

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
May 31, 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, May 31, 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 7:04 p.m. A quorum was present in that the following directors were present:

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

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.

PRESIDENT'S STATEMENT

Mr. Hickling spoke about the increasing number of failures of lateral HVAC pipes in both buildings, stating that the pipes are original equipment well past their useful life, and that owing to their function and repairs from initial breaks they are subjected to extremes changes of temperature and pressure, which has caused them to break with increased frequency as they have aged. He stated that the Board is taking the matter very seriously, and that the Infrastructure Committee recommends that the Board immediately begin the planning process for replacement of all of the pipes owing to the increasing instances of leaks, rather than either partial replacement or piecemeal replacements arranged for by unit owners. Mr. Hickling reported that the Committee and the Board are seeking a consistent, quality replacement job, because the HVAC system heats and cools both buildings, at the best possible price and as soon as possible, and that it is important to solicit bids based on standard engineering specifications and to choose a contractor who is fully capable of performing the work. He also mentioned financing, noting that the pipes are limited common elements and thus the responsibility of unit owners but that the Finance Committee and the Board will consider ways that a portion of the project may be paid for out of the Reserve Fund, possibly by delaying some other proposed reserve projects. Mr. Hickling then listed the steps to be taken beginning immediately:

- Develop plans and specifications, a critical step because James House and Kilmer House differ in configuration.
- Create a list of qualified contractors and distribute bid requests.
- Receive bids from contractors.

- Interview contractors, determining, among other things, their capacity to handle such a large job and how they will coordinate with other projects' contractors for the use of the freight elevators to move materials inside the buildings
- Decide on appropriate financing, seeking recommendations from the Finance Committee.

Mr. Hickling stated that every effort is being made to move the project along in just weeks or months instead of years. He then responded to questions and remarks from unit owners:

- It was not the Board's responsibility to publicize the ad hoc meeting of unit owners that took place last week because it was not an official Association meeting.
- The Infrastructure Committee strongly recommends against voluntary repairs by unit owners for reasons already cited and also because there is a greater risk to the pipes in a tier every time they are shut off and then recharged, so it is better to do an entire tier at once.
- This project will not interfere with the Window Replacement Project, except that it will be necessary to coordinate use of the freight elevators. Mr. Beck suggested starting with Kilmer House.

A unit owner commented that James House's infrastructure, including pipes, elevators, construction, etc., appears to be in very bad shape and that the atmosphere among residents is not good. Mr. Hickling responded that the building is actually in better condition than the other Sandburg Village buildings, noting especially that according to the reports he receives, the elevators are fully operable 97% to 98% of the time.

A unit owner commented that Mr. Vicens is an excellent property manager and that his Monday evening lobby sessions are very helpful. These remarks were met with applause.

A unit owner suggested creating a timeline like the "thermometers" used for fund raising on which to chart the progress of each project. Mr. Hickling agreed that this would be a good idea.

A unit owner commented that the building will look beautiful once the windows, balconies, concrete work and pipe replacement are completed, and that Management should publicize this fact.

A unit owner repeated her suggestion from a few meetings back about what she called "H.O.M.E. – Helping Others Maintain Equilibrium" – holding a party for residents to raise morale in the face of the mess and inconvenience of the various projects. Another unit owner agreed with this suggestion and also suggested a series of get-togethers at significant points in the progress of projects, with residents identified by the high schools that they attended.

A unit owner asked about exterior paint color and was told that it has already been chosen.

UPDATE: WINDOW REPLACEMENT PROJECT

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

- The windows will be replaced on the 7th floor tomorrow, and Phase II is expected to be completed on June 6, with Phase III on the east side of the building starting on June 20.
- The erection of the northeast mast climber is completed and of the center east mast climber is nearly completed.
- It will take ten working days to dismantle the south side mast climber, after which the North Pool may be used all day.

In response to a question from a unit owner, Mr. Vicens stated that the reason that there are gaps between the Window Replacement Project phases is to allow time for stock to arrive at the worksite, for assembling the sliding doors, and for dealing with punch list items. He added that the project is on schedule.

