

READ THIS DOCUMENT BEFORE SIGNING ANYTHING

THE WASHINGTON LAND DEVELOPMENT ACT (RCW 58.19) REQUIRES THAT:

The developer must give each purchaser a copy of this Public Offering Statement prior to a sale. The Land Development Act provides that a purchaser has the right to revoke any contract or agreement for 48 hours after receiving this disclosure statement. The time period of 48 hours does not include Saturdays, Sundays, or legal holidays.

THE DEPARTMENT OF LICENSING RECOMMENDS THAT:

You DO NOT SIGN ANY DOCUMENT before you have thoroughly read it and this Public Offering Statement,
AND THAT YOU INSPECT THE PROPERTY IF POSSIBLE BEFORE MAKING A PURCHASE.

THIS IS THE DEVELOPER'S PUBLIC OFFERING STATEMENT

FOR AN OFFERING KNOWN AS: Ludlow Point Village, Division No. 1

WHICH IS DESCRIBED AS: A Residential Subdivision

STATE OF: Washington COUNTY OF: Jefferson

DEVELOPER'S NAME: Pope Resources, A Delaware Limited Partnership

ADDRESS: Post Office Box No. 1780, Poulsbo, Washington 98370

PHONE: 697-6626 WASHINGTON STATE
REGISTRATION NO. _____

EFFECTIVE DATE OF ORIGINAL REGISTRATION: _____

EFFECTIVE DATE OF THIS PUBLIC OFFERING STATEMENT _____

STATE OF WASHINGTON

PUBLIC OFFERING STATEMENT

REGISTRATION WITH THE STATE OF WASHINGTON: The State's Land Development Registration Act (RCW 58.19), requires that developers must register certain types of developments marketed or sited within the State of Washington. The purposes of registration are to give notice of hazards, assure developer delivery of promised real estate interest, intervals or titles, monitor assessment collections and to provide full, complete and accurate information to the purchaser about the project. Purchasers are to receive this information through a disclosure document called the Public Offering Statement. THIS DOCUMENT IS THE DEVELOPER'S PUBLIC OFFERING STATEMENT.

DISCLAIMER: The Consumer Protection Division, Department of Licensing neither approves nor disapproves of the merits of this offering. The Division disclaims any responsibility for the veracity of the developer's statements or failure of the developer to perform on any promises. Except where otherwise noted, statements and affidavits made are to be considered to be those of the developer, not those of the agency.

PURCHASER COMPLAINTS: Purchasers who believe that conditions are not actually as stated herein or by the developer's agents, or that the developer or its agents have not complied with the affidavits as made in this statement, are requested to contact the Consumer Protection Division in the Department of Licensing. The State's Public Disclosure Act (RCW 42.17) provides that complaints to state agencies will be kept confidential if the complainant so requests.

CONTACT MAY BE MADE BY WRITING TO Property Registrations, Consumer Protection Division, Department of Licensing, Post Office Box 247, Olympia, Washington 98504.

PUBLIC OFFERING STATEMENT

LAND DEVELOPMENT REGISTRATION

DEVELOPERS AFFIDAVIT INFORMATION AND AGREEMENTS OF REGISTRATION

PART I

I/We, the undersigned, hereby certify under penalty of perjury and revocation of this registration that I/we are the owners , or contract purchasers , and developers (as defined in RCW 58.19.020 (7)) of:

A development known or platted as Ludlow Point Village, Div. No. 1 sited in the county of Jefferson, state of Washington; and, that to the best of (my) (our) knowledge, all information, statements and affidavits made herein are true and correct; namely:

DEVELOPER'S OFFICIAL ADDRESS

1. THAT, my/our name(s) as developer(s) (is) (are) POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP : **AND** my/our official address of registration is: 19351-A Eighth Avenue, NE Post Office Box 1780, Poulsbo, Washington 98370 telephone number (206) 697-6626 ; **AND,**

INFORMATION CONCERNING THE PLATS

2. THAT, the plats and lots included in this development have been recorded with the county as shown:

Plat (Division)	Number of Lots	Date Recorded
<u>Ludlow Point Village, Division No. 1</u>	<u>36</u>	

