

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
September 27, 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, September 27, 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 7:02 p.m. A quorum was present in that the following directors were present:

Frances Andrews
David Beck
Duane Hickling
Betty Latson
Dan McNamara
Tom Meyers
Dorsey Ruley

Judy Barnes and Nancy Slattery were not in attendance.

Also present were Richard Vicens, Property Manager, and James Losik, Site Supervisor, of DK Condo, A Draper and Kramer Company, and Richard Morel, Senior Vice President, Mesirow Financial Insurance Services, the Association's insurance broker. Barbara A. Roberts acted as Recording Secretary.

UPDATES

Mr. Vicens reported on the current status of several projects:

- James House Windows – Crews have been unable to work on the windows for four days owing to equipment problems and bad weather; however, Phase IV of the project is expected to be completed on November 18.
- James House Concrete – Golf Construction has halted work because the mast climbers are in the way.
- HOA North Mall Project – The James House expansion joint will be repaired after the mast climbers are removed.
- James House Painting – The latest application of paint goes as far as a corner of the building, a good stopping point; painting will resume in the spring.
- Kilmer House Concrete – A crew has been brought over from the James House project and is expected to finish work on November or December.
- ComEd Vault – Work is nearly completed, with only the grates to be installed in the pavement.
- Lateral HVAC Pipes – Two bidders appeared at the Infrastructure Committee meeting, and Kurt Kruger and Mr. Vicens are reviewing some remaining issues with the bids. A special Board meeting will be held to discuss the Committee's recommendation and to vote on the bids.

REGULAR OPEN FORUM

A unit owner asked several questions regarding how the lateral HVAC pipe replacement project will be paid for: Will reserves be used to partly pay for the project? If so, would doing so set a bad precedent, would the payment be split 17% / 83% between Kilmer House and James House, and would the proposition be sent to the Association's attorney for review? Mr. Hickling responded that reserves will be used if a sufficient amount is available, that no bad precedent will be set because the project has an impact on all J/K unit owners, that there have already been preliminary discussions about this with the attorney, that the payment would be split roughly 17% / 83% between Kilmer House and James House, and that the actual pipe replacement will be performed in much the same way in the two buildings and at roughly the same time. Mr. Beck added that the courts have already determined that it is permissible to use reserve funds for repairs to or replacement of limited common elements.

A unit owner commended Mr. Vicens on how well he handled the ComEd vault repair traffic pattern; her remarks were met with applause. With regard to the Kilmer House façade repairs, she asked if the membrane can be applied during cold weather, to which Mr. Vicens replied that he will check, and if the replacement of so much brick was anticipated, to which Mr. Vicens replied that it was.

ACTION OR DISCUSSION ITEMS

Technology Task Force Recommendation

Frank Sokol, a member of the Technology Task Force, reported on the Task Force's and Mr. Vicens's efforts with regard to a new cable TV contract, noting that after interviewing representatives from RCN, AT&T U-verse and Access Media 3 (AM3), the Task Force narrowed the choice to RCN and AM3. He stated that the Task Force's subsequent vote overwhelmingly favored AM3, and proceeded to explain how AM3's system would function and how installation would take place. Mr. Sokol also explained AM3's various offerings, such as bundled satellite TV, Internet and Voice-over-Internet-Protocol (VoIP) telephone service or just satellite TV and Internet service, and also explained the company's pricing structure. He stated that the satellite dishes for TV service would be installed on the roof of Kilmer House, that residents could keep their current email addresses and telephone numbers, and that AM3 uses no subcontractors and has very favorable references, and also explained the duration of the contract and the proposed implementation schedule. A lengthy discussion ensued.

Insurance Package Recommendation

Richard Morel of Mesirow Financial Insurance Services provided details of the insurance package solicitation process, noting that several insurance companies have declined to cover James/Kilmer because the buildings have no sprinklers, and that Great American would not provide a quote on umbrella coverage because of several recent water damage claims. He then provided details about the coverages offered by Fireman's Fund, the Association's existing carrier, and by Admiral Indemnity for a lower premium. In response to a question from Mr. Beck, Mr. Morel stated that if the Association leaves Fireman's Fund for the upcoming insurance year, Fireman's Fund will not offer coverage in a subsequent year owing to the lack of sprinklers. A lengthy discussion ensued about whether or not to stay with Fireman's Fund or to accept Admiral's proposal, about Standard Parking's strict standards for garage keepers coverage, about the varying replacement cost limits cited by the two carriers, about the \$63,000.00 lower premium charged by Admiral, and about Admiral's higher financial rating. The discussion included analytical comments by unit owner Sarah Leonard, who is an insurance underwriter, and by Gene McCarthy, who was also in the insurance business. Following the discussion, Mr. Hickling thanked Mr. Morel, and he left the meeting at 8:38 p.m.