REGULAR OPEN FORUM

A unit owner raised the issue of the number of rented units in the Association, alluding to rules about rentals in the Declaration – including the number of rentals permitted and the charge to unit owners for the privilege of renting units, stating her disapproval of some renters and her opinion that with too many renters, property values will decrease, and further commenting that the Board should conduct background and financial investigations of proposed renters. Discussion ensued, during which Mr. Hickling pointed out that an ongoing project undertaken earlier in the year by Mr. Beck and Mr. Meyers is to thoroughly examine the Declaration, particularly with regard to any procedures that perhaps are not being followed; he also mentioned Finance Committee discussions about charging unit owners a fee for renting units. He added that in the meantime current situations such as the HVAC pipe leaks have moved to the forefront of the Board's deliberations and activities. Mr. Beck stated that the Board may charge up to a four-month security deposit and may require a standard lease, and that the Board is not empowered to perform background checks, although unit owners may do so themselves. Several Board members remarked that it would not be a good idea to limit rentals at present, because, owing to the still-troubled economy, some unit owners have no choice but to rent units. Further discussion ensued about the current number of rentals in the Association, and about FHA certification requirements.

A unit owner commented that unit owners attending Board meetings should, outside of the Regular Open Forum agenda item, listen to the deliberations of the Board and not join in, because these are Board meetings, not unit owner meetings. Ms. Latson agreed that the meetings are in some ways too open, and Ms. Barnes added that the Association's attorney has remarked that the Board's meetings would be more productive without so many unit owners commenting.

APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the Board meeting held on April 26, 2011. There was one correction. **David Beck moved that the draft of the minutes of the Board of Directors meeting held on April 26, 2011, be approved as amended. Tom Meyers seconded the motion, and it passed unanimously.**

TREASURER'S REPORT

Ms. Latson delivered the Treasurer's Report for the period ending April 30, 2011, as follows.

For the first four months of 2011, the Association reported a slightly higher deficit than the budgeted deficit as a result of the flooding from HVAC pipe breaks as well as utility costs that belong to 2010.

Through April 2011, the Association reported total revenue of \$2.0 million including the James Direct Charge revenue. Excluding the Direct Charge revenue, the J/K Association reported revenue of \$1.76 million, which exceeded the budget by \$18,000.00 due primarily to higher garage net income.

Operating expenses were \$1,425,000.00, and were higher than budget by \$54,000.00, principally the result of uninsured losses and building interior repairs related to the HVAC flooding as well as \$25,000.00 in utility bills that belong to 2010.

For the first four months of 2011, the Association reported revenues over expenses of \$335,000.00, excluding the James Direct Charge revenue. After the provision for capital reserves of \$443,000.00, the Association generated an operating deficit of \$108,000.00.

At April 30, 2011, the operating reserve stood at \$153,303.00. The capital reserve fund stood at \$6,537,615.00, and the loan balance stood at \$2,822,417.00.

Finance Committee Report

The Finance Committee had its first meeting on April 27. The topic of discussion was the Kilmer House capital expenditures and the Kilmer House limited common element direct charge. The Finance Committee discussed the current bids for the Kilmer House work and the potential per-unit cost estimate. The Committee also discussed the potential need to provide some sort of financing assistance to Kilmer House unit owners. A bank loan for the Kilmer House limited common element direct charge would not be feasible given the dollar amount of the potential loan. The Finance Committee discussed financing that could range up to three years. A number of follow-up questions resulted from the meeting.

Because of the magnitude of issues arising from the HVAC pipe leaks, the Finance Committee determined that it would be best to allow the Board to discuss the Kilmer House façade, balcony, railing and window sealant projects as well as the HVAC pipe project before any informational letters were distributed to unit owners, to determine that the Board was unified on the course of action to be taken.

Following the Board meeting tonight, the Finance Committee will schedule further meetings to continue its work on these projects and cash flows. The Committee has an estimate of what it thinks the charges will be for the Kilmer House unit owners, but it did not wish to distribute the information and cause unit owners to have to deal with the situation before the Board's declaration of commitment to the Kilmer House project as well as the HVAC project.

COMMITTEE REPORTS

Infrastructure Committee

Mr. Hickling noted that the necessity to replace the HVAC pipes was already discussed earlier in the meeting and confirmed that the Board agreed that the pipes must be replaced as a building-wide project, not in a piecemeal fashion individually by unit owners. **Upon motion duly made by David Beck and seconded by Francis Andrews, the following resolution was made:**

BE IT RESOLVED, that no unit owner be permitted to individually replace the HVAC pipes in his or her unit. After discussion, the motion passed unanimously.

