

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
May 10, 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 Monday, May 10, 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 7:02 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.

Mr. Hickling explained that the purpose of the Board meeting was to approve the resolutions for financing and payment plans and for executing the loan commitment and loan documents for the James House Window Replacement and Balcony Rehabilitation projects, thus formalizing the recommendations of the Finance Committee.

ACTION ITEMS

Approve James House Unit Owner Financing and Payment Plans for Window and Balcony Rehabilitation Projects and Direct Charge Assessment

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

WHEREAS, by resolutions adopted on November 3, 2009, the Board authorized replacement of the perimeter windows and balcony doors that serve units in the James House building, at an estimated cost of \$12,300,000.00, and directed that the owner of each unit in the James House building be directly charged for 100% of the cost of replacing the windows and balcony doors (if any) serving such owner's unit, based on the number of windows and balcony doors (if any) replaced (the "Windows and Doors Direct Charge"); and

WHEREAS, by resolutions adopted on November 3, 2009, the Board authorized maintenance, repair and restoration of the balconies and balcony railings that serve units in the James House building, at an estimated cost of \$900,000.00, and directed that the owner of each unit in the James House building with an adjoining balcony be directly charged for 100% of the cost of maintaining, repairing and replacing the balcony and balcony railings serving such owner's unit, based on the square footage of the balcony and the linear feet of the railing (the "Balcony and Railing Direct Charge"); and

WHEREAS, the Board now wishes to establish how and when the "Window and Doors Direct Charge" and the "Balcony and Railing Direct Charge" (hereinafter collectively referred to as the "Direct Charges") are to be paid by the owners of units in the James House building;

NOW, THEREFORE, BE IT RESOLVED THAT, the owner of each unit in the James House building shall pay the Direct Charges attributable to his or her unit in one of the following ways:

- **In a single lump-sum payment by August 1, 2010;**
- **In a partial payment by August 1, 2010, with the balance paid in 36, 60, 84 or 120 consecutive monthly installments, as described below;**
 - **In 36 consecutive equal monthly installments of principal plus interest, with the amount of each payment calculated on the basis of an equal monthly payment amortization at 4.65% per annum from August 1, 2010, with the first installment payment due on August 1, 2010;**
 - **In 60 consecutive equal monthly installments of principal plus interest, with the amount of each payment calculated on the basis of an equal monthly payment amortization at 5.49% per annum from August 1, 2010, with the first installment payment due on August 1, 2010;**
 - **In 84 consecutive equal monthly installments of principal plus interest, with the amount of each payment calculated on the basis of an equal monthly payment amortization at 6.40% per annum from August 1, 2010, with the first installment payment due on August 1, 2010;**
 - **In 120 consecutive equal monthly installments of principal plus interest, with the amount of each payment calculated on the basis of an equal monthly payment amortization at 7.45% per annum from August 1, 2010, with the first installment payment due on August 1, 2010**

BE IT FURTHER RESOLVED THAT:

1. **The interest rate applicable to each of the foregoing installment payment options shall be subject to adjustment from time to time, pursuant to written notice by the Board, to reflect increases in the Association's cost of borrowing money.**

2. Any owner of a unit in the James House building who does not pay 100% of the Direct Charges attributable to that unit in a lump-sum payment by August 1, 2010, and who does not affirmatively choose one of the installment payment options listed above shall be deemed to have elected to pay the Direct Charges in 120 consecutive monthly payments.
3. The entire unpaid balance of the Direct Charges attributable to any unit in the James House building shall become immediately due and payable, in full, upon the sale or other transfer of such unit at any time after August 1, 2010.
4. The Board may, in its sole discretion, accelerate and declare immediately due and payable, in full, the entire unpaid balance of the Direct Charges attributable to a unit in the James House building if the owner of that unit fails to timely pay any monthly installment payment of Direct Charges or any other amount due and payable to the Association.
5. From and after August 1, 2010, all payments received from the owner of a unit in the James House building who does not pay 100% of the Direct Charges attributable to that unit in a lump-sum payment by August 1, 2010, will be applied first to payment of any monthly installments of Direct Charges then due from such unit, and the balance (if any) will be applied to regular common expense assessments and other charges.
6. On August 1, 2011, and on August 1 of any subsequent year, the owner of a unit in the James House building may make full payment of all (but not less than all) of that unit's outstanding Direct Charges. Other than in connection with the sale of a unit in the James House building, payment of the unpaid balance of a unit's outstanding Direct Charges may be made only on August 1, 2011, or on August 1 of a subsequent year.

BE IT FURTHER RESOLVED THAT, the Direct Charge will be assessed to units in the James House building in accordance with the following unit configuration categories, based on the number of windows, the number of balcony doors (if any), the square footage of the balcony (if any), and the linear feet of balcony railing (if any) applicable to each configuration: (1) standard studio unit, (2) standard 1-bedroom unit, (3) standard 2-bedroom unit, (4) 1-bedroom unit resulting from the combination of two 2-bedroom units followed by subdivision into a 1-bedroom unit and a 3-bedroom unit, and (5) 3-bedroom unit resulting from the combination of two 2-bedroom units followed by subdivision into a 3-bedroom unit and a 1-bedroom unit.

