

## MILLIANIGAN SPRING MEETING

May 26<sup>th</sup> 2012

Dave made a personal statement prior to opening the regular meeting. He stated that the ownership issue should help with the proper values and that when you sell your investment in the future, we hope it will be increased. Given that we did have a lawyer speak to us, and we all understand the joke when can you tell when a lawyer is lying? His lips are moving. We are going with the best possible information and it is not going to be perfect. I would hope that you would consider the upcoming vote to be of general good and not specifically for any one person. This should benefit all. He quoted, "When the water rises in the harbor all the boats raise."

At 10:10 AM our President Dave Ewing called the meeting to order. The reading of the minutes was dispensed from the fall September 3rd 2011 meeting and the May 5<sup>th</sup> 2012 Special meeting. The minutes were approved. Dick Bruno reviewed the Treasurer's report. The report given prior to this meeting does not include the checks he received today. The current saving account balance is \$12,279.01. The checking account balance is \$619.21. A motion to accept the Treasurer's report was made and seconded. The Treasurer's report was approved. There was not a finance committee report. There was not a Ways and Means committee report. Building and Grounds report was given by Andy Walters. He asked that all boat trailers be stored behind the garages so that they do not have to mow around them. Guest should be asked to park facing the woods starting at the dumpster along the extra lot area. This will accommodate more cars especially on Holidays. It also will help save the grass areas. The wood in front of Dot's cottage will be moved today. There was not a Social committee report.

Unfinished business, what is the status of the Estate of James Fredlake certificate of ownership? Dave last asked John Fredlake to get disclaimers from all of the siblings so that his appointment of Ed as the voting member would not be in dispute. Dick brought up this morning in that in our By-Laws, voting person (proxy) must be part of the immediate family or another member of the corporation. This means that brother are not immediate family, it must be an heir. An heir is a blood relative. Dick stated if John is the executor and has the voting right; can he give it to Eddie? Bill Francis stated that as a representative, yes. There was a great amount of discussion concerning the By-Law issue of proxy. Dave Ewing stated he has a letter from John to give Ed the vote, and Eddie accepting the assignment and a statement from the other siblings. Dave read the letter. Bill Francis read the statement in the By-Laws on the Death of a Member. Upon the death of a member, transfer of his membership certificate in the Corporation to his legatee or distribute must be approved by the Board of Directors. If said legatee or distribute is the member's spouse or child, the Board of Directors shall recommend to the membership the transfer, if said legatee or distribute agrees in writing to assume the Occupancy Agreement, be bound by the terms thereof, and pay all amounts due thereunder. Bill stated that we are a corporation; we don't care about recording the documents with the county or any of that stuff. We are transferring within the corporation. The proper documents must be submitted to June. June will invalidate the old stock certificate (James Fredlake) and then a new one will be issued according to instructions. There is one share. Lee Francis stated that there is dialog as to who is the owner? The corporation has to find out from John Fredlake, who is the owner? It was stated that there were eleven owners. Lee stated that you cannot have eleven owners? All of this must be straightened out. The share must be in one name per Bill Francis. There is

