

**JAMES/KILMER CONDOMINIUM ASSOCIATION  
BOARD OF DIRECTORS MEETING  
March 23, 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, March 23, 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:

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.

**LEGAL ACTIONS AND WINDOWS REPLACEMENT PROJECT UPDATE**

In an effort to answer in advance anticipated questions from unit owners about the lawsuit situation, Mr. Hickling asked Mr. Beck for an update on the status of the various Kilmer House and James House legal actions. Mr. Beck explained that there is as yet no ruling on Kilmer House's motion to stay and it is not known when the ruling will be handed down. He also stated that all briefs have been filed by both sides with regard to James House's appeal, that the Appellate Court may decide to make its decision based either on oral arguments or on the briefs, and that, again, it is not known when the Appellate Court will render its judgment.

As to the status of the Window Replacement Project, Ms. Slattery stated that the Window Design Subcommittee has settled on four design options and that she expects that depictions of all four options will be displayed in the lobby and the north room of the Penthouse on Wednesday or, at the latest, Thursday. Ms. Slattery added that a survey will be provided for every unit owner to express an opinion of the four designs.

Ms. Latson then offered information about the Windows Replacement Project financing, stating that the Finance Committee has settled on a recommendation of one bank to handle the Association's financing for the project. She added that at issue are the implications of the results of the pending legal actions, mainly with regard to the use of a portion of the Association's capital reserves as collateral for a loan. Ms. Latson also stated that the contractors have provided cash flow timelines for the Window Replacement Project and that, if the Association is able to move forward with the project, unit owners

will be billed their direct charges at the end of July, with collection to occur at the beginning of August. A unit owner asked whether, if the pending appeal is reversed, the availability of funds will reduce the direct charge to unit owners. Ms Latson responded that the direct charge will not be reduced because any funds recovered will be put in the capital reserves.

### **REGULAR OPEN FORUM**

A unit owner stated that during the discussion about direct voting during the February meeting, mention was made of an explanatory letter from the Board to be sent to unit owners, and commented that no letter has appeared. Mr. Hickling responded that the letter will be notification of a unit owners meeting, which will not take place until late April or early May, so the letter has not yet been sent.

A unit owner asked how a direct voting system would affect unit owners like herself who travel frequently. Mr. Hickling explained that unit owners may submit their ballots in a number of ways, including mail and fax, adding that each unit owner will fill out his or her own ballot, and that James/Kilmer is the only association in Sandburg Village that has not yet switched to direct voting.

A unit owner reported that workers drilling into concrete outside her unit as part of the concrete repair project almost broke through the wall, and asked about the process for dealing with this. Mr. Vicens stated that such matters will be discussed at a progress meeting with the concrete repair contractor to be held on March 24.

A unit owner asked if unit owners with balconies will receive advance notification about concrete repair and window replacement work near their units, and if balconies may be used during the projects. Mr. Hickling explained that the window replacement is expected to begin in August and that balconies at the work level or above cannot be used and must be cleared completely. He added that a balcony protocol will be devised to inform unit owners 60 days in advance of work on their tier, and that the Project Coordinator will assist Mr. Vicens in organizing communications.

A unit owner asked when the cost allocation study results will be made available. Ms. Latson reported that one more minor correction will be made this week, after which an updated PowerPoint version of the summary will be put on the Web site; she added that the date of availability on the Web site will be posted. Mr. Hickling stated that he expects the draft or final update to be on the Web site in about ten days.

A unit owner commented that she was glad to see Dorsey Ruley at the meeting; her remarks were greeted with applause. She then asked if conducting an owners meeting about direct voting in April or May will be sufficiently in advance of the November Board elections. Mr. Hickling and Mr. Beck responded in the affirmative, stating that the Illinois Condominium Property Act requires that the direct voting rule be adopted at least 120 days before the first annual election meeting at which direct voting will be used.

A unit owner asked for more information about the order in which the concrete repairs and the window replacements will take place, specifically with regard to being able to use balconies. Mr. Vicens stated that following the progress meeting, he and the Project Coordinator will create a chart of the new schedule of work to use to inform residents. He described the order of work for the window replacement, and also explained the steps that are followed in the concrete repair project.