After discussion, a roll-call vote was requested, the results of which were as follows: Tom Meyers—No, David Beck—Yes, Betty Latson—Yes, Frances Andrews—Yes, Judy Barnes—Yes, Nancy Slattery—Yes, Dan McNamara—No, Dorsey Ruley—Yes. The motion passed.

Before the roll-call vote was taken, Mr. Hickling invited questions from the Board.

Mr. Meyers asked why the resolution does not specify a fixed rate of interest. Ms. Latson explained that the resolution language is standard in that in any such agreement, the bank always requires the option of changing the interest rate in the event of a change in its cost of doing business, but that unit owners would see no change in the interest rate unless the Association defaults, and that the interest rates quoted in the resolution are locked-in fixed rates.

Ms. Latson further explained that the purpose of the meeting was to approve the Commitment Letter from Harris Bank, a copy of which is attached to and made part of these minutes, so as to lock in the interest rate quoted in the Commitment Letter, after which the rate would be held for a period of two weeks during which unit owners would be informed in writing of the amounts of the direct charges and the payment terms. She added that after unit owners receive their letters, each unit owner will have three weeks in which to inform the Association as to which payment option they choose. Ms. Latson further explained that the resolution states and the letter to unit owners will state that the interest rate for each payment option is the rate from Harris Bank, which will be quoted in the Commitment Letter from the bank, plus .5% interest, or 50 basis points, levied by the Association as an administration fee, the proceeds from which will form a portion of the reserve fund to cover any defaults by unit owners that might occur.

Mr. Meyers then addressed three provisions in the resolution to which he objected, as follows:

1. The 50 basis points added by the Association for the default reserve fund will be paid only by those who finance their loans, but they should be paid by everyone, including those who pay the entire direct charge at once.
2. The financing is scheduled to start as of August 1, 2010, and the first loan payments will include principle and interest for the month of August, even though the Association's loan from Harris Bank will begin later, and those payments will be earning interest for the bank.
3. During the Finance Committee discussion before the Bank Events, there was no mention of a prepayment penalty. Mr. Meyers further asserted that the final payments allowed on August 1, 2011 and on subsequent August 1 dates are not prepayments but instead are pay-offs. He stated that the reason given for this structure was the difficulty of reamortizing the loans if prepayments are permitted at other times, which he disputed. Mr. Meyers added that the Association should instead encourage prepayments at any time in order to avoid potential defaults.

In addition, Mr. Meyers stated his opinion that the majority of the 35% of unit owners who voted against the Window Replacement Project did so because they were concerned about unit owners' potential inability to pay for the windows, which could affect unit sales.

Mr. Meyers concluded by stating that he could not support the resolution, characterizing it as unfair.

Ms. Latson responded to Mr. Meyers's points, as follows:

1. The Finance Committee, including Mr. Meyers, agreed unanimously to the addition of the 50 basis points to the unit owner loan interest rates to partially fund the default reserve fund, because there will be considerable costs to the Association associated with the financing.
2. The Finance Committee also agreed that the unit owner loans would begin on August 1 in order to allow sufficient time to collect payment from unit owners to meet the Association's installment payment to the bank.

3. The prepayment language was discussed at the last Finance Committee meeting, which Mr. Meyers attended, and the reason given was that it would be impossible for the Finance Committee to keep track of all the changes in the loan amounts owed and ensure that the Association was being paid what it was owed so that it would not end up owing more money than it was collecting. It was understood that it was necessary to limit options such as open-ended prepayments in order for the Association and DK Condo to successfully manage the financing.

Ms. Latson concluded by stating that all such provisions were discussed and agreed to, with the exception of Mr. Meyers's disagreement during the last Finance Committee meeting with the prepayment provision. Mr. Beck added that the concrete project is also being paid for, so money needs to be available for that.

Following this discussion, the roll-call vote was taken.

Approve Authorization for Board Officers to Execute Harris Bank Loan Commitment and Loan Documents for James House Unit Owner Financing for the Window and Balcony Rehabilitation Projects

Upon motion duly made by David Beck and seconded by Nancy Slattery, the following resolution was made:

WHEREAS, a bank credit facility will provide the Association with the cash flow needed to allow the owners of units in the James House building to pay their Direct Charges in monthly installments;

NOW, THEREFORE, BE IT RESOLVED THAT, the executive officers of the Association be, and they hereby are, authorized (a) to establish a secured credit facility with Harris Bank and to borrow up to \$12,500,000.00 pursuant to such secured credit facility, such secured credit facility to be established on the terms set forth in the May 11, 2010, commitment letter from Harris Bank and on such other terms and conditions as the executive officers of the Association deem to be in the best interests of the Association, (b) to mortgage, pledge and otherwise encumber all Direct Charge payments and up to 83.3% of the Association's replacement reserve fund, to secure borrowings pursuant to such secured credit facility, and (c) to execute and deliver such agreements, documents and instruments as may be necessary in connection therewith, including the May 11, 2010, commitment letter from Harris Bank.

