

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
June 25, 2013**

A meeting of the Board of Directors of the James/Kilmer Condominium Association (the "Association"), an Illinois not-for-profit corporation, was called to be held on Tuesday, June 25, 2013, in the James House Hospitality Room, 1560 North Sandburg Terrace, Chicago, Illinois, pursuant to the By-Laws.

CALL TO ORDER

Nancy Slattery, President of the Association, called the meeting to order at 7:01 p.m. A quorum was present in that the following directors were present:

Frances Andrews
Judy Barnes
David Beck
Peter Cremer
Barbara Fiacchino
Barbara Grodzins
Betty Latson
Dorsey Ruley
Nancy Slattery

Also present was James Losik, Property Supervisor, of DK Condo, A Draper & Kramer Company. Barbara A. Roberts acted as Recording Secretary.

PROJECTS UPDATE AND MANAGEMENT REPORT

Mr. Losik reported on the following:

- Mobile Phone Signal Attenuation Investigation: Engineers from 360RF performed further tests on June 12 and have initially determined that the significant interference with cell phone signals comes from the many cell phone towers – over 25 – in the area. The engineers are working on a possible solution.
- Reserve Study: Reserve Advisors is on hold pending additional information from the Association.
- Garage Repair Work: Emergency repairs were performed to eliminate the water infiltration along the pedestrian ramp between the G1 and G2 levels, as well as additional emergency repairs to eliminate tripping hazards at the G2-level floor drains. Klein and Hoffman has just submitted its proposal for an updated garage inspection report.
- Lateral HVAC Pipe Replacement Project: The project is ahead of schedule. Work on James House will finish on August 8 with the completion of Tiers 10 and 11. Work on Kilmer House is expected to be completed by August 29.
- James House Roof Deck: The Infrastructure Committee met on June 10 and has submitted a recommendation to the Board to proceed with engaging a contractor.

In response to a question from Mr. Ruley about how long the HVAC units are out of service during the Lateral Pipe Replacement Project, Ms. Grodzins responded that on the first day of work, Stanley Decorating opens the wall for access to the unit, that the welders perform their work on the second day, followed by delivery and installation of the fan coil units and insulation on the third day, and that on the fourth day, Stanley Decorating closes the opening in the wall. She added that four crews are working on the project each day.

APPROVAL OF MINUTES

Ms. Andrews asked if there were any additions or corrections to the minutes of the Board meeting held on May 28, 2013. There were several corrections. **Frances Andrews moved that the draft of the minutes of the Board of Directors meeting held on May 28, 2013, be approved as amended. Barbara Grodzins seconded the motion, and it passed unanimously.**

TREASURER'S REPORT

Ms. Latson delivered the Treasurer's Report for the period ending May 31, 2013, as follows:

Results through the first five months of 2013 reflect revenues of \$2,450,000.00 including direct charge income, and \$2,224,000.00 excluding direct charge income. Revenues were below budget by \$20,000.00 due to lower legal reimbursements and service recoveries, health club membership fees, and garage net revenues. Operating expenses were reported at \$1,698,000.00 and were slightly above budget. A closer look at expenses reflects high plumbing expenses and uninsured losses that have been partially offset by lower maintenance supply expenses. After capital reserve provisions of \$571,000.00, the Association reported a deficit of expenses over revenues over of \$45,000.00, which compares slightly unfavorably to a budgeted deficit of \$32,000.00.

At May 31, 2013, the Association reported an operating fund balance of \$553,000.00 and a capital reserve fund balance of \$4,706,000.00. The loan balance was \$1,922,000.00.

COMMITTEE REPORTS

Finance Committee

Ms. Latson reported that the Committee met on June 12 to review the direct charge calculations. She stated that the final figure, after receiving credit for one unnecessary valve as well as other adjustments, resulted in a slightly lower direct charge to each unit owner. Ms. Latson reported that the review of the draft audit was rescheduled to June 20, and that comments were provided at that meeting; it is expected that the final draft audit will be received in the next couple of weeks. She stated that the loan documents were finalized and the loan agreement has been signed, and that the Association will be in a position to fund the Lateral HVAC Pipe Replacement Project through the line of credit at a rate of prime floating. Ms. Latson further stated that upon payment of the direct charge on September 1, 2013, the line of credit will be repaid, and that a term loan will be funded to those owners who choose to use the Association's three-year financing plan, at a rate of 4.35%, which is the sum of the bank loan rate of 3.85% plus a 5% administrative charge. She stated that the Committee plans to have the direct charge commitment letters out to unit owners in early July, and explained that the letters will ask unit owners to commit to pay the direct charge either in a lump-sum cash payment, or to use the Association's financing plan, adding that the lump-sum payment will be due on September 1, and the first installment on the Association's financing plan will also be due on September 1. Ms. Latson stated that the Finance Committee hopes to schedule its next meeting in July, at which time the Committee plans to discuss the Reserve Study, that the date will be posted, and that everyone is welcome to attend. She concluded by reporting that electricity and gas costs were locked in for a two-year period, with the electricity cost locked in from January 10, 2014 through January 11, 2016, at a

rate of \$0.04061 per kilowatt hour, and the gas cost locked in from January 2014 through December 2015 at \$0.472 per therm for 80% of the Association's two-year therm usage, noting that both locks were more favorable than those cited in the Board approval motion made in May.

