

Millianigan Special Meeting to report on means for Individual Ownership Concept

May 5th 2012

At 10:00 AM our President Dave Ewing called the meeting to order. He mentioned that all new business for the Spring Meeting on May 26, 2012 must be turned into the Secretary June Stroud no later than May 9th. Dave then stated that this meeting was an information meeting only and that no voting would occur. Dave introduced Mike Bell the attorney that the Ad Hoc Committee hired for legal information concerning individual ownership options within the corporation. Michael Bell practices with the Kotz Sanger Firm in Niles Michigan. Dave then turned the meeting over to Bill Francis to share information on the concept of a new organization. Bill stated that the concept of ownership has come up on three occasions.

1. Bill Francis met with Pat O Connell and the three living Solis Brothers, their lawyer and our lawyer. At this meeting all found out that Lavern had split the land. According to the Public Act 116 of 1974 Michigan Land Preservation Act we cannot further sub-divide. So home ownership at the time we could not attempt so this is why we have the present organization.
2. 1982-84 Duane Dewitt tried to re-establish home ownership in the corporation. Bill Francis was called before the Zoning Board of Ontwa Township by Bob Sullivan. At that time there were a lot of problems. We had to establish a deed for this property in our name because of the lawsuit Lavern had concerning the channel. Because of this lawsuit we had to come up with \$30,000 right away. Then, there was the issue of the sewer (on septic tanks at the time) and the well issue with the Health Department. These things needed resolved before the township could address ownership.
3. Then when Lee Francis became President, we tried it again. Scott our lawyer came back with the Michigan Summer Resort Act to establish ownership. We ran into problems there because we had to give up more than we were getting. Hickley, the Assessor was not kind to us, we went from \$1000 to \$6000 upon the repeal of the Land Preservation Act. This happened in the period of one year, from one Assessor to another Assessor. Hinkley was willing to give us ownership if we sacrificed the island. He would take the tax off the island and put it back on the home, this would make the island public land. This would mean it would be the same as the island across from us.

If you have more question Bill stated that was available to anyone to speak about the above issues. He stated this is why to present we do not have individual ownership. So this issue is now being revisited. The laws and conditions have changed. Some of the individuals in the corporation have been talking about it again. An Ad Hoc Committee was appointed by the President to explore the possibility of home ownership again. How to go about to own the homes and or the property our homes sit on. Land ownership, in the process of doing this the committee consulted several lawyers. The committee interviewed three lawyers. It was a unanimous opinion with the selection of Mike Bell by the committee. Mike Bell is here to update us on the legal status of how

to go about the establishment of ownership. Please keep an open mind to where you want to own the property your house sits on or you don't. Bill stated again, we are not voting today. This is strictly an information meeting looking where to proceed with the ownership of property. If we decide to move forward, further committees will need appointed to study the criteria for the issues that have to be investigated. Items such as the well, the splitting and other items that go along with property ownership need investigated. At this time Bill Francis turned over the meeting to Mike Bell.

Mike Bell's firm is in Niles Michigan and has offices throughout the state. Mike explained that this is a conversation that he has had 10-20 different times with clients. All along Lake Michigan there are entities just like this. These have existed since the 1930 with the Summer Resort Act with the common ownership scheme. The past 4-5 year Mike has spent quite a bit of time working with different groups converting them from common ownership to individual ownership. This has been a theme, speculating because of changes in the law to make it a lot easier. There have been some things that have happened in the last 10-15 years that allow things like this to happen that were not there before. Mike stated that he would address, what we have positives and negatives. The concept of conversion he was able to do for a 2 home cooperative and 20-30 homes cooperative on Paw Paw Lake in Berrien County as an example. What you have today, you own your home as personal property not real property in a legal sense. The ground itself is the only real property. Because of this there is a series of negatives. When you look at a property like this the township considers the property non-conforming. Because of this the Zoning Board may blow with the wind and not let you rebuild or expand your home. Variances are needed at this time. If you read the law on a non-conforming property the law stated that it is there and if anything happens to it, it cannot come back again? There are risks there that can be mitigated if there is a friendly township at the time. There are problems with the state planning issues. On how to convene the personal property or whatever interest in the real property, here you have a stock certificate. There are challenges to this when you try to pass on ownership through Estate planning. If able to convert to real property this home would be a non issue in an estate. You could own it how you felt whether it be a 1 or 10 people or a trust. It treats the Estate as any other real property home. Typically this type of structure (personal property) cannot be financed. You cannot take out a mortgage or a line of credit because you cannot foreclose on it. You cannot get collateral because it is not real property. Because of this people seek out conversion because these are not financeable which then affects ability to be sold and then affects the value. It is questionable to what the value is how does the appraiser handle it, because it is not real property? The last is the great risk, this happened with the situation I was involved with at Paw Paw Lake. In Michigan there are three ways to divide land today. There is the Land Division Act, Sub-Division Act and the Condominium Act, except for this rogue vehicle called Partition. Partition is a legal cause of action that deals with the division of land. A Partition can happen at be hap of one person. Today if someone was inclined to divide the property unilateral, the rogue actor, you could go to court and file a lawsuit to Partition this property. You have every right to do this. What this stated in the nut shell is Judge this property is owned commonly, there is a dispute and I want it divided. The part about Partition is that the court has two options. The court can divide the property equally

