7:30 p.m.. Barbara A. Roberts acted as Recording Secretary.

Mr. Hickling added one action item to the agenda: approving payment to the law firm that successfully appealed the Association's 2009 Cook County tax assessments.

UPDATES: WINDOW REPLACEMENT AND CONCRETE REPAIR PROJECTS

Mr. Vicens reported on the current status of the Window Replacement and Concrete projects:

- The mast climbers are being erected on the west side of the building and equipment will be delivered shortly.
- There has been a delay in finishing Tier 8 and Tier 10 because of excessive wind and rain.
- The demolition has been completed and all concrete debris has been removed, leaving room for a parking space for Softer Lite's delivery truck.
- The windows will be replaced beginning on November 15, starting with one unit per day, then two units and so on; the anticipated schedule after Thanksgiving is one floor per day. However, no schedule will be published until the full-floor procedure has been established. There will be 40 days allotted for installation with an additional ten "buffer" days built into the schedule.
- Most residents will use Tamas Partners for pre-installation preparation and replacing items following window installation.
- Paulette Demers now has an office on the Penthouse floor and she is on duty full time. Preparation procedures on are on display in the Management office.
- The concrete repairs are now finished.

In response to a question from Ms. Barnes, Mr. Vicens explained Golf Construction's suggestion with regard to limited inspections in the interim between critical façade inspections.

REGULAR OPEN FORUM

A unit owner complained about the landscaping in front of James House and Kilmer House, claiming that it did not look good even when there was no construction in the area to hinder landscaping efforts. Mr. Beck and Marcie Johnson, two of the Association's representatives on the HOA Board, stated that HOA has a landscaping plan in place for 2011 but that it was agreed that there should be no landscaping around James House during 2011 because of the Window Replacement Project, that they routinely raise the issue of James/Kilmer landscaping and maintenance at HOA Board meetings, and that it would be a good idea for other James/Kilmer residents to attend HOA meetings and speak up about landscaping and other concerns; they also agreed that the landscaping in front of Kilmer House was not adequately watered this year. A lengthy discussion ensued among unit owners and Board members about what the Sandburg Village Homeowners Association actually is and how it was formed, James/Kilmer's relationship with HOA, and the need to determine the level of service that HOA should be providing to James/Kilmer and then to make sure that it is being provided. Discussion also touched on alternative uses for the fountain on the east side of James House, on the condition of certain areas of the garage, on the upcoming North Mall project in 2011, and on HOA's efforts to control costs and keep assessments down.

Gail Gill stated that there will be an informational meeting for unit owners on November 22 to discuss single-stream recycling.

A unit owner commented on the Board member oath, asking why some directors have not signed it and suggesting that a question about signing the oath be included on next year's candidacy form. Mr. Hickling stated that when the Board voted to adopt the oath, it was made clear that signing the oath is voluntary. Discussion ensued about who did and did not sign the oath, about the Board's intention in adopting it, and about the upcoming voting process.

A unit owner mentioned a recent interview with Ken Price, a James House resident, on WGN TV, noting that Mr. Price is the Public Relations Director for the Palmer House Hilton hotel. A brief discussion ensued.

A unit owner complimented Mr. Vicens's performance as the Property Manager; his remarks were greeted with applause.

A unit owner asked how the amounts of employee gifts from the Holiday Fund are decided and also about giving Holiday Fund gifts to D&K Condo employees. Mr. Beck stressed that resident contributions to the Holiday Fund are voluntary, and he and Mr. Werth explained the employment status of office staff and maintenance employees as opposed to garage staff, and how the Holiday Fund is distributed at James/Kilmer and at other associations. Ms. Barnes stated that there will be a notice about the Holiday Fund in the November newsletter.

APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the Board meeting held on September 28, 2010. There being none, **David Beck moved that the draft of the minutes of the Board of Directors meeting held on September 28, 2010, be approved as presented. Judy Barnes seconded the motion, and it passed unanimously.**

TREASURER'S REPORT

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

For the nine months ended September 30, 2010, the Association reported total revenue of \$13.1 million including the direct charge revenue. Excluding the direct charge revenue, the J/K Association reported revenue of \$3.8 million, which exceeded budget by \$49,000.00. Garage net income, reimbursement of legal fees from unit owner transactions, condominium lease fee income, and transfer fees all exceeded budget and resulted in the better-than-budget revenue results.

