

**PROPERTY REPORT
NOTICE AND DISCLAIMER
BY OFFICE OF INTERSTATE LAND SALES REGISTRATION
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

The Interstate Land Sales Full Disclosure Act specifically prohibits any representation to the effect that the Federal Government has in any way passed upon the merits of, or given approval to this subdivision, or passed upon the value, if any, of the property.

It is unlawful for any one to make, or cause to be made to any prospective purchaser, any representation contrary to the foregoing or any representations which differ from the statements in this Property Report. If any such representations are made, please notify the Office of Interstate Land Sales Registration at the following address:

Office of Interstate Land Sales Registration
HUD Building, 451 Seventh Street, S.W.
Washington, D.C. 00410

Inspect the property and read the document. Seek professional advice.

Unless you received this property report prior to or at the time you enter into a contract, you may void the contract by notice to the seller.

If you received the Property Report less than 48 hours prior to signing a contract or agreement you have until midnight of the third business day following the consummation of the transaction to revoke your contract by notice to the seller.

1. Name(s) of Developer: POPE & TALBOT DEVELOPMENT, INC.
Address: 904 North Bay Lane
Port Ludlow, Washington 98365
2. Name of Subdivision: PORT LUDLOW NO. 1, PORT LUDLOW NO. 2
and PORT LUDLOW NO. 3,
Location: Part of Port Ludlow Community "A",
Port Ludlow, Wa 98365
(a) Effective Date of Property Report: July 20, 1976

IMPORTANT READ CAREFULLY

Name of Subdivision: PORT LUDLOW NO. 1, PORT LUDLOW NO. 2, and PORT LUDLOW NO. 3,

By signing this receipt you acknowledged that you have received a copy of the Property Report prepared pursuant to the Rules and Regulations of the Office of Interstate Land Sales Registration, U.S. Department of Housing and Urban Development.

Received by
Street Address 12002 PASEO BONITA
Date JULY 27, 1977
City LOS ALAMITOS State CA
Zip 90720

Notwithstanding your signature by which you acknowledged that you received the Property Report you still have other important rights under the Interstate Land Sales Full Disclosure Act.

WARNING:

SEWAGE DISPOSAL FACILITIES ARE NOT PROVIDED IN AREAS 1, 3, 4 AND 5 OF PORT LUDLOW NO. 1. THE PURCHASER OF A LOT WITHIN THOSE AREAS WILL BE UNABLE TO OBTAIN A BUILDING PERMIT UNLESS THE PURCHASER CAN OBTAIN A PERMIT TO USE A SEPTIC TANK FROM THE COUNTY SANITARIAN, JEFFERSON COUNTY COURTHOUSE, PORT TOWNSEND, WASHINGTON 98368. SEE ADDITIONAL INFORMATION IN QUESTION 10 OF THIS REPORT.

2. (b) WHAT IS THE LEGAL DESCRIPTION OF THE LOTS OFFERED FOR SALE?

ALL REFERENCES TO RECORDING DATA REFER TO OFFICIAL RECORDS OF JEFFERSON COUNTY, WASHINGTON.

Lots 1 through 324 of Port Ludlow No. 1 as recorded in Volume 5 of Plats on Pages 26 through 32.

Lots 1 through 403 of Port Ludlow No. 2 as recorded in Volume 5 of Plats on Pages 41 through 48.

Lots 1 through 87 of Port Ludlow No. 3 as recorded in Volume 5 of Plats on Pages 95 through 97.

3. LIST NAMES AND POPULATIONS OF SURROUNDING COMMUNITIES AND LIST DISTANCE OVER PAVED AND UNPAVED ROADS TO THE SUBDIVISION.

<u>Name of Community</u>	<u>Population (Estimated)</u>	<u>Paved</u>	<u>Unpaved</u>	<u>Total</u>
Hadlock	850	8	0	8
Silverdale	4,900	26	0	24
Port Townsend (A)	5,500	18	0	18
Port Angeles	16,700	50	0	50
Bremerton	35,975	35	0	35

(A) County Seat of Jefferson County

4. COMPLETE ALL ITEMS UNDER THIS PARAGRAPH REGARDLESS OF WHETHER THE SALE WILL BE AN INSTALLMENT OR CASH SALE.

- (a) WILL THE SALES CONTRACT BE RECORDABLE? YES OR NO?

Yes, the Contract of Sale is recordable and, in fact, is recorded by Developer at closing of sale on behalf of purchaser.

- (b) IN THE ABSENCE OF RECORDING THE CONTRACT OR DEED, COULD THIRD PARTIES OR CREDITORS OF ANY PERSON HAVING AN INTEREST IN THE LAND ACQUIRE TITLE TO THE PROPERTY FREE OF ANY OBLIGATION TO DELIVER A DEED? YES OR NO? EXPLAIN.

Yes, but Developer records Contract of Sale in behalf of a contract purchaser, and the deed in behalf of a cash purchaser, in the Official Records of Jefferson County at the time of closing of sale.

(Prepared: July 1, 1976)

- (c) STATE WHETHER AND/OR WHEN THE CONTRACT OR DEED WILL BE RECORDED, AND WHO WILL RECORD IT. STATE WHO WILL BEAR THE COSTS OF RECORDATION, AND THE AMOUNT IF THOSE COSTS ARE TO BE BORNE BY THE PURCHASER.

Contracts of Sale will be recorded at closing of sale by Developer who will charge the purchaser for reimbursement, from closing proceeds, for the \$3 Jefferson County recordation fee. The deed delivered to a purchaser after the purchaser has paid off purchaser's Contract of Sale will be delivered in recordable form; purchasers are responsible for recording this deed in the Official Records of Jefferson County at their cost. A cash purchaser of a lot obtains a deed at closing of sale that has been recorded by the Developer on behalf of the purchaser; the Developer will charge the purchaser for reimbursement, from closing proceeds, for the \$2 Jefferson County recordation fee.

- (d) WHAT PROVISION, IF ANY, HAS BEEN MADE FOR REFUNDS IF BUYER DEFAULTS? IF NONE, AND THE BUYER'S PAYMENTS ARE TO BE RETAINED, STATE WHETHER HIS LOSS WILL BE LIMITED TO THE AMOUNT OF HIS PAYMENTS TO DATE, OR WHETHER HE WILL BE RESPONSIBLE TO THE DEVELOPER OR HIS ASSIGNEES FOR ADDITIONAL DAMAGES OR FOR THE BALANCE OF HIS CONTRACT.

None, previous payments by buyer who defaults will be retained by Developer as liquidated damages. After default, a buyer may limit his loss to the amount of his payments to date, and the Developer will not seek any additional damages or the balance of the contract, if the purchaser signs a quitclaim to return the lot to the Developer.

- (e) STATE PREPAYMENT PENALTIES OR PRIVILEGES, IF ANY.

The purchaser may prepay his contract at any time without penalty. The Contract of Sale can be assigned by purchaser to another person with the permission of Developer, which permission will not unreasonably be withheld, upon the payment of a \$37 fee; \$35 of which is a transfer fee and \$2 of which is a recording fee.

5. IS THERE A BLANKET MORTGAGE OR OTHER LIEN ON THE SUBDIVISION OR PORTION THEREOF IN WHICH THE SUBJECT PROPERTY IS LOCATED? YES OR NO? IF YES, LIST BELOW AND DESCRIBE ARRANGEMENTS IF ANY FOR PROTECTING INTERESTS OF THE BUYER OR LESSEE IF THE DEVELOPER DEFAULTS IN PAYMENT OF THE LIEN OBLIGATION. IF THERE IS SUCH A BLANKET LIEN, DESCRIBE ARRANGEMENTS FOR RELEASE TO A BUYER OF INDIVIDUAL LOTS WHEN THE FULL PURCHASE PRICE IS PAID.

No. There is no blanket mortgage or other lien on all lots in the subdivision.

Two (2) classifications of lots will be offered under this filing by Developer.

1. "Inventory lots." Lots owned by Developer that are either previously unsold or recovered by Developer from forfeitures by a previous purchaser. All inventory lots are free of any financial encumbrance, i.e., the Developer owns the land free and clear of any financial encumbrance and has not encumbered the lots to finance off-site or on-site lot improvements.
2. "Resale lots." Lots owned by persons who previously purchased for cash or are purchasing, or have purchased, from Developer under the terms of a Contract of Sale. The owner of a resale lot has voluntarily listed the lot for sale with the Developer as a real estate broker. The owner of a resale lot will stipulate its selling price, amount of down payment, date of closing, and other terms relative to the sale, not the Developer.

Individual resale lots may be either held by the owner free and clear; financially encumbered by the Contract of Sale between the owner, as contract purchaser, and the Developer; or encumbered by other financial obligations of the owner. The Developer is aware of what resale lots are financially encumbered by a Contract of Sale between the Developer and an owner that is a contract purchaser under the terms of a Contract of Sale with the Developer. However, the Developer will not normally be aware of other financial encumbrances, if any, placed on the lot by the lot owner. The lot owner, as examples, may have financially encumbered the lot in securing a construction loan for a home placed on the lot; may have pledged the lot as security for a personal loan; may have used the lot as security for a business borrowing; may have had a tax lien or mechanics lien recorded against the lot for unpaid real estate taxes, or materials and services purchased; may have had a lien recorded against the lot for unpaid assessments by the Ludlow Maintenance Commission, Inc.; etc.

The seller of either an inventory or resale lot will present to the purchaser, at closing, through the escrow firm processing the sale a standard form of title insurance to the purchaser.

The purchaser of a lot subject to this filing is advised to carefully examine, or preferably have the purchaser's attorney examine, the title insurance policy covering the lot he desires to purchase to ascertain whether the lot has been financially encumbered by the owner of the lot, and the effect of this encumbrance, if any, on the purchaser's interests.