_____ : **AND,**

REGISTERED INVENTORY OF LOTS

3. THAT, the lots or parcels in said plats herein registered and available for sale purposes are as follows (lots must be identified and should conform with those shown on the title opinion on file in the Statement of Record):
Lots 1-36 Inclusive
_____ ; **AND,**

LOTS EXCLUDED FROM SALE

4. THAT, either (check the appropriate statement):
 All the lots in the developers ownership are included in this registration; **OR,**

LOTS NOT FOR SALE

The following lots, parcels or units are not being included in the registration inventory and are not available for sale for the reasons indicated:

None

_____ ; **AND,**

_____ Developer's Initials

TITLE OPINION

5. THAT, a condition of title or title opinion dated _____

_____ is on file with the Investigation and Enforcement Division, Department of Licensing and shows one of the following (X the appropriate statement):

BLANKET ENCUMBRANCES

- (1) The developer has unencumbered title; **OR**,
- (2) There are blanket encumbrances, but the developer will be complying with the blanket encumbrance and clear title requirements of the Act (RCW 58.19.180) in the following manner:

 _____ ; **AND**,

PURCHASERS SHOULD MAKE CERTAIN THIS IS DONE

6. (I) (We) agree to prorate and pay all past due taxes; to record any real estate contracts used in the sales program; to pay at the time of closing required state excise taxes and to furnish all purchasers with either an opinion of title or title insurance at the time of closing of a sale; **AND**

RESTRICTIONS LAND USE

7. THAT, there are no covenants and restrictions except those as attached to and considered part of this public offering statement. Copies of the covenants on all other plats or divisions within the development, upon request will be shown or provided to all purchasers prior to a sale; **AND**,

ENFORCEMENT OF COVENANTS WARNING FROM AGENCY

NOTICE TO PURCHASERS: THE ENFORCEMENT OF COVENANTS OF A SUBDIVISION OR THE GOVERNING DOCUMENTS OF AN ASSOCIATION IS THE RESPONSIBILITY OF ALL THE LOT OWNERS. COUNTY AGENCIES DO NOT ORDINARILY ENFORCE COVENANTS. THE INVESTIGATION AND ENFORCEMENT DIVISION, DEPARTMENT OF LICENSING, HAS NO AUTHORITY TO ENFORCE SUCH DOCUMENTS.

ROADS: ACCESS TO YOUR LOT

8. THAT, either (check the appropriate statements and boxes):
- (1) There will be available at time of sale a paved gravelled road with access to each lot either completed or performance bonded to plat requirements or county standards ; **OR**,
 - (2) Roads are not completed or bonded; road access is discussed elsewhere in this statement; **AND**,

THE DOMESTIC WATER SITUATION

9. THAT, either (check the appropriate statements and boxes):
- (1) Domestic water will be supplied by a qualifying municipality or water district (identify) _____ ; **OR**,
 - (2) A domestic water hook-up will be available to each lot at time of sale at an estimated cost of \$ 350.00 and the community water system has been certified as entirely complete to the state's Department of Social and Health Services on _____ (date) by (my) (our) engineer _____ ; **OR**,

_____ Developer's Initials

- (3) (I) (We) intend to supply domestic water by means of a community water system, but the system is not yet complete and certified; the water system will be discussed in Part II of this statement; OR,
- (4) (I) (We) do not intend to be responsible for domestic water and the water situation will be discussed in Part II of this statement; AND,

ELECTRICAL POWER

10. THAT, either (check the appropriate statements and boxes):
- (1) There will be electricity available for each lot at the time of sale, for an estimated hook-up cost of \$ 0 ; OR,
 - (2) (I) (We) are not supplying or responsible for electrical service. It is the purchasers responsibility and the situation will be discussed in Part II of this statement; AND,

SEWERAGE DISPOSAL

11. THAT, either (check the appropriate statements or boxes):
- (1) At the time of sale, each lot will be provided with a hook-up into a region-wide sewerage treatment facility, identified as: Port Ludlow Wastewater Treatment Plant, There shall be a hook-up cost of \$4,000.00, due within 18 months of date of sale. ; OR,
 - (2) Sewage disposal will be by means of individual on-site disposal systems, and (I) (we) agree (as detailed in the earnest money agreement) to make each sale conditional to the purchaser's receiving approval from the county for an on-site septic system. The time period for obtaining this approval shall be _____ ; AND,

