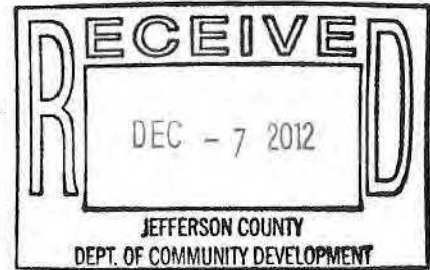


PORT LUDLOW
ASSOCIATES LLC

December 6, 2012



David Wayne Johnson - LEED Green Associate
Associate Planner - Port Ludlow Lead Planner
Department of Community Development – Jefferson County
621 Sheridan Street
Port Townsend, WA 98368

Subject: 2nd Amendment to the Development Agreement

Dear David:

Enclosed are the Master Permit Application and the Amendment No. 2 to Port Ludlow Development Agreement.

I will be sending at a later date, an amendment to also extend the Memorandum of Understanding between the County and OWSI.

Sincerely,

Diana Smeland
President



JEFFERSON COUNTY
DEPARTMENT OF COMMUNITY DEVELOPMENT
 621 Sheridan Street • Port Townsend • Washington 98368
 360/379-4450 • 360/379-4451 Fax
 www.co.jefferson.wa.us/commdevelopment

Master Permit Application

MLA: _____

Project Description (include separate sheets as necessary):

2nd Amendment to the Port Ludlow Development Agreement

Tax Parcel Number: *See attached* Property Size: _____ (acres/square feet)

Site Address and/or Directions to Property:
See Attached

Property Owner(s) of Record: *Port Ludlow Associates LLC*

Telephone: *360-437-2101* Fax: *360-437-2522* email: *asmelanda@portludlowassociates.com*
 Mailing Address: *70 Breaker Lane, Port Ludlow, WA 98365*

Applicant/Agent (if different from owner): *Diana Smealand*

Telephone: *360-437-8342* Fax: _____ email: _____
 Mailing Address: _____

What kind of Permit? (Check each box that applies)

- Building
 - Demolition Permit
 - Single Family
 - Manufactured Home
 - Commercial *
 - Change of Use
 - Address
- Home Business
- Propane
- Sign
- Allowed "Yes" Use Consistency Analysis
- Stormwater Management
- Site Plan Approval Advance Determination (SPAAD) *
- Temporary Use
- Wireless Telecommunication *
- Forest Practices Act/Release of Six-Year Moratorium
 - * May require a Pre-Application Conference

- Critical Areas Stewardship Plan
- Variance (Minor, Major or Reasonable Economic Use)
- Conditional Use [C(a), C(d), or C]**
- Discretionary "D" or Unnamed Use Classification
- Special Use (Essential Public Facilities) **
- Boundary Line Adjustment
- Short Plat **
- Binding Site Plan **
- Long Plat **
- Planned Rural Residential Development (PRRD)/Amendments **
- Plat Vacation/Alteration **
- Shoreline Master Program Exemption/Permit Revisions **
- Shoreline Management Substantial Development **
- Shoreline Management Variance
- Comprehensive Plan/UDC/Land Use District Map Amendment
- Jefferson County Shoreline Master Program Amendment
- Port Ludlow Development Agreement Amendment*
 - **Requires a Pre-Application Conference



Please identify any other local, state or federal permits required for this proposal, if known:

DESIGNATION OF AGENT
 I hereby designate *Marco De Sa E Silva* to act as my agent in matters relating to this application for permit(s).

OWNER SIGNATURE *Diana Smealand* Date: *11-26-12*

By signing this application form, the owner/agent attests that the information provided herein, and in any attachments, is true and correct to the best of his, her or its knowledge. Any material falsehood or any omission of a material fact made by the owner/agent with respect to this application packet may result in this permit being null and void.

I further agree to save, indemnify and hold harmless Jefferson County against all liabilities, judgments, court costs, reasonable attorney's fees and expenses which may in any way accrue against Jefferson County as a result of or in consequence of the granting of this permit.

I further agree to provide access and right of entry to Jefferson County and its employees, representatives or agents for the sole purpose of application review and any required later inspections. Staff's access and right of entry will be assumed unless the applicant informs the County in writing at the time of the application that he or she wants prior notice.

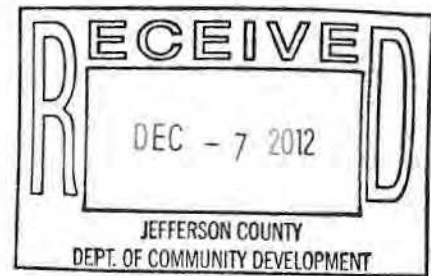
Signature: *Diana Smealand* Date: *11-26-12*

The action or actions Applicant will undertake as a result of the issuance of this permit may negatively impact upon one or more threatened or endangered species and could lead to a potential "take" of an endangered species as those terms are defined in the federal law known as the "Endangered Species Act" or "ESA." Jefferson County makes no assurances to the applicant that the actions that will be undertaken because this permit has been issued will not violate the ESA. Any individual, group or agency can file a lawsuit on behalf of an endangered species regarding your action(s) even if you are in compliance with the Jefferson County development code. The Applicant acknowledges that he, she or it holds individual and non-transferable responsibility for adhering to and complying with the ESA. The Applicant has read this disclaimer and signs and dates it below.

