

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
January 25, 2011**

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, January 25, 2011, 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 7:12 p.m. A quorum was present in that the following directors were present:

Frances Andrews
Judy Barnes
David Beck
Duane Hickling
Betty Latson
Tom Meyers
Nancy Slattery

Dan McNamara and Dorsey Ruley were 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 REPLACEMENT PROJECT

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

- After January 25, 95 units will have been completed. There have been few complaints except for the dust; Softer Life is taking measures to deal with the increased dust, such as sealing off doorways inside each unit and chipping the concrete around the sliding door openings before the old windows are removed.
- Two days of work were lost on the west side of the building owing to snow and/or cold weather weather.
- The current plan is to move the mast climbers to the south side of the building and attempt to finish that side on May 27, the start of the Memorial Day weekend and the pool season. If more time is needed, crews may work on Saturdays to make up time, but if too much time is lost, it may be necessary to delay the start of the pool season at the North Pool.
- Rainy springtime weather poses a problem because the window sealant does not adhere if the surfaces to which it is applied are wet.
- The calendar for the other phases is available in the Management Office; schedule changes or updates are posted on the notice easels as soon as they are known and are also available at the Monday evening Manager's Table in the lobby.
- Most residents who have the new windows are pleased with them, some noting only that their units feel too hot; the new windows will make units warmer, but the building still has to circulate hot water at the old levels for the radiators in those units that do not yet have the new windows. Ways to mitigate excessive heat will be listed in the next newsletter.

Ms. Latson asked how soon before an installation Paulette Demers contacts a unit owner about unit preparation. Mr. Vicens responded that many more unit owners are taking advantage of the professional unit preparation, that letters are sent to each unit included in an entire phase before the phase begins, and that Ms. Demers visits each unit owner the night before the installation if they have used Tamas Partners for preparation, and earlier if a unit owner wishes to prepare their own unit..

A unit owner asked when Phase II will begin. Mr. Vicens stated that it will begin in mid-March, and the mast climbers will be installed starting around March 1.

A unit owner commented at length about powdery dust entering her unit via the ventilation system and the elevator shafts, and described her efforts to find out how to deal with the dust, mentioning a breathing problem that has developed, and asking if a ventilation expert should be consulted about the problem. Mr. Hickling explained why more dust is being created, and offered some suggestions to alleviate the problem, including opening windows to pressurize the unit, and sealing around entry door edges with towels. Others suggested the purchase of an air cleaner with a HEPA filter. Mr. Hickling then stated that the unit owner's problem with dust has been noted and will be investigated further with representatives from Softer Lite and with Kurt Kruger, the Chief Engineer.

Mr. Meyers expressed concern about the possibility of dust being created when Tamas Partners removes the protective coverings from his furnishings. Mr. Beck stated that he has heard very few complaints about this, and Mr. Hickling stated that the Tamas workers vacuum thoroughly as they work on the units. Mr. Hickling stated that Ms. Demers explains the entire process to unit owners and warns them about the dust.

A unit owner commented about how much better Tamas Partners prepares units than unit owners can, and about how clean Tamas leaves the units.

REGULAR OPEN FORUM

Gail Gill reported on the survey about recycling that has been distributed to unit owners, noting that responses should be submitted on or before February 4, that proposed locations for recycling receptacles are near the garage office – to provide access for both James and Kilmer residents – or outside the west door of James House, and that any other ideas from residents will be welcome. She stated that she met with Dan Mahar, our representative from Waste Management, before the holidays. Ms. Gill also mentioned creative recycling of materials like corks, such as donating them to schools to use in art classes.

Two unit owners spoke up about an ongoing problem with a dog or dogs confined in a unit, barking for hours at a time, and the lack of response from the unit owner. Several Board members stated that the problem was discussed in the Executive Session that preceded the meeting and that the Board will take action to address the problem. Mr. Hickling advised notifying the Management Office immediately when such problems arise, or calling 911 if an emergency situation occurs. Mr. Vicens advised that whenever a problem such as barking occurs outside of Management Office hours, it is best to call the doorman and ask that a maintenance staffer be sent to confirm the problem for necessary documentation. Ms. Andrews expressed the Board's expectation that its action will stop the problem with the dog, and that if it does not, the Board should be so informed.

APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the Board meeting held on December 7, 2010. There were two corrections. **David Beck moved that the draft of the minutes of the Board of Directors meeting held on December 7, 2010, be approved as amended. Judy Barnes seconded the motion, and it passed, with Tom Meyers opposed.**

SESSION DISCUSSIONS

Allan Werth, DK Condo, A Draper and Kramer Company: Memo of Understanding

Mr. Werth presented a report of the meeting on January 24 attended by himself, Tom Taylor of DK Condo, Judy Barnes and Duane Hickling to discuss the Memo of Understanding between DK Condo and James/Kilmer that was put into place last year:

- The Memo of Understanding is a valuable tool, so the process will continue and the group will meet quarterly in 2011.
- Ms. Barnes and Mr. Hickling reported that Management's performance has improved significantly with the current Management staff.
- Mr. Werth will consider adding to and/or modifying items in the Memo of Understanding for review and discussion.
- Items of importance to James/Kilmer are:
 - Best practices – evaluating procedures followed at James/Kilmer compared to those of other DK Condo associations.
 - Review committee charters and membership, and establish a succession process.
 - Review the insurance process and ensure that James/Kilmer is receiving excellent coverage at competitive prices.
 - Board development.
 - Ensure that annual goals and objectives are established and completed for both the Board and association employees.
 - Provide information about James/Kilmer's operations compared to those of other associations.
 - Link the DK Condo and James/Kilmer Web sites, and update the DK Condo Web site.

After delivering his report, Mr. Werth distributed copies of the revised Memo of Understanding. Ms. Barnes noted that the Memo of Understanding was created from the Board's input to provide a tool to address areas in which the Board felt under-served, that it can be updated as necessary, that further suggestions from the Board are welcome, and that there were improvements in 2010. Mr. Hickling commented on the proposed comparisons between James/Kilmer and other associations in terms of cost and performance, and the Board's desire to receive feedback from DK Condo. He also agreed that it is important to begin thinking about Board succession and new committee leadership.

Goals and Objectives

Mr. Hickling referred to the prioritized list of Board goals and objectives for 2011 distributed to the Board and asked if anything needed to be added to or deleted from the list. Several Board members had questions about items on the list or made suggestions for additional items, such as the completion of the ComEd vault repairs, the need to decide about the cable contract by June, and improving HOA's maintenance of the James/Kilmer property. Mr. Hickling explained how the list was prioritized and asked if the Board agreed with the prioritization, which in general it did. Discussion ensued. Mr. Hickling stated that he will edit the list according to the evening's discussion and redistribute it.

Assignment of Committee Chairpersons

Mr. Hickling referred to the James/Kilmer Committee Protocol that he distributed, and asked for Board discussion about the protocol list. He noted that the Web site includes a committee page and also publishes the minutes of committee meetings at which minutes are taken. With regard to the protocol list, Ms. Latson suggested that there should be at least one Board member on each committee; after discussion, including mention of a Board liaison instead of a Board member on certain committees, the Board agreed. Mr. Hickling read a list of all of the committees currently listed on the Web site, noting that some of them no longer exist, and asked if any of them lack Board member representation. After discussion, the Board confirmed that each committee should have a Board member as its Board liaison. The item about the Board determining the size of each committee was deleted. Discussion ensued about what constitutes a committee as opposed to a subcommittee or a task force: committees were described as ongoing and dealing with recurring situations, whereas a task force was described as dealing with specific, finite tasks or projects. Mr. Hickling offered the following definitions and procedures:

- The Board appoints a committee, which has a Board liaison and a charter, the chairperson of which recruits members, and the membership of which is registered with the Management Office.
- A committee may establish a subcommittee to support the work of the committee.
- As needed, the Board appoints task forces for specific purposes, defining each task force's specific scope and time frame.

It was also decided that committee meetings should be open to unit owners and announced one week in advance, with an agenda posted if possible; Mr. Beck noted that there are certain circumstances under which the Board will deem it appropriate for a committee to hold a closed meeting, and the Board agreed. The Board also accepted Mr. Beck's suggestion that all committees be required to keep minutes or notes of their proceedings, to include, at a minimum, agendas, action items discussed and recommendations, and that the minutes should be posted on the Web site. Mr. Hickling stated that he will revise the protocol list to include the Board's changes and additions, and that the revised protocol list will be attached to and made part of these minutes.

The Board then proceeded to appoint chairpersons to the various committees.

- Communications Committee: this was defined as less a committee than a coordination function including Ms. Barnes, Ron Miller, and Mr. Vicens, and encompassing the newsletter and the Web site. Discussion ensued.
- Finance Committee: Betty Latson, Chairperson, with perhaps a co-chair or assistant chair, to be determined later.
- Garage Committee: Frances Andrews, Chairperson. Ms. Andrews pointed out that the committee needs a charter.
- Holiday Fund – Garage Employees: This will be a subcommittee of the Garage Committee.
- Holiday Fund – James/Kilmer Employees: This will be a recurring Task Force, with Judy Barnes as Chairperson and Frances Andrews and Barbara Grodzins as Task Force members.
- Penthouse Committee: Defunct.
- Infrastructure Committee: Duane Hickling, Chairperson. Mr. Hickling stated that he will seek an assistant to help chair the committee.
- Property Management Company Review Committee: This is now a Board responsibility, according to the Memo of Understanding, so a committee is not needed at this time.
- Pet Committee: Betsy Ruley and Carol Abrioux, co-Chairpersons; Nancy Slattery, Board liaison. Judy Barnes has resigned as Board liaison.
- Rules and Regulations, Policy Development: Mr. Vicens remarked that this necessary function probably requires a committee chaired by a resident but that he would be willing to act in an advisory capacity. Mr. Beck stated that creating rules, regulations, policies and processes requires input from specialists such as Mr. Vicens, Mr. Werth, and Nichelle Wilson, the Assistant Property