COMMUNITY ASSOCIATION: ASSESSMENTS

12. THAT, either (check the appropriate statements and boxes):
- (1) There will be no community association, commonly-owned properties or collection of assessments; OR,
 - (2) There will be a community association known as South Bay Community Association and/or commonly-owned properties or assessments; namely: private roadways; path and trail system; multi-purpose community center; common areas, tidelands, drainage swales and storm water ponds. ; AND,

IMPROVEMENTS AND FACILITIES

13. That, there are no other promised, advertised or county-required amenities, improvements or structures, not already noted elsewhere in this statement, except as follows (if none, so state): None ; AND,

_____ Developer's Initials

HAZARDS

14. THAT, the development and surrounding area is subject to no known hazards, as defined in RCW 58.19.020 (7), except as follows (if none, so state):
None

_____ ; **AND,**

ADVERTISING AND PROMOTIONAL AGREEMENT

15. THAT, (I) (we) will use only those sale documents on file and of record with the Investigation and Enforcement Division; **AND,**

16. THAT, (I) (we) affidavit **NOT TO SELL LOTS SIGHT UNSEEN**, not to actively or knowingly advertise or promote a program of selling for investment purposes, not to advertise facilities or amenities not actually in existence or bonded, and not to engage in those types of advertising and promotional activities noted and prohibited in the agency's rules and regulations (WAC 308-126C-090) and, unless the agency is first notified, to conduct no other advertising or promotional activity, except as here summarized:
Newspaper advertising, magazine advertising, letters and direct mailing,
television and radio. John L. Scott will be the listing agent for the
sale of properties within Ludlow Point Village, Division No. 1

_____ ; **AND,**

DEVELOPERS AGREEMENT TO CONTACT THE AGENCY

17. THAT, should there be a bulk sale of the lots registered in this offering, a material change in conditions, or a change in the developer's plan of advertising and promotion, (I) (we) will immediately notify the Investigation and Enforcement Division, Department of Licensing, Olympia, Washington 98507, and also provide a copy of the bulk sale agreement to the Division; **AND,**

18. THAT, in addition to the information, statements and affidavits that are to be found in this part of your public offering statement. (I) (WE) ARE PROVIDING YOU WITH SUPPLEMENTAL INFORMATION ABOUT (MY) (OUR) DEVELOPMENT TO BE FOUND NARRATED, BY CAPTIONED ATTACHMENT, AS FOLLOWS:
POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, by Pope MGP, Inc., A Delaware corporation, its general partner.

Developer's signature(s)

George H. Folquet, President

STATE OF WASHINGTON

LAND DEVELOPMENT REGISTRATION

PART II

ADDITIONAL INFORMATION

1. SOUTH BAY PLAN OF DEVELOPMENT.

The Ludlow Point Village, Division No. 1, is part of property owned by Pope Resources which is proposed for development as the South Bay Community. The Ludlow Point Village, Division No. 1, Plat was approved on _____, 1989, as a 36 Lot, Single Family Subdivision. Pope Resources has annexed and incorporated Ludlow Point Village, Division No. 1, into the South Bay Community.

The South Bay Community contemplates a residential community of approximately 700 - 800 units, including single family and multi-family residences. To serve the needs and desires of the residential community, a multi-purpose community center will be built near Ludlow Point Village, Division No. 1, which will include a swimming pool and other facilities for use of the South Bay Community.

Pope Resources fully intends to develop or cause to be developed this residential community. However, Pope Resources is not obligated to do so. If Pope Resources is unable to obtain appropriate government land use approvals or if for any other reason Pope Resources decides not to develop the previously mentioned residential community, there shall be no liability or recourse of any purchasers within Ludlow Point Village, Division No. 1.

2. COMMON AREA OWNERSHIP

The South Bay Community Association shall own and be responsible for some private roads and all trail systems throughout South Bay, the multi-purpose community center site and facilities, and certain drainage swales, storm water ponds and common areas within the South Bay Community. Ownership of portions of the recreational facilities may be retained by Pope Resources throughout the Development Period, but will be deeded to the Association pursuant to the South Bay Master Declaration.