When the Developer acts in the capacity of a real estate broker, a resale lot subject to a Contract

of Sale between the Developer and a Contract Purchaser (as selling owner) will only be sold under one of the following conditions:

1. The purchaser of a resale lot pays cash down to the contract purchaser's balance and pays off the balance of the Contract of Sale in cash to the Developer;
2. The purchaser of a resale lot pays cash down to the contract purchaser's balance and assumes and agrees to pay the contract purchaser's Contract of Sale; or
3. The purchaser of a resale lot pays a down payment in an amount equal to the requirements of the contract purchaser, assumes and agrees to pay the contract purchaser's Contract of Sale and, in addition, executes a Junior Contract of Sale (to be prepared by the contract purchaser) for the difference between the balance of the Contract of Sale plus the down payment and the sales price of the resale lot, as set by the contract purchaser.

Inventory lots will be sold by the Developer under its standard Contract of Sale, the terms of which include an interest rate of 9% on the unpaid contract balance. Resale lots, particularly those originally purchased some years previous under the terms of the then current Developer's Contract of Sale, may include an interest rate of less than 9%. When the resale lot purchaser assumes a contract purchaser's Contract of Sale, said assumption will include acquiring the same terms of sale, including the same interest rate as stipulated in the original Contract of Sale.

If a Junior Contract of Sale is executed, as above described, the contract purchaser as selling owner will stipulate what interest rate will be required on the declining balance of the Junior Contract of Sale, as well as other terms of said Junior Contract of Sale.

6. DOES THE OFFERING CONTEMPLATE LEASES OF THE PROPERTY IN ADDITION TO, AS DISTINGUISHED FROM, SALES? YES OR NO? IF YES, A LEASE ADDENDUM MUST BE COMPLETED, ATTACHED, AND MADE A PART OF THE PROPERTY REPORT.

No, the offering does not contemplate leases of the property.

7. IS BUYER TO PAY TAXES, SPECIAL ASSESSMENTS, OR TO MAKE PAYMENTS OF ANY KIND FOR THE MAINTENANCE OF COMMON FACILITIES IN THE SUBDIVISION (a) BEFORE TAKING TITLE OR (b) AFTER TAKING TITLE? IF YES, COMPLETE THE SCHEDULE BELOW:

- (a) Before taking title - yes
- (b) After taking title - yes

Type of Payment

Approximate Amount of
Buyer's Annual Payments

Taxes

Consult local taxing authorities. The local taxing authority for lots subject to this filing is the Jefferson County Assessor, Jefferson County Courthouse, Port Angeles, Washington 98368. For taxes payable in 1976 or thereafter, property subject to this filing is assessed at 100% of market value which has historically approximated the selling prices established by the developer or obtained by a purchaser who resells his lot. The 1976 millage tax rate for the area of the filing is \$10.88 per thousand of assessed valuation. Therefore, a prospective purchaser may approximate the 1976 real estate tax by multiplying the purchase price of a lot by the millage rate. For example, a \$20,000 lot would have a 1976 real estate tax of \$217.60 at this rate, payable one-half by April 30, 1976 and one-half by October 31, 1976.

The Jefferson County tax statement is all inclusive of all countywide furnished services; there are no other taxes or special assessments levied by any local or county governmental or quasi-governmental taxing entity against lots subject to this filing.

The Developer pays taxes on all inventory lots subject to this filing for the next tax period when invoiced by Jefferson County. Purchasers of inventory lots subject to this filing will be charged the pro rata balance for the tax period from the date of close by the Developer as reimbursement for prepaid taxes.

In the case of the sale of a resale lot, wherein the Developer acts as a real estate broker for the previous purchaser, real estate taxes will be prorated as of the date of closing from proceeds of the sale.

Special Assessments

All local and countywide tax supported jurisdictions having the authority to levy taxes combine all such assessments into the above single Jefferson County tax statement. There are no special assessments as such applicable to this filing.

Payment to property owner's association

All lots in this filing are subject to annual assessments by the Ludlow Maintenance Commission, Inc.; the current assessment, \$80, has been levied for the period from January 1, 1976 through December 31, 1976. Assessments are due within 30 days of the notice of assessment and thereafter bear interest at the rate of 10% per annum until paid. Assessments are paid directly to the Ludlow Maintenance Commission, Inc., General Delivery, Port Ludlow, Washington 98365. The Board of Trustees of the Ludlow Maintenance Commission, Inc. can increase annual assessments for current operations and maintenance to \$96 per lot per year without approval of the membership. All annual assessments over this amount on all assessments for capital improvements must be approved by the membership of the Ludlow Maintenance Commission, Inc. During the 1975 fiscal year the Ludlow Maintenance Commission, Inc., covered all of its costs relative to the operation and maintenance of the Commission owned properties and the professional security patrol within the platted area. Additional revenues will accrue to the Ludlow Maintenance Commission, Inc. when inventory lots subject to this filing are sold. All reserve areas within Port Ludlow No. 1, Port Ludlow No. 2 (including the completed Kehele Park), Port Ludlow No. 3 and the completed Beach Club complex have been deeded by the Developer to the Ludlow Maintenance Commission, Inc., a fully operational organization. Developer has no control over the actions,

or properties, of the Ludlow Maintenance Commission, Inc. If purchasers of lots subject to this filing do not pay their current assessment to Ludlow Maintenance Commission, Inc., said Commission may place a lien for these assessments upon their lot.

Other

Developer controls the Ludlow Utility Company which furnishes water service to all lots subject to this filing and sewage disposal service to all lots subject to this filing except lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1. Owners desiring water service must pay \$175 for placing a water meter and a minimum of \$4 per month for water service to the Ludlow Utility Company. (See Question 10 a 1 for complete details.) Owners of all lots except lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1, desiring sewage disposal service may obtain such service without paying a sewer hookup charge at this time to the Ludlow Utility Company but must pay \$4.50 per month per connected home for such service (see Question 10 b 5 for complete details).

No owner of any lot subject to this filing will be liable for any assessments by Developer for the construction, operation, maintenance or other cost of the water supply or sewage disposal systems to the individual lots of this filing, nor will they accrue an ownership or proprietary interest in the Ludlow Utility Company; connected owners will only pay monthly service charges.

No owner of any lot subject to this filing will be liable for any assessment by Developer for the construction, operation, maintenance or other costs of Developer owned recreational facilities at Port Ludlow including, but not limited to,

the Harbormaster Restaurant and cocktail lounge, the Deli, Port Ludlow Marina, Port Ludlow Convention Center, and Port Ludlow Golf Course, nor will they accrue an ownership or proprietary interest in such facilities.

The Developer does not require a mandatory membership or qualification fee (such as an annual club fee or registration fee, etc.) from any lot owner or the general public as a condition or prerequisite for use of Developer owned recreational facilities at Port Ludlow. Nor are mandatory assessments, periodical payments or arbitrary use commitments required of lot owners subject to this filing or the general public relative to Developer's recreational facilities. The only charges for the voluntary use of Developer owned recreational facilities is related directly to the type and frequency of use, if any, by the user.

Purchasers of lots subject to this filing will pay the same normal use fees, rental and charges as the general public for whatever use, if any, they voluntarily make of these public use, Developer owned recreational facilities. Owners subject to this filing have no mandatory assessments, periodical payments or arbitrary use requirements relative to Developer's public use recreational facilities in the Port Ludlow project.

Specify

Not applicable.

8. (a) WILL BUYER'S DOWN PAYMENT AND INSTALLMENT PAYMENTS BE PLACED IN ESCROW OR OTHERWISE SET ASIDE? YES OR NO? IF YES, WITH WHOM? IF NOT, WILL TITLE BE HELD IN TRUST OR IN ESCROW?

No, buyer's down payment will be placed in Developer's trust account at the Hadlock Branch of First American National Bank, Hadlock, Washington 98339 as is required by Washington State law, until closing of the sale. After closing of the sale, such down payment will be paid to Developer. No deed for title will be held in trust or escrow

for the purchaser, except for contract purchasers resident to the State of Oregon. In this case an executed recordable deed, copy of recorded contract of sale and copy of title report are held in escrow by Pope & Talbot, Inc., ATTENTION: Escrow Department, 1700 S.W. 4th Avenue, Portland, Oregon 97207, and will be released directly to the Oregon resident when they have paid off their Contract of Sale.

- (b) EXCEPT FOR THOSE PROPERTY RESERVATIONS WHICH LAND DEVELOPERS COMMONLY CONVEY OR DEDICATE TO LOCAL BODIES OR PUBLIC UTILITIES FOR THE PURPOSE OF BRINGING PUBLIC SERVICES TO THE LAND BEING DEVELOPED, WILL BUYER RECEIVE A DEED FREE OF EXCEPTIONS? YES OR NO? IF NO, LIST ALL RESTRICTIONS, EASEMENTS, COVENANTS, RESERVATIONS AND THEIR EFFECT UPON BUYER.

No. Declaration of Restrictive and Protective Covenants and Subjection to Assessment and Utility Liens governing Port Ludlow No. 1, Port Ludlow No. 2 and Port Ludlow No. 3 have been recorded covering all lots in this filing and are attached to this Property Report as Exhibit B and incorporated herein by reference. These Covenants should be carefully studied by purchaser, or preferably, by purchaser's attorney, because they limit the use and location of dwellings that are permitted on lots subject to this filing, require use of underground water and sewage disposal systems (except where sewage disposal mains are not provided in portions of Port Ludlow No. 1) at the time the purchaser places improvements on the lot, create mandatory membership in the Ludlow Maintenance Commission, Inc., and generally restrict the purchaser's freedom of action relative to unrestricted use of a lot.

The following lots subject to this filing have drainage easements of varying widths that are located within the lot generally parallel and adjacent to lot lines.

Port Ludlow No. 1

Area No. 1: Lots 13 through 43, Lots 45 through 48, Lots 51 through 64.