Operating expenses were \$2.9 million and were below budget by \$104,000.00 due largely to lower payroll, utility, uninsured losses, and plumbing expenses, which were partially offset by higher professional and legal fees. Payroll was under budget by \$86,000.00, utility costs were under budget by \$13,000.00, uninsured losses were under budget by \$12,000.00, and plumbing costs were under budget by \$13,000.00. Legal costs related to the lawsuit were over budget by \$5,000.00, and professional fees were over budget by \$7,000.00.

As a result, the Association posted revenues over expenses before capital reserve contributions of \$914,000.00. After the provision for capital reserves of \$750,000.00, the Association generated an operating surplus of revenues over expenses of \$164,000.00, which compares favorably to the budgeted surplus of \$11,000.00.

At September 30, 2010, the operating reserve stood at \$225,787.00. The capital reserve fund stood at \$5,995,587.00, and the loan balance stood at \$3,068,101.00.

Finance Committee Report

The Finance Committee completed the review of the proposed 2011 budget over four meetings, and submitted the proposed budget to the Board for distribution to unit owners. The Finance Committee is proposing an overall 1.99% total assessment increase which included the following: a 2.02% decrease in contributions to the operating fund, a 12.92% increase in the contributions to the capital reserve fund, and a 0% increase in the HOA assessments.

The Association began the process of updating its Reserve Study, which estimates the potential repair and replacement of common elements and limited common elements and the projected expenditures for them. The capital reserve study has identified capital expenditures that the Association may need to fund. The Finance Committee has asked the Infrastructure Committee and Management to review certain items in the Reserve Study to determine the timing, cost and necessity of these projects.

The projects to be reviewed by the Infrastructure Committee and Management include the garage concrete and membrane repairs; the replacement of aluminum wiring; Kilmer tuckpointing, concrete, window sealant, patio, balcony and railing repair projects; the timing of the next critical façade inspection at James House; repair of the Commonwealth Edison vault, a study of alternatives to our current cable TV contract, and a study of the air handling systems and air duct cleaning.

It is important to note that the timing of the capital expenditures in the Reserve Study may differ from the timing planned by the Association. These additional studies to be undertaken by the Infrastructure Committee and Management will assist in further understanding necessity, timing, and costs. In the meantime, the Finance Committee felt that it was prudent to continue to build capital reserves in light of these upcoming capital expenditures.

Ms. Latson stated that the Board would at this meeting approve distribution of the proposed 2011 budget to unit owners for their review and noted that some of the line items in the budget are based on the Reserve Study. In response to questions from a unit owner and from Mr. Ruley, Ms. Latson stated that the Association is waiting to collect on only a few of the Window Replacement Project loans to unit owners, that approximately a dozen unit owners were assigned to the ten-year loan plan owing to not having specified a preferred plan, and that payment is still to come from a few of those who pledged to pay the entire amount for their windows up front. In response to a question from Mr. Meyers, Mr. Werth stated that the money that has already been collected has been invested in Treasury bills at Harris Bank and in the MaxSafe account at Barrington Bank.

COMMITTEE REPORTS

Communications Committee

Ms. Barnes reported that the next newsletter will be distributed this week and that she is currently working with Ms. Demers and Mr. Vicens on the Window Replacement Project process guide. Mr. Hickling urged that all residents read the newsletter. Mr. Meyers asked if the Board will be able to review the newsletter before it is published, stating that this review was once agreed to and that a 24-hour response time was all that was required. Discussion ensued about whether or not the Board should review the newsletter before publication.

Infrastructure Committee

Mr. Hickling reported that the Committee has not met since September but will do so soon. He and Ms. Latson reported that the Committee will concentrate on some items that were brought up at the Finance Committee meeting, such as garage maintenance; replacing some remaining aluminum wiring in James House; the work to be done on Kilmer House next year, including disseminating information to Kilmer House unit owners; timing of critical façade inspections; the cable TV contract, which expires at the end of 2011; the air handler study; and duct cleaning. Mr. Hickling stated that he and Mr. Vicens are assembling information on the various projects so that the Committee can start prioritizing and planning them.

Pet Committee

Betsy Ruley reported on Carol Abrioux's continuing illness. Ms. Ruley stated that she will work with Hy Brandelstein, who assisted the Committee in tallying results of the resident survey about pets, to compose a report and present it at the next Pet Committee meeting in mid-November, after which the Committee can make a report to the Board at its December meeting.