3. EASEMENTS AND RIGHTS OF ENJOYMENT

Every Purchaser and Member of the South Bay Community Association shall have a non-exclusive right and easement of enjoyment in and to the common areas and recreational facilities throughout the South Bay Community, specifically including the multi-purpose community center and the trail and pathway system. This easement of enjoyment shall be appurtenant to and shall pass with the title to every Lot subject to the provisions set forth in the South Bay Master Declaration, a copy of which is available to each Purchaser.

4. ARCHITECTURAL REVIEW COMMITTEE

Any construction of improvements in Ludlow Point Village, Division No. 1, shall be subject to architectural controls described in Article 11 of the South Bay Master Declaration. These controls are for the purpose of providing a consistent and high level of development. The Architectural Review Committee shall be controlled by Pope Resources until ninety percent (90%) of the contemplated Lots in South Bay, including those in recorded subdivisions as well as those subdivisions to be completed in the future, have been sold. Accordingly, Pope Resources shall have broad discretion to control improvements within the Ludlow Point Village, Division No. 1 property for many reasons, including purely aesthetic reasons. The Architectural Review Committee may establish a reasonable processing fee to defer the costs in considering any requests for approval submitted to the Architectural Review Committee, which fee must be paid at the time the request for approval is submitted.

STATE OF WASHINGTON
LAND DEVELOPMENT REGISTRATION
PART III

COMMON INTEREST OFFERINGS: GENERAL INFORMATION ABOUT
COMMONLY-OWNED PROPERTY AND
COMMUNITY ASSOCIATIONS

1. MEMBERSHIP IN THE ASSOCIATION: ...COMMONLY-OWNED PROPERTY

The South Bay Community includes certain common areas and facilities as described elsewhere in this Statement. This is the property which you are to own in common with others through membership in the South Bay Community Association ("Association"). The commonly-owned property will be owned in the name of the Association. Through legally enforceable provisions of the South Bay Master Declaration, or other means, your membership in the Association will be mandatory and automatic the moment you purchase a Lot. The purchase will automatically entitle AND OBLIGATE you to be a member of the Association and, in most instances, will include a beneficiary interest for you and your family in the facility and amenities. A certain portion of your purchase price will most likely represent the value and cost of the commonly-owned properties.

2. NATURE OF THE ASSOCIATION

An automatic-member community should not be confused with a voluntary civic or social club. It is nothing of the sort. The Association will run as a mini-government, operating under legal documents. For the most part, the majority rules and what the group wants under the agreement, you will have to accept as well. In addition to providing a means for ownership and management of the common properties, the Association will serve other purposes. As set forth elsewhere in this Statement, Architectural Control will be enforced throughout the South Bay Community as will the covenants of record and other land use restrictions contained within recorded documents.

3. VOTING CONTROL OF THE ASSOCIATION

Until Pope Resources has turned over control of the Association to the members, it will be controlling the affairs of the Association. It is usually good planning and necessary

that the promoter do so during the early stages. Pope Resources will turn over control of the Association to the members in accordance with the specifications set forth in the South Bay Master Declaration and Part IV, Section 5, herein. For this reason, YOU SHOULD READ THE SOUTH BAY MASTER DECLARATION, AND OTHER GOVERNING DOCUMENTS, CAREFULLY. YOU ARE TO BE GIVEN COPIES OF THEM AS ATTACHMENTS WITH THIS DISCLOSURE STATEMENT.

It is vitally important that the transition from Pope Resources to member control be accomplished in an orderly manner and in a spirit of cooperation.

4. GOVERNING DOCUMENTS

Your ownership in Ludlow Point Village, Division No. 1, and your rights and remedies as a member of the Association will be controlled by governing documents which generally include: (1) South Bay Master Declaration; (2) Supplemental Declaration of Covenants, Conditions and Restrictions for the Plat of Ludlow Point Village, Division No. 1,; (3) Articles of Incorporation, Bylaws and Membership Rules of the Association, if any. The provisions of these governing documents are intended to be, and in most instances are, enforceable in a court of law. The Association documents will be subject to the provisions of the Washington State Non-Profit Corporations Act (RCW 24.03). Pope Resources and the Association are expected to comply with the requirements of any applicable laws. Copies of governing documents for the Association are available at the offices of Pope Resources for your review. You should also have been given copies of such documents. YOU SHOULD STUDY THESE DOCUMENTS CAREFULLY BEFORE ENTERING INTO A CONTRACT TO PURCHASE.

