

MEMBERSHIP AND LEASE TRANSFER APPROVAL POLICY

IRA Policy # 3 *

Adopted by Islander Residents Association Board of Directors
on October 30, 2006, with the transfer fee to be effective on Feb. 1, 2007
Last amendments approved July, 2017

Islander Residents Association's ("IRA's") Articles of Incorporation and bylaws provide for the creation of memberships in IRA. Each IRA membership is connected to a specific home lot within IRA. A person wishing to lease a home lot within IRA must first (or simultaneously) become a Member of IRA by purchasing the membership connected to the lot. Thus, a membership is a real property interest that grants a person the right to lease (under predetermined rules) a portion of IRA's real property. A membership is also a corporate interest that grants a person the right to control and influence IRA in certain defined ways. These real property and corporate interests are defined, protected, and limited by IRA's Articles of Incorporation and bylaws and the Rules & Regulations and Policies adopted by IRA's Board of Directors. IRA has no legal interest in or liability for the manufactured or modular homes placed by Members in the park.

Due to the legal connection between a membership and a lease, Members wishing to transfer their membership and lease must do so simultaneously.¹ Furthermore, because IRA's purpose is to create and protect a vibrant manufactured and modular home park community, a membership and lease may not be transferred without the approval of IRA's Board of Directors (the "Board"). A Member wishing to obtain the Board's approval of a transfer must follow the process detailed below. A Member who wishes to transfer his or her membership and lease must have a prospective purchaser (referred to herein as the "prospective purchaser" or "prospective Member") in place before beginning the Membership and Lease Transfer Approval Process.

The next page contains a summary of the Transfer Approval Process. Following the summary is a detailed description of the Process.

***IRA Policy #4 is subsumed within October, 2015 IRA Policy #3**

¹ IRA will always require a Member to transfer a membership and a lease simultaneously unless a specific circumstance does not allow for a simultaneous transfer. In these cases, IRA's Board of Directors may allow the transfer of the membership and lease in the order and manner that the Board deems most protective of IRA's current Members. Any use in this Policy of the phrase "membership and lease" shall be deemed to also mean "membership or lease".

Summary of Membership and Lease Transfer Approval Process

1. Seller delivers a memo to the board regarding plans to sell/ transfer membership, at least 15 days prior to the proposed sale or transfer.² Board informs the Membership Task Force chair of the impending sale. At this time, Seller should obtain the following documents from the Park Manager
 - A. A Prospective Purchaser Inquiry Form (along with a packet containing all of the documents listed on page two of the Form);
 - B. A Notice of Intent to Transfer Membership and Lease form;
 - C. A Model Purchase and Sale Agreement form; and
 - D. A Lot Line Confirmation form.
2. Seller proceeds with his/her plans for the sale.
3. Upon the Seller's acceptance of an offer from a prospective Buyer, Seller and Buyer must complete the IRA Purchase and Sale Agreement form or other appropriate agreement and escrow can be opened.

Concurrently, the Seller delivers to IRA a completed Notice of Intent to Transfer Membership and Lease form (signed by the Seller), a completed Prospective Purchaser Inquiry Form (signed by the Buyer), and a completed Lot Line Confirmation form (signed by both Buyer and Seller). These forms are submitted to the IRA Representative/Park Manager.
4. IRA representative performs background and credit checks using the information provided in the Notice of Intent to Transfer Membership and Lease form.
5. Following completion of the background and credit checks, the Board of Directors meets with the prospective Buyer(s), usually at the next scheduled board meeting.
6. Immediately following its meeting with the prospective Buyer(s), the board votes whether to approve or reject the prospective Buyer(s) or table the decision. The board President or the IRA representative will communicate the board's decision to the Buyer(s) as soon as reasonably possible.
7. In order to complete the Purchase and Sale, Buyer and Seller must submit numerous documents to the escrow agent. These documents will be explained by the escrow agent and are listed in Section 9 of the Model Purchase and Sale Agreement. The Board of Directors will issue a new membership certificate to the Buyer upon completion of the sale/transfer and the close of escrow.
8. Once the transfer is completed and escrow is closed, a copy of all documents associated with the transfer are to be turned over to the Park Manager for IRA's files.
9. If a transfer occurs without escrow or the exchange of funds, new membership and lease documents must be recorded at the County. It is the responsibility of the members and the receipt for recording must be submitted to the Park Manager for IRA's files before a new membership certificate is issued.

² This 15-day minimum notice period is required by law.