Holiday Fund Committee

Mr. Hickling stated that the Committee will meet before the holidays. Ms. Barnes confirmed that the letter to unit owners about the Holiday Fund has been approved and will be included with the November assessment statements; she added that it will also be posted in the building so that renters will see it, as well.

MANAGEMENT REPORT

Mr. Vicens reported on the following:

- Election materials were mailed to unit owners on October 19. Candidates Night will be on Monday, November 1. The Annual Meeting will be held on Tuesday, November 9; a quorum of 20% of the aggregate unit ownership must be met in order to hold the meeting, so unit owners must be urged to vote.
- The laundry room contract will be considered as an action item at the December 7 Board meeting.
- FHA recertification is still in process.
- Management is meeting with consultants regarding cable TV.
- The appeal of the 2009 Cook County real estate tax assessment was successful and real estate taxes were reduced.

Mr. Meyers asked if there have been complaints about smoke migrating from smokers' units to other units. Mr. Vicens responded that this is a common and unsolvable problem in apartment buildings. Discussion ensued about smoke migration and the impracticability of making the James and Kilmer buildings smoke free. Further discussion ensued about violations of rules and codes.

OWNER DELAY OF WINDOW REPLACEMENT PROJECT

Mr. Hickling explained that the Board needed to discuss and plan how to deal with any owners whose units are not ready for the window installers on the installment day or with situations in which an owner does not permit the installers to enter the unit, with regard to the Association's recourse in such an instance and keeping the project on track. Mr. Vicens explained that Ms. Demers will inspect each unit on the day preceding the scheduled installation day, and if a unit is not properly prepared, the Association's contractor, Tamas Partners, Ltd., will be brought in to prepare the unit at the owner's expense. He recommended that the cost of any delay to the project, which could be considerable, caused by a unit owner be charged to the unit owner. Ms. Barnes stated that the Softer Lite project manager affirmed that other buildings follow this procedure. In response to a question from Mr. Meyers, Mr. Vicens stated that Management and its workers may enter a unit without permission in this instance because it constitutes an emergency. Discussion ensued, with Mr. Hickling stressing the advisability of avoiding the problem of unprepared units by forcibly preparing them rather than incurring the great expense, chargeable to the unit owner, of having the construction crew return another day to install the windows.

Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve a policy with regard to the Window Replacement Project according to which any unit not previously prepared by Tamas Partners, Ltd. will be inspected by the Window Replacement Project Coordinator by noon on the day before the scheduled installation and, if such unit is not properly prepared, Management shall have the authority to have it prepared by Tamas Partners for installation, the cost for which shall be charged to the unit owner. After discussion, the motion passed unanimously.

Upon motion duly made by David Beck and seconded by Judy Barnes, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve a policy with regard to the Window Replacement Project according to which, if a resident denies access to a unit, Management shall have the authority to enter the unit, and the cost of any delays caused by denial of access to a unit shall be charged to the unit owner, subject to approval by the Association's attorney. The motion passed unanimously.

BUILDING INSURANCE

Mr. Meyers raised questions about the procedure for obtaining quotes for and approving insurance for the Association and about using Mesirow Financial as the Association's broker, and also expressed doubts about the Board's decision on the Association's insurance policies at the last Board meeting. Mr. Hickling noted that the Board's decision was unanimous in favor of Fireman's Fund as the carrier and asked if there were any new information that came to light since the Board's vote that would cast doubt on the vote, noting that if there were not, the Board should not reconsider its decision. A lengthy discussion ensued among unit owners and Board members about how the broker's quotes were reviewed and the reasons for the Board's decision, with Mr. Werth providing details about the process and about certain special coverage items that were questioned. He also explained that other brokers who were approached chose not to work with the Association, in part because of the lack of sprinklers in the buildings, and that there are only three or four main underwriters in the condominium insurance market from among which to choose. Further discussion ensued about the difficulty of getting quotes from brokers earlier to allow more time for review.

ACTION OR DISCUSSION ITEMS

Approve Distribution of the Proposed 2011 Budget to Unit Owners for Review

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 the distribution of the proposed Fiscal Year 2011 Budget to all James/Kilmer unit owners for their 30-day review. After discussion, a roll-call vote was requested, the results of which were as follows: Dorsey Ruley–No, Tom Meyers–No, David Beck–Yes, Judy Barnes–Yes, Betty Latson–Yes, Nancy Slattery–Yes, Dan McNamara–Yes. The motion passed.

