

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 7, 2001**

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP (Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1-9035
(Commission File Number)

91-1313292
(IRS Employer
Identification No.)

19245 10th Avenue NE, Poulsbo, WA
(Address of Principal Executive Office)

98370
(Zip Code)

Registrant's telephone number, including area code: **(360) 697-6626**

(Former name or former address, if changed since last report)

Item 2. Acquisition or Disposition of Assets.

Port Ludlow Sale

On August 7, 2001, Pope Resources sold its 1,300 acre Port Ludlow, Washington resort and real estate development assets to Port Ludlow Associates LLC, a new ownership entity formed by HCV Pacific Partners LLC. The resort assets include the 37-room Heron Beach Inn, a 300-slip saltwater marina, a 27-hole championship golf course, conference center, commercial center, RV park, a restaurant/lounge and related facilities, and water and sewer utilities serving the area. The real estate development assets include approximately 100 developed lots and raw land for the development of 450 additional residential lots that will complete the build-out of this master planned resort community.

The sales price for the property was approximately \$16.7 million, of which approximately two-thirds was in cash and one-third in the form of a three-year note. Cash proceeds will be used to pay down debt associated with the Partnership's recent timberland acquisition in southwest Washington. The purchase price of the property sold was determined using discounted cash flows.

The note accrues interest at 10% per year and is secured by a deed of trust on the developed and undeveloped lots included in the sale. Partial payment of the note is due as the buyer sells each lot, and payment in full is due on August 8, 2004. Pope also agreed to subordinate its security interest to the construction lender for the improvements on each undeveloped lot, under certain specified conditions.

Item 7. Financial Statements and Exhibits.

(a)

Exhibits

- | | |
|------|--|
| 10.1 | Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated January 12, 2001. |
| 10.2 | Amendment No. 1 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated February 8, 2001. |
| 10.3 | Amendment No. 2 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated February 14, 2001. |
| 10.4 | Amendment No. 3 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated February 27, 2001. |

- 10.5 Amendment No. 4 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated March 26, 2001.
- 10.6 Amendment No. 5 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated May 15, 2001.
- 10.7 Amendment No. 6 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated May 18, 2001.
- 10.8 Amendment No. 7 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated May 25, 2001.
- 10.9 Amendment No. 8 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated June 1, 2001.
- 10.10 Amendment No. 9 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated June 13, 2001.

2

-
- 10.11 Amendment No. 10 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated June 22, 2001.
 - 10.12 Amendment No. 11 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated July 11, 2001.
 - 10.13 Amendment No. 12 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated July 24, 2001.
 - 10.14 Amendment No. 13 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated August 1, 2001.
 - 10.15 Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated May 29, 2001.
 - 10.16 Amendment No. 1 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 1, 2001.
 - 10.17 Amendment No. 2 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 13, 2001.
 - 10.18 Amendment No. 3 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 22, 2001
 - 10.19 Amendment No. 4 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 29, 2001.
 - 10.20 Amendment No. 5 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated July 24, 2001.
 - 10.21 Amendment No. 6 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated August 1, 2001.
 - 10.22 Promissory Note from Port Ludlow Associates LLC to Pope Resources, dated August , 2001.
 - 10.23 Deed of Trust from Port Ludlow Associates LLC to Pope Resources, dated August , 2001.
 - 10.24 Subordination and Release Agreement between Port Ludlow Associates LLC and Pope Resources, dated August , 2001.
 - 99.1 Press Release dated August 8, 2001.

3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

POPE RESOURCES,
A Delaware Limited Partnership

By: POPE MGP, INC.
Managing General Partner

By: /s/ ALLEN E. SYMINGTON

Allen E. Symington
Chairman and Chief Executive Officer

Dated: August 17, 2001

QuickLinks

[Item 2. Acquisition or Disposition of Assets.](#)

[Item 7. Financial Statements and Exhibits.](#)

[SIGNATURES](#)