5. ASSESSMENTS AND ASSOCIATION BUDGET

In order to provide funds for operation and maintenance of the common properties and facilities, the Association has the authority to levy assessments against your Lot. IF YOU ARE DELINQUENT IN THE PAYMENT OF ASSESSMENTS, THE ASSOCIATION MAY ENFORCE PAYMENT THROUGH COURT PROCEEDINGS OR YOUR LOT MAY BE LIENED AND SOLD THROUGH THE EXERCISE OF A POWER OF SALE. THE ANTICIPATED INCOME AND EXPENSES OF THE ASSOCIATION, INCLUDING THE AMOUNT THAT YOU MAY EXPECT TO PAY ANNUALLY THROUGH ASSESSMENTS, SHOULD BE OUTLINED IN A PROPOSED BUDGET. ASK TO SEE A COPY OF THE BUDGET IF POPE RESOURCES HAS NOT ALREADY MADE IT AVAILABLE FOR YOUR EXAMINATION. The budget is part of Pope Resources's statement of record. A copy is to be made available for your review either in the sales office or at the official address of the Association. This budget should be examined

carefully. Does it realistically and accurately project the future costs of managing and maintaining the Association properties and facilities? Does it provide adequate reserves for major maintenance expenses or replacement of facilities?

6. ASSESSMENTS: NON-RESIDENT OWNERS

If you are purchasing a Lot with the possibility of being an absentee owner for any period of time you should realize that you must still pay the usual and prescribed owner assessments, whether or not you actively use common properties and facilities. If the Association properly elects to increase assessments for any authorized improvements, or to pay for increased or unforeseen maintenance costs, you will have the same legal obligations to pay as would any resident owner.

7. FINANCIAL REPORTS: BOOKS AND RECORDS

The Association governing body is required to follow certain practices relative to the management, record keeping and reporting of Association finances. The Treasurer is required to be a person or business entity not related to the individual developer, otherwise assessments may have to be placed in an outside trust arrangement. BOOKS AND FINANCIAL RECORDS ARE TO BE MADE AVAILABLE FOR YOUR INSPECTION AT REASONABLE HOURS AND TIMES. You should also be provided with a report on the finances and the proposed budget of the Association at least once a year.

8. COOPERATIVE LIVING: COVENANTS, CONDITIONS AND RESTRICTIONS ON LAND USE AND ACTIVITIES

When contemplating the purchase of a Lot in Ludlow Point Village, Division No. 1, you should consider factors beyond the attractiveness of the Lots: Study the governing documents and give careful thought to whether you will be able to exist happily in an atmosphere of cooperative living where the interest of the group must be taken into account as well as the interest of the individual. Remember that managing a common-interest Association is very much like governing a small community. The management can serve you well, but you will have to work for its success. There are actions that can be taken by the governing body without a vote of the members of the Association, which can have a significant impact upon the quality of life for Association members. You should contemplate active participation in the affairs of the Association and Board of Directors or on Committees of the Association. In addition to covenants, conditions and restrictions on land use and to some degree personal activity, you will find that building and construction is

subject to prior review and approval by the Architectural Review Committee. You should study the limitations and restrictions on building activity found in the governing documents carefully and realize that they are enforceable in a court of law.

9. YOUR OBLIGATIONS AS A MEMBER OF AN ASSOCIATION

- A. To pay assessments properly authorized and to share expenses of the Association;
- B. To comply with the provisions of the governing documents, including proper and reasonable restrictions on land use or personal activity;
- C. To attend Association meetings, vote, and participate actively in the affairs of the Association; and
- D. To take proper care of Association property.

10. YOUR RIGHTS AS A MEMBER OF AN ASSOCIATION

- A. To proper use and sharing of Association properties, facilities and amenities, pursuant to the governing documents;
- B. To receive Annual Reports on the financial and business affairs of the Association;
- C. To attend Association meetings, to vote, run for office and serve on Committees;
- D. To have reasonable access to Association books and records, including minutes of meetings; and
- E. To receive a written notice of Association meetings and voting matters.