Membership and Lease Transfer Approval Process

There are three general rules that apply to the Transfer Approval Process: (1) Any Board member who is personally involved in a proposed transfer shall not take part in any debate or vote relating to the transfer. (2) “Deliver” or “delivery” means either (a) delivering the document personally to the appropriate recipient or (b) if the recipient is absent from his or her home, affixing a copy of the document on the front door of the recipient’s home and also sending a copy of the document through the mail addressed to the recipient at the address on file with IRA. (3) “Days” means all types of days, including weekend days and holidays.

The Membership and Lease Transfer Approval Process (the “Process”) is as follows.

1. Notice to IRA Board. A Member who desires to transfer his or her membership and lease must deliver a written document of some variety to IRA’s Board of Directors at least 15 days prior to the proposed sale or transfer. The Member should give this written communication to the President or other available IRA officer.
2. Selling Member Obtains Forms. As soon as desired after submitting the notice to the Board, the Selling Member should obtain the following forms from the Park Manager.
 - A. A Prospective Purchaser Inquiry Form (along with a packet containing all of the documents listed on page two of the Form);
 - B. A Notice of Intent to Transfer Membership and Lease form;
 - C. A Model Purchase and Sale Agreement form; and
 - D. A Lot Line Confirmation form.
3. Find a Buyer. The Selling Member should now feel free to find a buyer for the Member’s home, membership, and lease.
4. Deliver Documents to IRA. Once the Selling Member has found a buyer, the Selling Member must take the following steps:
 - A. Provide the Prospective Purchaser Inquiry Form, along with the large packet of documents listed on page two of the Form, to the Selling Member. The buyer must complete and sign the Form and give the completed Form to the Selling Member. Selling Member then must give the completed Form to the Park Manager or other appropriate IRA representative. It’s possible that the buyer previously completed and signed this Form. If that is the case, then the Selling Member does not need to give the Form and the documents to the buyer nor does Selling Member need to give a completed copy of the Form to IRA.
 - B. Complete and sign a Notice of Intent to Transfer Membership and Lease form. Only the Selling Member signs this form, but note that the Selling Member must include on the form personal information about the buyer (social security number, driver’s license number, etc.). IRA must have this personal information so that IRA can conduct background and credit checks on the buyer.
 - C. Complete and sign the Lot Line Confirmation form. The Selling Member must complete this form, which requires the signature of the Selling Member, the buyer, and the Selling Member’s neighbors.
 - D. Complete the Model Purchase and Sale Agreement or such other sale agreement that the Selling Member desires. IRA prefers, however, that Selling Member use the Model Purchase and Sale Agreement. Completing the Sale Agreement legally starts the sale process. Selling Member must take this signed Sale Agreement to an escrow company to open escrow. IRA has a preferred escrow company that it will recommend to the Selling Member. Selling Member must give a copy of the Sale Agreement to IRA.

5. Park Manager Completes Credit and Criminal Check. As soon as possible after receiving the documents listed in the previous step, the Park Manager or other appropriate IRA representative shall complete a credit check and criminal record check on the prospective purchaser or purchasers.
 - i. Criminal Check. The criminal check is conducted online at <https://watch.wsp.wa.gov/>.
 - ii. Credit Check. A credit report will be obtained from one of the three major credit reporting agencies, such as Experian at <http://www.experian.com/>.
6. Board Reviews Information and Makes Decision. As soon as possible after receiving the Notice of Intent to Transfer Membership and Lease form, and after the Park Manager has conducted the background and credit checks, the Board shall meet with the prospective purchasers, usually at the next regularly-scheduled Board meeting. The purpose of this meeting is to ensure that the prospective purchaser(s) is aware of IRA's unique organizational structure and unusual Bylaws and rules and regulations. In particular, the Board must inform the prospective purchaser(s) about IRA's owner-occupancy requirement as well as IRA's expectation that each member will participate to some degree in the management and maintenance of IRA including running for a term on IRA's Board of Directors. The meeting is also intended to serve as an "interview" during which the Board can get to know the prospective purchaser(s) and decide if the prospective purchaser(s) will be a positive addition to the culture of the park.

