

February 21, 2005

Mr. Dwayne Wilcox  
President  
Port Ludlow Village Council  
P.O. Box 65012  
Port Ludlow WA 98365

Re: Your letter dated 2-11-05 to Al Scalf

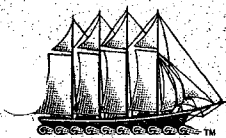
Dear Mr. Wilcox:

The letter is intended to respond to some issues raised in your letter referenced above and express my ongoing concerns with regard to PLVC meetings protocol.

With regard to protocols I have two issues to explore. First, Section V of the Articles of Incorporation states that Voting Members of the PLVC Corporation "shall be derived from all persons who own real property, within the Port Ludlow Master Planned Resort area". It appears that one or more of the current Directors are not owners of real property as required by the Articles. I am requesting that you provide me with a list of all Directors and identify each Director's respective ownership interest in the Master Planned Resort. It would be beneficial if the list can be shared with the Directors at the next general meeting so that we may ensure that voting occurs in a manner consistent with the intent of the organizing documents of the Corporation.

Secondly, I would like to explore the issue of decision-making. The Bylaws of the PLVC describe the process for holding meetings of the organization. "All meetings shall be open to the public and all business transacted shall become part of the public record". It appears that the Directors may be scheduling meetings where decisions of the Directors are not occurring in open meetings. Some of these meetings appear to be conducted secretly. Two recent examples include the decision to change the makeup of the members and numbers of members of a special committee to address Ludlow Bay Village. At the Directors meeting in late November, a motion was made and passed to form an 8-member committee. Subsequently, at the next general meeting you announced some names, but not all names, of committee members. At another general meeting you announced that a decision had been made to reduce the committee to six members and announced new names that were not incorporated in the first announcement. Pursuant to the requirements of the Bylaws, I am requesting a copy of the meeting minutes where this decision was made to change names and numbers of the special committee.

Another example is contained in your letter referenced above. You identify "Those amenities the Council requests are as follows:" I have not been present at any open regular or special meeting where the Council has discussed and agreed upon a list of amenities. It appears that any position of the Council in this regard may not have been



Mr. Dwayne Wilcox

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agreed to in the manner that the organizing documents require. If so, then they cannot be a policy of the PLVC. I am requesting a copy of all meeting minutes of the PLVC that address this agreed upon list.

If the PLVC is holding secret meetings then that is clearly inconsistent with the Purposes of the PLVC as described in the Articles of Incorporation under Section III. The PLVC is to be "a unifying force in the Port Ludlow community and work toward building consensus among the residents, merchants, property owners and others having an interest in the Port Ludlow Community..." PLA is certainly an interested owner. I am challenging the PLVC to return to an open meeting format where policies and procedures of the PLVC are openly discussed and voted upon as mandated by the organizing documents. This process is both reasonable and required. The PLVC cannot be credible if it does not follow its own regulations.

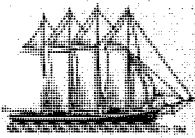
With regard to Olympic Terrace, your letter to Al Scalf does not appear to reflect the motion made by Larry Nobles in support of the project. His motion was not conditional nor did the motion discuss amenities. I recall that during discussion of the motion, Elizabeth specifically stated that the support of the motion should not be connected to the discussion of amenities and it appeared the Directors supported that idea. Your letter appears to be inconsistent with the motion. I request the letter be modified to reflect the intent of the vote of the Directors.

A final concern is the representation the PLVC is making to the community and Jefferson County officials with regard to interpretations of development regulations. It appears that some Directors wish to hold themselves as experts in development regulations based upon the opinions of "consultants" who are not paid to provide counsel and also have vested interests that are not disclosed to the members. As a leader, it is your responsibility to ensure that communications provide responsible information to its members. My earlier letter to you this date is an example of how some Directors may be facilitating incorrect information. More importantly, this misinformation is being promulgated without the benefit of open discussion at regular meetings.

These issues are of great importance to all stakeholders in Port Ludlow. I look forward to a healthy and open exchange of ideas so that the PLVC can gain credibility as a representative body for its members. I am also seeking a prompt response to the requests made herein.

Sincerely,

Greg McCarry  
President



PORT LUDLOW  
ASSOCIATES, LLC

April 14, 2005

Mr. Dwayne Wilcox  
President  
Port Ludlow Village Council  
P.O. Box 65012  
Port Ludlow WA 98365

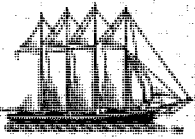
Re: Meetings and Protocols

Dear Mr. Wilcox:

On February 21, 2005, I sent you two letters on various subjects including protocols for meetings and the conduct of business by the Board of Directors. I have not received a written response to either letter as of this date. However, at the April 7, 2005 General Meeting you provided a verbal response on several of the issues. It does not appear that you consulted with your Director colleagues prior to your response because some were surprised at the positions you expressed. The issue that I have continued to pursue with you is that you do not appear to openly seek consensus of the PLVC prior to taking positions with the County or leading a PLVC agenda.