Area No. 2: Lots 1 through 12, Lot 27, Lot 28, Lot 41, Lot 49, Lot 50, Lot 51, Lot 52.

Area No. 3: Lot 5, Lot 6, Lots 8 through 21, Lot 22, Lot 23, Lots 29 through 31, Lots 36 through 41.

Area No. 4: Lots 1 through 43, Lot 61, Lots 63 through 106.

Area No. 5: Lots 13 through 17.

Port Ludlow No. 2

Area No. 1: Lot 8, Lot 13, Lot 14, Lots 22 through 28.

Area No. 2: Lots 40 through 46, Lot 52, Lots 71 through 75, Lot 77, Lot 78, Lots 84 through 87, Lot 90, Lot 93 through 95, Lot 100.

Area No. 3: Lot 10, Lot 12, Lot 18, Lot 27, Lot 40, Lot 43, Lot 44, Lot 48, Lot 63, Lot 64, Lot 109, Lot 111, Lot 114, Lot 115, Lot 116, Lots 118 through 123, Lot 128, Lot 130, Lot 132, Lot 134, Lot 135, Lot 136, Lot 138, Lot 140, Lot 165, Lot 166, Lot 173, Lot 182, Lots 190 through 194, Lot 196, Lots 203 through 205, Lots 207 through 210, Lot 212, Lot 214, Lot 224, Lot 234.

Port Ludlow No. 3: Lots 1 through 87.

The following lots subject to this filing have drainage easements of varying widths across the lot that are not located generally parallel and adjacent to lot lines.

Port Ludlow No. 1

Area No. 1: Lots 20 through 36.

Port Ludlow No. 2

Area No. 1: Lots 45 through 64.

Area No. 3: Lot 62.

The effect of these easements upon the buyer will be to limit, in some cases, the width, depth, size or location of a home on purchaser's lot. Purchaser is advised to carefully study the recorded plat applicable to purchaser's lot to determine for themselves the effect, if any, that each recorded easement may have on the size and location of a home to be placed on the lot. The purchaser may examine copies of the recorded plats at Developer's sales office at Port Ludlow or purchase copies of the recorded plat within which purchaser's lot is located from the Jefferson County Engineer's Office, Jefferson County Courthouse, Port Townsend, Washington 98368.

Developer cannot provide information regarding easements which may affect resale lots. Purchaser must therefore examine the preliminary commitment for title insurance that will be delivered prior to closing of the sale of resale lots as explained in Question 5 above.

Purchasers in each division may enforce only the respective reservations and restrictions appearing on the face of the plats or in the Declaration of Restrictive and Protective Covenants and Subjection to Assessment and Utility Liens for their division.

The Developer has not reserved mineral rights within the area subject to this filing.

- (c) LIST THE PERMISSIBLE USES OF THE PROPERTY BASED UPON THE RESTRICTIVE COVENANTS AND WHICH ARE CONSISTENT WITH LOCAL ZONING ORDINANCES.

The restrictive and protective covenants limit the lots' use to single family residential use consisting of a single-family residential structure as consistent with a permanent or recreational residence, except that there is permitted a guest suite or corresponding facility, without kitchen, attached to the main dwelling with a connecting structure, by wall, fence or covered walk.

Jefferson County, Washington, has no Zoning Ordinance and there is no assurance that incompatible uses may not be permitted on adjacent or nearby properties (not subject to this filing) until, and perhaps after Jefferson County adopts a Zoning Ordinance. The Developer for example has built, and has additional tentative plans for building multifamily dwelling clusters and commercial type buildings in the immediate proximity of lots subject to this filing. The proposed multifamily dwellings may include condominium, town house, apartment and other types of structures for both unit owners and renters. The proposed commercial buildings consist of office, retail, restaurant, cocktail lounge, service station, medical-dental, etc. types of structures. The multifamily housing and commercial type buildings, while not located within this offering, may be incompatible with the usage permitted in this offering.

- i. The Architectural Control Committee of the Ludlow Maintenance Commission, Inc. may alter your plans to build on or to use your lot.
 - ii. The Developer does not have a controlling interest in the Architectural Control Committee of the Ludlow Maintenance Commission, Inc. Developer's employees, officers and directors may act as members of the Architectural Control Committee only if they are owners of lots subject to this filing and are appointed to said Committee. Currently, no employees, officers or directors serve on this Committee.
 - iii. The purchaser of a lot must obtain a building permit prior to the time he builds a home on his lot. The building permit may be obtained from the Jefferson County Building Department, Jefferson County Courthouse, Port Townsend, Washington 98368.
- (d) LIST ALL EXISTING OR PROPOSED UNUSUAL CONDITIONS RELATING TO THE LOCATION OF THE SUBDIVISION AND TO NOISE, SAFETY OR OTHER NUISANCES WHICH AFFECT OR MIGHT AFFECT THE SUBDIVISION.
- i. The subdivision is not affected by a flood plain, including a 100 year flood plain and is not in an area designated to be flood prone as identified by the Federal Insurance Administration, HUD.

- ii. None of the lots, or portions thereof, in the offering are covered by water at any time during the year or are subject to floods, hurricanes, tornadoes, mudslides, avalanches, volcanic eruptions or other such natural hazards. The subdivision contains many large coniferous and deciduous trees and is in the immediate proximity of large commercial tree farms and natural forests. For this reason the subdivision may be in an area susceptible under certain infrequent conditions, including low humidity, fully committed area fire fighting equipment, etc., to forest fires and brush fires.

The existence, severity and frequency of forest and brush fires within the site is unknown. However, during periods of low humidity and high fire potential, the Department of Natural Resources (DNR), an agency of the State of Washington, prohibits timber operations, including cutting and burning, within surrounding tree farms and forested areas.

Fire vehicle access and charged fire hydrants are available in the area of each lot in Port Ludlow No. 1, Port Ludlow No. 2 and Port Ludlow No. 3 as of the date of this filing. Fire insurance, obtainable from area insurance sources, will normally protect a homeowner from the possible hazard of forest fires and brush fires.

The existence, severity and frequency of earthquakes in the area of the offering is unknown, but earthquakes are relatively common on the western seaboard of the U.S. Area homeowners normally do not obtain earthquake insurance on residences but such insurance is available through specialized insurance brokers. Normal "homeowners" insurance policies do not include earthquake insurance.

The Developer knows of no federal, state or local agency which has formally identified the subdivision as being in an area subject to any special natural hazard.

The area is not subject to any special land use requirements which will restrict development or entail unusual development or maintenance expense except that under certain conditions (including that of low humidity) a lot owner might be delayed in clearing his lot or burning clearing or construction debris due to burning restrictions imposed by the DNR.

- iii. Unusual safety factors which might affect the subdivision include:

- a. The permanent existing absence of sidewalks within the subdivision and in the general Port Ludlow area that may cause pedestrians, bicyclists, etc. to be injured while using streets.
- b. The possibility that wind storms may cause the permanent existing trees within the subdivision or the general area to fall upon persons or property.
- c. The possibility that accidents might occur on the permanent existing tidal flats or high banks along part of the Port Ludlow waterfront (located adjacent to some lots in this subdivision) or while people are using permanent existing area recreational facilities including, but not limited to, the Port Ludlow Marina, golf course, etc., all of which are potential safety hazards.
- d. The subdivision is 2.5 road miles from the permanent existing Port Ludlow public golf course and, despite designed safety factors, potential safety hazards exist in that flying golf balls may strike persons, or that people may slip and fall, or fall through ice in the wintertime, into water traps and large deep reservoirs within the golf course, when using the facilities or trespassing thereon.
- e. The possibility that sudden winds, strong winds, changing tides, combinations of tides and winds, etc., may cause sudden dangers to boaters, or people fishing or participating in beach activities.
- f. The possibility that power outages may occur and, due to the rural location of Port Ludlow, persist for several hours or longer.
- g. Some Reserve Areas rise from the waterfront to lots on the banks above. The possibility exists that these banks may slough from natural causes or by careless acts of persons on, below or above the banks, causing damage or injury to persons on the waterfront below, or to homes and persons on the bank above.

There are no existing or proposed, permanent or temporary radiation hazards known to the Developer that might affect the subdivision. However, the existing permanent U.S. Navy base at Bangor, Kitsap County, Washington is approximately 15 air miles from this offering. This base now serves Polaris class submarines which carry nuclear weapons and

are nuclear powered. This base is presently being improved to serve as the base for new Trident submarines. Nuclear propelled and armed submarines proceeding to, or exiting from the Bangor U.S. Navy base may pass within 1 air mile or less of this filing when traversing Admiralty Inlet, enroute to Hood Canal, upon which the base is located.

On-site nuisances which may affect the subdivision include dogs, or other animals that may enter a lot from adjacent streets, lots or common areas. There is no leash law in Jefferson County, nor any other provision for animal control within this offering.

Note: All following distances are from the center of this offering.

Off-site land uses and nuisances which may affect the subdivision include:

- a. Permanent existing commercial enterprises including the existing Harbor-master Building (with a restaurant, delicatessen, cocktail lounge and dance floor) and the Port Ludlow Conference Center located approximately .5 road mile distant.
- b. Permanent existing Admiralty and Admiralty No. 2 condominium buildings (immediately adjacent to Area 2, Port Ludlow No. 1), approximately .5 air mile distant wherein rental housing is available to short and long term guests and convention groups.
- c. Permanent existing recreational and athletic facilities owned by the Ludlow Maintenance Commission, Inc., i.e., tennis courts, swimming pool, Teen Club, assembly hall, squash court, etc. located in the Beach Club complex (approximately .5 road mile distant) and the developed playground, tennis and basketball courts, etc., at Kehele Park (located within Port Ludlow No. 2).
- d. Permanent, existing, public Port Ludlow Golf Course that is approximately 2.5 road miles from this offering, wherein players, guests, possible tournament crowds, maintenance equipment and maintenance operations may temporarily create congestion, delays, and perhaps hazards, and/or activity that may offend some owners of lots or their guests.
- e. Permanent existing operational sewage disposal plant located on the waterfront directly south of and adjacent to Area 2, Port Ludlow No. 1 (approximately .5

air mile from the center of this subdivision).