After discussion, a roll-call vote was requested, the results of which were as follows: Dan McNamara–No, Nancy Slattery–Yes, Judy Barnes–Yes, Frances Andrews–Yes, Betty Latson–Yes, David Beck–Yes, Tom Meyers–No, Dorsey Ruley–Yes. The motion passed.

Before the roll-call vote was taken, questions were invited from the Board.

Mr. Meyers stated that the term "executive officers" is not defined anywhere. Mr. Beck responded that the Illinois Condominium Property Act authorizes the creation of three separate Board officers: the President, the Treasurer and the Secretary, adding that the James/Kilmer Board also includes a Vice President. Mr. Werth confirmed Mr. Beck's statement. Mr. Meyers mentioned that there are only two signature lines on the Commitment Letter and stated his opinion that the signatories should be specified. Mr. Beck disagreed with such a restriction, stating that the signatories should not be specified in case more than two signatures should be required.

Mr. McNamara raised questions about the wording in the "Collateral" section of the Commitment Letter, after Ms. Latson provided him with the latest version of the letter, objecting to a lack of language about the Association's ability to use for other expenses the reserves being pledged as collateral, but that according to the letter, Harris Bank has first lien on all reserves pledged as collateral. He referred to his repeated requests for a statement in writing from the bank that the pledged reserves could be used for other appropriate expenses. Ms. Latson explained why the statement had not been provided to date, and stated that such a statement would be provided to Mr. McNamara. She then referred Mr. McNamara to the "Terms and Conditions" section of the Commitment Letter, and reiterated that a clarifying statement in writing would be provided to Mr. McNamara and that furthermore in all its discussions with the bank, the Finance Committee has been repeatedly assured that the pledged reserves would be available for other uses as needed. Discussion ensued.

Ms. Latson then explained that the language of the "Terms and Conditions" section of the Commitment Letter reflects a standard procedure with bank financing of this nature, such that the borrower pledges to place certain funds and the proceeds of matured reserve fund investments previously held elsewhere with the bank making the loan. She added that a condition of this requirement is that the bank pay competitive interest on the funds so placed, and that it pledge the availability of FDIC insurance coverage for all such funds. Ms. Latson further explained that the only changes that will appear in the final version of the Commitment Letter will be the date of the letter – May 11, 2010 – and the interest rates without the additional .5% charged by the Association to unit owners. She also stated that the Commitment Letter would be approved subject to the inclusion of clarifications and corrections provided by David Sugar, the Association's attorney, to wit:

1. The "Collateral" section should be revised to correct garbled wording and to make clear that the Association's obligation to invest capital reserves with Harris Bank is subject to Harris Bank paying market-competitive interest rates and the availability of FDIC insurance coverage for all funds. Ms. Latson noted that the bank may not wish to include this wording in the paragraph.
2. The "General Terms and Conditions" section should be revised to make clear that the Association's obligation to deposit with Harris Bank the proceeds of maturing time deposits of reserve funds is subject to expenditure of such funds by the Association, payment of market-competitive interest rates by Harris Bank, and the availability of FDIC insurance coverage for all funds.

Ms. Latson added that Harris Bank agrees with these provisions but at this point is engaged in developing the right wording for them. Mr. Meyers asked whether paragraph one of the General Terms and Conditions refers only to the 83.3% of the Association's capital reserves usable by James House. Mr. Werth stated that this is not so, but that it refers to all of the Association's reserve funds, and Ms. Latson repeated her statement that it is standard for a financing bank to require all of a borrower's business.

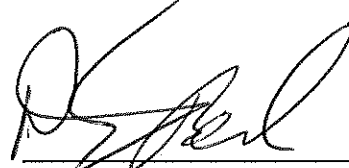
Mr. McNamara asked about the funding of the default reserve account. Ms. Andrews, Mr. Hickling and Ms. Latson and Mr. Beck explained that most of it is derived from vendor discounts given to the Association because it is paying for the project in advance. Discussion ensued about the discounts and about how the default reserve fund will be used. Mr. McNamara again requested a statement in writing from the bank about the reserves. Ms. Latson again promised that one would be provided, and added that the cash flow projections given to Harris Bank showed the reserves being spent as necessary.

Following this discussion, the roll-call vote was taken.

ADJOURNMENT

There being no further business to come before the Board, upon motion duly made by David Beck and seconded by Frances Andrews, the meeting was adjourned at 7:45 p.m.

Respectfully submitted,

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

David Beck, Secretary