

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
December 8, 2009**

A meeting of the Board of Directors of James/Kilmer Condominium Association (the "Association"), an Illinois not-for-profit corporation, was called to be held on Tuesday, December 8, 2009, in the James House Hospitality Room, 1560 North Sandburg Terrace, Chicago, Illinois, pursuant to By-Laws.

CALL TO ORDER

David Beck, President of the Association, called the meeting to order at 7:12 p.m., and declared that 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 Draper & Kramer, Inc. Barbara A. Roberts acted as Recording Secretary.

NOMINATION AND ELECTION OF BOARD OFFICERS FOR 2010

Mr. Beck nominated a slate of officers for 2010, as follows: President – Duane Hickling, Vice President – Judy Barnes, Treasurer – Betty Latson, Secretary – David Beck. He called for additional nominations. Mr. Ruley nominated Frances Andrews for the position of Treasurer. Ms. Andrews thanked Mr. Ruley, but declined the nomination. Mr. Beck declared the nominations closed. **Upon motion duly made by Tom Meyers and seconded by Judy Barnes, the following resolution was made:**

BE IT RESOLVED, that the Board approve the following slate of officers for the 2010 term:

**President – Duane Hickling
Vice President – Judy Barnes
Treasurer – Betty Latson
Secretary – David Beck**

The motion passed unanimously.

Mr. Hickling chaired the meeting from this point on. He expressed the hope that the divisions that have existed between Board members in the past will be set aside as the Board continues its work afresh in the new year. Mr. Hickling encouraged the Board members to debate and make decisions based on facts rather than on opinions, and commented that each director should consider himself or herself to be a representative of the Association as a whole rather than a representative of one building or the other or some faction in the Association. He urged

unit owners to eschew rumor and gossip and to communicate with Mr. Vicens if they have questions about or are uncertain about anything that they see or hear pertaining to the Association. Mr. Hickling's remarks were met with applause.

Mr. Hickling then asked if there were additions or corrections to the evening's agenda. Mr. Meyers requested a discussion of the windows replacement project. Mr. Hickling added an item regarding information about the Kilmer lawsuit. Mr. Werth requested a discussion and possibly a vote regarding workers compensation insurance.

At Mr. Hickling's request, Mr. Beck offered the latest information about the Kilmer lawsuit, stating that last week the Kilmer plaintiffs filed a motion to stay with regard to the portion of the court order granting James House the right to use part of its 83.3% share of Capital Reserves as payment for the windows or as collateral for the windows replacement loan; he added that James House's plan was to use a portion of its share of Capital Reserves as loan collateral, and that the Kilmer House plaintiffs are seeking to prevent James House from doing that until the appeal runs its course, which could be a year or so in the future. He further stated that the Association's attorneys have filed a response to the motion to stay and have asked the Kilmer plaintiffs to post a million-dollar bond in the event that their motion prevails; he added that the motion is scheduled for a hearing on December 9, which may or may not take place on that date.

REGULAR OPEN FORUM

A unit owner asked about the source of the million-dollar bond; Mr. Beck explained that the bond is like an insurance policy, and that he did not know whether the judge would agree to it or not. He explained further that the bond ensures that if there is a delay in the window replacement project stemming from the plaintiff's requested stay that results in increased costs, Kilmer House may have to cover the increase.

A unit owner stated that President Obama has mentioned new stimulus money to be earned through weatherizing buildings and commented that the James House window replacement project is "shovel ready" and might qualify for this new stimulus program; Mr. Hickling responded that the Board and Management will stay aware of what is happening with regard to the new program.

A unit owner asked about the status of the "forensic accounting" – the James and Kilmer expense allocation study being conducted by Picker and Associates. Ms. Latson responded that she, Mr. Hickling and Mr. Shorey have reviewed a progress report from Picker, and that Picker is awaiting additional information from vendors to clarify some information. A brief discussion ensued about the progress of the study and the reason that it is being conducted, which is to determine how expenses apply to each building. Mr. Hickling added that it is hoped that the study will be completed in time for the January Board meeting, at which time the Board will decide how the results are to be disseminated, and that the plan is to update the study results annually. Further discussion ensued.

A unit owner commented that residents' laundry cards should be programmed to permit the use of only two washers at a time, adding that at certain times of day, several washers are in use at one time by one person. Discussion ensued, and Mr. Hickling stated that the first step is to discover whether the cards can be programmed for use of a limited number of washers. Another unit owner remarked that washers seem to fill too slowly when only cold water is used; Mr. Vicens stated that he will investigate the matter, and Mr. Beck added that the problem is worse when only hot water is used.

A unit owner commented that HOA staff does an incomplete job of shoveling snow around James House. Mr. Beck responded that the HOA Maintenance staff consists of only two or three employees and that during heavy snowfalls, taking into account the size of Sandburg Village, it is impossible to keep all areas clear of snow all the time. Mr. Vicens remarked that in case of unusually heavy snowfall, James House Maintenance staffers can assist with the shoveling and that HOA will be billed for their time. Discussion ensued about HOA's use of salt that is not harmful to dogs' paws.

APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the regular Board meeting held on October 27, 2009. There were three changes. **David Beck moved that the draft of the minutes of the regular Board of Directors meeting held on October 27, 2009, be approved as amended. Judy Barnes seconded the motion, and it passed, with Frances Andrews, Dan McNamara and Nancy Slattery abstaining.**

Mr. Beck then asked if there were any additions or corrections to the minutes of the Special Meeting of the Board of Directors held on November 3, 2009. There were two changes. **David Beck moved that the draft of the minutes of the Special Meeting of the Board of Directors held on November 3, 2009, be approved as amended. Tom Meyers seconded the motion, and it passed, with Frances Andrews, Dan McNamara and Nancy Slattery abstaining.**

TREASURER'S REPORT

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

For the ten months ended October 31, 2009, the Association reported \$4.0 million in total revenue. Revenues were lower than budget by \$69,000.00, of which \$59,000.00 stemmed from lower garage revenue.

Operating expenses were \$3,133,422.00, and were over budget by \$37,000.00 primarily because of uninsured losses. Lower-than-budgeted payroll expense helped to offset some of the overage.

Revenues over expenses before capital reserve contributions totaled \$910,000.00, and were under budget by \$106,000.00.

After the provision for capital reserves of \$981,000.00, the Association generated an operating deficit of expenses over revenues of \$71,000.00.

At October 31, 2009, the operating reserve stood at \$63,700.00. The capital reserve fund stood at \$5,334,000.00.

The Finance Committee held its open meeting for unit owners to ask questions about the 2010 operating budget on December 2. Tonight the Board will vote on approval of the 2010 operating budget.

Many unit owners have been asking about the timing of the direct charge. Our best estimate is that it will occur toward the end of the first quarter of 2010. We are asking the two contractors that are bidding on our window project to provide a cash-flow timeline so that we can give unit owners information on the timing of the direct charge for planning purposes.

Once the Infrastructure Committee provides the Finance Committee with the timeline of cash outflows for the windows and the final window and balcony door replacement cost, the Finance Committee will be able to ask banks to update their proposals and provide the Association with a loan commitment. The commitment from the banks will enable the Finance Committee to finalize the direct charge calculations and relay the information to unit owners. Each unit owner will then be given the opportunity to make a final selection of the payment option that best suits them.

Additional Finance Committee meetings will be scheduled shortly to continue the work. We will also bring several banks to the Association to discuss direct financing using home mortgages and equity lines of credit.

In response to a question from Mr. Meyers, Ms. Latson stated that once the Finance Committee has complete, accurate numbers for the project, it will approach all of the banks that were originally contacted, and noted that besides Harris Bank, Barrington Bank has indicated an interest in the project loan.

A unit owner asked how the Association can proceed with a loan before the Kilmer lawsuit is settled. Ms. Latson responded that Kilmer House will not participate in the loan but that the loan will be in the name of James House unit owners only; she added that this situation has already been thoroughly discussed with both Harris Bank and Barrington Bank and their attorneys as well as with the Association's attorney, David Sugar, and that all have agreed to the structuring of a loan only to James House. Discussion ensued about the loan, including a question from Ms. Andrews as to whether more than one bank could be used; Ms. Latson responded that it is better to use only one because otherwise there would have to be an agent bank and a participant bank. Mr. Werth explained that there will be a form for each unit owner to fill out specifying their financing choice, including paying the entire cost of the windows and balcony work up front, and that any unit owner who does not sign and return the form will automatically be defaulted to a particular payment plan.

Mr. Hickling stated that the Finance Committee must clarify to the Board and to all James/Kilmer unit owners exactly how the loan will legally be the responsibility of James House unit owners only, and that Kilmer House unit owners will be protected from any liability with regard to the loan, by means of loan documents so stating. Me. Beck added that the Association's and the bank's attorneys will draw up the necessary documents. The Board agreed to this action.

COMMITTEE REPORTS

Windows Design Subcommittee

Ms. Slattery reported that at the Committee's December 7 meeting, Klein and Hoffman provided additional renderings of the windows showing various frame colors and glass tints, and that the Committee will continue to narrow down the choices until it settles on options to recommend to the Board.

Employee Holiday Fund

Ms. Barnes reported that the fund collection due date is Monday, December 14, that the Management employee holiday party will be held on Wednesday, December 16, and that the Garage staff holiday fund contribution deadline is Sunday, December 20.

Infrastructure Committee

Mr. Hickling reported that efforts are under way to conduct final negotiations with the chosen Window Replacement Project contractors; he added that Mr. Vicens is working with Klein and Hoffman to develop a strategy for the negotiations, as well as a project cash-flow timeline.

MANAGEMENT REPORT

Mr. Vicens reported the following:

- One of the Window Replacement Project contractors, Auburn/EFCO, has stated that it requires no payment until 30 days after the start of the project, except perhaps for shop drawings, which will take 10 to 12 weeks to prepare. Meetings are being scheduled the purpose of which will be to specify hardware details, determine how the project will be planned, and consider possible discounts, after which the contractors will return with those details and the negotiations will take place.
- Three cost centers have been established and will be in use as of January 1 such that operating and capital expenses can be properly allocated to Kilmer House, to James House, or to common elements.
- Draper and Kramer held a roundtable meeting about replacing domestic water pipes; James House has galvanized piping, the normal useful life of which is 40 years.
- Numerous residents have complained about door drops and unsolicited visits during election time; the problem will be addressed as the Rules and Regulations are revised starting in January.
- The suggestion system is in place, and Diana Cardenas has developed a matrix to list the suggestions that come in; however, efforts to respond to residents' suggestions are stymied when the suggestions are anonymous, so Management suggests that residents identify themselves in their suggestions.
- The Penthouse Remodeling should continue with elements such as the lighting and new uses for the end room, so some proposals from Management will be forthcoming early in the year.
- An article will appear in the newsletter stating that the unofficial Management Office hours start when Mr. Vicens arrives at 6:30 a.m., so residents should feel free to visit the office whenever necessary.

Mr. Meyers expressed concern about Golf Construction using a room in the Penthouse. Mr. Vicens responded that he also is concerned, and has made it clear to Golf Construction that it cannot occupy the Penthouse space until the Concrete and Balcony Repair Project contract has been signed, a process that is currently at an impasse; he added that he expects that work will be able to begin in March and will contact David Sugar, the Association's attorney, to determine the status of the contract.

Mr. Beck asked about the estimate for the Kilmer House façade repair. Mr. Vicens stated that he has heard from Klein and Hoffman that the concrete on the façade is in much better condition than it is on the James House façade, and that the report will be available soon.

Discussion ensued about security protocols during the Window Replacement and Concrete Repair project, and about the Penthouse space to be used by the contractors.

ACTION OR DISCUSSION ITEMS

Windows Project

Mr. Meyers expressed his concern about the 35% of unit owners who voted to override the Board's decision to proceed with the Window Replacement Project, speculating that most of them cannot afford the new windows, and that the Board should find ways to assist them. Mr. Beck responded that it would be better to wait and see how unit owners respond when they are asked to make a commitment to pay for the windows to determine why they voted to override the Board; he added that in some cases the decision to override was based on dissatisfaction with the proposed financing plans, not on an inability to pay for the windows. Mr. Meyers disagreed and insisted throughout the following discussion that most people who voted to override the Board did so because they cannot afford to pay for the windows.

Mr. Hickling outlined the initial steps of a process to be implemented: (1) determine the all-inclusive and final negotiated price for the windows, (2) have the Finance Committee determine the necessary financing, including provision for interest rates, the default reserve and other variables. A lengthy discussion ensued about the process, about the Board's inability to determine the impact of the project's cost and to make further decisions until the financing facts are known, and about reasons other than inability to pay that the 35% of unit owners who voted to override the Board might have done so. Mr. Hickling concluded the discussion with the directive to begin the process according to the steps previously stated so as to have some facts in hand on which to base further decisions and actions.

Approval of Workers Compensation Insurance

Mr. Werth explained that the Association's worker's compensation insurance policy expires on December 31, 2009, that the policy has previously been issued through Draper and Kramer's agency with Travelers Insurance as the carrier, that Travelers' annualized premium for 2010 is \$37,495.00, and that attempts to find another carrier through Mesriow Financial have not been successful owing to the Association's excessive losses over the last several years; he added that there are also questions about the Association's National Council on Compensation Insurance Experience Rating, including possible irregularities in the claims submitted. Mr. Werth further stated that James/Kilmer and Draper and Kramer management have discussed the situation and that meetings will be held with J/K staff to discuss injuries and safety issues, but that, at this point, the Association's claims exceed its premiums. Discussion ensued. **Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:**

BE IT RESOLVED, that the Board approve the proposal from the Draper and Kramer agency for workers compensation insurance for 2010 carried by Travelers Insurance at an annualized premium of \$37,495.00. The motion passed unanimously.

Approval of Draper and Kramer Management Office 2010 Holiday Schedule

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

BE IT RESOLVED, that the Board approve the Draper and Kramer Management Office Holiday Schedule for 2010. After a brief discussion, the motion passed unanimously.

Approval of 2010 Board/Operations Meeting Schedule

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

BE IT RESOLVED, that the Board adopt the proposed Board/Operations Meeting Schedule for 2010 as revised. The motion passed unanimously.

Approval of 2010 HOA Representatives and Alternates

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

BE IT RESOLVED, that the Board approve the following slate of representatives and alternates to the HOA Board of Directors for 2010:

- Representative #1 – Jack Vedra
- Representative #2 – Marcie Johnson
- Representative #3 – David Beck
- Alternate #1 – Darwin Spurling
- Alternate #2 – Frank Mostari

After discussion, the motion passed, with Tom Meyers and Dorsey Ruley opposed.

During the discussion that preceded the vote, Mr. Meyers suggested posting an invitation for unit owners to volunteer to serve on the HOA Board.

Approval of Proposed Budget for Fiscal Year 2010

Upon motion duly made by Betty Latson and seconded by David Beck, the following resolution was made:

BE IT RESOLVED, that the Board adopt the proposed budget for Fiscal Year 2010. After discussion, the motion passed, with Dorsey Ruley opposed.

The discussion preceding the vote included a question about the employee tax, and about the timing of the additional contribution to the Operating Reserve Account.

Approval of Remodeling Request

Upon motion duly made by Frances Andrews and seconded by Tom Meyers, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of Unit #601K according to the request submitted by the unit owner that has 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.

Ratification of Approval of Additional Contribution to Operating Reserve Account

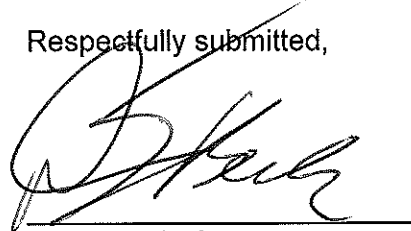
Ms. Latson explained that the original contribution to the 2010 Operating Reserve Account was to have been \$150,000.00 but that this amount having been later deemed by the Finance Committee to be insufficient, the Board approved reducing the contribution to the Capital Reserve Account in order to increase the contribution to the Operating Reserve Account for 2010. Upon motion duly made by Betty Latson and seconded by David Beck, the following resolution was made:

BE IT RESOLVED, that the Board ratify its approval to reduce the contribution to the 2010 Capital Reserve Account by a total of \$177,000.00 and to contribute the \$177,000.00 to the 2010 Operating Reserve Account. The motion passed unanimously.

ADJOURNMENT TO EXECUTIVE SESSION

There being no further business to come before the Board in Open Session, the meeting was adjourned to Executive Session at 8:55 p.m.

Respectfully submitted,

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

David Beck, Secretary