- f. Permanent existing marina facilities including fuel dispensing apparatus within the Port Ludlow Marina at approximately .5 road mile distant.
- g. Permanent existing boat activity including presence of commercial fishing and occasional sightseeing vessels within Ludlow Bay or Port Ludlow Marina at approximately 1 road mile distant.
- h. Permanent existing operational log dump area located at the westerly terminus of Ludlow Bay at approximately 1.6 road miles distant.
- i. Permanent existing log raft assembly point and storage area located within Ludlow Bay easterly of the operational log dump at approximately 1.5 road miles distant.
- j. Permanent existing rock quarry intermittently used alongside the southerly right-of-way of Jefferson County Road 10 at approximately 2.2 road miles distant.
- k. Permanent existing commercial quarry in constant operation at Mats Mats Bay at approximately 2 road miles distant.
- l. Permanent existing large pulp mill in constant operation northerly approximately 14 air miles distant.
- m. Permanent existing Jefferson County Airport at approximately 12 air miles distant. Aircraft enroute to the Jefferson County Airport as well as float planes landing in Port Ludlow Bay may create noise if passing over the area of the subdivision.

The Developer does not know of proposed plans, private or governmental, for construction of any facility which may create a nuisance or adversely affect the use of the land except:

- a. The possibility that Developer may be required to place another sewage disposal plant with spray field approximately 3 air miles south, southwesterly from the center of this filing, should its existing plant on Admiralty Inlet become fully committed to its ultimate capacity.

- b. The development southwesterly of Port Ludlow Community A or Port Ludlow Community C wherein tracts of 1 to 5 acres (or smaller or larger) may be sold to persons with horses. The development of Port Ludlow Community C may include riding stables and riding trails along with other recreational facilities.
- c. Commercial fishermen who previously made application to the Jefferson County Board of County Commissioners for a permit to place herring pens within a part of Ludlow Bay were declined, but there is no assurance that herring pens will not be placed in part of Ludlow Bay at some future date.
- d. Proposed permanent Port Ludlow Golf Course Clubhouse (with a pro-shop, and lunch, and possibly cocktail service) located at approximately 2.5 road miles distant to be completed by Developer by December 31, 1977.

9. LIST ALL RECREATIONAL FACILITIES CURRENTLY AVAILABLE, PROPOSED, OR PARTLY COMPLETED (e.g., SWIMMING POOLS, GOLF COURSE, SKI SLOPES, ETC.) AND COMPLETE THE FOLLOWING FORMAT FOR EACH FACILITY:

<u>FACILITY</u>	<u>% COMPLETE</u>	<u>EST. COMPLETION DATE</u>	<u>FINANCIAL ASSURANCE OF COMPLETION</u>	<u>DEVELOPER OBLIGATED</u>	<u>BUYER'S COST OR ASSMPTS.</u>
Beach Club Complex	100%	COMPLETE	N.A.	N.A.	ONLY OPERATIONAL ASSESSMENTS BY LUDLOW MAINTENANCE COMMISSION, INC.
Reserve areas (including Kehele Park)	100%	COMPLETE	N.A.	N.A.	ONLY OPERATIONAL ASSESSMENTS BY LUDLOW MAINTENANCE COMMISSION, INC.

The fully completed Beach Club complex (including its swimming pool, tennis courts, etc.) and all "Reserve" areas within Port Ludlow No. 1, Port Ludlow No. 2, (including the fully completed Kehele Park), and Port Ludlow No. 3 have been deeded free and clear of any financial encumbrance by Developer to Ludlow Maintenance Commission, Inc. The financial responsibility for the operation and maintenance of these facilities and areas rests with Ludlow Maintenance Commission, Inc. All of these facilities and areas are available to owners of lots subject to this filing to use,

provided the owner has paid the current assessment levied by Ludlow Maintenance Commission, Inc., and complies with the rules and regulations established by the Commission. Other members of Ludlow Maintenance Commission, Inc., including owners of Port Ludlow Condominiums No. 1, Port Ludlow Condominiums No. 2, owners (and rental guests) of The Admiralty and The Admiralty No. 2 and other of Developer's condominium and single family lot projects in the vicinity of the lots subject to this filing will share equally in the use, management and maintenance responsibility of facilities owned by said Commission.

The buyer of any lot subject to this filing will be required to pay assessments to the Ludlow Maintenance Commission, Inc. for the maintenance of common facilities owned by that Commission. The developer does not participate in the management of the Ludlow Maintenance Commission, Inc. but does voluntarily act as the accounting agency of that common area association. Assessments paid by lot owners to the Ludlow Maintenance Commission, Inc. are received by the Developer, but are immediately deposited into separate bank accounts (not Developer's bank accounts) for the benefit of the Ludlow Maintenance Commission, Inc. All withdrawals from these accounts must be approved by designated officers of the Commission; any maintenance services performed by Developer's personnel are reimbursed, upon approval by designated officers of the Commission, at cost. The only periodical payments made by a contract purchaser to the Developer's account are, of course, payments to the Developer for the amortization of the balance of the lot purchase price as specified in the contract of sale for the purchased lot.

The 1976 annual assessment payable to the Ludlow Maintenance Commission is \$80. This is the only commonly owned facility maintenance assessment paid by a lot purchaser. This assessment for current operations and maintenance may be increased to \$96 per year by the Board of Trustees of the Ludlow Maintenance Commission, Inc. without approval of the membership.

In addition to the above recreational facilities that are owned by the Ludlow Maintenance Commission, Inc. there are additional recreational facilities at Port Ludlow that are owned, managed and operated by Developer that are available for use by purchasers of lots subject to this filing, as well as the general public, as follows:

<u>FACILITY</u>	<u>% COMPLETE</u>	<u>ESTIMATED COMPLETION DATE</u>	<u>FINANCIAL ASSURANCE OF COMPLETION</u>	<u>DEVELOPER OBLIGATED?</u>	<u>BUYER'S COST OR ASSESSMENT</u>
a. Port Ludlow Marina (A)	100%	COMPLETE	N.A.	N.A.	NONE

b.	Harbor- master Restaurant, Cocktail Lounge, Deli & Conference Center (A)	100%	COMPLETE	N.A.	N.A.	NONE
c.	Port Ludlow Golf Course with tem- porary clubhouse (A)	100%	COMPLETE	N.A.	N.A.	NONE
d.	Port Ludlow Golf Course Clubhouse (A) (B)	0%	12/31/77	NONE	NO	NONE

(A) The Developer will pay for, own, manage and operate the above facilities. No purchaser subject to this filing will receive any ownership or proprietary interest whatsoever in any facilities built, owned and managed by the Developer of Port Ludlow including, but not limited to, the Port Ludlow Marina, Harbormaster Restaurant and Cocktail Lounge, Port Ludlow Golf Course and, when completed, the Port Ludlow Golf Course Clubhouse. No owner of any lots subject to this filing will pay, or be assessed, for any costs for the construction, maintenance or operation of these facilities; however, they will pay the same charges as the general public for the voluntary use of the facilities.

The Developer does not require a mandatory membership or qualification fee (such as an annual club fee or registration fee, etc.) from any lot owner or the general public as a condition or prerequisite for use of Developer owned recreational facilities at Port Ludlow. Nor are mandatory assessments, periodical payments or arbitrary use commitments required of lot owners subject to this filing or the general public relative to Developer's recreational facilities. The only charges for the voluntary use of Developer owned recreational facilities is related directly to the type and frequency of use, if any, by the user.

Owners of lots subject to this offering will receive no preferred treatment, no reduction in fees or charges, no preferred starting times, reservations or priority in the use of any facility open to the general public that is owned and managed by the Developer in the Port Ludlow area.

Currently Port Ludlow Marina slip rentals are \$1.25 per month per foot of boat length or slip length, whichever is greater.

Golf green fees vary greatly by season, day of week and number of holes played. Current green fees are:

18 Holes Winter Schedule	9 Holes Winter Schedule
Weekend \$7.50	Weekend \$5.50
Weekday \$6.00	Weekday \$4.50
18 Holes Summer Schedule	9 Holes Summer Schedule
Weekend \$10.00	Weekend \$6.50
Weekday \$8.00	Weekday \$6.00

All fees and charges for use of Developer owned recreational facilities are subject to change. Purchasers are advised to contact managers of Developer owned recreational facilities for the then current charge for use.

- (B) The Developer plans to complete the permanent Port Ludlow Golf Course Clubhouse on or prior to December 31, 1977. The Developer has not set aside any money or entered into any bond, escrow or trust arrangement to assure completion of the Clubhouse. Accordingly, there is no assurance, other than the promise of the Developer, that the Clubhouse will be completed. The Developer has not obtained a permit or permits by the date of this filing from the Washington State Liquor Control Board for serving liquor within said Clubhouse. Therefore, there is no assurance that purchasers of lots subject to this offering will be able to obtain liquor within the Port Ludlow Golf Course Clubhouse.

10. STATE AVAILABILITY OF THE FOLLOWING IN THE SUBDIVISION: STATE ANY ESTIMATED COSTS OR ASSESSMENTS TO BUYER OR LESSEE. IF ONLY PROPOSED OR PARTLY COMPLETED, STATE ESTIMATED COMPLETION DATE, STATE PROVISIONS TO ASSURE COMPLETION AND GIVE AN ESTIMATE OF ALL COSTS TO BUYER OR LESSEE, INCLUDING MAINTENANCE COSTS.