THE INFORMATION IN THIS SECTION HAS BEEN GENERAL IN NATURE AND PROVIDED FOR GENERAL EDUCATIONAL PURPOSES: MORE SPECIFIC FACTS ABOUT LUDLOW POINT VILLAGE, DIVISION NO. 1, THE SOUTH BAY COMMUNITY ASSOCIATION AND COMMONLY OWNED PROPERTIES, WILL BE FOUND IN THE NEXT SECTION.

STATE OF WASHINGTON

LAND DEVELOPMENT REGISTRATION

PART IV

SOUTH BAY COMMUNITY ASSOCIATION

TO THE READER: This Part IV of the Public Offering Statement contains specific information about your common-interest ownership of certain community property, facilities and amenities which are part of the South Bay Community, located in Jefferson County, State of Washington. The community property in which you are purchasing an undivided interest is to be owned and managed by the Association. The Association will own the multi-purpose community center and site; some private roadways; the path and trailway system; and some common areas, tidelands and drainage facilities, including drainage swales and storm water ponds.

1. THE COMMUNITY PROPERTY: NATURE OF YOUR INTEREST

When you purchase a Lot in Ludlow Point Village, Division No. 1, you will also be purchasing an interest in other property located within the South Bay Community. Part of your purchase price represents the value of this property. It is to service your recreational, social, and amenity needs. Ownership of this property is by means of membership in the South Bay Community Association. Such membership goes with the purchase of your Lot. You will automatically lose your membership and your interest in the community property when you sell your Lot, as your interest in the community property will be transferred with your fee ownership in the Lot. Your ownership in the community property is undivided and will be non-dividable for the life of the Association or the term of your use.

2. GENERAL INFORMATION ABOUT YOUR ASSOCIATION

A. South Bay Community Association

South Bay Community Association was established in November, 1989, by the filing of the Articles of Incorporation with the Secretary of State, State of Washington, pursuant to the provisions of RCW 24.03, the Washington Non-Profit Corporation Act. The Washington State Incorporation Identification Number is 601-215-723. The

Incorporator is Craig L. Jones, of Eisenhower, Carlson, Newlands, Reha, Henriot & Quinn.

B. Non-Profit Status

As a non-profit corporation, the Association cannot make a profit for distribution to its members, officers or directors. Were it to attempt to do so, it might lose its legal standing, be subject to suit, or lose certain member immunities and tax benefits. Its primary purpose is to own, manage and maintain for the benefit of its members the community property and facilities. Another important purpose is to ensure the architectural control of development within the South Bay Community.

3. MEMBERS UTILIZING COMMUNITY PROPERTY, FACILITIES AND AMENITIES.

As set forth herein, the Owners of Lots in Ludlow Point Village, Division No. 1, will become members of the overall South Bay Community Association that may eventually include 700 to 800 Lots within the South Bay Community. In addition, the governing documents provide for additional "Associate Memberships" by persons residing in the vicinity of the South Bay Community. The number of Associate Members is discretionary with the Board of Directors of the Association. Thus, the number cannot be estimated with any degree of certainty.

4. OWNERSHIP STATUS OF THE COMMUNITY PROPERTY

The site on which the multi-purpose community center is located, and certain recreational facilities, will be deeded to the South Bay Community Association. However, ownership may be retained by Pope Resources throughout the Development Period as set forth in the South Bay Master Declaration. In addition, the trail and pathway system is also community property owned by the South Bay Community Association. Pope Resources reserves the right to deed other common areas to the South Bay Community Association as portions of the South Bay Community are developed, but Pope Resources is under no obligation to do so. The community property and other common areas will be maintained by the South Bay Community Association and may include, but shall not be limited to, private roadways, pathways and trails, the multi-purpose community center site, together with improvements thereon, drainage swales and storm water ponds.