In one letter I posed a question about how decisions of the Directors are made. Some decisions do not appear to be the result of discussions or a consensus of the Directors at any open regular meeting. The example I used was the contents of your February 11, 2005 letter to Mr. Scalf with regard to Olympic Terrace and Port Ludlow Amenities. Your letter did not reflect the vote of support made by the Council nor were amenities identified.

In your verbal response to the issue of meetings of the PLVC, you announced that you, as President, have called meetings at will simply by contacting Directors. You believe that you are not required to provide notice of meetings to the Members. On the contrary, the Bylaws of the PLVC clearly state "ALL MEETINGS SHALL BE OPEN TO THE PUBLIC AND ALL BUSINESS TRANSACTED SHALL BECOME PART OF THE PUBLIC RECORD." (Per Article II, Section 1.) Meetings cannot be considered open when the Members are not aware of them. Conducting the closed meetings that appear to be occurring precludes the Members from participation in and observation of any vote.



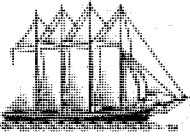
I also sought clarification on the subject of the qualifications for Directors. I observed that one must be a property owner in Port Ludlow to be a Director. You responded that you recognized Members must be property owners, but you went further to state that does not mean one must be a property owner to be a Director. I asked you if your interpretation meant that any resident in Jefferson County could be a Director of the Village Council and you responded affirmatively. Accordingly, your position is that one does not have to own property in Port Ludlow as a prerequisite to sitting on the PLVC Board as a Director. This interpretation is certainly questionable and contrary to the balloting and voting process established for the PLVC that allocates Board positions by relative population in North Bay and South Bay. I have enclosed an article dated August 1999 describing the original vote as an allocation of Directors from north and south Port Ludlow. See Exhibit A. This protocol has been announced and followed at each annual election. The protocols were also set forth in the PLVC June 1, 2001 Policies and Procedures document, a copy of which I have also enclosed as Exhibit B.

You further stated that the current Articles and Bylaws are “temporary” while revisions to the Articles and Bylaws are being discussed. On that point, Director Loomis opined that Pope’s legal counsel created the current Articles and Bylaw documents as if to suggest that fact made the documents invalid. Nothing could be further from the truth. Regardless of who drafted the documents they were voted and adopted by the Members.

On August 2, 2000, the Articles and Bylaws were amended, restated and recorded with the Secretary of State. Thus, the restated version of the Articles and Bylaws are the official documents of the PLVC. It appears that you and some other Director(s) may believe that you are not obligated to the terms and conditions of those documents. These convenient interpretations certainly do not meet the intent of the organizers. For the record, I have attached a copy of the filing of the restated Articles as Exhibit C and a transmittal of those documents by Floyd Newland of the law firm Karr Tuttle in Seattle. See Exhibit D. Mr. Newland, who represented PLVC, is not and was not Pope’s legal counsel.

At the same April 7th meeting a vote on a motion occurred in which you participated as a voter. Another Director reminded you that under Robert’s Rules of Order, the President does not vote on motions. Your response was that the PLVC is not operating under Robert’s Rules. I have enclosed as Exhibit E, a copy of the Table of Contents describing all the material distributed to the PLVC Directors. Please note that a copy of Robert’s Rules was included. You will also find references to Robert’s Rules in the minutes of various meetings of the PLVC.

On a personal note, your hostility toward me has been noteworthy. You placed me on the agenda for the April general meeting. Yet, during my comment period at the meeting you directed me to “shut up” when I was making several of the points that I have memorialized in this letter. I found your admonition to be offensive and unacceptable.



I should have had a better understanding of your agenda long ago. In September, 2004, you sent an email to Jefferson County Administrator John Fishbach in which you wrote, "If there is any suggestion of an attempt to buttress or advance PLA's position it will come back to haunt your staff". I did not recognize the significance of your sentiments at that time, but it has become clear. All of the facts outlined above indicate that your propensity to interpret the law, the land use regulations, the policies of PLVC, the Articles and the Bylaws as you see them demonstrate that you seek to manage an agenda to oppose development progress in Port Ludlow. In contrast, you could find opportunities to seek solutions, propose ideas and bridge differences.

In conclusion, as I wrote in an earlier letter, the Articles provide that the PLVC shall serve as "a unifying force in the Port Ludlow community and work toward building consensus among residents, merchants, property owners and others having an interest in the Port Ludlow community..." Your propensity to obstruct rather than to seek consensus reflects a motive to serve an agenda that ignores the unifying principle of the Articles. I consider the current circumstances to be inconsistent with the broad interests of the Port Ludlow Community, its residents and our company. After careful consideration, I have determined that there is no positive result to be achieved for Port Ludlow or our company by participating in PLVC meetings while your agenda prevails. I will seek other alternatives to achieve progress on initiatives of mutual interest between our company and the Port Ludlow community.

Sincerely,

Greg McCarry  
President

Cc: PLVC Directors