REGULAR OPEN FORUM (continued)

A unit owner had several questions and suggestions about various maintenance issues in James House. Various board members addressed the issues.

APPROVAL OF MINUTES

Mr. Beck asked if there were any additions or corrections to the minutes of the Board meeting held on August 23, 2011. There was one correction. **David Beck moved that the draft of the minutes of the Board of Directors meeting held on August 23, 2011, be approved as amended. Frances Andrews seconded the motion, and it passed unanimously.**

TREASURER'S REPORT

Ms. Latson delivered the Treasurer's Report for the period ending August 31, 2011, as follows.

Through the first eight months of 2011, the Association continued to report a higher operating deficit than the budgeted deficit. Uninsured losses and repairs related to the HVAC pipe leaks as well as elevator repairs were the primary reasons for the higher deficit.

At August 31, 2011, the Association reported total revenue of \$4.2 million including the Direct Charge revenue, and \$3.6 million excluding the Direct Charge revenue. Revenues were \$41,000.00 higher than budget due primarily to higher garage net income. Operating expenses were \$2,776,000.00, and were higher than budget by \$146,000.00. After the provision for capital reserves of \$887,000.00, the Association generated a net operating deficit of \$110,463.00. The deficit at the end of August was \$8,000.00 less than the year-to-date July 2011 deficit, but was still \$105,000.00 over the July 2011 year-to-date operating budget.

The Association continues to have healthy reserve levels. At August 31, 2011, the operating reserve fund balance stood at \$151,293.00. The capital reserve fund balance stood at \$6,592,445.00, and the loan balance stood at \$2,715,353.00.

Finance Committee Report

During September, the Finance Committee focused its time on determining the estimated Direct Charge to Kilmer House unit owners for repairs to the Kilmer House first floor patios and terrace walls, repairs to the balconies and railings of units on the second through the sixth floors, and costs to repair the window sealant on all Kilmer House windows. A letter was sent to Kilmer House unit owners last week notifying them of their Direct Charge estimates. It is expected that the Direct Charge will be officially levied in the fourth quarter of 2011 and collected early in the first quarter of 2012.

It was noted in the letter that the estimated Direct Charge for Kilmer House unit owners does not include any charges for the HVAC pipe replacement project. The Infrastructure Committee continues its work on the HVAC pipe replacement project. The Finance Committee will shortly become more heavily involved in that project and in determining the Direct Charges to all unit owners in both buildings. The HVAC pipe replacement Direct Charge is estimated to be levied in the first half of 2012.

Also in September, the Finance Committee continued its work on the 2012 budget. The next Finance Committee meeting is planned for October 4. It is expected that discussion will focus on both the operating and capital budgets. The Committee may need to hold one additional meeting during the week of October 10 to complete the budget work.

The Finance Committee continues to work with the Association's accounting firm, Picker and Associates, on the completion of the 2010 audit and the cost allocation study. Last, the Finance Committee discussed the need to look at whether the time is right to lock in utility costs for 2013.

A Kilmer House unit owner commented that she did not receive the letter mentioned by Ms. Latson. Mr. Hickling confirmed that the letters were, indeed, mailed, and Mr. Vicens stated that additional letters will be distributed to all units.

COMMITTEE REPORTS

Infrastructure Committee

Mr. Hickling reported that the Infrastructure Committee met twice to review bids for the HVAC lateral pipe replacement project from two contractors – Fettes, Love & Sieben, and Emcor Services Team Mechanical – and that representatives from both were interviewed and asked for clarification on various items in the bids. He stated that Mr. Vicens and Kurt Kruger will perform reference checks after the contractors provide the requested clarifications, and that it is expected that a recommendation may be made in about a week. Mr. Hickling further stated that a Special Board Meeting will be held as soon as possible, to decide on details about financing and the direct charge payment, with the hope of starting the project before the end of the year. A brief discussion ensued about how the project will proceed and how the work will affect residents, during which Mr. Hickling explained that ideally the work should be done during the fall, when neither heating nor cooling is expected to be required, but that the contractors stated that they could work through the winter on all but the coldest days and could provide auxiliary heaters for residents. Mr. McNamara noted that if residents are going to be out of town, they should inform Management. There was some discussion of the response to pipe breakage and leaks. In response to a question from Ms. Latson, Mr. Hickling and Mr. Vicens stated that information about costs should be available during the coming week, including the price per fan unit. Ms. Latson then stated that the Finance Committee could discuss costs, cash flow and a construction line of credit, with the direct charge to be levied in 2012.