Signature: *Diana Smealand* Date: *11-26-12*

WHEN RECORDED, RETURN TO:

Marco de Sa e Silva
Davis Wright Tremaine LLP
1201 Fourth Avenue, Suite 2200
Seattle, Washington 98101



**AMENDMENT NO. 2
TO
PORT LUDLOW DEVELOPMENT AGREEMENT**

Grantor: JEFFERSON COUNTY, a political subdivision of the State of Washington

Grantee: PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company
OLYMPIC WATER AND SEWER, INC., a Washington corporation

Abbreviated Legal Description:

Portions of Sections 8, 9, 16, 17, 20, 21 and 29, Township 28 North, Range 1 East; Lts 48, 68, 71, 105 and 45 Area 4, Pt Ludlow No. 1; Lt 16 Area 3 Pt Ludlow No. 2; Lot 8 South Bay #2; Lt 74 Teal Lake Village; Parcels 1-11 Ludlow Bay Village; Lts 8-11 Ludlow Cove Div 1, Phase 2; TTs A-E Ludlow Cove Div 1, Ph 1; Lt 16 Olympic Terrace #1; Lts 1-41 and TTs A-E Olympic Terrace Div 2, Ph 1; and tidelands fronting Ludlow Bay Village and Lt 1 Ludlow Beach TTs

Complete legal description is on page ____ (Exhibit A) of document.

Assessor's Property Tax Parcel Account Numbers:

See Attachment No. 1 hereto.

Reference to Related Document:

A.F. No. 435974 (Development Agreement)
A.F. No. 536369 (Corrected Amendment No. 1)

**AMENDMENT NO. 2
TO
PORT LUDLOW DEVELOPMENT AGREEMENT**

THIS AMENDMENT NO. 2 TO PORT LUDLOW DEVELOPMENT AGREEMENT (this "Amendment") is made this ____ day of _____, 2012, by PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company, and OLYMPIC WATER AND SEWER, INC., a Washington corporation (collectively "PLA"), and JEFFERSON COUNTY, a political subdivision of the State of Washington (the "County"). This Amendment amends and modifies that certain Port Ludlow Development Agreement dated May 1, 2000, between Pope Resources, Olympic Property Group LLC, Olympic Resorts LLC, Olympic Water and Sewer, Inc., and Olympic Real Estate Development LLC (collectively "Pope") and the County, which was recorded in the real property records of Jefferson County, Washington, under Auditor's File No. 435974, as amended by Corrected Amendment No. 1 to Development Agreement dated and effective July 7, 2008, which was recorded in the real property records of Jefferson County, Washington, under Auditor's File No. 536369 (as amended, the "Agreement").

RECITALS

A. The Agreement is a development agreement under RCW 36.70B.170 and UDC 18.40.850. Pope and the County made the Agreement effective May 8, 2000. PLA is the assignee and successor to Pope under the Agreement.

B. The Agreement governs the development of real property owned by PLA and located in the approximately 1,200-acre Port Ludlow MPR, which is a master planned resort designated by Jefferson County in 1998 under the authority of RCW 36.70A.362.

C. Adverse economic conditions in Jefferson County and throughout the rest of the nation and the world since 2008 have significantly reduced the demand for real estate, delaying the period of time between the commencement and completion of real estate development projects. These impacts are especially severe in resort communities like the Port Ludlow MPR. The Washington State Legislature recognized this impact in 2010, when it amended RCW 58.17.140 to extend the generally applicable preliminary plat vesting period from five (5) to seven (7) years. As amended, RCW 58.17.140 currently provides in part as follows: "A final plat meeting all requirements of this chapter shall be submitted to the legislative body of the city, town, or county for approval within seven years of the date of preliminary plat approval. Nothing contained in this section shall act to prevent any city, town, or county from adopting by ordinance procedures which would allow extensions of time that may or may not contain additional or altered conditions and requirements."

D. PLA and the County desire to extend the vesting period for preliminary plat approvals relating to the PLA Property, as authorized by RCW 36.70B.170(3)(i) (development standards set forth in development agreements include "[a] build-out or vesting period for applicable standards").

E. The Agreement expires May 8, 2020, twenty (20) years after its effective date. The buildout of the PLA Property currently is expected to occur over the next six (6) to twelve (12) years. PLA and the County desire to extend the term of the Agreement, as contemplated by Section 3.11 of the Agreement (“the parties acknowledge that modifications to the proposed development will occur during the buildout period in order to achieve a variety of purposes,” including responding to changing market needs), and as authorized by RCW 36.70B.170(3)(c)(i).