A unit owner asked whether the Association may arrange a loan for the Window Replacement Project if capital reserves cannot be used for collateral. Ms. Latson explained that the bank will need collateral and that, at this point, the Finance Committee is waiting for information from the bank as to how it wishes to proceed. A brief discussion ensued. Mr. Hickling explained that the initial phases of the project may be started, such as installing the mock-ups as well as measuring all the windows in the building – adding that the latter task takes several weeks and does not cost much – and that it is hoped that all issues will be resolved by the end of the summer. In response to a question from another unit owner, Mr. Hickling stated that once the project starts, it is expected to take 11 months to a year to complete, depending on the weather, with one floor per day being completed on each of four consecutive drops. Mr. Beck added that the Project Coordinator will work with Management and unit owners to ensure that all necessary information is communicated in a timely manner.

A unit owner asked the cost to James House of the lawsuits so far, and also asked if James House would recoup its expenses if it wins the suits. Mr. Beck responded that \$80,000.00 has been spent so far, that insurance will cover about one-third of the total expense, and that the suits do not include reimbursement of legal expenses.

A unit owner asked why Mr. McNamara does not recuse himself from the Board [*sic*] when the pending litigation is discussed. Mr. Hickling explained that since the new Board members have been seated, there have been no Board actions involving the lawsuits so there has been no need for Mr. McNamara to recuse himself from voting on such actions. Ms. Andrews added that if a situation arises in which there is the potential for a conflict of interest, the matter will be dealt with at that time.

A unit owner asked Mr. McNamara why, because James House residents are paying for their own windows, the lawsuit was filed if the James House windows will not cost Kilmer House anything. Mr. McNamara stated that, among other reasons, he filed the lawsuit because he feels that James House should not pledge common Association capital reserve funds as collateral for a James House project, adding that if the pledged funds could be used for other projects, then there would be no problem. He added that he has wanted to debate this situation with the Board but has not yet been given the opportunity to do so, and that his motivation was not to prevent James House from replacing its windows. Mr. Hickling countered that the Board has, in fact, allowed time for Mr. McNamara to discuss the situation with the Board; Mr. McNamara disagreed.

A unit owner asked how the attorney handling the triennial reassessment appeal will be paid. Mr. Beck explained that the contingency agreement with the attorney means that he will be paid only if he is successful in having the assessed valuation of the property reduced, and that payment will be made by each unit owner in proportion to the amount of tax the owner is saved, with the charge appearing as a separate line item on the owner's assessment invoice. The same unit owner remarked on the amount of dust appearing in units and asked about the air filters. Mr. Hickling responded that once the Window Replacement Project is completed, air flow balancing and air duct cleaning will be undertaken.

In response to remarks from a unit owner about the declaration requirements for payment for repair or replacement of limited common elements with regard to the Kilmer House lawsuit, Mr. Hickling declared that debate on the issue is fruitless and that all that matters is the court's decision.

A unit owner asked Mr. McNamara if he would drop his lawsuit if the lender states that the funds used for loan collateral may be used for other purposes; Mr. McNamara replied that he would. Mr. Hickling stated that this issue has been addressed with the lender and that the lender places no restrictions on use of the collateral funds for other projects. Ms. Latson added that all common element project expenditures will be supported and that because unit owners are paying 100% of the cost of the windows, there will be no effect on reserves and expenditures for common elements.

## APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the regular Board meeting held on February 23, 2010. Mr. Meyers requested that the minutes be amended to include some remarks of his. **David Beck moved that the draft of the minutes of the regular Board of Directors meeting held on February 23, 2010, be approved as presented. Judy Barnes seconded the motion. After discussion, the motion passed, with Mr. McNamara, Mr. Meyers and Mr. Ruley opposed.**

## TREASURER'S REPORT

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

For the two months ending February 28, 2010, the Association reported \$763,000.00 in total revenue. Revenues were lower than budget by \$39,000.00, primarily because the February 2010 garage net revenue was not included in the Association's February financials.

Operating expenses were \$794,000.00, and were over budget by \$63,000.00 primarily because of gas costs. The 2010 financials include utility costs that were incurred in 2009. Accordingly, the February utility costs could be overstated by an estimated \$55,000.00.

As a result, the Association posted a deficit of expenses over revenues before capital reserve contributions of \$4,000.00, which was \$102,000.00 over budget. After the provision for capital reserves of \$167,000.00, the Association generated an operating deficit of expenses over revenues of \$171,000.00. Adjusting for the estimated February garage income and gas expense corrections, our deficit of expenses over revenues for the two-month interim period may reduce to \$103,000.00, which compares more favorably to the budgeted deficit of \$68,000.00.

At February 2010, the operating reserve stood at a deficit of \$136,000.00. The capital reserve fund stood at \$5,505,000.00.

On March 4, the Finance Committee met with Barrington Bank and Harris Bank to discuss the updated proposals that they had presented to the Committee. After reviewing the proposals, the Finance Committee unanimously voted to recommend Harris Bank as the bank with which the Association should proceed to negotiate final financing terms and seek a commitment for financing.

The Finance Committee has now received the contractor cash outflow estimates and has estimated that the timeline for the direct charge may be delayed, with billing now estimated to take place at the end of July and payment due at the beginning of August. This again is an estimate, as any delays in the process could affect the timing of the direct charge.

The Finance Committee also proposed two dates for Banker Nights: Wednesday, April 7, from 5:00 p.m. to 8:00 p.m., and Saturday, April 17, from 10:00 a.m. to 1:00 p.m. Nine banks, including large banks, community banks and one mortgage banker, will be invited to visit the Association to provide unit owners with information on mortgages and equity

lines of credit. Unit owners will be able to gather information at these meetings, and then schedule appointments to discuss their individual financing needs in privacy at a convenient time. The Banker Night Subcommittee will work with the Communications Committee to post information about the upcoming Banker Nights.

At the last Board meeting, the Board approved the cost allocation study, but requested several changes. One minor change remains to be made, and then the final version of the cost allocation study can be published. The PowerPoint presentation on the cost allocation study will be updated and posted on the James/Kilmer Web site shortly thereafter.

The next Finance Committee meeting will be held on March 25. The topics to be discussed will include the Banker Nights, the 30-year capital reserve cash flow projections, default reserves, the direct charge timetable, and an update on the progress of bank financing discussions.

## **PARKING MANAGEMENT ISSUES**

### **Caregiver Parking in the North Alley**

Ms. Andrews reported that space in the alley north of James House that has been used in the past by caregivers to park their cars is no longer available, and that the Garage Committee will propose a recommendation at the next meeting for dealing with caregiver parking. Mr. Vicens remarked that for now, caregivers will have to park in the garage.

### **Delinquent Monthly Garage Parkers**

Ms. Andrews stated that the Garage Committee has so far come up with two options to deal with the problem of delinquencies – either towing away the cars belonging to delinquent parkers or removing the parking decals from the cars so that the parkers will have to pay the regular daily parking rate – and will discuss them further. Mr. Ruley asked how much of a problem these delinquencies are and how many parkers are in arrears. Ms. Andrews replied that approximately ten parkers are continually in arrears, that people object to aggressive action to collect the amounts due, and that the garage supervisor, Eddie Main, is obliged to spend in an inordinate amount of time in collection efforts. She added that a system to deal consistently with delinquencies needs to be developed, and agreed that delinquent parkers should be given generous advance notice of measures to be taken. In response to a question from Mr. McNamara, Ms. Andrews stated that the parking agreement does permit the Association to take parking privileges away from those seriously in arrears, but that the Garage Committee is reluctant to do so owing to the resulting loss of revenue.

## **COMMITTEE REPORTS**

### **Infrastructure Committee**

Mr. Hickling reported that the Committee has not met since the last Board meeting, but that it plans to meet in April, at which time work will begin on recommendations for prioritizing future major projects such as the air flow balancing and air duct cleaning previously mentioned, repairs to the James House roof and to the Kilmer House façade and windows, and the ComEd vault repairs.

## MANAGEMENT REPORT

Mr. Vicens reported on the following:

- One of the chillers is in the process of being rebuilt after a slight delay; it will be operational in time for the changeover from heating to cooling. The second chiller will be rebuilt after the 2010 cooling season ends.
- All of the windows in Unit #915 will be replaced with mock-ups of the new windows. Installation of the mock-ups will provide an idea of how to deal with pictures, furniture, etc., bearing in mind that while a window is being replaced, the unit door will also be open, so wind will be blowing right through the unit. Pets should not be left in units while the windows are being replaced. Ms. Slattery is providing the color schemes recommended by her Committee. Numbers of unit owners have come to the Management Office with questions about financing and scheduling pertaining to the Window Replacement Project. A new drop schedule will be prepared as soon as new information is received from the contractor.
- Regarding the Concrete Repair Project, a project meeting is scheduled for March 24. After the meeting, Management will be able to answer many of the questions that have come up, especially regarding balconies and their furnishings, plantings and grills. Two additional drops have been added to the schedule owing to recent mild weather, so that the south side of the building can be finished before the North Pool opens, rather than being finished in the fall.

Ms. Latson asked about the disposition of grills and propane tanks during the concrete and window work. Mr. Vicens explained that tanks must never be stored indoors, and that plans have been made for an appropriate storage area where grills and tanks may be stored during the concrete and window replacement projects.

A unit owner asked about response to an inquiry as to whether Village residents who are not residents of James/Kilmer may use the health club in James House. Mr. Vicens responded that there has been some discussion of the matter and that it may be placed on the agenda of a future Board meeting. He cautioned that there is some concern about non-residents gaining access to James House through the health club, but added that there will be further discussion of the issue.

A unit owner asked about the results of the survey circulated about additional operable windows in studio and two-bedroom units. Mr. Hickling stated that the operable windows will be considered in an action item later in the agenda, and added that a majority of those responding to the survey favor installation of operable windows in those units.

## ACTION OR DISCUSSION ITEMS

### Approve Negotiating with Harris Bank for Window Replacement Project Financing

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 authorize the Association to enter into negotiations with Harris Bank to provide financing to the Association for the James House Window Replacement Project. The motion passed unanimously.**

Before the vote was taken, Ms. Latson explained that the Finance Committee narrowed down its list of preferred banks to the Barrington Bank and Trust and Harris Bank, and unanimously recommends Harris Bank because of its significantly more favorable rates, and greater responsiveness and flexibility.

**Approve Installation of Additional Operable Windows**

Mr. Hickling reported the results of the survey that was distributed to all studio and two-bedroom unit owners asking if they favored the installation of additional operable windows when their windows are replaced. A lengthy discussion ensued about proposed configurations for the operable windows in the studios, the low favorable response rate from studio unit owners, notifying studio owners if the proposed configuration is changed, difficulties with the end windows in studios, the exterior appearance of the building with operable windows, the additional cost of operable windows, and the necessity for the building to have a symmetrical exterior. **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 installation of one additional operable window in each two-bedroom unit in James House. The motion passed, with Dan McNamara abstaining.**

Following the vote, the Board agreed that action on operable windows in the studios should be deferred until after the studio owners are resurveyed in order to get a greater response from them.

**Approve Negotiating with Electricity Suppliers to Lock in Rates**

**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 authorize the Treasurer to negotiate with electricity suppliers and lock in electrical rates for up to two years. After discussion, Mr. Beck withdrew the motion.**

Following the motion and second, Ms. Latson explained that the opportunity exists at this time to lock in electrical rates, at levels similar to those now in place, for one year or two years; she referred to rate charts previously distributed to the Board. Mr. Werth stated that the current contract continues through December 2010, but that the locked-in rate continues through June 2011. A lengthy discussion of various available options ensued, touching on asking for a floating rate with a cap, obtaining proposals from a number of suppliers, the number of suppliers available and their size, how far out the lock-in should extend, doing more research, and using indexed rates. Ms. Latson's summation of the discussion was: (1) determine whether the current contract may be broken, (2) if it may not be broken, then determine rates for six-month intervals through 2011, and (3) if it may be broken, then lock-in periods of one and two years should be considered. Discussion then turned to gas rates. Ms. Latson stated that Mr. Vicens is investigating whether there is a better way to deal with gas rates than the Association is now doing. Mr. Beck pointed out that therm usage will diminish after the new windows are installed, and Mr. McNamara emphasized the importance of everyone using thermostats to control heat in units. Discussion ensued about the effect of the new windows on heating costs not taking place until after next winter and about the inadvisability of renegotiating rates too close to the heating season. Ms. Latson agreed to investigate the cost of locked-in gas rates for the period January to April 2011 and also for the whole year 2011, and to find out if a contract is necessary for short-term hedges as well as how to break such a contract. Following this discussion, Mr. Beck withdrew his motion, and it was agreed that Ms. Latson would pursue the suggested courses of action with regard to electricity and gas rates and contracts as quickly as possible.

During the discussion about electricity and gas rates, Ms. Barnes excused herself from the meeting at 9:00 p.m., and Mr. Ruley excused himself from the meeting at 9:03 p.m.

**Rule Violation**

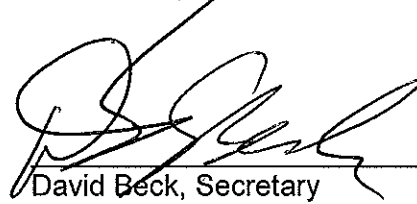
Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:

**BE IT RESOLVED, that, pursuant to discussion in Executive Session, the Board of Directors fine a unit owner \$200.00 for a recurrent noise rule violation. 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 9:05 p.m.

Respectfully submitted,



David Beck, Secretary