only one share per our By-Laws and it can be divided between a husband and wife. John would be the trustee? If John is the Executor, then he is considered the owner as it sits today, stated Dave Denler. You cannot decline them the ownership. Lee stated that you can decline eleven. Dave stated that has not happen yet, as far as we know John is the Executor and John owns it. You cannot read in anything else. John should be able to delegate Eddie as the representative to vote in the meeting. Dick again stated the statement in the By-Laws on proxy voting (immediate family or another member). Dick stated he wants it straighten out to and get it done to, but let get it right. Dave Denler stated that as far as he understands it, John is the executor. Dick stated that if John were here he could vote. Lee stated at Larry and Eddie stated that there were eleven owners, which is a totally different issue? Dave Denler stated that we are only recognizing one owner that is the executor of the estate. The estate owns the share? Lee stated that 20 years from now if everyone else does the same thing, there could be 120 owners? There are 15 owners (trusts) per Tim. Karen stated I move that we accept it as is? Arlene stated this cannot happen because the board must first decide (vote), and then bring it to the membership. Dick stated that is the hang up here. Dave Ewing agreed with this statement. There was more discussion on who could vote for John. Dick asked if this vote was that necessary. June Stroud stated that the estate has not been turned over to anyone? Dave Denler stated that you have not recognized them as an owner yet? Yes, the estate is still an estate there is no owner yet? They have not come to us. Dave asked again about this issue. June stated that there was no change over of the estate. Dave stated that we drag on this issue then how many meetings? Arlene stated she was on Ways and Means when Dave Denler came in as the member. Dave came to the Ways and Means, had supplied through the lawyer all of the information need to transfer the property over to you. Plus a statement that your siblings would not at a later date tries to take anything against the Estate at a later date. Arlene stated you had everything done. This is what needs to be done now before the next meeting. This information needs to be presented to the Board. Then the Board at the next meeting can say we as the Board accept this because they have provided what was needed. Then we could vote and it is over. We are not trying to keep Eddie out. Mark McCullough asked if John knows this. June stated that she has sent John all of Millianigan documents for his review. And the information about transfer is in there. Mark stated that no one has verbally communicated this to John? June stated obviously not? June also stated that he has been here for other meetings? It should be John's responsibility to come to the Board. Bill Francis stated that John would have a legal suit against if John cannot vote the share as a trustee. More discussion occurred. There is a motion on the floor, by Bill Francis to accept John Fredlake as the share holder of the Estate of James Fredlake. Bill stated until such time the Estate is finalized. Mark Stroud asked if the statement from John Fredlake with the sibling sign off was notarized. There was a second for the motion. There was a secret ballot passed out 12 yes and 1 no. John Fredlake is the member until the Estate is finalized. Bill Francis asked me if Greg Wails called about his proxy vote. June stated that this was verbal, and she could not accept this. He did not email either; June stated she asked him to do that. There was another issue on the voting right (Proxy) for Eddie. Tim moved that for today meeting only (one time) Eddie should be granted the vote. This was seconded and voted upon. It passed. Dick still stated that he does not think this is legal. The motion was past, for one time only.

Dave Ewing moved on to new business. First issue is voting on whether to continue with the investigation into ownership of individual parcels of land within the corporation. Dave stated this would take a 2/3 majority vote to pass. This will be a secret ballot. Bill Francis motioned that we proceed with investigation of pursuing individual ownership. Discussion was addressed. Dick as who, how and where and does this? That will be determined after the investigation. Dave stated that committees would be appointed for this. Karen asked if the debt incurred so far would be reimbursed. Dave Denler stated that he does not think so at this time. At the end of the day if this thing gets done, and the expenses is \$1600 each. Then the total incurred expenses would be credited. This was done to date under a sponsorship thing and it is not right to turn around and ask for expense now, we have not gotten it yet. Mark McCullough asked if the expense going forward should be paid. Dave Denler stated that they should be nominal. He thinks a lot of this will be internal work. Dick stated that no monies of the Corporation will be spent. Bill Sabodor asked what if the township wants certain thing to agree. Dave stated this was this was for fact finding and not binding at this time. How bad do we want to do this, do we want to do a friendly partition or do we want to drop it. We don't know where it will end up at. June stated that the motion was to proceed with the investigation. The key word is investigation; there is no vote on a finalization. Andy asked for an example describing some of that work? Bill Francis stated that would come after the vote. Mark Stroud stated that both he and June were at the lake association 20 year planning committee meeting. Mark stated that they should be the very first ones to contact. What they have on their agenda were in trouble. They have 200 ft width for minimum property line for waterfront homes on the lakes. If this goes through with our current situation if a house burns down, you don't rebuild. Dave Ewing called the discussion to an end. Dave then called for a vote. The vote was Yes-13 and No-1. The motion passed to continue with the investigation into ownership of individual parcels of land within the corporation. Dave Ewing then stated that we should address how to move forward on this. Bill Francis stated that he took what the lawyer gave us. Then he did his own research, with related literature from what he talked about and came up with some common areas. There are interests that we should further study and look into. Bill passed out a sheet "**Condo VS Coop**" that is a commonality of a majority of legal opinions on these particular areas. Dave Denler asked if these are discrepancies or differences. Bill stated that these are not discrepancies, some agree with what he says and others are what he never talked about.