The discussion preceding the vote touched on the seriousness of the leakage situation, the necessity to plan the pipe replacement so it may be completed quickly and correctly, and the need for appropriate financial planning, as well. Mr. Beck suggested that a town meeting of unit owners would be useful to inform them about what will be involved in the project.

Cable TV Task Force

Ms. Slattery reported that the Task Force is still collecting information from cable TV suppliers and that she hopes to have the information available at the beginning of next week so the Task Force may meet and review the information. She named the members of the Task Force besides herself: Frank Sokol, Gina Zehr, Mr. Ruley, Mary Occhipinti, Jay Owens, Ron Miller, and Mr. Meyers. Mr. Meyers commented on the poor condition of the telephone wiring in the buildings, resulting in poor reception and not allowing for high-speed Internet service.

Communications Committee

Ms. Barnes reported that the June newsletter will be published and distributed by the end of next week, asking that anyone wishing to contribute material to that issue convey it to her by June 7. She stated that copies of this issue will be distributed door to door because it contains a one-page tear-off for residents to fill out with the contact information and return to the Management Office, noting that all residents are required to keep their contact information on file in the Management Office up to date.

HOA Report

Marcie Johnson, one of James/Kilmer's representatives to the HOA Board, reported on the HOA Board's May 25 meeting:

- Sod will once again be used on the Germania Place divider.
- Summer planting rotations are being installed in the large entryway planters at all Sandburg Village multi-unit buildings except James House.
- Problems with rats were discussed.
- The temporarily curtailed North Pool hours have been posted.

Mr. Beck, another J/K HOA representative, stated that the landscaping for James House will be installed when the concrete painting is completed, and that it is hoped that landscape planting may take place next spring, depending on whether the metal is installed at the base of the building. He added that bare spots in the Kilmer House landscaped areas will be filled in this year. In response to a question from Mr. McNamara, Mr. Beck and Ms. Johnson stated that hitherto undiscovered additional problems with drains in the North Mall have come to light during the course of the North Mall Project, including some in the area of the J/K garage, and they are being dealt with. Discussion ensued.

Web Site Committee

Ron Miller, the Association's Web Master, reported that all the features of the Association's Web site are constantly in use. Mr. Hickling commented that it is an excellent tool. In response to Mr. Beck's suggestion that a reminder to use the Web site be included in the newsletter, Ms. Barnes stated that Mr. Miller already does so in his newsletter notes.

MANAGEMENT REPORT

Mr. Vicens reported briefly on the following:

- A roofing company has repaired two leaks in the James House roof.
- Mr. Hickling has signed the ComEd vault repair contract, which now must be signed by Meade Electric. Temporary traffic lanes in the vault and fountain area of the driveway have been developed, and a false ceiling will be built on the vault during the repairs.
- In the course of the North Mall repairs, LS Contracting Group found serious deterioration in the ceiling of the garage in bike room #1, such that a 12-foot-by-12-foot hole has had to be cut in the terrace of unit #115K.
- Golf Construction will begin painting the concrete on Tier 1 on June 1, but the painting will not be finished this year. All residents in the tier have been notified to remove all items from their balconies, which will not be available for use for three to four weeks. Signs have been affixed to all of the sliding balcony doors warning residents not to go out onto the balconies lest they damage the prep work.
- There is a swing stage on the west side of the building because it is being painted.
- The freight elevators are experiencing very heavy use from both project workers and various remodeling contractors; there is considerable remodeling work in the building at this time.

A brief discussion ensued about storage of residents' grills while their balconies are not able to be used, and about painting the building while the pool is open, power-washing the building and grinding the balcony railings. A lengthy discussion then followed about the proposed traffic patterns and parking in the area around the ComEd vault and on Germania Place during the six-week-long vault repair project, and how traffic and parking, including cabs, will be managed. It was agreed that the Association should seek the help of Alderman Reilly, and Ms. Barnes stated that the alderman's chief of staff is setting up an appointment for representatives from the Association. Further discussion ensued about problems with parking in the area. Mr. Meyers asked about the color of the bricks that will be used in the Kilmer House façade project and was told that bricks have been ordered to match the existing bricks and that an extra pallet of bricks has also been ordered for future repairs.

