

Memorandum

To: All River Bank Lofts Unit Owners
CC: Tania Zawadzki, Jim Stoller
From: RBLCA Board
Date: November 01, 2006
Re: Proposed 2007 RBLCA Budget/Board Election Candidate Form

Attached please find a summary of our proposed 2007 budget.

Development and Adoption Process - The first draft of this document was developed by the Board and Management Company during September and early October. A revised version was then reviewed at the October 16 Board meeting and is attached herewith. As provided for in our Declaration, Unit Owners will have at least 30 days to review this proposal and are encouraged to contact Tania Zawadzki or a member of the Board with any questions or comments. Appropriate adjustments will be made and the final proposed budget will be presented at the December 4th meeting and voted on by the Board.

Guiding Principals - The budget is designed to accomplish two objectives. The first is to fund normal operating expenses such as payroll, utilities, supplies, contract services and routine cleaning and maintenance of the property. The second objective is to ensure that we have adequate resources to fund anticipated capital projects such as masonry and roof repairs, security system upgrades, the addition or improvement of amenities and repair or replacement of various infrastructure components. Our capital reserve study, commissioned in 2002 from L.M. Associates, confirms that these capital expenses vary dramatically from year to year. Our long-term strategy is to allow reserve balances to gradually increase in advance of significant but infrequent events such as a roof surface replacement, allowing us to fund most large projects without having to resort to borrowing or special assessments while still maintaining adequate reserves.

This approach enables us to more effectively balance the financial impact of capital improvements between current and future Unit Owners, an approach recommended by experts in condominium association management. By year-end 2006, our accumulated reserves will total approximately \$250,000, which is appropriate for a building of our type, size and age. It should be noted that each Board has the authority and responsibility to make adjustments as they see fit, including employing special assessments and/or borrowing as needed to deal with unanticipated or emergency circumstances.

2007 Budget Highlights - Next year, the Board and Management Company anticipate operating expenses of \$614,700, a 3.92% increase over the 2006 operating expense budget. The budget proposes a 4.0% increase in regular assessments, consistent with the increase in the operating expenses, bringing assessment revenues to \$771,564. Although building differences make comparisons difficult and potentially misleading, our research indicates that this assessment adjustment is consistent with the average for similar properties.

Total revenue, which includes assessment revenue, interest income and other miscellaneous revenue, is projected at \$804,489, leaving \$189,789 for capital expenditures after payment of operating expenses. Due to the deferral of certain capital projects over the past two years as a result of the masonry work, the

capital expenditure budget is projected at \$260,000. The budget is in excess of projected 2007 revenues available for capital projects by approximately \$71,000. These funds are available as operating fund cash is expected to be approximately \$100,000 at year-end 2006. The attached budget summary contains additional detail regarding specific revenue and expense categories.

Masonry Project – We are executing the fourth phase of the masonry repair project mandated by the city’s 2003 critical façade examination. Essential work was finished on the north elevation in 2003, on the south elevation in 2004, on the rooftop in 2005 and on the northern half of the west elevation in 2006. Bral Restoration and Optima’s Engineer have scheduled the repairs to the areas with masonry and balcony deficiencies. Upon completion of these repairs, Optima Consultants will prepare and submit the 2006 Ongoing Façade Examination Report to the City of Chicago. Our decision to engage a structural engineering consultant (Optima Consultants) to advise the Board on appropriate repair options, contractor selection and city reporting will result in substantial savings for the association during the course of the project. Our plan is to complete all remaining budgeted masonry repairs between 2007 and 2009.

Summary – The final budget will be adopted at the December 4 Board meeting, which will be followed by the annual meeting and election. All Unit Owners are encouraged to attend.

Board Election Notice – The terms of two RBLCA Board members will expire this year and replacements will be needed. I have attached a blank Candidate nomination form. If you would like to run for the board, please remit form by November 15, 2006. On November 16, 2006, Residents will be sent copies of all candidate forms submitted by the deadline, as well as the Official Ballot and Annual Meeting Agenda. Please give some thought to nominating yourself or someone else whom you think has the necessary qualities to carry on this important work.

Please review the attached information and contact Tania Zawadzki (rblcmanager@rcn.com) or a member of the Board with questions or comments. Your input is always welcome and appreciated. Thank you for your consideration.

*River Bank Lofts
The Best of River North*