### **CONDO VS COOP**

#### **FORM OF OWNERSHIP:**

CONDO-YOU OWN THE COMPLEX AND UNDIVIDED INTEREST IN THE COMMON AREA.

REAL PROPERTY DECENDS TO AN HEIR

COOP-YOU OWN A SHARE IN A CORPORATION. SHARES PASS TO YOU PERSONAL REPRESENTATIVE AND MAY BE SUJECT TO SECURITY REGULATIONS. COOP IS CONSIDERED INTANGIBLE PERSONAL PROPERTY.

#### **PROPERTY TAX:**

CONDO-INDIVIDUAL OWNERS ARE TAXED SEPARATELY. WHEN CONDOS ARE RESOLD AS SEPARATE ENTITIES THE APPRAISALS AND HIGHER SALES PRICES ARE RECEORDED INDIVIDUALLY. THIS HAS THE EFFECT OF PRODUCING HIGHER ASSESSED VALUES AND CONSEQUENTLY HIGHER PROPERTY TAXES.

COOP-PROPERTY TAXES RUN LOWER IN A COOP BECAUSE OF THE NATURE OF OWNERSHIP. WHEN A SHARE IS SOLD IT IS NOT RECORDED AT ALL AND DOES NOT IMPACT OTHER TAXES.

#### **FINANCING:**

CONDO-REAL PROPERTY-INDIVIDUAL MORTGAGE, PROPERTY TAX, DEPRECIATION, ECT. COOP-ONLY THE CORPORATION CAN OBTAIN THE ABOVE. INDIVIDUALS FINANCING IS RARE.

**MONTHLY FEES:**

BOTH HAVE MONTHLY FEES, BUT COOP CAN BORROW MONEY AS AN ENTITY. CONDOS CANNOT AND UNIT OWNERS OFTEN FACE LARGE ASSESSMENTS FOR SIMILAR PROJECTS.

**OWNERSHIP TRANSFERS:**

WHEN CHANGING HANDS THERE IS MUCH LESS IN THE WAY OF STATE AND LOCAL TAXES ON THE TRANSACTION AND FAR LESS IN SETTLEMENT COST FOR THE COOP, BECAUSE THERE IS NO APPRAISAL, SURVEY, OR TITLE WORK TO BE DONE. IT IS A TRANSFER OF SHARES AND NOT REAL ESTATE. THE TRANSFER IS NOT RECORDED IN ANY PUBLIC PLACE. OUR SITUATION IS UNIQUE IN THAT REGARD.

**POWER OF THE BOARD:**

THE BASIC DIFFERENCES BETWEEN THE TWO BOARDS IS THAT A COOP CAN CHOOSE NEW MEMBERS BASED ON FINANCIAL RESOURCES, BACKGROUND, STATUS, ECT. CONDOS CANNOT DO THIS.