Infrastructure Committee

Ms. Grodzins reported that the Committee met on June 10 and that minutes of the meeting have been posted on the J/K website. She further reported on the following:

- Klein and Hoffman presented plans for the sundeck. Approval of the contractor to replace the sundeck is an action item on this meeting's agenda.
- Garage repairs cost \$900,000.00 since 2010. Repair work was performed on grates and drains in the garage and because of poor work quality had to be redone. Repairs to deal with the water infiltration on the pedestrian ramp between G1 and G2 were made based on the recommendation of the HOA engineers. Klein and Hoffman will identify any new leaks in the garage.
- The Lateral Pipe Replacement Project is three weeks ahead of schedule.
- Fox Valley Plumbing has performed an inspection of work on the pipes and valves performed by the welders, and no problems with the risers have been discovered.
- There have been some problems with the new fan coil units. Trane knows about them and is replacing the air baffles to fix the problems.
- EMCOR is in the process of testing the HVAC lateral pipes in Kilmer House. The pipe configuration in Kilmer House is different from that in James House. Therefore, it was decided to perform the work in a Kilmer House unit whose owner volunteered to allow this. This will allow EMCOR to determine if a different method for the pipe replacements is necessary well before work is scheduled to start at Kilmer House.
- The newsletter reported an update on security in James House at the Receiving Room entrance, but Kilmer House should be included in a security upgrade as well.

Garage Committee

Ms. Andrews reported net operating income year to date of \$148,145.00, which is \$16,421.00 under budget. The variance is due to 18 fewer monthly resident parkers and eight fewer nonresident parkers. She stated that transient parking has increased and that Eddie Main is working with Alcott-Bryant to offer parking to residents on A-B's waiting list.

Website Committee

Ms. Barnes reported that this Committee meets quarterly, with its next meeting scheduled for July 17.

Communications Committee

Ms. Barnes reported that the June newsletter was published last week and that the next bimonthly issue will be published in August after the Air and Water Show. She asked if Ms. Slattery would like to appoint a CAPS representative from the Association; Ms. Slattery agreed to do so.

Social Committee

Ms. Fiacchino thanked the Committee members for the great party that was held last week, and stated that the Committee will next work on plans for a holiday party.

HOA Report

Mr. Beck stated that the HOA Board's next meeting will take place on July 24 at 6:30 p.m. and that Alderman Robert Fioretti may be present to speak. He reported that the large bermed malls in the 1300 and 1400 blocks are now replanted. Mr. Beck further reported that HOA's May 22 meeting featured a review of the audit of HOA's financial statements for 2012, which revealed that HOA's finances are healthy, with a good surplus and reserves of \$4.5 million. He stated that HOA spent \$3 million on

various unanticipated projects in the Village over the last two years. Ms. Grodzins thanked HOA for the new landscaping at Kilmer House. Mr. Beck stated that HOA spent over \$200,000.00 on landscaping around James House and Kilmer House over the last two years.

ACTION ITEMS

Approve Installation of Garage Notifying Bell

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

BE IT RESOLVED, that the Board of Directors approve the installation of a notifying bell that garage patrons can ring when attendants are not present, either helping other patrons or on break. The motion passed unanimously.

Approve Payment Method for Lateral HVAC Pipe Replacement Project

Upon motion duly made by David Beck and seconded by Frances Andrews, the following resolution was made:

WHEREAS, by resolutions adopted on April 14, 2013, the Board authorized replacement of the lateral HVAC pipes that serve units in the James House building and the Kilmer House building at an estimated cost of \$2,600,000.00, and directed that the owner of each unit in the James House building and the Kilmer House building be directly charged for 100% of the cost of replacing the lateral HVAC pipes serving such owner's unit, based on the number of fan coil units served by lateral HVAC pipes replaced (the "Lateral HVAC Pipes Direct Charge"); and

WHEREAS, the Board now wishes to establish how and when the Lateral HVAC Pipes Direct Charge (hereinafter referred to as the "Direct Charge") is to be paid by the owners of units in the James House building and the Kilmer House building;