or the court would then sell the property and distribute the proceeds. So the dispute at Paw Paw Lake was a family dispute one party got upset and did not want common ownership and filed a Partition suit. Unfortunately the property could not be divided equally. So everyone hired appraisers and lawyers and spent a lot of money. The property was sold and the funds were distributed. The risk of a Partition is and unknown but real risk. Often this is the tipping scale to bring someone in to say wait a second can we just convert to ownership? It is better to have our self divide and not the Rogue Actor. When it gets into court you lose control you now have a Judge dictating the process. Not including the time and cost involved. Millianigan has been able to coexist wonderfully for this entire time and probably still would, but if one person wants to Partition they would have the ability to do that.

On the positive side, at the first generation of the converter the risk is cleared for the Estate. You cannot Partition if you own your land. The biggest upside is the increase of property value or the ability to get a mortgage if you're inclined. As lawyer, I can tell you there is a real increase of value. I cannot tell you the amount, you will reap that reward. As a part of this process, legally could it happen, what is the reality? What is involved and what are the risks? One of the things that need to be examined is the township or municipality. You need a partner in the municipality because this property is a challenge and could not be built today. It is non-conforming. I suggested that it would make sense for me to have a preliminary meeting with the township and the Assessor to understand their thoughts. Bill stated that previous challenges were with the Tax Assessor. I had a preliminary conversation with the Township Supervisor, Zoning Administrator, and the Assessor which this could have raised a red flag were I would have stated maybe we should not gone anywhere? This could have been a positive or neutral. First regarding the decision with the Assessor, Doug Brosseur, Doug has experience with these types of properties. This is a positive. The tax situation while unknown not written is neutral. Doug agreed with me that upon conversion it should have no affect on property values. The real property value would switch to the property owner. Today you get one real property bill for the corporation, and then each of you get a personal property bill for the houses. Upon conversion the personal property bill goes away and the corporation real property bill goes away. Then each person gets a real property tax bill. The point is that Doug agrees with me that this would be neutral. Everyone will have a tax pin number or tax ID, the actual tax would not go up or down in a material sense. Everything would be the same and no uncapping would occur. In fact you could get a homestead exemption if you live here year around. It was brought up that member that live here year around do homestead now. Mike did not know if this was legal? In Mike's opinion you have a friendly Assessor. This is a positive which isn't always the case. This is one reason to take advantage of today and one reason to convert. Once it is set someone cannot come and undo it. With a friendly Assessor now is the time to act in Mike's opinion. Additionally you need a partner in the township. They were very open to the concept which is a good thing. They understand that this helps clean up a possible complicated situation. This whole non-conforming issue, this whole do I need a permit, can I just build a garage, do I need a variance or not, what if the home burns down. This township understands this is a cleanup type situation, this could benefit them and it would make more sense and benefit you. This makes it a neutral; the township expressed an interest in