DISCUSSION ITEMS

Recycling Program

Mr. Vicens then turned to the recycling program, stating that the program was developed by Ms. Barnes and Kurt Kruger, the Chief Engineer, and referring to a description of the program and a diagram that were distributed to the Board showing the proposed placement of the recycling bins in the garage and the James House basement. Discussion ensued about the proposed location of the bins, dealing with odors, collecting items from the chute rooms, the number of recycling pick-ups per week, the role of the Maintenance staff in the program, the continued use of blue bags, and the cost of the program. Ms. Barnes reminded the Board that if J/K does not institute a single-source recycling program, the City's preferred method, then the City requires that J/K will have to perform a feasibility study to show cause; she also stated that there will be seven days of garbage pick-up in addition to the one day of recycling pick-up.

ACTION ITEMS

Approve Amendment to Management Agreement

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 amending the Management Agreement to add a new section, as follows:

“3.14 Garage

The ASSOCIATION-owned valet and self-park garage is managed currently by a garage managing agent (GARAGE AGENT) under a separate agreement with the ASSOCIATION, but for purposes of practical day-to-day operating management for the ASSOCIATION, the GARAGE AGENT reports to th DK Condo Property Manager.”

The motion passed unanimously.

Approve Kilmer House Façade Repair Contract

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 awarding a contract to Golf Construction in the amount of \$618,865.00 to perform Kilmer House façade masonry and concrete repairs as delineated in specifications prepared by Klein and Hoffman and in accordance with its bid dated April 8, 2011. After discussion, a roll-call vote was requested, the results of which were as follows: Dan McNamara–No, Frances Andrews–Yes, Nancy Slattery–Yes, Betty Latson–Yes, Judy Barnes–Yes, David Beck–Yes, Tom Meyers–No, Dorsey Ruley–No. The motion passed.

During the discussion preceding the vote, Mr. McNamara and Mr. Meyers urged delaying the project until other sizable projects, including the proposed replacement of lateral HVAC piping, are completed. In response to Ms. Latson’s concerns about the timing of the project, Mr. Beck, Mr. Hickling and Mr. Vicens stated that maintenance on the façade and sealing the leaking windows must not be deferred, and that the bid offers will expire and project costs will increase; Ms. Latson concurred. Mr. Vicens added that the representative from Golf Construction avers that there will be no parking problems. Further discussion ensued about the timing of the project, about the contractors involved, and about the relative merits of separate direct charges for individual projects or combining direct charges for several projects at once, after which the vote was called.

Approve Special Group Garage Rates

Upon motion duly made by Frances Andrews and seconded by Judy Barnes, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the special monthly group parking rates for the garage as follows:

6 to 20 cars: \$100 per car

21 to 50 cars: \$90 per car

51 or more cars: \$80 per car

After discussion, the motion passed, with Mr. Meyers opposed.

During the discussion preceding the vote, Mr. Meyers objected strongly to setting the proposed special rates, stating that Eddie Main, the Standard Parking garage manager, should have the authority and latitude to set special rates according to circumstances. Ms. Andrews and Ms. Barnes countered that having the Board set the rates protects Mr. Main and that the suggested rates fill in gaps in the existing schedule of rates. Mr. Beck suggested that Mr. Main be allowed to charge more than the suggested rates if circumstances warrant doing so and further suggested approving the proposed rates but giving Mr. Main the flexibility to consult Mr. Vicens about special situations. Mr. Hickling commented that the proposed action allows Mr. Main to manage the garage without having to continually seek the Board's approval, and that the Board can continue to manage exceptions as they arise. After this discussion, the vote was called.

Approve Remodeling Requests

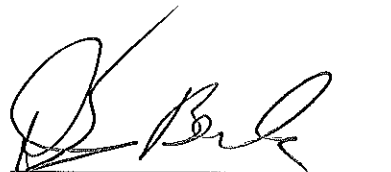
Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of Units #515, #715, #1501, #1711, #2602 and #510K, 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. After a brief discussion, the motion passed unanimously.

ADJOURNMENT TO EXECUTIVE SESSION

There being no further business to come before Board in Open Session, the meeting was adjourned to Executive Session at 9:06 p.m.

Respectfully submitted,



David Beck, Secretary