BE IT RESOLVED that the owner of each unit in the James House building and the Kilmer House building shall pay the Direct Charge attributable to his or her unit in one of the following ways:

- In a single lump-sum payment by September 1, 2013;**
- In 36 consecutive equal monthly installments of principal plus interest at 3.85%, plus .5% to cover loan origination costs and administrative expenses, with the first installment payment due on September 1, 2013; and**

BE IT FURTHER RESOLVED, that

- 1. The interest rate applicable to 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 or the Kilmer House building who does not pay 100% of the Direct Charges attributable to that unit in a lump-sum payment by September 1, 2013, and who does not affirmatively choose the installment payment option listed above, shall be deemed to have elected to pay the Direct Charges in 36 consecutive monthly installments.
3. The entire unpaid balance of the Direct Charges attributable to any unit in the James House building or the Kilmer House building shall become immediately due and payable, in full, upon the sale or other transfer of such unit at any time after September 1, 2013.
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 or the Kilmer House building if the owner of that unit fails to timely pay any monthly installment of Direct Charges or any other amount due and payable to the Association.
5. From and after September 1, 2013, all payments received from the owner of a unit in the James House building or the Kilmer House building who does not pay 100% of the Direct Charges attributable to that unit in a lump-sum payment by September 1, 2013, 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.

The motion passed unanimously.

Approve Remodeling Requests

Upon motion duly made by Barbara Fiacchino and seconded by Barbara Grodzins, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of units #404J, #910, #1203, #2706 and #4101, 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 inspections by the Association's Assistant Chief Engineer. The motion passed unanimously.

Approve Contractor to Replace James House Sundeck

Upon motion duly made by Peter Cremer and seconded by David Beck, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve awarding a contract to BAMR (Bulley & Andrews) to replace the James House sundeck, in the total amount of \$326,608.00. After discussion, the motion passed, with Dorsey Ruley opposed.

In the brief discussion preceding the vote, Mr. Ruley asked how many residents it is estimated will use the sundeck; Mr. Cremer responded that no survey has been taken about the matter. Ms. Slattery asked that Mr. Cremer's Task Force choose colors and a design for the appearance of the sundeck and its furnishings and decorations, and present its design to the Board for approval.

OPEN FORUM

Ms. Slattery announced that unit owners present were to be given the opportunity to comment on the recent departure of the former Property Manager, Richard Vicens. Mr. Losik prefaced his remarks by reminding those present that much of the information about Mr. Vicens was private and confidential in nature, to be discussed by the Board only in closed session, and that the Illinois Condominium Property Act gives boards of directors the authority to hire and dismiss employees. In briefly describing the circumstances surrounding Mr. Vicens's departure, Mr. Losik stated that late last year he was given very sensitive and confidential information about Mr. Vicens, the accuracy of which Mr. Vicens acknowledged. He stated that he disclosed this information to the Board in January, and that in closed session, the Board discussed the information and the majority of the Board voted to terminate Mr. Vicens's position but offered him an opportunity to remain at the Association on an interim basis because no appropriate candidate for the position was available at the time, and to assist in the smooth progression of the Lateral HVAC Pipe Replacement Project, which Mr. Vicens accepted. Mr. Losik then stated that two and a half weeks ago Mr. Vicens handed in his notice and left the Association. He cautioned that the Illinois Condominium Property Act does not permit discussions about personnel matters in open Board meetings, but that he would consult with Draper and Kramer's attorneys about whether and, if so, what additional information may be conveyed about the situation. Mr. Losik stated that he is conducting a search for candidates for the Property Manager position to bring before the Board. Unit owners were then invited to comment.

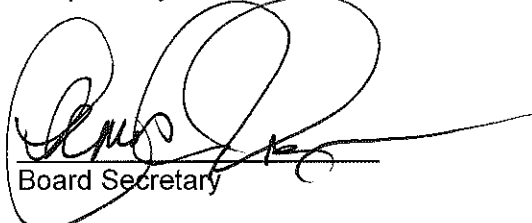
Other matters were raised by unit owners:

- Why is the security camera at Kilmer House not operable? Can an image splitter be installed in the garage so that Management Office personnel will know when the Kilmer House camera is not working? Mr. Losik responded that a technician was summoned to check the camera, and that he will follow up on the technician's findings.
- Management Office staffer Melissa Jones is now the assistant to David Krc, the Lateral HVAC Pipe Replacement Project Manager. How is the expense of her time being accounted for? Mr. Losik responded that it is covered as part of the project expenses.

ADJOURNMENT

There being no further business to come before the Board, upon motion duly made by David Beck and seconded by Peter Cremer, the meeting was adjourned at 8:51 p.m.

Respectfully submitted,



Board Secretary