Manager. Mr. Hickling suggested that in order to stay focused, the committee should deal with a few rules at a time. The choice of a chairperson was deferred to the next meeting. Mr. Meyers agreed to review the existing rules and regulations and make suggestions about what to focus on.

- Web Site Committee: Ron Miller has agreed to act as Chairperson, and Mr. Beck agreed to be the Board liaison.
- Windows Advisory Committee and Window Design Subcommittee: Defunct. It was agreed that the penthouse windows will be dealt with by the Infrastructure Committee.

Mr. Hickling stated that Mr. Vicens and others have suggested establishment of a Landscaping Committee; he noted that it could be a subcommittee of the Infrastructure Committee. Mr. Beck cautioned that HOA determines the Village's landscaping plans and does not normally welcome suggestions about landscaping, and that before a committee is formed, it would be advisable to discuss the matter with the HOA Board President. After discussion, Ms. Slattery offered to speak with the HOA Board President, and Mr. Hickling accepted her offer and stated that the Infrastructure Committee could deal with landscaping matters through a subcommittee, or that the Board could appoint a task force to coordinate with HOA, depending upon the outcome of Ms. Slattery's conversation with the HOA Board President. The Board agreed. Mr. Beck stated that the HOA President will be elected at HOA's Annual Meeting on January 26.

Leasing Rules and Requirements

Mr. Hickling stated that, as a result of Finance Committee discussions, a question has developed as to whether the Association is appropriately tracking the number of rentals, and that during the FHA recertification process, it was discovered that the Association is slightly over the limit imposed by the FHA on the number of rentals permitted in order for the Association to maintain its certification. He stated that Mr. Vicens read the Association's Declaration and noted that it is the Board's responsibility to perform due diligence in following the Declaration's rules about rentals. Mr. Beck confirmed that the Board should adhere to the rules, and Mr. Hickling agreed and stated that the Board must develop ways for the Association to operate with regard to those rules. He added that a task force should be appointed to examine the rules in the Declaration and work with Mr. Vicens to develop an operational plan. Mr. Meyers noted that restricting rentals too much could affect property values. At Mr. Hickling's request, Mr. Beck and Mr. Meyers agreed to work together as a task force to examine the rules and consult with Mr. Vicens about how best to deal with the matter and to report their findings and recommendations to the Board. Mr. Beck noted that any problems in the matter of rentals lie more in the area of consistency in applying the rules than with a lack of restriction.

TREASURER'S REPORT

Ms. Latson delivered the Treasurer's Report for the period ending December 31, 2010, as follows.

For 2010, the Association reported total revenue of \$14.5 million including the James Direct Charge revenue. Excluding the Direct Charge revenue, the J/K Association reported revenue of \$4.7 million, which exceeded budget by \$78,000.00. Garage net income, reimbursement of legal fees from unit owner transactions, construction fee income, service recoveries, and transfer fees all exceeded budget and resulted in the better than budget revenue results.

Operating expenses were \$3.9 million, and were below budget by \$78,000.00, due largely to lower payroll, utility, painting/decorating, and plumbing costs, which were partially offset by higher than budgeted professional fees, building interior costs, and HVAC repairs. Payroll costs were under budget by \$102,000.00, utility costs were under budget by \$51,000.00, painting/decorating costs were under budget by \$12,000.00, and plumbing costs were under budget by \$21,000.00. Professional fees were over budget by \$9,000.00, building interior costs were over budget by \$16,000.00, and HVAC repairs were over budget by \$38,000.00.

It should be noted that the financial statements include the Direct Charge of \$38,000.00 for the engineer's unit as an operating expense. We believe that the Direct Charge should be reflected as a capital reserve expenditure. The \$38,000.00 should be reversed out of the operating fund financial statement. Once corrected, the J/K operating expenses will be under budget by \$116,000.00.

As a result, the Association posted revenues over expenses before capital reserve contributions of \$1,150,000.00 before adjustments. After the provision for capital reserves of \$1 million, the Association generated an operating surplus of revenues over expenses of \$156,000.00. That is the first positive operating fund balance the Association has had in two years. Once the corrections occur, the operating surplus will increase to \$194,000.00. It is important to note that the December 2010 financials are preliminary figures, as the Association's accounting firm must still make year end adjustments. Therefore these numbers may change.