- | | |
|-------------------------------|----------------------------------|
| a. ROADS | c. MUNICIPAL SERVICES |
| 1. ACCESS | 1. FIRE PROTECTION |
| PAVED | 2. POLICE PROTECTION |
| UNPAVED | 3. GARBAGE AND TRASH COLLECTION |
| b. UTILITIES | 4. PUBLIC SCHOOLS |
| 1. WATER | i. ELEMENTARY SCHOOL |
| 2. ELECTRICITY | ii. JUNIOR HIGH SCHOOL |
| 3. GAS | iii. HIGH SCHOOL |
| 4. TELEPHONE | 5. MEDICAL AND DENTAL FACILITIES |
| 5. SEWAGE DISPOSAL | i. HOSPITAL FACILITIES |
| 6. DRAINAGE AND FLOOD CONTROL | ii. PHYSICIANS AND DENTISTS |
| 7. TELEVISION | 6. PUBLIC TRANSPORTATION |
| | 7. U.S. POSTAL SERVICE |

a. Roads

1. Access:

Paved roads are fully complete to the subdivision at no cost to purchaser. Maintenance is the responsibility of Jefferson County and is funded through tax receipts.

Unpaved -- all access roads to the subdivision are paved at no cost to purchaser.

2. Road system within the subdivision

Paved roads are fully complete within the subdivision at no cost to purchaser. Maintenance is the responsibility of Jefferson County and is funded through tax receipts.

Unpaved -- all roads within the subdivision are paved at no cost to purchaser.

At the time a lot purchaser desires vehicular access into their lot they must secure approval of a street ditch crossing location, culvert size and length, grade and type of fill material from the Director of Public Works, Jefferson County Courthouse, Port Townsend, Washington. The cost of culvert and street ditch crossing is to be borne by the lot purchaser and is estimated to cost approximately \$100 per ten foot culverted crossing.

Streets within the subdivision have been dedicated to Jefferson County by the approval and recordation of the final plats of subdivisions subject to this filing by the Jefferson County Board of County Commissioners and all have been accepted as of the date of this filing for maintenance by Jefferson County.

b. Utilities

1. Water distribution system is complete to all lots in the subdivision at no cost to purchaser. Water is supplied by privately owned entity, Ludlow Utilities Company (a company wholly owned by Pope & Talbot Development, Inc., the Developer) whose metered water rates are, under the statutes of the State of Washington, subject to control by the Utilities and Transportation Commission, an agency of the State of Washington. Ludlow Utilities Company has been furnishing water to portions of the Developer's Port Ludlow project since 1969. Plans and installation of the system to serve this filing have been approved by the Washington State Department of Health.

Ludlow Utilities Company serves all lots within this filing through mains now installed within street rights-of-way throughout the offering. Lot owners are required (and are permitted) to use water services of Ludlow Utilities Company at the time they erect a

home on their lot. The drilling of individual wells is prohibited by the Protective Covenants governing the filing.

Ludlow Utilities Company will serve any and all lot owners within this filing through mains now installed within street rights-of-way throughout the offering. Any purchaser may secure water service from the company by making application to the Ludlow Utilities Company, P.O. Box 75, Port Ludlow, Washington 98365 and paying the then current one time charge (now \$175) for installation of a water meter (to be placed by the Ludlow Utilities Company) and also approximately \$75 for a water service line to their home from this meter (paid to the home builder) at the time they erect a home on their lot. No lot owners will accrue an ownership interest in Ludlow Utilities Company, nor be liable for any assessments for construction, operation, maintenance or other costs of the system except for the installation of the meter and for water as metered. Current Ludlow Utility Company approved metered water charges are \$4 per month for the first 600 cubic feet of water and \$.0025 per cubic foot of metered water thereafter. Metered water is, naturally, only charged to lot owners connected to the system.

A cognizant Health Officer has submitted an analysis report stating that the chemical quality and bacteriological purity of the water available to the subdivision subject to this filing is of acceptable quality for human consumption and does not contain any unusual characteristics. Water to the filed subdivision is furnished by two existing fully developed and improved wells that furnish a satisfactory quantity of potable water for the anticipated population of the area subject to this filing.

You will not be permitted to use individual water systems. The central water system is complete and operational.

2. Electrical energy distribution system (underground) is complete to all lots in the subdivision at no cost to purchaser. Electrical service is available through Puget Sound Power & Light Co., 702 Water Street, Port Townsend, Washington 98368, a public utility company whose rates are regulated by a public body. Underground electrical hookups have been extended to each lot in this offering. However, purchaser will pay the cost of installing the underground electric service line from the service connection (meter) location of the residence to the lot line at the time they desire service to the home.

Electrical energy charges by Puget Power are subject to change whenever new tariffs are approved by controlling governmental agencies. However, charges in effect that are applicable to the typical single-family home under the current filed tariff are as follows:

1. Temporary service charge for installation of construction meter: \$25.
2. Connection charge for home where owner in this filing has provided a satisfactory trench from the lot line to meter location: \$20.
3. Connection charge for home where owner has not provided trench and utility must dig trench: \$20 plus 40¢ per foot of trench.
4. Puget Power may, under the filed tariff, charge a security deposit equal to four (4) average months energy charge (estimated to be \$200 for an average three bedroom, two bath home) but by policy at this time only collects a \$50 deposit from renters and persons who have previously not had satisfactory credit relationships with Puget Power, with no deposit collected from homeowners.
5. Electrical energy is currently billed to single-family homes under the current filed tariff at approximately \$.015 per kilowatt hour. It is impossible to project an average monthly electrical energy cost for a three bedroom, two bath single-family, all electrical home due to differences in numbers of occupants, space heating preferences, numbers of baths and clothes washings per day, carelessness of occupants, type of insulation, etc., but the monthly electrical energy cost may be from \$25 to \$50 or higher per month depending on circumstances determined by the home occupant.

Lot purchasers should contact Puget Power at the above address previous to building on their lot to obtain the then current charges for connecting to the underground electrical system and for electrical energy.

3. Gas is not available in this subdivision. Most homes and all condominiums in other parts of the Developer's Port Ludlow project utilize electrical heating as the most economical source of space heat. Purchasers, before they erect a home on their lot should contact Puget Sound Power & Light (see above

address) to determine the then current electrical energy rates for various combinations of electrical facilities within the proposed home.

Other alternative fuel sources include furnace oil, propane or butane; however, a purchaser is cautioned that these fuels may be in scarce supply in the future and the storage facilities for furnace fuel oil, propane and butane, must be buried underground, or concealed from view from all adjacent lots and rights-of-way under the terms of the Protective Covenants applicable to this filing. Before lot purchasers design and construct a home on their lots, they should research the then most dependable and economical space heating system for their home including storage facilities cost.

4. Telephone service is available from Pacific Northwest Bell Telephone Company, 202 South Lincoln Street, Port Angeles, Washington 98362, a public utility company whose rates are regulated by a public body. Telephone service facilities have been extended to each lot in this offering at no cost to the purchaser. Telephone company policy, at the time of this filing, indicates the purchaser, when they build a home on their lot, would bear no cost for extension of the individual phone line from the telephone service box near the front lot line into the home providing the purchaser coordinates the placement of the underground phone cable into the same trench as is used for underground electrical service into the home. If the lot owner does not coordinate this line placement, he may be charged from \$20 to approximately \$40 by the phone company (depending on trenching distance) for burial of the line.

Pacific Northwest Bell Telephone currently charges \$35 for a service connection fee for a telephone and a minimum monthly fee of \$5.85 for private line service for a single-family, nonbusiness home.

No deposit is charged to persons who previously obtained phone service from Pacific Northwest Bell Telephone and promptly paid for that service. New customers will pay a deposit of \$35 or more depending on the nature of the service they subscribe for, i.e., number of phones per home, number of anticipated long distance calls, etc.

5. Sewage disposal service is available to each lot subject to this offering in Port Ludlow No. 2 and Port Ludlow No. 3 and Area 2 of Port Ludlow No. 1; however, central sewage disposal service is not provided to Areas 1, 3, 4 and 5 of Port Ludlow No. 1.

It is not assured that a purchaser of a lot within Areas 1, 3, 4 and 5 of Port Ludlow No. 1 will be able to obtain a building permit unless the purchaser can obtain a septic tank permit from the Sanitarian, Jefferson County Courthouse, Port Townsend, Washington 98368. Septic tanks and drainfields only are to be used in these areas of Port Ludlow No. 1 at an approximate cost to the lot owner of \$900.

A percolation test has not been performed on each lot and the topography of some of the more hilly lots may require more than usual care in the placement of the system. There is no information available verifying the land is suitable for the use of septic tanks in Areas 1, 3, 4 and 5 of Port Ludlow No. 1. There is no assurance that a purchaser will be able to obtain a permit or approval from the health officials for the installation and use of an on-site sewage disposal system for lots within Areas 1, 3, 4 and 5 of Port Ludlow No. 1. The Developer has made no provisions for the installation of a central sanitary sewage system, nor has the Developer made any provisions to set aside any money to fund the installation of such system in these specified areas.

Sewage disposal service is available to all lots in this filing except lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1 from an operational, existing utility, the Ludlow Utilities Company, wholly owned by Pope & Talbot Development, Inc., the Developer. Sewer mains are extended within the right-of-way in front of each lot subject to this filing except lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1 at no cost to the purchaser. Sewage from sewered lots subject to this filing flows through a series of mains to the existing operational sewage disposal plant in Community "A" of Port Ludlow. This two-stage approved and inspected plant has a subterranean discharge into Puget Sound. No ownership interest of the sewage disposal system will accrue to the lot owner nor will assessments be charged to them for the construction cost of the central sewage disposal system.