considering it. Recognizing that it is not a no brainer, there is a variance needed, set back don't make sense, the lot areas would not make sense and they were open to the concept and willing to partner with the group to clean up the situation. Which I agree is a positive. There is township that I have been in where every owner wanted to do it but the township didn't get it or didn't want to do it and they were adversarial which challenged the process. We still got it done but it took more time and was more difficult. Today it feels here that the township is much more willing. This is a neutral. The positive is that the Assessor is willing and would not make the situation worse. In the end what is the difference if you convert? What truly changes? External nothing changes, it still looks the way it looks. The way everyone treats the island and the land behind the houses in a cottage fashion could all be the same. This conversion would be done pursuant to the Condominium Act. That was not around years ago. That could not be done in the early 1970's. It is a new tool we have, the way the act works to allow this to happen. I have used this new tool the last 4-5 years where before it could not be done. This Condominium Act really would allow us to do internally and externally exactly what you have today. It would allow you to own your home; it would allow all the other property to be common. It would allow the gravel road to be treated as it is now. It would allow you to have a board, meeting and voting (one vote per house). You have rules and regulation the same as you have now. It would allow you to contract or agree to whatever you want. So we could take your scheme today, however you have it and mold it into the condominium piece or we could change it. Internally you would not change either. Externally you would not change; it would just be that weird legal concept of ownership that changes; to get rid of the negative for the positives. I don't want this to sound like a sale pitch; it does not matter to me. The committee just asks me to explain what conversion is, how you do it and the positives and negatives. So I mirrored this off the past things I have done over the past 4-5 years. What I have seen happen in real life. With the new tools that were absent years ago which you could not utilize. This is a lot that I have thrown out and I am sure there will be questions. Mike then answered questions.

1. Question about how the taxes would change? Mike answer was there would be a schematic change and the type and kind of bill you get to the property bill you get. I spoke to Doug, he concurred that value for tax purposes does not change. What you have today is what you will have tomorrow. Even though we all are agreeing, I told you that your property value will increase that would only happen the way the tax laws work upon conveyance. That is the uncapping thing I talked about. So if we converted and one of you sold your home for far more than you could sell for today, the new people would pay more taxes. That is how the tax rules work. But the current owners would not get a tax increase until it uncaps. Until a sale occurs. So Doug agreed despite that fact perhaps you have some increase in value, it does not get put on you it gets put on the new owner. Today the real tax bill your corporation gets is split by fifteen and the personnel property tax bill is another. Essentially what would happen is the prorated portion of what your paying for the corporation to pay the bill is split fifteen ways. That bill will disappear. You would no longer pay one fifteen of that, instead this would be allocated to your real property bill. So what you pay in real and personal property taxes would be neutral. In concept I asked Doug point blank about this, would it uncap? How would we handle it? He agreed it would be a neutral. It

would just be divided up. David Ewing stated that this is the way things are in California since Proposition 13. Your property taxes cannot go up until the house is sold. Lee stated this is the way it is now also. Bill brought up that we get homestead only on the personal property tax bill not the real tax bill now. If we did convert you would get it on the real property also. Mike did not know how it is that you are getting the homestead on personal property now? There is a risk that a new Assessor will not issue it.

2. Dick asked how the real property would have a legal description of the real property. When you convert do we all have the same description? Dick asked how you make fifteen description of the property. Mike stated that is a detail that would have to be collective agreed upon. But I will tell you this, when you convert in some form or fashion we are going to divide up the dirt. So each will own a piece of dirt, literally described. Dick asked if that had to be the entire 7-1/2 acres. Mike stated this is what is great about the Condominium Act. You could do it with two options. One way literally to do it on one extreme is to go around the house foundation. The foundation is what you would own. On the different extreme one thing you could do is take lines from the middle of each house from one end of the property to the lake. And sliced it up in fifteen different shapes. These are two extremes. Not that either would work? But if we did something were each person got a square around their house. The remaining property in the Condominium Act because it allows this would be called the general common element. There is specific allowance for this kind of thing. This is wonderful in this new tool. As a general common element we all have rights to use it would not be owned by anybody. It would be managed or operated by the board as it is today? By the Condominium Association. To do this we must divided the property in a sense so everyone would own something. You each would own a legal description. In what your legal description would be unit one through fifteen of the Millianigan Condominium? Then there would be drawing to show what this meant. Your unit would be what the collected group decided on. Yes, you would own dirt and have a legal description.
3. Dick asked if the 7-1/2 acres was not divided up and there was a common area how would a homestead be given. Mike stated that under the Condominium Act the common area would not have a tax bill. The common area would not have a tax pin number or a tax number. What it says is that the Assessor takes that into account and prorates; apply it to the individual tax bills. So the tax bill for the common ground disappears. In the Condominium Act there isn't a tax bill on common areas. The Condominium Act can have general common areas and limited common areas. An example is the island is a general common area everyone would have rights to use it. If there is some property only certain individual can use like a shared garage area between homes, we could make that limited so that would be for certain owners. But all the tools are there to do external and internal what you have today. Bill Francis asked if this could be done under the Summer Resort Act. Mike stated that it could not, the tools were not there. There were three different versions of the Summer Resort Act. Most of the properties converted were properties that were under the Summer Resort Act. And were converted because the Summer Resort Act did not have the tools to do what you are doing today? The Condominium Act is unique.