Bill explained more about all items above on the form he submitted. One particular item he stated was that each has a share and the houses are intangible. The par value of the share in this corporation is \$100. You know very well that your house and your share in this corporation are worth more than \$100. That is the intangibles. This is a problem that a Judge would have with an individual partition. Where does the value come and how is it divided? That is why Mike Bell (lawyer) talked about having a commonality of everybody agreement, because this would then be a friendly partition. In a Condo each owner is taxed separately. When Condo's are resold they are assessed then higher prices are recorded individually. This has the effect of producing higher assessed values and consequently higher property tax. Now Mike in his talk stated that there are two ways to get around that. That is one of the questions we would have to ask him. That is an uncapping type of thing. In a Coop you do not have that because all you are doing is passing on your share. Nobody has any knowledge of it and it does not have to be recorded. We are unique we are not a Coop either. There was more discussion about uncapping. Condo an individual can obtain financing. In a Coop you cannot. There was discussion on taxes. Bill stated that the first 10+15 years the corporation paid all taxes and then they were divided up. Then along came Hickley in 1994 then the State came up with 50% state tax equalization. So they drop our taxes from \$236,000 to \$129,000. So when Mike Bell stated that taxes were neutral that he means is that anything can happen. They can go up or down. This will depend on who the Assessor is and the State laws. Both Condo and Coop have monthly fees. But Coops can borrow money as an entity. Condos cannot do this. So consequently Condos tend to have large assessments and fees. Bill gave an example that is Chicago his son Phillip owns a Condo he pays \$356 a month fees and he only owns from plaster to plaster, the inside. Everything outside is owned by the Condo association. They are responsible for all maintenance, the roof, hallways, stairways, and the common areas so consequently the fees are higher. We do not have that situation here because we do not have a common use, we are separated. This is why we are unique. We are different than a normal Condo situation. Ownership transfer, when changing hands there is much less in the way of state and local taxes. On the transaction far less transfer cost for the Coop. The Coop you don't have to go through recording, no consulting of Lawyers, no engineering surveys, or any of those things. In a Coop all you are doing is transferring a share. A Condo is real estate and you have to go through all of those things. The power of the Board, Coop can choose new members and Condos cannot

do this. In the terms of transfer Condo Boards have little or no power, because Federal, State and Local laws dictate. Dave Denler stated that when he asked Mike Bell which would be better, on a scale of one to ten, Condo is 10 and a Coop is 8. But nothing is just black or white. Dave Denler stated that when the committees are formed all needs to get involved. Work needs to come out of the committees. Arlene brought up an example of the Well issue a committee would need to address all of the issues. Bill Francis stated that he thinks there needs to be a central committee. They will decide what to dole out and who (sub-committees) with the report to come back to them. Bill was asked of the options (Condo vs. Coop) which one he believes that Mike Bell can get through? Bill stated that when all is said and none, he does not think either will go through. He thinks it will be somewhere in between them. Dave Ewing asked to move on. Dave stated that the board is going to appoint a committee. Dick spoke about the house being built by Mr. Smith. The old wagon wheel barn has faucet being used by the contractors. The water usage for last year was \$96 that is 1-1/2 what is normal. How can the water be turned off, what is legal, nothing in his deed for water rights (Grandfathering). Smith will be putting in two wells in the future. The well also supplies Ed Lawton who has his house up for sale. Ed Lawton does pay what we assess per year. This all might have to be done legally. The committee will be Andy Walters, Bill Francis, Bill Sabodor, Dick Bruno and Greg Wilson. Bill Francis gave the water test results. The water is safe using Bill used his own chemicals. But he will be doing another test in the future and report that test to the State. Andy Walter spoke about the new tractor. He stated that as far as the maintenance goes it will need the oil changed. The tractor was taken back last fall to be serviced but he did not know if the oil was changed then? He will check with them on this. He tractor also back fires and he will ask about this. The tractor must be run full idle. Dick stated that the deck should be at #11 when taking the tractor in or out of the shed so the deck does not hit the board. The oil and transmission fluid should be changed every 50 hours. Mark Stroud stated that the old Wheelhorse tractor that he purchased from the corporation was not maintained as it should have been when serviced. The bushing, bolt and bracket on the deck were all bad. The bolts were worn in half. We are not getting the kind of maintenance that we should be. The dealer doing the maintenance should be questions as to what they are doing and checking so this does not happen again. Ann Gill stated that the tractor should not be used for personal use. There was discussion on this. The tractor can be used when the trailer is used.

Miscellaneous Business: Dave Ewing brought up one concern. This concern continues to come up. The young adults who are coming up, drinking and perhaps leaving to drive home that day, their safety and our liability? Please be a good host and take the keys if you need to. A work detail will be need for piers and beach cleanup. Andy stated this would tomorrow, Sunday at 12PM. Dave stated that if you want to be on a Ad Hoc committee email him of what interest you have. Dick made a statement about his personal feelings and observations about the Ad Hoc committee and the Conversion issue. A lot was aired by all. Motion was made to close the meeting, seconded and approved.

Members not in attendance:

Wail

Respectfully submitted,  
June A. Stroud Secretary