Any purchaser of lots subject to this filing, except those of lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1 may secure sewage services from the Ludlow Utilities Company by making application to Ludlow Utilities Company, P.O. Box 75, Port Ludlow, Washington 98365, at the time they erect a home on their lot. At the present time Ludlow Utilities Company does not make a sewer hookup charge when a lot owner erects a home, but the owner will pay the home builder approximately \$200

for a service line from their home to the sewer main in the street at the time they erect a home on their lot; this cost will vary according to the location of a home within the lot and the depth of the sewer line serving the lot. Current Ludlow Utility Company approved sewer system charges are \$4.50 per month for each home that has been connected to the sewage disposal system. No lot owner will accrue an ownership interest in the Ludlow Utility Company nor be liable for any assessment for construction, operation, maintenance or other costs of the sewage disposal system except for the installation of the service line from their home to the sewer main in the street at the time they erect a home on their lot and the payment, after connection, of the monthly service charge.

A lot owner of all lots except lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1 will be required (and will be permitted) to use the sewage service of Ludlow Utilities Company when they erect a home on the lot. The Protective Covenants governing this filing specifically prohibit the use of other sewage systems such as septic tank, cesspools, open pit toilets, and outhouses, except for septic tanks for lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1. No ownership interest will accrue to the lot owner nor assessments be charged to them for the cost of the central system.

The Ludlow Utilities Company is wholly owned by Pope & Talbot Development, Inc., the Developer, who plans permanent control of the entity. Rates are, under the statutes of the State of Washington, subject to control by the Utilities and Transportation Commission, an agency of the State of Washington.

Plans and installation of the central sewage system have been approved by the Washington State Department of Health for all lots except lots in Areas 1, 3, 4 and 5 of Port Ludlow No. 1.

Purchasers of lots in Area 2, Port Ludlow No. 1, Port Ludlow No. 2 and Port Ludlow No. 3 will not be permitted to use an individual sewage disposal system.

6. Drainage and Flood Control. No drainage facility will be required to render any of the lots in this filing suitable for construction purposes. No artificial drains, storm sewers or flood control channels have been installed in this filing except for street ditches and culverts, and surface swales (constructed along lot lines in areas

shown as drainage easements on the recorded plats or as described in recorded easements) now installed as part of the street system. No cost or other assessment is payable by the purchaser for construction of drainage facilities. Maintenance of drainage swales within "reserve" areas of the subdivision is the responsibility of the Ludlow Maintenance Commission. Jefferson County maintains road ditches with tax receipt funds.

The following lots subject to this filing have drainage easements of varying widths that are located within the lot generally parallel and adjacent to lot lines.

Port Ludlow No. 1

Area No. 1: Lots 13 through 43, Lots 45 through 48, Lots 51 through 64.

Area No. 2: Lots 1 through 12, Lot 27, Lot 28, Lot 41, Lot 49, Lot 50, Lot 51, Lot 52.

Area No. 3: Lot 5, Lot 6, Lots 8 through 21, Lot 22, Lot 23, Lots 29 through 31, Lots 36 through 41.

Area No. 4: Lots 1 through 43, Lot 61, Lots 63 through 106.

Area No. 5: Lots 13 through 17.

Port Ludlow No. 2

Area No. 1: Lot 8, Lot 13, Lot 14, Lots 22 through 28.

Area No. 2: Lots 40 through 46, Lot 52, Lots 71 through 75, Lot 77, Lot 78, Lots 84 through 87, Lot 90, Lots 93 through 95, Lot 100.

Area No. 3: Lot 10, Lot 12, Lot 18, Lot 27, Lot 40, Lot 43, Lot 44, Lot 48, Lot 63, Lot 64, Lot 109, Lot 111, Lot 114, Lot 115, Lot 116, Lots 118 through 123, Lot 128, Lot 130, Lot 132, Lot 134, Lot 135, Lot 136, Lot 138, Lot 140, Lot 165, Lot 166, Lot 173, Lot 182, Lots 190 through 194, Lot 196, Lots 203 through 205, Lots 207 through 210, Lot 212, Lot 214, Lot 224, Lot 234.

Port Ludlow No. 3: Lots 1 through 87.

The following lots subject to this filing have drainage easements of varying widths across the lot that are not located generally parallel and adjacent to lot lines.

Port Ludlow No. 1

Area No. 1: Lots 20 through 36.

Port Ludlow No. 2

Area No. 1: Lots 45 through 64.

Area No. 3: Lot 62.

The effect of these easements upon the buyer will be to limit, in some cases, the width, depth, size or location of a home on purchaser's lot. Purchaser is advised to carefully study the recorded plat applicable to purchaser's lot to determine for themselves the effect, if any, that each recorded easement may have on the size and location of a home to be placed on the lot. The purchaser may examine copies of the recorded plats at Developer's sales office at Port Ludlow or purchase copies of the recorded plat within which purchaser's lot is located from the Jefferson County Engineer's Office, Jefferson County Courthouse, Port Townsend, Washington 98368.

7. Television. Adequate television reception is not available to all lots in this filing without the installation of a rooftop antenna with rotor, at an approximate cost of \$100 to lot purchaser. Maintenance of purchaser's antenna system will be purchaser's responsibility.

c. Municipal Services

1. Fire Protection. Year-round fire protection is available to all lots subject to this filing from Jefferson County Fire District No. 3, Fire Department Hall, Port Ludlow, Washington 98365 (also known as the Port Ludlow Volunteer Fire Department). This fire department is located one road mile from the center of this filing. Cost of fire protection is funded by assessment that is combined into the single tax statement from Jefferson County that purchaser will receive annually and be responsible to pay.
2. Police Protection. Police protection is provided by the Jefferson County Sheriff's Department, Jefferson County Courthouse, Port Townsend, Washington 98368. Cost of police protection is funded by assessment that is combined into the single tax statement from Jefferson County that purchaser will receive annually and be responsible to pay.
3. Garbage and Trash Collection. Garbage and trash collection is available when desired by purchaser from Olympic Disposal, Inc., Route 3, Box 623, Sequim, Washington 98382, the franchised disposal firm for the area, including Port Ludlow. The present monthly schedule is: one can on street, \$3.50, two cans on street, \$5.75, four cans on street, \$10.25, for one collection per week.

4. Public Schools

- i. Elementary School - Chimacum Elementary School, Chimacum, Washington 98325. School bus transportation is provided from the filed subdivision. Public transportation is not available to the Chimacum Elementary School.
- ii. Junior High School - Chimacum Middle School, Chimacum, Washington 98325. School bus transportation is provided from the filed subdivision. Public transportation is not available to the Chimacum Middle School.
- iii. High School - Chimacum High School, Chimacum, Washington 98325. School bus transportation is provided from the filed subdivision. Public transportation is not available to the Chimacum High School.

Cost of elementary, junior and senior high school and school bus service is funded by assessment that is combined into the single tax statement from Jefferson County that purchaser will receive annually and be responsible to pay. All above schools are approximately 11 road miles from the center of this filing.

5. Medical and Dental Facilities

- i. Hospital Facilities. Hospital facilities are available at Jefferson General Hospital (formerly St. John's Hospital), 834 Sheridan, Port Townsend, Washington 98368. This 59-bed hospital has recently been purchased by Jefferson County Hospital District No. 2. Jefferson County Hospital District No. 2 is governed by three elected Hospital Commissioners and is a public controlled entity. Some of the cost for maintenance of this hospital is funded by assessment that is combined into the single tax statement from Jefferson County that purchaser will receive annually and be responsible to pay. Distance from the center of the subdivision to this general hospital is approximately 18 road miles.

Ambulance service is available to the filing and is furnished by Cascade Ambulance Service, Port Townsend, Washington. This service is not tax supported and purchasers subject to this filing will be responsible for ambulance fees if such service is used by purchaser.

ii. Physicians and Dentists. The distance from the center of the subdivision to physicians' and dentists' offices in Port Townsend is approximately 18 road miles. Public transportation is not available from the subdivision to the physicians' and dentists' offices.

6. Public Transportation. There is no public transportation and no contemplated or planned public transportation available from the subdivision to nearby municipalities. Public transportation (bus service) is available approximately 6 road miles from the center of the subdivision at Center, Washington. From Center, Washington, there are three (3) buses daily to each of Seattle and Port Angeles and two (2) buses daily to Port Townsend.

7. U.S. Postal Service. The U.S. Postal Service will deliver mail to approved mailboxes placed at selected locations within 500 feet of each lot in the filed subdivision. In addition, if the lot owner prefers, mailboxes may be rented (if available) at the Port Ludlow Rural Station Post Office, Port Ludlow, Washington 98365. The post office responsible for service to the subdivision is the third class service post office at Hadlock, Washington. The Port Ludlow Rural Station is under the jurisdiction of the Hadlock Post Office. The Hadlock Post Office is approximately 8 road miles and the Port Ludlow Post Office is approximately one road mile from the center of the subdivision.

11. WILL THE WATER SUPPLY BE ADEQUATE TO SERVE THE ANTICIPATED POPULATION OF THE AREA?

The Developer has not obtained an engineer's report or a hydrological survey indicating a source and quantity of water adequate to serve the anticipated population of the area ("area" defined as Developer's entire Port Ludlow property). Accordingly, there is no assurance that a sufficient quantity of water will be available to serve the anticipated population of the "area". However, Developer has found and previously improved a water supply adequate to serve the anticipated population of the subdivision subject to this filing and has obtained an engineer's report to that effect. Developer is continuing a program of water exploration to generate adequate water for the various communities and sections of Developer's Port Ludlow property as water is needed with indications from engineering and geological reports that water satisfactory in quality and quantity will be available as population requirements warrant its development.

12. IS ANY DRAINAGE OF SURFACE WATER, OR USE OF FILL NECESSARY TO MAKE LOTS SUITABLE FOR CONSTRUCTION OF A ONE-STORY RESIDENTIAL STRUCTURE? YES OR NO? IF YES, STATE WHETHER ANY PROVISION HAS BEEN MADE FOR DRAINAGE OR FILL AND GIVE ESTIMATE FOR ANY COSTS BUYER WOULD INCUR.