5. OPERATION AND MAINTENANCE

The Association will be managed according to the terms and conditions of the governing documents, including the Master Declaration, the Articles of Incorporation and Bylaws of

the South Bay Master Association. The Board of Directors will be composed of at least three (3) and no more than nine (9) members. The initial Board of Directors shall be composed of five (5) members, identified as follows:

<u>NAME</u>	<u>ADDRESS</u>
Mr. Greg McCarry	19351-A Eighth Avenue NE Post Office Box 1780 Poulsbo, WA 98370
Mr. Thomas A. Griffin	19351-A Eighth Avenue NE Post Office Box 1780 Poulsbo, WA 98370
Mr. David Cunningham	19351-A Eighth Avenue NE Post Office Box 1780 Poulsbo, WA 98370
Mr. George Folquet	19351-A Eighth Avenue NE Post Office Box 1780 Poulsbo, WA 98370
Mr. Thomas Ringo	19351-A Eighth Avenue NE Post Office Box 1780 Poulsbo, WA 98370

Until Pope Resources turns over control of this Association to the members as described below, it shall have the voting power to appoint all directors. Pope Resources shall retain such authority until the happening of the first of the following events: (1) when the total votes outstanding in Class A (which includes the owners of all Lots except those held by Pope Resources) equals 800; or (2) at the end of the development period, which is 15 years from the recording of the South Bay Master Declaration. Pope Resources may voluntarily elect to turn over control earlier than provided above, but it is probable that Pope Resources will retain control over the development at least until completion of all development within the South Bay Community. Members of South Bay Community Association shall be entitled to vote on most matters before the Association based upon the number of Lots owned by each member. Each Lot shall be entitled to one (1) vote. However, Pope Resources shall be entitled to three (3) votes for each Lot owned.

6. AMENDMENTS

As long as there is a Class B Membership, as defined in Section 17 of the South Bay Master Declaration, the governing documents may be amended by obtaining the approval of fifty-one percent (51%) or more of each Class

of Membership. When there is no longer a Class B Membership, then the governing documents may be amended by obtaining approval of seventy-five percent (75%) of the total outstanding votes entitled to be cast, unless a greater percentage is required by law.

7. ANNUAL ASSESSMENTS

You will be required to pay an Annual Assessment against each Lot where there has been issued an Occupancy Permit for a dwelling unit thereon for sixty days or more. The Annual Assessment is utilized to pay for the activities and obligations of the Association. The amount of the Annual Assessment is established by the Board of Directors with the objective of fulfilling the Association's obligations. The initial Annual Assessment period shall commence 60 days after the issuance of the first Occupancy Permit for a dwelling in South Bay, and each subsequent Annual Assessment Period shall correspond with the fiscal year of the Association. During the initial Annual Assessment Period, the maximum assessment against each Lot subject to assessment will be \$540. This Annual Assessment is subject to increase in subsequent years in accordance with the provisions set forth in Section 7 of the South Bay Master Declaration.

8. SPECIAL ASSESSMENTS

In addition to the Annual Assessment, the governing documents provide for a Special Assessment for capitol improvements and extraordinary expenses. The Association may, in any Assessment Period, levy a Special Assessment for the purpose of defraying, in whole or in part, the costs of any acquisition, construction, reconstruction, repair or replacement of a capitol improvement upon community property, including buildings, structures, fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses. However, the Board of Directors may not, without the vote or written consent of a majority of each Class of Membership, levy Special Assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. No Special Assessment has been fixed during 1989 or 1990.

9. ENFORCEMENT OF ASSESSMENT COLLECTIONS

Effective collection of assessments is an important and necessary part of the Association management and your community ownership. Unpaid assessments may result in financial problems for the Association and a greater financial burden being placed upon other members. Thus, any delinquent installment of annual or special assessment shall bear interest from 30 days after the due date until paid at a uniform rate established by the Board of

Directors, which rate shall not exceed the maximum interest rate legally allowed by Washington State. Any delinquent member shall be liable for all collection costs, including attorneys' fees, incurred by the Association. The Board of Directors may also record a Notice of Delinquent Assessment against any Lot as to which an Annual or Special Assessment is delinquent and constitutes a lien, and may further establish a fixed fee to reimburse the Association for its costs associated with recording such a Notice of Lien, processing the delinquency and recording a Notice of Payment, which fixed fees shall be treated as a collection cost of the Association secured by the Assessment Lien. The Association also has the authority to terminate all rights and privileges that you have as a member of the Association while there is a delinquent assessment against your property.

10. LIABILITY: INSURANCE COVERAGES

The Association could be responsible to third parties for its acts or omissions or for injury caused to others through use of Association property. For the purpose of liability protection, the Association will be required to carry liability insurance, which will be a common expense. The limits and specific requirements of the insurance coverage is described in Article 13 of the South Bay Master Declaration. This liability coverage does not cover injuries to others through your own acts while on Association property. YOU SHOULD CARRY YOUR OWN LIABILITY INSURANCE FOR SUCH PROTECTION.