Before the lengthy discussion that preceded the vote, Mr. Hickling emphasized that the Board was voting on whether to approve distribution of the budget, not on the budget itself. Ms. Latson stated that the proposed budget includes an overall 1.99% assessment increase, adding that at this time HOA has not indicated that it will increase its assessment. She explained that Management and the Board are endeavoring to control operating expenses in the face of increases in union payrolls, and that the budgeting process this year took into account the results of the James and Kilmer cost allocation study. Ms. Latson and Mr. Vicens provided details about a proposed reduction in Kilmer House doorman hours; Mr. Vicens added that equipment will be added to Kilmer entrances to allow visitors and delivery people to contact residents for entry, as well as additional security cameras. Discussion ensued about the cost allocation study and its results, which Mr. Hickling stated were presented to unit owners at the

February Board meeting and which are available on the Association's Web site. Mr. Hickling further explained the Finance Committee's efforts to align the operating costs of each building, in terms of services and equipment, with the revenue from each building, and that control of labor costs was key to this effort. Ms. Latson stated that operating costs overall were reduced in all categories except maintenance and repair and cable service, adding that this reduction allowed for a greater contribution to capital reserves. She stated that fees for dogs and for coupon parking were increased. Ms. Ruley stated for the record her objection, as co-Chairman of the Pet Committee, to not having been informed in advance about the proposed increase in dog fees. Ms. Barnes stated that she sent an e-mail to Ms. Ruley and Ms. Abrioux before the Board meeting, informing them of the increase in dog fees proposed by the Finance Committee, and that Ms. Ruley responded that she had already been so informed.

In response to a question from Mr. McNamara, Mr. Hickling reiterated that unit owners are given a chance to review the proposed budget for 30 days before the Board may vote to approve it. Ms. Latson stated that a budget discussion meeting will be held at which unit owners may ask questions about or comment on the proposed budget. Mr. Hickling stated that the budget is approved in total, not line item by line item. Mr. Meyers read a statement expressing his disapproval of the proposed budget because Kilmer House doorman services are being reduced. Mr. Hickling stated that the proposed budget is reducing the number of doorman shifts from two to one on weekdays and from three to two on weekends. A further lengthy discussion ensued about revenue, budgeting and expenditures in regard to Kilmer House versus James House, about the lawsuit, and about security issues, including remarks from unit owners and Mr. McNamara. Mr. Beck offered further remarks about the history of Kilmer doorman service and about results of the cost allocation study and described what would happen if the buildings had separate budgets. Mr. Hickling commented further about the utility of the cost allocation study and noted that the major areas of cost are labor and utilities. He detailed for a unit owner the difference between James House and Kilmer House in terms of percentage of revenue versus percentage of expenses. Further discussion ensued about security and ways to enhance it. In response to a question from a unit owner, Mr. Hickling and Mr. Beck explained that the vote in question was on distributing the proposed budget to unit owners for review, and commented on the procedure for incorporating changes in the budget. Mr. Hickling then called the vote.

Approve Remodeling Requests

Upon motion duly made by David Beck and seconded by Judy Barnes, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of Units #409, #2612, #103K and #212K, 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 Assistant Chief Engineer. The motion passed unanimously.

Approve Payment for 2009 Cook County Real Estate Tax Assessment Appeal

Mr. Hickling briefly explained the tax assessment appeal. Mr. Beck stated that unit owners would save an average of \$200.00 to \$400.00 in property taxes owing to the successful appeal, and explained the law firm's contingency fee based on a percentage of the reduction in real estate taxes. **Upon motion duly made by Judy Barnes and seconded by Nancy Slattery, the following resolution was made:**

BE IT RESOLVED, that the Board of Directors approve the payment of \$28,162.00 to the law firm of Worsek & Vihon for its successful appeal of the 2009 Cook County real estate tax assessments, resulting in the reduction of building property taxes by \$187,751.00, and approve passing the fee expense on to participating unit owners by placing their proportionate shares as a line item charge on their assessment bills. 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 Judy Barnes, the meeting was adjourned at 9:40 p.m.

Respectfully submitted,

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

David Beck, Secretary