F. This Amendment was the subject of a fifteen (15) day comment period, which ran from _____, 2012, to _____, 2012. As required by RCW 36.70B.200, a public hearing was held before the Jefferson County Board of County Commissioners on _____, _____, 2012. The Board of County Commissioners reviewed and took official action adopting this Amendment on _____, 2012.

NOW, THEREFORE, in consideration of the mutual covenants, conditions, and agreements of the parties, it is agreed by and between the parties that the Agreement shall be amended and modified as follows:

AGREEMENT

1. Defined Terms. The following terms used in this Amendment shall have the following meanings: “PLA Property” means the real property legally described on Exhibit A attached hereto, which comprises those portions of the Pope Property that are owned of record by PLA and located within the Port Ludlow MPR as of the effective date of this Amendment. All references in the Agreement to “Pope Property” shall mean “PLA Property.”

2. Preliminary Plat Vesting Period. Each preliminary plat approval relating to any portion of the PLA Property, including without limitation the Preliminary Plat of Olympic Terrace Division II, Jefferson County File No. SUB05-00003, and the Preliminary Plat of Ludlow Cove Division II, Jefferson County File No. SUB07-00038, shall expire ten (10) years after the date of approval, subject to potential extensions as provided in the applicable subdivision regulations. A final plat meeting all requirements of the applicable development standards shall be submitted to the Board of County Commissioners for approval within ten (10) years after the date of preliminary plat approval unless such period is extended as provided in the applicable subdivision regulations. This period of time shall apply even if it expires after the term of the Agreement.

3. Term of Agreement. The term of the Agreement shall be extended five (5) years and shall expire May 8, 2025.

4. Effect of Amendment. This Amendment amends and modifies the Agreement and shall be effective as of the date of mutual execution and delivery hereof. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings between PLA and the County relating to the subject matter of the Agreement and this Amendment. The Agreement is hereby confirmed and ratified.

IN WITNESS WHEREOF, the parties hereto have mutually have executed and delivered this Amendment.

JEFFERSON COUNTY
Jefferson County Board of County
Commissioners

By _____

By _____

By _____

APPROVED AS TO FORM:

Prosecuting Attorney

Director
Department of Community Development

PORT LUDLOW ASSOCIATES LLC, a
Washington limited liability company

By _____
Its President

OLYMPIC WATER AND SEWER, INC.

By _____
Its President

EXHIBITS:

A — Legal Description of PLA Property

STATE OF WASHINGTON)
) ss.
COUNTY OF JEFFERSON)

On this ____ day of _____, 2012, before me, a Notary Public in and for the State of Washington, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he or she was authorized to execute the instrument, and acknowledged it as the _____ Port Ludlow Associates LLC, to be the free and voluntary act and deed of said limited liability company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

NOTARY PUBLIC in and for the State of Washington,
residing at _____
My appointment expires _____
Print Name _____

STATE OF WASHINGTON)
) ss.
COUNTY OF JEFFERSON)

On this ____ day of _____, 2012, before me, a Notary Public in and for the State of Washington, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he or she was authorized to execute the instrument, and acknowledged it as the _____ of Olympic Water and Sewer, Inc., to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

NOTARY PUBLIC in and for the State of Washington,
residing at _____

My appointment expires _____
Print Name _____

STATE OF WASHINGTON)
) ss.
COUNTY OF JEFFERSON)

On this ____ day of _____, 2012, before me, a Notary Public in and for the State of Washington, personally appeared _____, _____, and _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed this instrument, on oath stated that they were authorized to execute the instrument, and acknowledged it as the three members of the Jefferson County Board of County Commissioners to be the free and voluntary act and deed of said Board, acting in their official capacity representing Jefferson County, Washington, for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

NOTARY PUBLIC in and for the State of Washington,
residing at _____
My appointment expires _____
Print Name _____

EXHIBIT A

**Legal Description of PLA Property
(Owned of Record by PLA and Located Within the Port Ludlow MPR
as of the Effective Date of this Amendment)**

January 7, 2013

PORT LUDLOW ASSOCIATES LLC
70 BREAKER LN
PORT LUDLOW WA 98365-9766

RE: SITE ADDRESS: BREAKER LN
CASE #: MLA12-00260

Dear PORT LUDLOW ASSOCIATES LLC:

The Department of Community Development is in the process of reviewing your application. The following information is needed to continue review of your project.

Please provide a revised MOU between the County and OWSI which is consistent with the request to amend the DA.

Please submit the above information to the Department of Community Development by **April 7, 2013**. Pursuant to Jefferson County Code (JCC) 18.40.110(3) and (6), if the applicant refuses to submit the additional information or does not request additional time to submit the required information within the ninety (90) calendar day period, the application will be considered abandoned and therefore withdrawn and the applicant shall forfeit the application fee. The Department of Community Development shall not be responsible for notifying the applicant of an impending expiration.

Sincerely,

Department of Community Development Staff

c: File