

HMC Management

POLICY

Subject: Acquisition and Disposition of HMC Properties

Date: 10 August, 2013

GENERAL

This Policy establishes protocol and procedures regarding the acquisition and disposition of individual real property owned, acquired, sold, or swapped by or with HMC Management.

POLICY STATEMENT

HMC Management (HMC) may acquire real property on Herron Island through foreclosure, purchase, gifts, or other means. The Land Use Committee (LUC) advises the Island Manager and the Board of Directors (Board) regarding the acquisition and disposition of HMC properties on Herron Island.

GOALS

HMC's overriding consideration in deciding whether to acquire or dispose of real property shall be the financial wellbeing and overall welfare of HMC and its Members. In deciding to acquire, retain, or dispose of property, HMC will consider at least the following factors:

1. Long-term versus short-term financial benefits and costs of the proposed action;
2. Preservation or creation of additional Assessable Units.
3. Benefits and costs of retaining property in community ownership rather than transferring it to private ownership;
4. Protection of the natural environment and the enjoyment of community spaces by the Membership;
5. Compliance with all applicable law regarding real estate transactions;
6. Reduction of the cost of HMC ownership by seeking the most favorable tax classification from Pierce County;
7. Consideration of current real estate market conditions.

PROCEDURES

Prior to selling any real property, HMC shall:

- Identify the property for sale;
- Determine a Minimum Sale Price for the property;
- Obtain Membership approval to sell the property at or above the Minimum Sale Price; and
- Advertise the property.

1. Identification of Property to be Sold and Determination of Minimum Sale Price

- a. **Annually the LUC shall** present the Board with a written review list of HMC-owned real property and recommend to the Board which, if any, property(ies) should be made available for sale. The LUC shall also recommend to the Board a minimum price at which such property should be sold (the "Minimum Sale Price"). LUC's recommendations shall be in writing with appropriate supporting documentation. In the determination of the Minimum Sale Price of a particular property, HMC shall:
 - i. When practical and cost effective, obtain comparative market analyses of the property, conducted by at least two licensed Realtors. At least one of the Realtors shall be active in the current real estate market on Herron Island and neither should be in partnership with the other. Any such comparative analysis that HMC uses in setting the Minimum Sale Price shall be no more than two years old;
 - ii. Calculate, if feasible, any lost Assessments and amounts that have been paid out by HMC for taxes and legal costs related to the property; and
 - iii. Consider any additional factors, such as current market conditions and trends.
- b. The Board shall review the recommendations of the LUC and any other available information regarding HMC's real property. The Board shall also determine which HMC-owned property should be made available for sale and finalize the Minimum Sale Price for each such property. The Board may also decide on a case-by-case basis whether to sell or retain individual properties.

2. Obtaining Membership Approval to Sell HMC-Owned Real Property

- a. All sales of HMC-owned real property require prior Membership approval.
- b. When practical and cost effective, the Board shall submit a Ballot to the Membership to be counted with the annual vote in June. The purpose of this Ballot is to obtain approval to sell HMC-owned real property at or above the recommended Minimum

Sale Price. (A separate line-item vote will be required for each piece of property proposed to be sold.)

- c. The vote will result in a list of HMC-owned properties that are approved by the Membership for sale (the "Sale List"). The Sale List will be effective until changed by a vote of the membership..
- d. If a prospective buyer submits an offer for the purchase of HMC-owned property prior to that property being placed on the Sale List, the prospective buyer will be required to pay the cost for any special Membership vote.

3. Advertising and Procedure for Sale

- a. The LUC will update and forward the Sale List to the Board and webmaster to post on the website and publish in the Beachcomber. The list will be effective until changed by a vote of the Membership. HMC may also advertise these properties for sale to the general public through entities such as Craigslist, Zillow.com, and LittleNickel.com and with the posting of "for sale" signs on each property for sale.
- b. A prospective buyer may, at any time, submit a written purchase offer for HMC-owned real property. To be considered, the purchase offer must include the lot address, and proposed terms of the sale, and must have an expiration date of no fewer than fourteen (14) days from the date it is presented to HMC. The purchase offer will be presented to the Board and Island Manager for review with a copy to LUC. The Board will review the reasonableness of the purchase offer and identify any unanswered questions or issues regarding the purchase offer in conjunction with the LUC.
- c. As soon as is practical, HMC will send an email to its "email membership" list to inform those Members currently on the email list and to invite higher offers by the appropriate deadline.
- d. If any purchase offer made is below the Minimum Sale Price, the property may not be sold without a special Membership approval vote. In this case, the prospective buyer will be required to pay the cost for a special Membership vote.
- e. Once a buyer is selected and approved, and final terms of the sale are approved, HMC will proceed with the sale.
- f. Each party shall be responsible for their respective escrow closing costs.

LAND SWAPS

- 1. HMC may receive proposals to swap ownership of an HMC-owned real property for a privately held property. Any such swap proposal must be in writing signed by the person proposing the swap and must:
 - a. State any conditions and/or restrictions of the swap;

- b. Include current comparative analysis of the properties that are the subject of the swap.
2. Any real property swap proposal will be presented to the Board and Island Manager with a copy to the LUC. The Board and the Island Manager, in conjunction with the LUC, will review the proposal, and respond within thirty (30) days of receipt.
3. If the Board agrees to the terms of the proposed swap, the Board may approve the swap, provided that the value of the property being offered for swap is of a value that is equal to or greater than the Minimum Sale Price already approved by Membership vote. If the Board desires to swap a property of less value than that of the HMC property, a special Membership vote is required. The Member requesting the swap will be responsible to pay all legal and other costs and expenses associated with the swap, including any expenses related to obtaining approval through a special Membership vote.

GIFTED PROPERTY

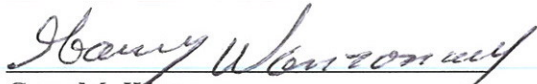
1. HMC may receive proposals to accept ownership of a privately-owned property as a gift. Any such gift proposal must be in writing signed by the person proposing the gift and must:
 - a. State any conditions and/or restrictions of the gift;
 - b. State the benefit of HMC's acceptance;
 - c. Include a market analysis of the property; and
 - d. Include the most recent real estate property tax statement for the property.
2. Any real property gift proposal will be presented to the Board and Island Manager with a copy to the LUC. The Board and the Island Manager, in conjunction with the LUC will review the proposal, and respond within thirty (30) days of receipt.
3. HMC must carefully consider any written request for HMC to accept real property as a gift, because this action may reduce the number of Assessable Units and/or impose additional costs on the Membership, such as property taxes. Since HMC does not seek to increase ownership of miscellaneous properties, gifts of property that are of no benefit to HMC will not be considered if the sole purpose for the gift is to relieve the Member of a personal financial burden. Before accepting any gift of real property, HMC shall consider at least the following factors as well:
 - HMC is not in the real estate business and should not be a depository for bad investments;
 - Taxes, assessments, and legal costs must be paid up to date on any property gifted to HMC at the time HMC accepts the gift;
 - HMC must be aware of and consider any conditions and/or restrictions of the gift; and

- Accepting a “gift,” in some instances, may help HMC avoid costs of future delinquency, collections, and foreclosure actions related to that property.

This Policy has been adopted by the Board of Directors of HMC Management and is effective

August 10, 2013. This Policy supersedes all other Policies on the subjects discussed here.

Approved:
HMC MANAGEMENT


Gary M. Wanzong
President, Board of Directors

Date August 10, 2013