No drainage of surface water or fill is necessary to make lots suitable for construction of a normal one-story residential structure.

13. STATE WHETHER SHOPPING FACILITIES ARE AVAILABLE IN THE SUBDIVISION: IF NOT, STATE THE DISTANCE IN MILES TO SUCH FACILITIES AND WHETHER PUBLIC TRANSPORTATION IS AVAILABLE.

No shopping facilities are available in the subdivision; however, the following shopping facilities exist in the general area:

<u>Stores & Services</u>	<u>Location</u>	<u>Road Distance From Center of Subdivision</u>
Service Station	Port Ludlow	1
Supermarket	Hadlock	8
Branch Bank	Hadlock	8
Beauty Parlor	Hadlock	8
Shopping Center	Port Townsend	18
Full Bank		
Facilities	Port Townsend	18
Shopping Center	Silverdale	26
U.S. Navy PX & Commissary	Bremerton	35
Shopping Center	Bremerton	35
Shopping Center	Port Angeles	50

Public transportation is not available to any shopping facilities from the subdivision subject to this filing.

14. APPROXIMATELY HOW MANY HOMES WERE OCCUPIED AS OF JULY 1, 1976?

90 homes and 90 condominium apartments.

15. (a) STATE ELEVATION OF THE HIGHEST AND LOWEST LOTS IN THE SUBDIVISION AND BRIEFLY DESCRIBE TOPOGRAPHY AND PHYSICAL CHARACTERISTICS OF THE PROPERTY.

The general topography of Port Ludlow No. 1, Port Ludlow No. 2 and Port Ludlow No. 3 consists of slopes of approximately 15%, rising to the north and to the west from Ludlow Bay and Admiralty Inlet respectively. Approximate elevation of the highest point in this filing is 400 feet with the elevation of the lower lots at approximately 20 feet above sea level. The lots in the offering are generally wooded, with a variety of conifer and deciduous trees. Soil types vary considerably with sandy clay types predominant. Drainage is affected by road ditches channeling water to natural drainways.

- (b) STATE IN INCHES THE AVERAGE ANNUAL RAINFALL AND, IF APPLICABLE, THE AVERAGE ANNUAL SNOWFALL FOR THE SUBDIVISION OR THE AREA IN WHICH IT IS LOCATED.

Average annual rainfall is approximately 28 inches with infrequent snowfalls of up to six inches during some winters. The average snowfall is approximately three inches.

- (c) STATE TEMPERATURE RANGES FOR SUMMER AND WINTER, INCLUDING HIGHS, LOWS AND MEANS.

Average temperatures in the summer range from 51° to 78°, with a mean of 61°. In the winter average temperatures range from 20° to 44°, with a mean of 40°.

The Port Ludlow area has weather conditions similar to the balance of the Puget Sound Washington area excepting that it gets less rainfall (approximately 28 inches) inasmuch as it is partially in the rain shadow of the Olympic Peninsula mountain mass. The summer weather is generally clear, sunny and moderately warm with winter periods of moderately cool temperatures accompanied by frequent periods of rainfall and infrequent snowfall. The area is characterized by year-round moderate weather conditions with the bulk of the rainfall occurring from November through March.

16. WILL ANY SUBSURFACE IMPROVEMENT, OR SPECIAL FOUNDATION WORK BE NECESSARY TO CONSTRUCT ONE-STORY RESIDENTIAL OR COMMERCIAL STRUCTURES ON THE LAND? YES OR NO? IF YES, STATE IF ANY PROVISION HAS BEEN MADE AND ESTIMATE ANY COSTS BUYER WOULD INCUR.

Yes, some hillside lots, and other lots, may require special foundation work during the construction of a one-story residence particularly if the architect desires to accomplish an unusual or artistic effect or desires to capitalize on views or preserve the maximum amount of vegetation.

If a lot owner plans a home of unusual architectural design, reports and recommendations of special consultants may be required by the Architectural Control Committee of the Ludlow Maintenance Commission and/or the Jefferson County Building Department, and the purchaser may have to follow such adopted recommendations.

It is impossible to forecast the cost to the lot purchaser of such foundation work in that it could vary from several hundred dollars to many thousands of dollars depending on the size and structural concept of the foundation, the slope of the lot and design as created by the architect.

Commercial structures are prohibited from being constructed on the land subject to this filing by the recorded Protective Covenants.

17. STATE WHETHER THERE IS PHYSICAL ACCESS (BY CONVENTIONAL AUTOMOBILE) OVER LEGAL RIGHTS-OF-WAY TO ALL LOTS AND COMMON FACILITIES IN THE SUBDIVISION. STATE WHETHER THE ACCESS WILL BE BY PUBLIC OR PRIVATE ROADS AND STREETS AND WHETHER THEY WILL BE MAINTAINED BY PUBLIC OR PRIVATE FUNDS.

There is physical access by conventional automobile over streets on dedicated rights-of-way to all lots in

this filing. The dedicated public streets in this filing have been accepted for maintenance by Jefferson County. Jefferson County will maintain all streets in this filing with public tax funds.

18. HAS LAND IN THE SUBDIVISION BEEN PLATTED OF RECORD? YES OR NO? IF NOT, STATE ESTIMATED COST TO BUYER TO OBTAIN A SURVEY.

Yes, the land in the subdivision has been platted of record.

19. HAVE THE CORNERS OF EACH INDIVIDUAL LOT BEEN STAKED OR MARKED SO THAT THE PURCHASER CAN IDENTIFY HIS LOT? IF NOT, STATE THE ESTIMATED COST TO THE PURCHASER TO OBTAIN A SURVEY AND TO HAVE THE CORNERS OF HIS LOT STAKED OR MARKED.

Yes, lot corners have been staked at Developer's cost.

20. DOES DEVELOPER HAVE A PROGRAM IN EFFECT TO CONTROL SOIL EROSION, SEDIMENTATION AND FLOODING THROUGHOUT THE ENTIRE SUBDIVISION? YES OR NO? DESCRIBE THE PROGRAM, IF ANY. HAS THE PLAN BEEN APPROVED OR MUST THE PLAN BE APPROVED BY OFFICIALS RESPONSIBLE FOR THE REGULATION OF LAND DEVELOPMENT? YES OR NO? IS THE DEVELOPER OBLIGATED TO COMPLY WITH THE PLAN? YES OR NO?

Yes, the Developer has designed, engineered and constructed all subdivision improvements with a reasonable program to control soil erosion, sedimentation and flooding throughout the subdivision. The main method of effecting this control is by the engineering design of street ditches and culverts and surface swales along certain side lot lines (as designated by recorded easements), seeding of banks, ditches and other control methods, (including site improvement construction during periods of little rainfall) incorporated within the engineering of the subdivision. The Director of Public Works of Jefferson County has approved the design of street ditches and culverts, and the Board of County Commissioners have approved the recordation of the side lot line easements on the final plats, both of which are portions of the program. Other parts of this program are not subject to approval by governmental officials or agencies. Developer has constructed street ditches, street culverts and street grades, according to plans and specifications approved by the Director of the Public Works Department of Jefferson County.

21. HAS AN ENVIRONMENTAL IMPACT STATEMENT (E.I.S.) BEEN FILED UPON THE SUBDIVISION? YES OR NO?

No.

Include the following information at the end of the Property Report:

SPECIAL RISK FACTORS

- (a) The future value of land is very uncertain; do NOT count on appreciation.

- (b) You may be required to pay the full amount of your obligation to a bank or other third party to whom the Developer may assign your contract or note, even though the Developer may have failed to fulfill promises he has made.
- (c) Resale of your lot may be subject to the Developer's restrictions, such as limitations on the posting of signs, limitations to the rights of other parties to enter the subdivision unaccompanied, membership prerequisites or approval requirements, or Developer's first right of refusal. You should check your contract for such restrictions and also note whether your lien or any other liens on the property would affect your right to sell your lot.
- (d) You should consider the competition which you may experience from the Developer in attempting to resell your lot and the possibility that real estate brokers may not be interested in listing your lot.
- (e) Changing land development and land use regulations by government agencies may affect your ability to obtain licenses or permits or otherwise affect your ability to use the land.

FINANCIAL STATEMENTS

You should carefully review the attached financial statements of the Developer (see Exhibit A).

Signature of the Senior Executive
Officer of the Developer



Title: President

POPE & TALBOT DEVELOPMENT, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1975

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG & COMPANY

ARTHUR YOUNG & COMPANY

900 SOUTHWEST FIFTH AVENUE
PORTLAND, OREGON 97204

The Board of Directors
Pope & Talbot Development, Inc.