LAND DEVELOPMENT REGISTRATION DEVELOPER'S OATH OF AFFIRMATION

Registration Number _____

Registration Date _____

(I), (We), POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP,
 developer(s), or the legal agents thereof of a development known and registered as
Ludlow Point Village, Division No. 1, do hereby affidavit
 that (I) (we) have processed the registration application and subsequently reviewed and carefully studied
 this registration in its final form, as ordered by the state of Washington; and, (I), (we) further certify
 and affidavit that to the best of (my) (our) knowledge and belief, all the statements, promises and
 affidavits that (I) (we) have made and finally approved in this _____
 page document are true, correct and complete. (I) (We) further agree and do voluntarily stipulate that
 all promises, affidavits and statements made herein constitute our binding contract and agreement of
 performance with said purchasers: (I) (We) further agree that the granting of this registration by af-
 fidavit shall not serve to waive any of the developer's obligations, duties and responsibilities as found
 in the Land Development Registration Act of 1973, nor any of the powers of the Director, Department
 of Licensing, nor any of the rights found in the Act running to the benefit of third parties or purchasers.
 (I) (We) understand that the state of Washington, in granting this abbreviated format of registration,
 has placed considerable reliance upon the affidavit as found herein. Therefore, (I) (we) agree and stipulate
 that should (I) (we), or any of (my) (our) agents knowingly fail to complete or comply with any of the
 conditions, affidavits or requirements of this registration by affidavit; or should circumstances materially
 change so that a full narrative registration of this development be in the best public interest, the revoca-
 tion of this abbreviated format of registration and a full narrative registration is hereby consented to.

Signed this _____ day of February, 19 90 at Poulsbo, Washington,

Signature

George H. Folquet

Name typed

President and Chief Executive Officer

Title or authority for signature

Signature

Name typed

Title or authority for signature

STATE OF WASHINGTON)
) ss
 COUNTY OF Kitsap)

I, _____, duly appointed, acting and qualified notary
 public for said county and state do hereby certify that on this day personally appeared before me, known
 to be the individual(s) described in and who executed the within statement, and acknowledge that he/she
 signed and sealed the same as a free and voluntary act and deed, for the uses and purposes therein
 mentioned.

Given under my hand and official seal this _____ day of _____, 19 _____

NOTARY PUBLIC in and for the State of

Washington, residing at _____

STATE OF WASHINGTON
**LAND DEVELOPMENT REGISTRATION
PURCHASERS RECEIPT FOR
PUBLIC OFFERING STATEMENT**

L/D No. _____

Registration Date _____

TO THE PURCHASER: You are requested to sign this receipt. Your doing so will protect both you and the developer. **DO NOT SIGN THIS RECEIPT UNTIL** you have received your copy of the disclosure statement and made certain that it is the one dated and referred to on this receipt page and that all pages are intact. The following documents are considered to be part of this disclosure report. Make certain you have received them also. They are: South Bay Master Declaration; Supplemental Declaration of Covenants for Ludlow Point Village, Division No. 1; Articles of Incorporation of Association.

RECEIPT: On the _____ day of _____, 19 _____, I received a public offering statement consisting of _____ pages for the development _____, L/D No. _____. Its effective date was _____ and showed a _____ registration.

I also received the above-noted attachments to the public offering statement and was given an opportunity to inspect those documents said to be in the developer's Statement of Record. (If applicable) I purchased lot #4 FAIRWIND CT. (date) _____.

Signed _____

Name printed or typed

Dated this _____ day of _____, 19 _____.

Address

Sales Person _____

TO THE DEVELOPER: This receipt page is considered to be part of your public offering statement. When copies of the official public offering statement returned to you are printed or photocopied, this page should be filled in with necessary information and attached at the end. When a person is given a public offering statement, remove this page and have the (purchaser) (recipient) read and sign. Keep this receipt in a safe place. It is your protection. Unless requested by the Division, you will not ordinarily be required to provide the Division with photocopies of the receipts. If there is a complaint or information that purchasers are not properly receiving disclosure statements, or if you are making sales outside of this state, you may be requested to submit photocopies of the receipts.