REAL ESTATE PURCHASE AND SALE AGREEMENT

by and between

Pope Resources

and

HCV Pacific Partners LLC

(Port Ludlow and Peacock Hill)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I. PROPERTY	1
1.1 Land and Improvements	1
1.2 Appurtenances	2
1.3 Tenant Leases	2
1.4 Equipment and Inventory	2
1.5 Contracts	2
1.6 Intellectual Property Rights	3
1.7 DNR Lease	3
1.8 Additional Defined Terms	3
ARTICLE II. PURCHASE PRICE	3
2.1 Purchase Price	3
2.2 Adjustments to Purchase Price	3
2.3 Escrow Officer	3
2.4 Earnest Money	3
ARTICLE III. CONDITION AND CONVEYANCE OF TITLE	4
3.1 Preliminary Commitment	4
3.2 Survey	5
3.3 Permitted Exceptions	5
3.4 Title Policy	5
3.5 Conveyance of Real Property	5
3.6 Assignment of DNR Lease	5
3.7 Assignment of Tenant Leases	5
3.8 Assignment of Contracts	5
3.9 Bill of Sale	5
3.10 Assignment of Intellectual Property	6
ARTICLE IV. INSPECTION OF DOCUMENTS AND REAL PROPERTY	6
4.1 Inspection Period	6
4.2 Seller's Documents	6
4.3 Inspection of Real Property	7
4.4 Approval of Property Condition	8
4.5 Certification	8
ARTICLE V. CONDITIONS PRECEDENT TO CLOSING	9
5.1 Performance by Seller	9
5.2 Approval of Property Condition	9
5.3 Title Policy	9
5.4 Representations and Warranties True	9
5.5 No Damage or Destruction	9
5.6 Tenant Estoppels	9

5.7	OWSI Stock Purchase Closing	9
5.8	Heron Beach Inn	9
5.9	Consents and Notices	9
5.10	Liquor License	10

5.11	Payment Certification	10
5.12	Performance by Buyer	10
5.13	Representations and Warranties True	10
5.14	OWSI Stock Purchase Closing	10
5.15	Consents and Notices	10
5.16	Board Approval	10

ARTICLE VI. OPERATIONS PENDING CLOSING 11

6.1	Operations Pending Closing	11
6.2	Conditions of Title to Real Property	11
6.3	Special Conditions Applicable to Heron Beach Inn, Marina and Golf Course	11
6.4	Updating of Schedules	11
6.5	Liquor Licenses	11

ARTICLE VII. CLOSING AND ESCROW 12

7.1	Closing	12
7.2	Seller's Deliveries	12
7.3	Buyer's Deliveries	12
7.4	Title Policy; Other Instruments	13
7.5	Prorations.	13
7.6	Closing Costs and Expenses	14
7.7	Closing Statements	15
7.8	Delivery Outside of Escrow	15
7.9	Guest Property	15

ARTICLE VIII. REPRESENTATIONS AND WARRANTIES 15

8.1	Seller's Representations	15
8.2	Buyer's Representations	21

ARTICLE IX. EMPLOYEES 21

ARTICLE X. CASUALTY AND CONDEMNATION 22

ARTICLE XI. DISCLOSURE, INDEMNITY, AND RELEASE RELATING TO CONDITION OF PROPERTY 22

11.1	Disclosures	22
11.2	Seller's Indemnification Liabilities	23
11.3	Limitations on Seller's Indemnification Liabilities	24
11.4	Buyer's Indemnification Liabilities and Release	25
11.5	Survival	26

ARTICLE XII. POSSESSION 27

ARTICLE XIII. DOCUMENT RETENTION 27

ARTICLE XIV. OBLIGATIONS TO PORT LUDLOW COMMUNITY 27

ARTICLE XV. DEFAULT; REMEDIES 27

15.1	Default by Buyer	27
15.2	Default by Seller	27
15.3	Attorneys' Fees	28

ARTICLE XVI. MISCELLANEOUS 28

16.1	Brokers and Finders	28
16.2	Notices	28
16.3	Amendment, Waiver	29

16.4	Survival	29
16.5	Captions	30
16.6	Merger of Prior Agreements	30
16.7	No Joint Venture	30
16.8	Governing Law; Time	30
16.9	Schedules	30
16.10	Severability	30
16.11	Counterparts	30
16.12	Assignment	30
16.13	Tax Deferred Exchange	30
16.14	Confidentiality	31
16.15	Continuing Forest Land Obligations	31
16.16	Cooperation	31

REAL ESTATE PURCHASE AND SALE AGREEMENT

(Pope Resources and HCV Pacific Partners LLC)