4. **Greg Wilson asked that we would be able to divide the property as we want to? Mike stated that this is the way it works. Collectively as a group you have to come up with a game plan of what you think is fair. We have to respect what the township would want as well because the township ultimately approves this division that we are proposing. So we do have to keep in mind lot area, setbacks and these rules. We are going to need help from them because this is non-conforming. Ultimately it is to their approval. You come into the township as a group; we want to clean this up. We want to make this better for us and you and we need them partner with us. The whole this will be subject to zoning within the township.**

5. **Arlene Bruno asked if water lines, gas lines and sewer lines would need considered when dividing? This would be a conversation needed to be addressed with e surveyor engineer, myself and the group. An easement might be needed. On the garages you have opinions. There are already easements for utilities currently. Mike stated that you own property subject to current things such as the easement that over lays it. How you would divide the property, this should be a consideration. Mike stated that garages could have different options. They can be owned or assigned. There is a way to resolve everyone's garage or shed. There is a great tool for that as well. The tax situation would be the same. With the possible homestead exemption they could possible go down.**

6. **Dick Bruno asked about the issue of a central well if it would be allowed. Dick asked if each house would need a separate well. Mike stated that the central well would be allowed. Mike stated that some of the new developments even have central private sewer systems and or a central common well. This becomes a general common element. Your well would be operated as it is today where your homeowner association or this group would be in charge of the well and maintenance to the well. The only zoning problem would be if you would tell me that you were going to increase density. Then the well would go from type 1 to type 2 or 3. Then that is when we would get into problems. Because everything is the same this would be a neutral as well, that does not change. This would be a common element. Dick asked if Mike was involved with Millianigan having to justify the well previously. Mike stated no he was not. He recalls the issue since that last several year Mike attended most of the Ontwa Township meetings. He stated that he did not know the details of the well, type whatever. Mike stated it can be a general common element. Lees Francis stated that the well was on an easement. Mike stated that this is still okay.**

7. **Arlene Bruno stated that we were told by the township that we were grandfathered for a lot of these things. We were allowed the torn down thing and replace them because of the grandfather issue. Do we lose the grandfather status if we convert? Mike stated that the grandfather thing is called non- conforming. That is the legal word for it. That would become irrelevant. It would come off the table. You would turn into conforming. There the PUD and the division you would become conforming. You would not need grandfather anymore because you would have more rights. You would not be at the risk of the whim or someone saying that you are non-conforming or you're not and this is what it means or does not. Conforming you do not worry how the zoning**

administrator or who the board is anymore. You would be like any other citizen with a conforming home. When you deal with the township to get this, then it is done and you are conforming because they have approved it.

8. Greg Wilson asked if this went through. Would you be able to add an addition on to the home since the setbacks would still not be conforming? Mike stated that the house would be conforming but you may or may not have to get a variance. It would depend on how you would divide up the property.
9. Dick Bruno asked Condominium Act being related to a PUD? Dick stated that a PUD would have several items that we could never met. PUD is a planned unit development. That is a tool through the township in zoning. Mike stated one of the thing we would talk about is could we do a PUD or not. But it does not have to be a planned unit development. The Condominium component is different it is a body of laws that would allow us to do it. Your township has a zoning ordinance that has specify requirements if you do something under the Condominium Act. The township also has requirements if we could do a PUD or not? That depends if that is a tool that the township would let us use? Dick stated that we could not meet the requirements of the PUD? Mike stated that today we could not met the requirement of anything? Dick stated that you were talking about the Condominium Act but you slipped in the word PUD and that is what got me excited here about the problems it creates? Mike stated that we need the township to be a partner no matter what. You raised the point this is non-conforming. To get this converted the township would have to grant us some leniencies and variances. Which they have the power to do, threw a PUD or some other zoning tool. Dick asked where you would start with the township. Mike stated that the group had to first decide on the details of want we want divided. That has to be determined by this group. That is what we want because you can determine you own destiny? Once we have a collective concept, we go to the township, zoning administrator and supervisor. Mike would say to them here is what we want to do, this is my opinion as to what we would need to do whether that means go to the zoning board of appeals or planning commission. He would lay out the process as we see it and then get their input. We could control our own destiny by having our own game plan. We would like to go to the township as a group and stated this is what we would like to do and could you help us?
10. Arlene Bruno stated that now we have a right to remove someone out of the corporation if we do not want them for just cause. Example is a person selling drugs? If you have you own property, what if one of the owners cannot make the payments or need some money and now we have a bank that is involved. The bank forecloses how does that affect the rest of us? What happens is that upon the Condominium conversion, I mentioned there are tools in there that allow you to do want you do today. We could take whatever restrictions or requirements you have today and mirror that and put that into the Condominium document. It allows you to do way more that you may want to do. Example, different development that I have done where they restrict all animals. You can restrict someone from having a cat in their house. My point is your restrictions and rules

to the extent that I have looked at them quickly are fine. They are not that complicated and they can be put in there let alone all the other if you felt so inclined. I would discourage that. I do not think it is great to have a bunch of rules, I don't like that but you can that is my point. You could put a first right of refusal to give the association a change to buy a home. You can do that. You can do the same thing in the Condominium as you now in corporation. You can restrict somebody's ability to sell, cause them to have to offer it to the association first before it is sold to a third party. Same as you do today.

11. Ann Gill stated what if someone cannot pay their mortgage what happens then. Ann stated that home then would be owned by the bank. Mike stated the mortgagee (the bank) will step in the shoes of the home owner. They will be subject to the same exact restrictions, assessments and everything else. Ann stated that in Chicago a lot of people could not keep up the condos and other tenants have too. Mike stated that is Illinois and not Michigan, sure that could happen, my point is but if a bank came in and foreclosed they would have to pay the dues. The bank is responsible to pay the due. The bank is responsible if they go to sell some house, they don't escape of get out of all the restrictions or rules you have. The first right of refusal would have to apply to whatever sale they are trying to do or anything like that. Because your conversion happens first. Everything is in place, so a bank would come in to finance and they are subject to everything that has happen before them. This is a right of record, they would be required to apply the same rules, and they don't get out of it. Dave Ewing stated that we would have the same control to say who may be part of this Condominium Origination even though the bank was selling the house? Mike stated that yes this way true, you have the first right of refusal, if you're so incline to exercise it. Dick Bruno stated that with our present situation the person has to have all the money up front, which could be a disadvantage if they have a house they want to sell. But at least we know that when they come into the corporation the house is paid for. They right now only will be liable for \$1200 a year in dues and whatever assessment they have on their house. Let's say that someone buys Denier house \$100,000 to \$150,000 loan, we have no control if they cannot may those payments and then they stop making payments to the corporation. Then we get into the battle as to who owns it. I do see some red flags when a situation like that occurs. Mike stated that he could not disagree with you, I get the fact that today there are positive and negatives. You are right if you have the ability to finance you would not have to pay for the whole thing, you are right. Now know that when you do a conversion again under the Act there is a process for assessments. When you don't pay assessments there is a process for the association to place a lien and to protect itself to recoup the assessments. There are tools that you are given, yes this is a risk. I agree with you. There are positives and negatives to everything. Dick stated that the risk is very minimal. I don't think we have ever experience a situation when we had non-payment.
12. Lee Francis asked about the Partition. Let's say that I am all enthused about doing this but Mark and Paul aren't. So I can go to court and set up a Partition to either force them to do it or the Judge could make all of us lose our homes? So if I go to court, I could lose my home too. Mike stated that he would explain it this way, let's do this. Let say you were unhappy, and you came to me and stated that you want to own your own home. I can't get along with these 14 people, they

bug me and I hate them. I would say to you okay, we can file a Partition lawsuit and I would explain to you that you have a right as one person as part of a common scheme to file a lawsuit. I would tell you this is no laughing matter, this is the real deal. Because there are two remedies are to divide it out that is fair to you and fair to the others 14 defendants or to sell it and liquidate per everyone. You are correct it is extreme and we should not take it lightly. I would be lying to you if I did not tell you, because this is what happens. Anyone of you that knew about this kind of stuff and wanted out or wanted to be divided could hire a lawyer if they know what they're doing would explain to you have a right to Partition. I will give you an example. There were two small cabins in the Union Pier Lake side area in Berrien County. They wanted to convert. The township was not a partner. The township stated that they did not want to deal with this. There are too many variances forget it. Do you know what we did? We filed a Partition suit because the township cannot mess with that. They do not get a say. Because the Circuit Court can do what the Circuit Court wants. You know what we did, we divided it anyways. Screw the zoning laws because they did not matter, they don't applied to the Partition in the Circuit Court. We divided the property. The township was not a defendant because they do not get to be. After the fact, I said Dear township enclose please find our new property description and give us tax bills. They had no choice. This is how strong a Partition can be. You can divide land that way. The good news for us is that we were able to do it friendly. These were two owners that wanted to do a friendly Partition, this township won't let us divide it, and so we will do it anyways. I built a tool for them to do it in the face of the township. That is how strong it can be. The ruling of the Circuit Judge in a Partition overrides zoning laws. That is what that means. One person can do that, but it is a big undertaking.

13. Bill Francis stated that the homes are personal property and the land belongs to the corporation. If you violate corporation policies and get involved with a law suit, do we have the option to tell that person to pick up their home and move it since it is personal property? How do you Partition that? Mike stated this is very interesting concept. There are two things in play, the stock certificate thing that could be revoked. So you would not have rights to come into the property. Or the concept of move your personal property? It is still there. As a corporation you would have the right to peruse an eviction concept as the personal property? When these thing were done, maybe not this corporation, thing were more movable, whether a trailer type thing. You could get into one heck of a battle that does not end quickly. There is no good answer, which means there is a lot to fight about. Which means it gets really expensive. Mike stated that you should Google it. Google Michigan Partition read the Act. You should think about it. It is a reality. Bill stated he thought it was part of the Business Corporation Act there is a section that deals with that Partition. Mike gave an example that you are the person on the very end and you have frontage on Twilight Street. Maybe there is a way to go Texas (succeed). Perhaps try to Partition and maybe the Court would Texas you out and keep everything else the same? Partition would involve everybody or liquidation and the sale.
14. Ann Gill asked what would be the cost to Partition. Mike stated that would be depended on a couple of variables. There are four parties involved. One is this group and what the group wants and how quickly and easily they can decide. But there are three other players here. It requires

legal documentation, an engineer and survey company to handle some of the details and the township. The cost would be reduced if everyone is working on the same team and the cost goes way up when everyone is not. What I mean is if the township is on the same team, the cost for the township goes way down versus fighting the township for two or three years. So the cost itself is hard to estimate only because there are variables that are unknown. The cost when divided up fifteen ways, I could review what other costs were with other conversions. Dave Denler stated that based on the estimate Mike gave to them that it would be around \$1800 to \$2000 per cottage. Mike stated that this would be similar to the costs he charged previously.

15. Andy Walters stated that if he wanted to rebuild ten years from now. In the Partition the footprint under my house was twelve foot out from the original cottage and back as far as Denlers. This is what they gave me under my footprint and then as wide as it is. I then would not need a variance. I would have this land and I could pull a building permit and rebuild. Mike stated that depending on how the division occurred. The variance is there because the township gave the variance when they divided the land. So I don't have to go and get a variance, it doesn't matter who is on that township board. If they say no you have to leave a wall mounted there you are doing thing different than they use to be. Greg Wilson asked if the footprint will be the buildable area or is the footprint what you own. Bill Francis stated that is what the committee will need to decide. Mike believed that the answer would be yes. So here is the answer, when you do the conversion. You do the drawings you set up in a way that everyone agrees on. This would set the building envelopes you would call them. Whatever you do so when these are approved that is in stone you are conforming and you are allowed what the drawing shows. Depending upon that you would have your building envelope to do as you please like any other resident of the township. You would go get your building permit and you are on your way. Any stated that even though I am too close to the houses. Dave Ewing stated that if we put that information in our proposal, then its there. In this proposal you state that you cannot build out the edge of the property line but to a line inside of it. You would have two lines in your footprint one for the property and one buildable. This way there would not be a required variance. Mike stated that if you as a group wanted to do it, we would come up with a game plan. We would talk about those thing get it on a drawing and then go to the township as a group. Say township help us out, let's figure what we need to do and not do. We need to do it that way so the township is responsive to what we want. I would recommend that we do set up these building type envelopes so you guys have as much flexibility as we can give you in this type of situation. So you can do some things to your house.

16. June Stroud asked if you were to build a twelve foot room on the front of your house on the lake side. There are all individual people that own this land now. How would I get cement truck to the front of the house? Would there be a legal easement to get equipment through? However you treat the lake side, you would have to explain that. This can be done with the general common element and the rules and restrictions. Whatever you do today, we can mirror it or we can make it better.

17. Mark Stroud asked if the bank acquired the property for none payment. The bank is not going to let that property set there not generating capital. They turn it into a rental unit, we cannot put a codicil in the contract saying that cannot do whatever they want to do. We do not have the money to fight them compared the National Bank and or the Government subsidizing them. They are going to do what they want to do. Mark stated that repossession changes things. Mike stated that the bank has to follow the exact same rules and restrictions that you guys do today, they are not exempt. So when they make a mortgage, that bank is making that mortgage subject to whatever we do. So the restrictions on rental, the restriction on sale those all apply to the bank too. The bank does not get out of it because they foreclose. Your rental restriction you have now we can mirror those, we can make them better. There are ton of things we can do that are best practices that happen all over the place to chose from. The key is the fact that there is a mortgage and a foreclosure has no affect on the under lying scheme or under lying restrictions or rules. So if the bank owns that property nothing changes. Mark stated that some codicil are legal and he would not want to fight the bank. There is nothing to fight they cannot fight us. Mark stated that some codicils are illegal you cannot change wills unless there are certain codicils. Certain restrictions are legal stated Mike. Do you know what one of them is? If you told me you wanted to restrict a placement of a satellite dish, you cannot. There are FCC rules know that made those legal. I had a lot of clients that tried to do that but you can't. So there are certain things you can not restrict. You can not restrict ownership on race, religion but we can do all kinds of things. We can do rental restrictions. They are applicable to banks. If you have been to Niles on the bypass, my office in Longmeadow there is a development there that is commercial and residential. I represent the Longmeadow residential association. There was a foreclosure by a very large bank where they took ownership of fifty five lots. The after they foreclosed I wrote them a letter and they cut the association a check for \$35,000 in assessments. They were mad. They knew the rules and that they applied and they paid us the monies. They had no choice. The foreclosure did not change a thing. They were not happy but there is a law out there and they cannot agree with that. That is happening more and more with all the foreclosures in New Buffalo. All of these rules apply to the banks as well. Often in an association it is almost better because the bank will pay the assessments. If the assessments are not paid, you will need to put a lien on the property. Then it would get paid upon sale. Bill asked if they don't pay the assessment then we would get them when the new buyer closes. There is a process, you put a lien on the unit and it gets paid upon sale. There are tools built in that allow you enforcement rights to collect your assessments. Remember if you do the conversion that tax bill goes away, I don't know what your assessment actual would be but they should be quite low. You would need an assessment for what, the well, maybe some road ways? Your assessment would change drastically to. We would not have the real property tax bill in the assessments. You are moving the shell. Dick stated that the tax bill for the year for the property is roughly \$12,000. Dick stated that trash, yard light comes out of the assessment. Mike stated that the \$12,000 would get split up fifteen ways. Mike stated that a lot of the associations he works with have serious assessments have a common area like a beach on the lake or a pool or ciub house. People are paying \$300 or \$400 a month. So when someone does not pay the assessments it is a real problem. Here your risk on assessments seems low, we are

talking small dollars. Bill stated that in tax terms over 35 years they went from \$1,100 to \$25,000 now when you consider the property and individual homes.

18. Arlene Bruno asked to go back to the division and a sale is a positive thing. I don't know what happens everywhere, we have always had Michigan Appraiser who has come in when the different properties were sold. What they did is they would take real estate type of formula for the homes base in the area then they would come up with the appraisal for the house. But they always gave a 1/15th percentage for the property. Actually you own 1/15th of this land there your house. You made a comment that you would get more for the sale of your house but if they do it this way in Michigan what is changing then? Mike understands how the Appraiser gets this. What is changing is the legal thing you have to sell. Today you sell your stock certificate and the personal property. It is not able to be financed to anything like that. That all affects value. Arlene stated that the stock is your land value and the value should still be there. The stock certificate is for ownership of 1/15 of the land. Fredlake stated that the Appraiser for his father Estate did not put in a value for the land. Arlene stated that she knew what was done with the sale of her brother's and everyone else from the time they have been owners. June Stroud stated that she and Mark were that last ones that have purchased a home and through the Real Estate Agent here. How it was done was 1/15 of the value of the land plus the personal property was value of the home. Dick stated that the other night there is a committee appointed to work on setting up restrictions for lake front property. This is part of the master plan to incorporate some consistency and more restrictions for Lake Site properties. We are probably okay for most of that because we are set back from the lake. I don't know if this will have an effect. You keep talking the township working with us. I remember hearing that at a meeting of the township, I don't remember if it was at the planning commission or the DVA. But there was a comment about, it is not our responsibility to tell the client what they can or can't do. It is our responsibility as a committee to simply rule on what they present. Yes or no. They will not tell you if you do this or that it would be okay? I don't know how much help you will get from the township. Mike stated that you are correct. There is some law out there that says when you are at a planning commission the township cannot say if you do X and Y we will do Z. That is illegal now. The person has to say we are willing to do this does it make a difference? It is about who is dictating to who. Mike stated that what he envisioned was when he had a meeting with the Zoning Administrator Supervisor I said work with us, I meant if we came in with our concept we are all on board with, let's work together with what we need to do to get it approved. Yea we will need at least three or four variances, yea you are going to need to go to this. About we are together for the process and then they perhaps in those meeting would say well it would be nice if you made this or that change. I think they are willing to do that. When it comes to the actual meeting you are correct that there is a rule about how the interchange works. Dick stated that your comment thought was that following the Condominium Act that would allow us to do what you said even though we are non-conforming. That the township would not say no. Mike stated that he could not say that. I will clear that up, the Condominium Act I think allows us to this. It is a great tool. We will need township approval. Without question and we will need their help. They will need to agree to allow some variances and do something there not per the zoning ordinance. We will need their help. There is a chance that we could all agree and are all on the

same team, we get this great thing and we go to the township and they say no. That is a real chance. Dick asked what our next step is. Mike stated that if you want to be creative we could Partition by agreement. And we will do exactly what we want anyways. I am not going to tell the township that. But I am telling you that if the fifteen people here came to me and said this is what we want to do and how we want to divide it there is a tool to do it without zoning approval. They will dispute that, they won't admit it. This is what the other township tried to do but we did it. Partition by consent. Arlene stated that we will have to live with these people in the area. That is the power of it. But the best way is as a group for you to come together and say this is what we can live with and go to the township, have the township as a partner. And get it approved. That is how we should do it. Greg stated that if it did not go that way and we had to Partition what would the township do afterward. Like five year down the line? Mike stated the land would be divided and they cannot undivided it. Dave Ewing stated that we would get what we wanted by different means and therefore have protection. They cannot be vindictive?

19. Mark McCullough stated that getting back to the sale of the property to pass it on to your children that do not uncap it? Mike stated property tax uncapping there is a whole body of law on that. There is exemption to that there are fifteen of them. There is a way to transfer things into a trust that does not cause your property to uncap. If you own your property, if we did a conversion there are way to convey it that would have it uncap. Where there a trust, a quick claim deed for less consideration. There are tools we can use. Independent to this conversion that is a different kind of legal question. But I will tell you there a way to transfer your property that is not a sale and doesn't cause it to uncap.

Dave Ewing closed the meeting. Dave stated that we need all the new business by May 9th for the spring meeting on May 26th. Dave thanked Mike Bell. Dick Bruno stated that we have not collected the property taxes for the garages yet. This payment will be due May 26th. He will send an email with the exact amount due.

Members Not in Attendance:

Noveroske

Respectfully submitted,
June A Stroud, Secretary