After meeting with the prospective purchaser, the prospective purchaser shall leave the meeting and the Board shall make a decision. The Board has three options:

 - i. Option 1: Approval. The Board may, by passing a resolution so stating, approve the transfer of the membership and lease to the prospective purchaser. The President shall, within twenty-four (24) hours of the Board's decision, give notice to the Selling Member and prospective purchaser indicating the Board's approval.
 - ii. Option 2: Rejection. The Board may, by passing a resolution so stating, reject the transfer of the membership and lease to the prospective purchaser. If the Board rejects the transfer, the Board must indicate in its resolution the reason(s) for the rejection. The President shall, within twenty-four (24) hours of the Board's decision, deliver written notice to the prospective purchaser and Selling Member indicating the Board's rejection and the reasons for the rejection.
 - iii. Option 3: Table the Decision. The Board may table the decision until its next meeting. Reasons for tabling the decision could include a need to obtain more information or a desire to give the selling Member more time to correct any violations. If the decision is tabled, when the decision is raised at the subsequent meeting, the Board will still be operating under this step of this Process.
7. Board Approval is Contingent. If the Board approves the transfer, the Board's approval, whether or not it explicitly says so, is contingent upon the following six actions. Most of these actions will happen as part of the escrow process and will, therefore, be facilitated by the escrow agent:
 - i. Delivery of W-9. The Park Manager must receive a copy of IRS Form W-9 executed by the prospective purchaser.
 - ii. Payment of Transfer Fee. The Selling Member must have the transfer fee paid to IRA directly out of escrow at the closing of the sale. If the purchase does not involve escrow, the seller must pay the transfer fee directly to IRA at the same time as the prospective purchaser pays the purchase price to the transferring member.³ The Park Manager shall solicit and accept the transfer fee from the seller or escrow and shall provide the seller with a written receipt when the transfer fee is paid. The transfer fee, which may be changed by the Board at any time by approving a new version of this Policy, is 2.5% of the purchase price up to

³ The purpose of the transfer fee is to cover the costs incurred by IRA when completing the transfer Process and taking the actions necessary to fully and legally include the new member in the Park and Association. The transfer fee is not an entrance or exit fee.

\$175,000, paid by the seller. The “purchase price” is defined as the amount paid for the transferring Member’s membership and mobile home within IRA (including any transaction fees).

- iii. Copy of Transferred Title. Either the transferring Member, the purchaser of the transferring Member’s home, or escrow must provide the Park Manager with a copy of the home’s title that shows that the purchaser is the owner of the home. This must be provided immediately upon the transfer of the mobile home (this can be done following recording of the transferred title).
- iv. Copy of Insurance Policy. The purchaser of the transferring Member’s home or escrow must provide the Park Manager with a copy of the insurance required by the Lease.
- v. Copy of Mortgages or Liens. The purchaser of the transferring Member’s home or escrow must provide the Park Manager with a copy of any lien or mortgage documents that apply to the home or leased property.

If any one of these six actions is not taken, the Board’s approval of the transfer shall automatically be deemed to be rescinded and any Proprietary Lease and Membership Agreement signed by an IRA representative and the prospective purchaser will be null and void.

- 8. Request for Reconsideration. If the Board rejects a proposed transfer, the transferring Member may request reconsideration of the transfer by re-initiating this Process (i.e., by starting at step 1 again).
- 9. Finalizing the Transfer. In due course after a transfer has been completed, the President shall give the new Member a new membership certificate. The old membership certificate shall be destroyed. Also, IRA shall keep current its Roster of Members and Mortgages.

Transfer of Membership and Lease by Bequest, Intestacy, or Operation of Law

Upon the death of a Member, the membership and lease of that Member may pass to the heir or devisee of that Member by bequest, intestacy, or operation of law so long as the person receiving the Membership as heir or devisee (a) lives in or occupies the manufactured home himself or herself and does not sublease the manufactured home (b) completes the Membership and Lease Transfer Process set out above (with the modification that all references in the Process to the “transferring Member” shall be deemed to refer to the executor of the deceased Member’s estate). If the heir does not choose to occupy the house and complete the Membership and Lease Transfer Process, he or she shall still be responsible for the payment of IRA’s monthly maintenance fees and subletting the home will be prohibited.

Authority for Creation of this Policy

This Policy is based upon Article 4 of IRA’s Restated Articles of Incorporation and sections 3.1, 3.4, 3.5, and 3.6 of IRA’s Bylaws. Bylaw 13.7 grants IRA’s Board of Directors the authority to pass rules and regulations that the Board, in its sole authority, deems desirable and incorporates such rules and regulations (including this Policy) into IRA’s Bylaws. Chapter 59.20 RCW also grants IRA the authority to adopt rules. In particular, RCW 59.20.073 allows a manufactured or modular home park owner to require approval of a lease transfer.