HOA Report

Mr. Beck reported that the landscaping around James House will not be installed and fences will not be painted until the Window Replacement and Concrete Repair projects are completed, which Mr. Vicens stated should be around the fall of 2012. Mr. Beck further reported that the HOA assessment for 2012 is expected to increase around four or five percent, the first increase in ten years.

Pet Committee

Marcie Johnson reported that not all pets have been registered. Mr. Vicens responded that Assistant Property Manager Nichelle Meadors is pursuing registration of all pets.

MANAGEMENT REPORT

Mr. Vicens stated that he had nothing to add to his previous remarks.

ACTION OR DISCUSSION ITEMS (continued)

Approve Selection of TV, Internet and Telephone Service Provider

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 awarding a contract to Access Media 3 to provide cable television, Internet and telephone service to the Association with a bulk cable TV service rate of \$21.50 per month, for a five-year term, in accordance with its proposal dated June 22, 2011. After discussion, Mr. Beck withdrew his motion.

The lengthy discussion preceding Mr. Beck's withdrawal of his motion included questions about the Technology Task Force's choice of AM3 over RCN, about AM3's proposed rebate to the Association, and about other matters. Several Board members and unit owners suggested that a Town Hall meeting be held to inform residents about RCN's and AM3's offerings, and how, if AM3 is chosen, the installation would proceed and how the change would affect or not affect their Internet, television and telephone service, email addresses and so on. Mr. Hickling asked the Technology Task Force to create a plan for such a meeting, and Mr. Beck withdrew his motion.

Approve Preparation of James House Roof Repair Documents

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 awarding a contract to Klein and Hoffman to perform a survey of the James House roof and prepare bid documents, for a fee of \$24,000.00 in accordance with its proposal dated September 30, 2011. After a brief discussion, the motion passed unanimously.

During the discussion, Mr. Hickling explained that the James House roof, deck and wind screen assemblage need to be addressed next year following completion of the Window Replacement and Concrete Repair projects. In response to Mr. McNamara's question as to why there is only one bidder, Mr. Hickling explained that Klein and Hoffman initially gave the Association a three-part proposal that included this proposed work so no additional bid was required. Ms. Andrews expressed concern about the completeness of the bid document.

Approve Association Insurance Package

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 proposal for an insurance policy package from Admiral Indemnity, including crime coverage from The Hartford, Directors and Officers Liability coverage from Travelers and umbrella coverage from Chartis, for the period October 1, 2011 through September 31, 2012, in the amount of \$169,171.00. After discussion, a roll-call vote was called for, the results of which are as follows: Dan McNamara–Yes, Betty Latson–Yes, Frances Andrews–Yes, David Beck–Yes, Tom Meyers–No, Dorsey Ruley–No. The motion passed.

During the discussion preceding the vote, many of the same topics were raised as had been raised earlier in the meeting, narrowing to a consideration of the risk involved in changing carriers from Fireman's Fund to Admiral Indemnity. Unit owner Sarah Leonard informed the Board that Fireman's Fund has changed its business model and is no longer making long-term commitments to insure condominiums, and that she therefore recommended switching to Admiral Indemnity; she agreed with Mr. Beck that these are the only two major carriers covering condominiums in the Chicago area. The question of saving \$63,000.00 in premiums was also raised. In response to Mr. Ruley's request that insurance proposals be obtained earlier in the year, Ms. Leonard explained why they cannot be. Following the discussion, the roll-call vote was taken.

Approve Remodeling Applications

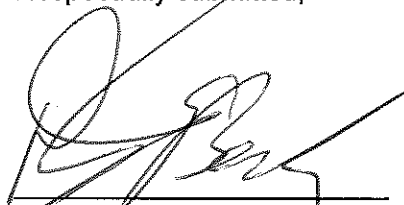
Upon motion duly made by Tom Meyers and seconded by Frances Andrews, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of Units #312J, #606J, #701, #810, #1811, #4008, #4310, #403K and #616K, 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. 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 10:18 p.m.

Respectfully submitted,



David Beck, Secretary