We have examined the accompanying consolidated balance sheet of Pope & Talbot Development, Inc. at December 31, 1975 and the related consolidated statements of operations and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

As more fully described in Note 1, the Company is a subsidiary of Pope & Talbot, Inc. and has material transactions with its parent.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Pope & Talbot Development, Inc. at December 31, 1975 and 1974 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

January 26, 1976

POPE & TALBOT D
CONSOLIDATED
December 31,

<u>ASSETS</u>	<u>1975</u>	<u>1974</u>
Current assets:		
Cash	\$ 183,818	\$ 154,286
Receivables:		
Real estate installment contracts due within one year (Notes 1 and 2)	204,211	161,475
Other	43,872	64,754
Prepaid expenses	61,013	45,918
Total current assets	492,914	426,433
Real estate installment contracts due after one year, less unamortized valuation discounts of \$295,184 in 1975 and \$286,893 in 1974 (Notes 1 and 2)	2,474,081	1,858,412
Realty inventory (Note 1):		
Raw land	1,596,442	1,812,041
Development in process	1,862,317	4,264,978
Completed developments	4,604,844	1,307,825
	8,063,603	7,384,844
Property, buildings and equipment, at cost (Note 1):		
Land	56,062	55,970
Buildings	399,901	188,760
Equipment	334,459	225,948
Land improvements	145,348	137,419
Leasehold improvements	57,508	57,508
Construction in progress	161,697	4,372
	1,154,975	669,977
Less accumulated depreciation	237,811	176,748
Net property, buildings and equipment	917,164	493,229
	<u>\$11,947,762</u>	<u>\$10,162,918</u>

See accompa

DEVELOPMENT, INC.
 BALANCE SHEET
 1973 and 1974

<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>	<u>1975</u>	<u>1974</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 325,250	\$ 312,048
Payable to parent	3,689,810	2,071,847
Retainage on contracts, deposits, assessments and other	33,047	58,134
Long-term debt due within one year	<u>3,476</u>	<u>2,964</u>
Total current liabilities	4,051,583	2,444,993
Long-term debt due after one year - 8% mortgage contract	29,646	33,372
Deferred income on real estate installment contracts sold with recourse (Note 3)	128,174	191,431
Contingent liability (Note 3)		
Stockholder's equity:		
Common stock, \$100 par value; 60,000 shares authorized and issued (Note 1)	6,000,000	6,000,000
Additional paid-in capital	978,201	978,201
Retained earnings	<u>760,158</u>	<u>514,921</u>
Total stockholder's equity	<u>7,738,359</u>	<u>7,493,122</u>
	<u>\$11,947,762</u>	<u>\$10,162,918</u>

See notes.

POPE & TALBOT DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
Years ended December 31, 1975, and 1974

	<u>1975</u>	<u>1974</u>
Revenues:		
Lots	\$ 763,612	\$ 910,080
Developable land	693,790	719,850
Condominiums and houses	544,500	780,767
Commercial facilities	1,068,122	715,093
Interest	300,324	240,921
Commissions, stumpage and other	217,728	162,461
	<u>3,588,076</u>	<u>3,529,172</u>
Cost of sales:		
Lots	317,975	544,698
Developable land	169,057	54,708
Condominiums and houses	495,218	901,451
Commercial facilities	920,106	660,750
Commissions, stumpage and other	29,557	27,165
	<u>1,931,913</u>	<u>2,188,772</u>
Gross profit	1,656,163	1,340,400
Selling, general and administrative expense	1,237,995	1,107,054
Interest expense	2,931	3,350
Income before income taxes	415,237	229,996
Provision for income taxes (Note 1)	170,000	99,000
Net income	245,237	130,996
Retained earnings at beginning of year	514,921	383,925
Retained earnings at end of year	<u>\$ 760,158</u>	<u>\$ 514,921</u>

See accompanying notes.

POPE & TALBOT DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Operations:		
Cash received from:		
Collections on contracts receivable (including interest)	\$ 467,931	\$ 291,612
Commercial facilities	1,068,122	715,093
Cash sales of lots and developable land	381,660	276,592
Downpayments on sales of lots and developable land	237,973	249,431
Sales of residential units	493,000	780,767
Other sources	<u>217,728</u>	<u>162,461</u>
	2,866,414	2,475,956
Cash expended for:		
Real estate held for sale	1,828,602	2,132,890
Commercial facilities - cost of sales	920,106	660,750
Selling, general and administrative expense	1,157,004	1,131,988
Interest expense	2,931	3,350
Provision for income taxes	170,000	99,000
Other uses	<u>29,557</u>	<u>27,165</u>
	4,108,200	4,055,143
Cash used in operations	(1,241,786)	(1,579,187)
Other proceeds:		
Net change in intercompany payables and receivables	1,617,963	1,826,463
Sale of equipment	2,219	-
Decrease in other accounts receivable	<u>20,882</u>	<u>-</u>
	1,641,064	1,826,463
Other expenditures:		
Increase in other accounts receivable	-	10,692
Reduction of long-term debt	3,214	2,959
Additions to property, buildings and equipment	<u>366,532</u>	<u>191,127</u>
	369,746	204,778
Increase in cash	29,532	42,498
Cash at beginning of year	<u>154,286</u>	<u>111,788</u>
Cash at end of year	<u>\$ 183,818</u>	<u>\$ 154,286</u>

See accompanying notes.

POPE & TALBOT DEVELOPMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1975 and 1974

Accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company (a wholly owned subsidiary of Pope & Talbot, Inc.) and its wholly owned subsidiary, Pope & Talbot Properties, Inc. Transactions between Pope & Talbot Development and its parent consist primarily of advances of funds at no interest and intercompany management charges.

Realty inventory

Realty inventory consists primarily of developed and developable land held for sale to customers and is stated at the lower of cost (specific identification method) or market.

Retail land sales

Lot sales are principally made on the installment basis under which the buyer pays 10% down and the balance over an average of 11 years. Gross profits on these sales are recognized at the time of sale for financial reporting purposes after discounting the installment contract receivable to yield an effective rate of interest based on current similar installment credit rates; however, for income tax purposes, the Company may use the same method or recognize profits as cash is collected.

Property reacquired through contract cancellations is recorded at the contract principal balance (net of contract discount amounts) plus costs incurred to recover title to the property.

Cost of amenities

Upon the completion of an amenity, a portion of the costs of that project are capitalized based on the anticipated return on the facility and the related economic life. The balance of the cost is allocated to land.

Depreciation

For financial reporting purposes, depreciation is determined principally on the straight-line method. For income tax purposes, the Company uses both straight-line and accelerated methods.

Income taxes

The Company and its parent file consolidated federal income tax returns. The consolidated provision for income taxes is allocated to the component members based on their proportionate share of the consolidated income or loss before income taxes. The allocations for 1975 and 1974 have been added to the payable to parent.

Deferred income taxes are carried on the books of the parent company.

Investment tax credits, which have not been material, are applied as a reduction of income taxes on the flow-through method.

2. Real estate installment contracts receivable

At December 31, 1975, the Company had received earnest money and downpayments of \$1,790 (\$13,290 in 1974) on contracts amounting to \$48,900 (\$322,875 in 1974). These contracts had not been recorded as sales, as it is the Company's policy to record contracts as sales only after full downpayment has been received and contracts have been signed.

Real estate installment contracts receivable contain stated interest rates ranging from 6% to 10.75% with the average rate being approximately 8.1%, which have been discounted to yield an effective interest rate of 12% for financial statement presentation. The estimated maturities of such contracts for each of the four years subsequent to December 31, 1976 are as follows:

1977	\$200,101
1978	220,605
1979	243,468
1980	268,968

Sales to real estate salesmen of the Company were immaterial for the years ended December 31, 1975 and 1974.

3. Contingent liability

At December 31, 1975, the Company was contingently liable on approximately \$1,347,000 of real estate installment contracts sold, with recourse, to a bank in February, 1972. Contract payments 90 days past due are considered to be delinquent; at December 31, 1975, approximately \$48,000 of contracts receivable and contracts sold to the bank were past due.

POPE & TALBOT DEVELOPMENT, INC.

BALANCE SHEET
MARCH 31, 1976
(UNAUDITED)

ASSETS

CURRENT ASSETS

Cash	\$ 28,919
Accounts receivable	1,403,621
Contracts receivable-current portion	197,818
Prepaid expenses	<u>73,630</u>
	1,703,988

OTHER ASSETS

Contracts receivable--due after one year	2,362,807
Real estate held for resale	6,996,376
Sundry assets (net)	<u>(19,137)</u>
	9,340,046

PLANT AND EQUIPMENT, AT COST

Fixed assets	1,331,530
Less depreciation	<u>267,908</u>
	1,063,622

LAND

	<u>56,063</u>
	<u>\$12,163,719</u>

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 441,982
Long-term debt-due within one year	3,476
Accounts and notes due parent	<u>3,890,027</u>
	4,335,485

LONG-TERM DEBT

28,803

DEFERRED INCOME

119,875

STOCKHOLDERS' EQUITY

Common stock	6,000,000
Additional paid-in capital	978,201
Retained earnings	<u>701,355</u>
	7,679,556
	<u>\$12,163,719</u>

POPE & TALBOT DEVELOPMENT, INC.

STATEMENT OF PROFIT AND LOSS

THREE MONTHS ENDED MARCH 31, 1976

(UNAUDITED)

NET SALES	\$ 323,877
COSTS AND EXPENSES	
Operating costs	383,145
Depreciation	29,387
Interest expense	<u>7,749</u>
	<u>420,281</u>
INCOME (LOSS) BEFORE INCOME TAXES	(96,404)
PROVISION (CREDIT) FOR FEDERAL INCOME TAXES	<u>(37,600)</u>
NET INCOME (LOSS)	(58,804)
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>760,159</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$ 701,355</u></u>

POPE & TALBOT DEVELOPMENT, INC.

STATEMENT OF SOURCES AND USES OF CASH

THREE MONTHS ENDED MARCH 31, 1976

(UNAUDITED)

OPERATIONS

Net income (loss)	\$ (58,804)
Depreciation	29,387
Deferred Income	(<u>8,299</u>)

CASH USED IN OPERATIONS (37,716)

OTHER PROCEEDS

Decrease in real estate installment contract and notes receivable	158,202
Decrease in realty inventory	6,939
Increase in accounts payable and accrued liabilities	100,504
Increase in accounts due parent	<u>200,217</u>
	465,862

OTHER EXPENDITURES

Additions to plant and equipment	231,909
Increase in real estate installment contracts and notes receivable	46,928
Increase in realty inventory	169,744
Reduction in long-term debt	843
Increase in accounts receivable	27,181
Increase in prepaid expenses	20,390
Other (net)	(<u>12,252</u>)
	<u>484,743</u>

DECREASE IN CASH (56,597)

CASH AT BEGINNING OF YEAR 85,516

CASH AT END OF YEAR \$ 28,919