(Port Ludlow and Peacock Hill)

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of January 12, 2001, by and between HCV PACIFIC PARTNERS LLC, a California limited liability company (or its assigns as permitted herein) ("Buyer"), and Pope Resources, a Delaware limited partnership, its wholly owned subsidiary Olympic Property Group LLC, a Washington limited liability company, and its wholly owned subsidiaries Olympic Real Estate Development LLC, a Washington limited liability company, Olympic Real Estate Management, Inc., a Washington corporation, and Olympic Resorts LLC, a Washington limited liability company (collectively, "Seller"). It is understood that Pope & Talbot, Inc. is not a Seller under this Agreement nor an affiliate of Seller, and that any reference in this Agreement to Seller's "affiliates" does not include Pope & Talbot, Inc. or any other predecessor-in-title of any portion of the Property (as defined below), other than a party named as Seller herein.

Seller is the owner of certain real property (a) known herein as the MPR Properties and located within the unincorporated master planned resort area commonly known as Port Ludlow, Jefferson County, Washington, and (b) known herein as the Peacock Hill Property and located within the City of Gig Harbor, Pierce County, Washington. Buyer desires to purchase from Seller and Seller desires to sell to Buyer such property and related assets on the terms and conditions set forth below.

In consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer agree as follows:

ARTICLE I. PROPERTY

Seller hereby agrees to sell, assign, and convey to Buyer, and Buyer hereby agrees to purchase, assume, and acquire from Seller, the following property subject to the terms and conditions set forth herein:

1.1 *Land and Improvements.* The following lots and parcels of real property (the "Land"), together with the buildings, structures, fixtures, and improvements owned by Seller and located thereon (the "Improvements"):

1.1.1 The real property located within the unincorporated master planned resort area commonly known as Port Ludlow, Jefferson County, Washington, comprising the following properties (collectively, the "MPR Properties"):

(a) MPR Operating Properties, defined as the aggregate of the following:

- (i) Heron Beach Inn as described on *Schedule 1.1.1(a)(i)*;
- (ii) Marina as described on *Schedule 1.1.1(a)(ii)*;
- (iii) Golf Course as described on *Schedule 1.1.1(a)(iii)*;
- (iv) Village Center as described on *Schedule 1.1.1(a)(iv)*;
- (v) RV Park as described on *Schedule 1.1.1(a)(v)*;
- (vi) Harbormaster Restaurant as described on *Schedule 1.1.1(a)(vi)*;
- (vii) Conference Center as described on *Schedule 1.1.1(a)(vii)*;
- (viii) Miscellaneous MPR Operating Properties as described on *Schedule 1.1.1(a)(viii)*; and
- (ix) Sales Office as described on *Schedule 1.1.1(a)(ix)*.

(b) MPR Land Properties, defined as the aggregate of the following:

- (i) MPR Platted Lots as described on *Schedule 1.1.1(b)(i)*;

(ii) MPR Unplatted Parcels as described on *Schedule 1.1.1(b)(ii)*; and

(iii) MPR Outparcels as described on *Schedule 1.1.1(b)(iii)*.

Certain of the MPR Platted Lots are subject to presently existing executory purchase and sale agreements and to potential new purchase and sale agreements that may be entered into by Seller prior to Closing as provided in *Section 6.2. Schedule 1.1.1(b)(i)* shall be revised if closing under any such agreement occurs prior to the Closing Date under this Agreement.

1.1.2 The real property located within the City of Gig Harbor, Pierce County, Washington, legally described on *Schedule 1.1.2* (the "Peacock Hill Property").

1.2 *Appurtenances*. All rights, obligations, privileges, and easements owned by Seller, including without limitation all minerals, oil, and gas on and under the Land, all development rights, air rights, water rights, and all easements, rights-of-way, permits, licenses, entitlements of any nature, plat, and permit applications, all rights under any warranties or guaranties relating to the Improvements, and other rights and obligations appurtenant to or used in connection with the Land and Improvements subject to matters of record and matters specifically excepted under this Agreement (the "Appurtenances"), including without limitation those rights, obligations, privileges, and easements described on *Schedule 1.2*.

Seller shall also grant to Buyer at Closing, by an instrument in the form of *Schedule 7.2(h)*, non-exclusive easements over Seller's lands within one-half ($\frac{1}{2}$) mile of the MPR Properties for water, electricity, sewer and other utilities, for drilling and maintenance of wells and related pipelines, and for trails (all of which easements shall be floating but shall be located and used so as not to interfere unreasonably with use, occupancy or development of Seller's lands); and by an instrument in the form of *Schedule 7.2(i)*, the right to continue (for a period of ten (10) years after the Closing Date, as defined below) to dispose of sludge from the Olympic Water and Sewer, Inc., system on Seller's lands in a location reasonably designated by Seller.

1.3 *Tenant Leases*. The interest of Seller as landlord under the leases relating to the Marina, Village Center, RV Park, Harbormaster Restaurant, and Conference Center, which are described on *Schedule 1.3* (the "Tenant Leases"), and the security deposits, if any, collected and held by Seller thereunder.

1.4 *Equipment and Inventory*. The equipment and inventory, including without limitation cars, trucks, other motor vehicles, construction equipment and small tools, office equipment, construction materials, spare parts and materials, computer hardware and software, security systems, files, and records, owned by Seller and located on and used in connection with the Land and Improvements (the "Equipment and Inventory"), including without limitation the equipment and inventory described on *Schedule 1.4*.

1.5 *Contracts*. The contractual obligations and rights of Seller that are described in the development agreements, land use entitlement agreements, management agreements, service contracts, supply contracts, vendor agreements, equipment leases, maintenance agreements, executory purchase and sale agreements for MPR Platted Lots, construction contracts, brokerage agreements, and other agreements and contracts of record and as described on *Schedule 1.5* (the "Contracts"). Upon Buyer's satisfaction or written waiver of all of Buyer's conditions precedent to Closing, Seller shall also terminate at Closing any Contracts that Seller has the right to terminate without material penalty that are specified by Buyer within ten (10) days prior to Closing (except that as to any Contracts that can only be terminated with not more than thirty (30) days prior written notice, Seller's obligation shall be to give notice of termination at or before Closing).

2

1.6 *Intellectual Property Rights*. All copyrights, trademarks, trade names, marketing materials, web sites (including rights to domain names), and other intellectual property rights owned by Seller and relating exclusively to the Property (the "Intellectual Property"), including without limitation those rights described on *Schedule 1.6*.

1.7 *DNR Lease*. The interest of Seller under the aquatic lands lease between the Washington State Department of Natural Resources ("DNR") as landlord and Seller as tenant as described on *Schedule 1.7* (the "DNR Lease").

1.8 *Additional Defined Terms*. The Land, Improvements, Appurtenances, the Tenant Leases and DNR Lease are referred to collectively herein as the "Real Property." The Equipment and Inventory, Contracts, and Intellectual Property are referred to collectively herein as the "Personal Property." The Real Property and Personal Property, comprising all of the items described in *Sections 1.1* through *1.7* above, are herein collectively referred to as the "Property."

ARTICLE II. PURCHASE PRICE

2.1 *Purchase Price*. The purchase price for the Property (the "Purchase Price") shall be Twenty-three Million Five Hundred Thousand Dollars (US\$23,500,000.00) subject to adjustments as provided for under *Section 2.2* below and subject to an allocation of a portion of the Purchase Price to the stock of Olympic Water and Sewer, Inc. ("OWSI"), as agreed by Buyer and Seller in an amendment to this Agreement and in the OWSI Stock Purchase Agreement (the "OWSI Stock Purchase Agreement") presently being negotiated by Buyer and Seller. The Purchase Price is allocated among the Real Property and between the Real Property and Personal Property as set forth in *Schedule 2.1*. The Purchase Price shall be paid by Buyer in immediately available United States funds pursuant to Seller's instructions on the Closing Date.

2.2 *Adjustments to Purchase Price*. The Purchase Price has been determined as of September 1, 2000. Therefore, the Purchase Price shall be adjusted on the Closing Date for Seller's capital expenditures relating to the Property, closed sales of MPR Platted Lots between September 1, 2000, and the Closing Date, and Inventory increases and reductions between September 1, 2000, and the Closing Date, in accordance with United States generally accepted accounting principles and practices as in effect from time to time and applied consistently throughout the periods involved. The sum of Eight Million Seven Hundred Twenty-four Dollars (US\$8,724,000.00) shall be the value allocated to Seller's work in progress as of September 1, 2000. Notwithstanding the foregoing, the Purchase Price shall not be adjusted under this section by more than Three Hundred Thousand Dollars (US\$300,000.00) without the prior written consent of Buyer and Seller.

2.3 *Escrow Officer*. Transnation Title Insurance Company, Seattle Washington ("Escrow Officer" in its capacity as escrow officer and "Title Company" in its capacity as title insurer), has been designated as Escrow Officer hereunder by mutual agreement of Seller and Buyer. Upon mutual execution and delivery of this Agreement, Escrow Officer shall open a closing escrow in accordance with the terms of this Agreement.

2.4 *Earnest Money*. Within one (1) business day following mutual execution and delivery of this Agreement, Buyer shall deposit with Escrow Officer the sum of One Hundred Thousand Dollars (US\$100,000) in cash as the earnest money deposit (such sum, together with interest earned thereon, the "Earnest Money"). In

addition, within one (1) business day after the condition set forth in *Section 5.2* has been satisfied or waived and the condition of title and survey matters (including Exceptions, as defined in *Section 3.1*) has been approved or deemed approved by Buyer pursuant to *Section 3.1* (whichever is later), Buyer shall deposit with Escrow Officer the additional sum of Nine Hundred Thousand Dollars (\$900,000), which sum shall be deemed part of the Earnest Money. Upon closing of this transaction, the Earnest Money shall be credited against the Purchase Price. In the event this transaction fails to close as a result of Seller's default, the failure of any condition precedent to

Buyer's obligations, or any reason other than Buyer's default, the Earnest Money shall be returned to Buyer. In the event Buyer fails, without legal excuse, to complete the purchase of the Property, the Earnest Money shall be forfeited by Escrow Officer to Seller as the sole and exclusive remedy available to Seller for such failure. Escrow Agent shall deposit the Earnest Money in an interest bearing account at a financial institution designated by Seller, subject to Buyer's approval, which shall not unreasonably be withheld.

ARTICLE III. CONDITION AND CONVEYANCE OF TITLE

3.1 *Preliminary Commitment.* Within ten (10) days after mutual execution and delivery of this Agreement, Seller shall provide Buyer with a preliminary commitment to issue an ALTA Extended Owner's Policy of title insurance insuring Buyer's interest in the Real Property (the "Preliminary Commitment"), together with complete and legible copies of all exceptions and encumbrances noted thereon. The Preliminary Commitment shall be issued by Transnation Title Insurance Company or its local affiliates in Jefferson County, Washington, and Pierce County, Washington ("Title Company"). The Preliminary Commitment may be to issue an ALTA Standard Owner's Policy of title insurance as to those portions of the Real Property for which Title Company will not issue an ALTA Extended Owner's Policy for lack of an ALTA survey prior to Closing, subject to Buyer's approval during the Title and Survey Review Period defined below. Buyer shall have until expiration of the Inspection Period described in *Section 4.1* or ten (10) days after receipt of the ESM Survey described at *Section 3.2*, whichever is later (the "Title and Survey Review Period"), to advise Seller in writing of any encumbrances, restrictions, easements, or other matters shown in the Preliminary Commitment or ESM Survey (collectively, "Exceptions") to which Buyer objects. Except as otherwise provided below, all Exceptions to which Buyer does not object in writing prior to expiration of the Title and Survey Review Period shall be deemed accepted by Buyer, provided, however, that if Buyer does not deliver any written notice to Seller regarding its objection to Exceptions prior to expiration of the Title and Survey Review Period, then Buyer shall be deemed to have and disapproved the condition of title to the Real Property, in which event this Agreement shall terminate and the Earnest Money shall be returned to Buyer. If Buyer does not receive complete and legible copies of all exceptions and encumbrances noted in the Preliminary Commitment within ten (10) days after mutual execution and delivery of this Agreement, then Seller shall cooperate with Buyer and assist Buyer in obtaining such copies from the Title Company as soon as possible.

If Buyer timely objects to any Exceptions, then Seller shall advise Buyer in writing within ten (10) days after receipt of Buyer's written objections: (a) which Exceptions Seller will remove at Closing, (b) which Exceptions the Title Company has agreed to remove from the title policy to be issued at Closing, and (c) which Exceptions will not be removed by Seller or Title Company. If Seller does not otherwise give an adequate, complete, timely, and written notice to Buyer regarding any Exception to which Seller has timely objected, then Seller shall be deemed to have given notice Buyer that such Exception will not be removed by Seller or Title Company prior to Closing.

Within twenty (20) days after Seller's receipt of Buyer's written objections, if Seller has not agreed to remove all Exceptions to which Buyer objects, Buyer shall notify Seller in writing of Buyer's election to either: (a) terminate this Agreement, in which event the Earnest Money shall be returned to Buyer, or (b) waive its objections to the Exceptions that Seller will not remove or cause Title Company to insure around, in which event such Exceptions shall be deemed accepted by Buyer. If Buyer does not terminate this Agreement in writing within the twenty (20) day period, then Buyer shall be deemed to have waived its objections to the Exceptions that Seller will not remove or cause Title Company to insure around.

Notwithstanding the foregoing, Seller shall cause, at Seller's sole expense, all mortgages, deeds of trust, and other monetary liens except non-delinquent assessment liens (e.g., liens for local improvement district assessments), including liens for delinquent taxes, mechanics, materialman's or

service provider liens, and judgment liens, to be fully satisfied, released, and discharged of record on or prior to the Closing Date without necessity of Buyer's objection. All such mortgages, deeds of trust and other monetary liens shall automatically be deemed unacceptable to Buyer (without any need for Buyer to object to them expressly) and shall be removed by Seller as provided above.

3.2 *Survey.* Within five (5) days after mutual execution and delivery of this Agreement, Seller shall engage ESM Consulting Engineers, L.L.C. ("ESM"), to prepare a survey of portions of the Land by letter proposal dated January , 2001 (the "ESM Survey"). The parties shall cooperate to cause the ESM Survey to be completed and delivered to Buyer as soon as practicable, and acknowledge that they desire to have the completed ESM Survey delivered no later than March 7, 2001, if feasible. The parties acknowledge that Seller is solely responsible for the cost of the ESM Survey if this transaction fails to close but that if this transaction does close, then at Closing Buyer shall pay all ESM Survey costs.

3.3 *Permitted Exceptions.* The term "Permitted Exceptions" means: (a) the Exceptions accepted or deemed accepted by Buyer as provided above; (b) the lien of non-delinquent real estate taxes for the current calendar year, subject to pro-ration as provided herein; (c) the Tenant Leases; (d) non-delinquent assessment liens, subject to pro-ration as provided herein; and (e) matters that would be disclosed by an accurate ALTA survey of the Real Property.

3.4 *Title Policy.* At Closing, Seller shall cause Title Company to deliver to Buyer an ALTA Extended Owner's Policy of title insurance (or, at Buyer's option, a binder therefor) issued by Title Company in the amount of the Purchase Price, dated the Closing Date, insuring Buyer's title subject to no exceptions other than the general exceptions and the Permitted Exceptions (the "Title Policy"). The Title Policy may be for an ALTA Standard Owner's Policy of title insurance as to those portions of the Real Property for which Title Company will not issue an ALTA Extended Owner's Policy for lack of an ALTA survey prior to Closing, subject to Buyer's approval during the Title and Survey Review Period. The Title Policy shall be consistent with the Preliminary Commitment and otherwise in form and substance reasonably satisfactory to Buyer and shall contain such coverages and endorsements issued by Title Company as Buyer may specify, provided that Buyer shall pay the cost of all endorsements.

3.5 *Conveyance of Real Property.* At Closing, Seller shall convey to Buyer fee simple title to the Real Property by execution and delivery of statutory warranty deeds in the form of *Schedule 3.4(a)* hereto as to the MPR Property (the "MPR Deed") and in the form of *Schedule 3.4(b)* hereto as to the Peacock Hill

Property (the "Peacock Hill Deed"), subject only to the Permitted Exceptions. Seller shall also execute and deliver at Closing instruments granting the additional easement and rights described in the last sentence of *Section 1.2* above in the forms of *Schedules 7.2(h)* and *7.2(i)*.

3.6 *Assignment of DNR Lease.* At Closing, subject to the prior written approval of the DNR, Seller shall assign to Buyer the interest of Seller in and to the DNR Lease by execution and delivery of an Assignment and Assumption of DNR Lease in the form of *Schedule 3.5* hereto (the "Assignment of DNR Lease").

3.7 *Assignment of Tenant Leases.* At Closing, Seller shall assign to Buyer the interest of Seller in and to the Tenant Leases by execution and delivery of an Assignment and Assumption of Leases in the form of *Schedule 3.6* hereto (the "Assignment of Tenant Leases").

3.8 *Assignment of Contracts.* At Closing, Seller shall assign to Buyer the interest of Seller in and to the Contracts that Buyer has elected not to cancel and terminate prior to Closing in accordance with *Section 1.5* by execution and delivery of an Assignment and Assumption of Contracts in the form of *Schedule 3.7* hereto (the "Assignment of Contracts").

3.9 *Bill of Sale.* At Closing, Seller shall convey to Buyer the interest of Seller in and to the Equipment and Inventory by execution and delivery of a Bill of Sale in the form of *Schedule 3.8* hereto (the "Bill of Sale").

5

3.10 *Assignment of Intellectual Property.* At Closing, Seller shall convey to Buyer the interest of Seller in and to the Intellectual Property by execution and delivery of an Assignment of Intellectual Property in the form of *Schedule 3.9* hereto (the "Assignment of Intellectual Property").

ARTICLE IV. INSPECTION OF DOCUMENTS AND REAL PROPERTY

4.1 *Inspection Period.* The period beginning on the day this Agreement has been executed and delivered by all parties and ending on January 31, 2001, shall be the "Inspection Period." The Inspection Period shall be extended one (1) day for each day after January 21, 2001, that all schedules hereto are not approved by the parties in the amendment to this Agreement described at *Section 16.9*, provided, however, that if all schedules hereto are not approved by the parties in an amendment to this Agreement mutually executed and delivered on or before February 9, 2001, then this Agreement shall terminate, the Earnest Money shall be returned to Buyer, and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement..

4.2 *Seller's Documents.* During the Inspection Period, Buyer and its agents and consultants, subject to their strict compliance with the confidentiality requirements of this Agreement, shall have the right to review and photocopy at Buyer's expense all documents in the possession of Seller relating to the Property ("Seller's Documents") except Seller's internal financial analysis and, subject to the terms and conditions set forth below, (i) communications with other prospective buyers of all or any portion of the Property, and (ii) materials and communications relating to currently pending or threatened litigation, as listed on *Schedule 8.1.1(b)*, that are subject to attorney-client privilege. The review and photocopying of Seller's Documents shall be conducted at a location in Kitsap County, Washington, to be designated by Seller. "In the possession of Seller" shall include documents relating to the Property in the possession of Seller's consultants and prepared at Seller's expense, provided that Buyer shall make arrangements with such consultants for the review and photocopying of such documents at Buyer's expense (and provided further, that Seller shall cooperate with Buyer's efforts to obtain access to all such Seller's Documents in the possession of Seller's consultants). Except as otherwise expressly provided herein, Seller makes no representations or warranties, express or implied, as to the accuracy or completeness of Seller's Documents except those prepared by Seller for Buyer (such as financial information and also including, without limitation, all schedules and exhibits attached to this Agreement). Seller expressly disclaims any and all liability for representations or warranties, expressed or implied, contained in or for omissions from Seller's Documents, except those prepared by Seller for Buyer and except as otherwise expressly provided in this Agreement. Buyer agrees not to distribute Seller's Documents to others (other than its consultants, affiliates, investors, advisors and their respective employees) in whole or in part at any time without the prior written consent of Seller, and to keep confidential all information contained therein or made available in connection with any further discussions relating to the Property. Seller's Documents are being delivered for the limited purpose of assisting Buyer in deciding whether or not to proceed with its purchase of the Property and upon the express understanding that they will be used only for such purpose. Buyer agrees to make use of Seller's Documents only for the purpose of evaluating the purchase of the Property and agrees not to disclose to any person, except its consultants, affiliates, investors, advisors and their respective employees who have a need to know, the contents of Seller's Documents, that discussions are taking place, or that information is being exchanged between parties. Upon the termination of this Agreement, Buyer shall return its copies of Seller's Documents to Seller without retaining any copies thereof. