



LAW OFFICE OF  
**RICHARD B. SHATTUCK**  
4102 NW ANDERSON HILL RD.  
SILVERDALE, WA 98383

shattucklaw@earthlink.net  
TELEPHONE: (360) 698-5560  
FAX: (360) 698-5569

October 9, 2008

**VIA TELEFAX**

Keith Moxon  
GordonDerr LLP  
2025 First Avenue, Suite 500  
Seattle, Washington 98121-3140

Re: **Port Ludlow Village Council, et al v. Jefferson County, et al**

**FOR SETTLEMENT PURPOSES ONLY**

Dear Keith:

Again, I want to apologize for the confusion over our Settlement Conference. The Port Ludlow Village Council, South Bay Community Association and Port Ludlow Associates remain willing to discuss resolution of their concerns over Iron Mountain Quarry's proposal.

Given that we were not able to get together yesterday, I wanted to provide you with an outline of my clients' interests and settlement proposal. Any settlement would need to include the following elements:

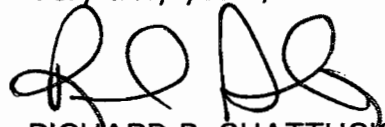
1. Preserve the ridge line closest to the MPR (a map can be provided to show exactly where we mean).
2. In accordance with the Hearing Examiner's most recent decision, Iron Mountain Quarry would proceed under the management of a CUP with community oversight of the county.
3. Pope would agree to no mining within any easement area both now and in the future.
4. Iron Mountain would modify its MRLO application to reflect that the ridge line barrier remains.

Keith Moxon, Esq.  
10/9/2008  
Page - 2

5. Iron Mountain would agree to proceed with mining activities in 20-acre sections and move continuously to the next section.
6. Iron Mountain officers will present their operations plan to our community at event(s) sponsored by the PLVC, SBCA and LMC.

Again, I apologize for the confusion yesterday afternoon. I would appreciate a response to this proposal by Monday, October 13, 2008.

Very truly yours,



RICHARD B. SHATTUCK

RBS/jef

October 17, 2008

Mr. Richard B. Shattuck  
Attorney at Law  
4102 NW Anderson Hill Road  
Silverdale, WA 98383

Dear Richard:

This responds to your October 9<sup>th</sup> letter. I appreciate your apologies regarding your client's cancellation of our proposed settlement meeting on October 8<sup>th</sup>.

The following are IMQ's initial responses to the 6 items in your October 9<sup>th</sup> letter.

1. IMQ would be willing to agree to a restriction on its nonconforming mineral use rights that would preserve a mutually agreeable northeast ridge line to maintain a visual barrier between Port Ludlow and IMQ mining operations.
2. IMQ will not agree to an unlawful CUP process. The law is clear that property with pre-existing use rights cannot be subjected to a conditional use permit process. IMQ has filed a LUPA appeal on this issue and is confident that the CUP requirement will be overturned on appeal. IMQ is not sure what is intended by "community oversight," but this will not be an issue if the court agrees that the CUP process does not apply to IMQ at this location.
3. IMQ has discussed with Pope Resources the idea of a limit on mining within a specific mutually agreed buffer area between the IMQ lease area and the Port Ludlow Master Planned Resort. Pope and IMQ would be willing to agree to such a limit. Pope and IMQ also would be willing to agree to waive any claim of nonconforming mineral resource use rights within a specific mutually agreed buffer area.
4. IMQ would be willing to agree to modification of its MRL application to reflect the preservation of a mutually agreeable ridge line as part of an overall settlement.
5. IMQ would be willing to agree to proceed with mining operations subject to specific mutually agreeable size restrictions on the area of active mining. Depending on what mining activities would be encompassed by such a size restriction, it is quite likely that IMQ could agree to 20-acre limits on active mining phases, especially if the intent is to limit the size of actual quarrying and not related activities such as road, stormwater detention ponds, etc.

6. IMQ remains willing to meet with your clients and Port Ludlow residents to explain the mineral resource use plans for this area. As you know, at this point no project application has been submitted so it is somewhat premature to attempt to determine specific project impacts. There is a basic description of IMQ's plan for mining at this location in the Mineral Resource Land designation materials that have been available for most of this year. Almost all of IMQ's efforts have been focused on attempting to resolve the question of what land use process should apply to IMQ's exercise of its nonconforming mineral resource use rights at this location.

You omitted from your letter one issue that you and I have discussed and that you indicated would be agreeable to your clients – that your clients would not only terminate opposition to IMQ's proposal but would support IMQ's proposal and would encourage Port Ludlow residents and the County to support IMQ's proposal. IMQ would expect such a commitment to be part of any settlement with your clients.

Please let me know if you and your clients are interested in pursuing a resolution of your clients' concerns about IMQ's proposal. I look forward to hearing from you.

Sincerely,

GORDONDERR LLP



Keith E. Moxon

KEM:aka