At December 31, 2010, the operating reserve stood at \$261,702.00, the capital reserve fund stood at \$6,228,661.00, and the loan balance stood at \$2,964,316.00.

Finance Committee Report

The Finance Committee will begin meetings shortly. Some of the first projects that the Committee will face will include the review of the draft 2010 audited financial statements, the J/K reserve study, and the determination of the Kilmer direct charge for the limited common element capital expenditures to occur at Kilmer in 2011. Once we have the necessary information, we will post meeting dates.

Mr. Beck asked if the audit will be started earlier this year; Ms. Latson responded that she will discuss this with management on January 27, noting that there will be more work to be performed in the audit this year owing to the direct charge for the James House Window Replacement Project loan. Discussion of the Treasurer's Report and of various expenses, especially the concrete repair expenses, and revenues ensued.

COMMITTEE REPORTS

HOA Report

Mr. Beck reported that the HOA Board will vote on January 26 on the contract for the North Mall repairs, which will include the walls surrounding the Kilmer House patios as well as the patio drains, the concrete and the expansion joints. He stated that the contractors will not work beneath the mast climbers, which may delay part of the project. Mr. Beck agreed to obtain details about the project, particularly with regard to the work to be done on the patio walls and on their status as limited common elements. He stated that HOA will pay for the project and will then apply to James/Kilmer to be reimbursed for the patio wall expenses.

Communications Coordination

Ms. Barnes reported that there will be a bimonthly newsletter in 2011, starting in February, and asked that all articles for the next newsletter be delivered to her by Friday, February 4. She added that she will include a note in the newsletter asking for suggestions for material to be included in it.

Holiday Fund Committee – James/Kilmer

Ms. Barnes reported that the amount collected for 2010 surpassed that raised for 2009 by about \$400.00, with a total of \$23,690.00 given by 241 donors.

Holiday Fund Committee – Garage

Ms. Andrews reported that a collection of \$11,340.00 was disbursed among nine employees, with an additional \$1,030.00 donated after the disbursement date remaining in the bank for next year, and that this exceeded last year's donations, despite the decrease in the number of building parkers.

MANAGEMENT REPORT

Mr. Vicens reported briefly on the following:

- The FHA recertification consultant has all the information required, and a decision on the recertification should be reached by February 7.
- Rebuilding the chiller is under way as of today, to be completed in mid-February.
- The reserve study will be discussed on January 27.
- Ms. Andrews and Mr. Ruley tested the sample balcony door opening for wheelchair accessibility; an additional small ramp will be helpful on the outside, but otherwise the ramp installation works well.
- Some units are reporting whistling sounds from the wind around windows that have not yet been replaced; this is because the wind can no longer enter around the new windows.
- Klein and Hoffman has been asked to assist in developing an AIA contract for the ComEd vault repairs.
- Klein and Hoffman is in the process of investigating the James House roof. A roofing company took core samples from the roof for Klein and Hoffman to examine.
- Mr. Vicens is talking with a consultant about the garage leaks and sewer capacity; an initial finding is that the existing sewer pipe's eight-inch diameter is too small to remove all of the water that comes from the North Mall and from the pool when it is drained, such that a 15-inch pipe may be needed. The ejector pumps are also faulty.
- Information about the cable contract has been sent to a firm that will develop a proposal for the Association's cable contract. A unit owner has informed Mr. Vicens about a new offering from AT&T called "AT&T U-verse" which includes telephone, Internet and cable service. Discussion ensued. Mr. Hickling stated that a task force should be appointed to deal with the cable service research and contract. Further discussion ensued about the task force and about RCN's offer.

ACTION OR DISCUSSION ITEMS

Approve Contract for Hot Water Heat Exchanger Replacement

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 approve the proposal submitted by Team Mechanical, Inc. on March 3, 2009, to supply and install a Bell and Gossett shell and tube heat exchanger for the domestic water heating system in the amount of \$68,550.00. After a brief discussion, the motion passed unanimously.

Approve Disciplinary Action Against A Unit Owner

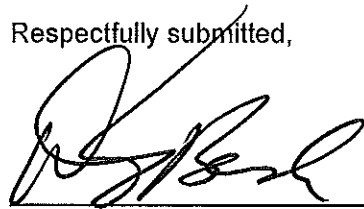
Upon motion duly made by David Beck and seconded by Frances Andrews, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve taking disciplinary action against the unit owner discussed in Executive Session. The motion passed, with Tom Meyers opposed and Nancy Slattery abstaining.

ADJOURNMENT

Upon motion duly made by David Beck, seconded by Judy Barnes, and unanimously passed, the meeting was adjourned at 9:15 p.m.

Respectfully submitted,

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

David Beck, Secretary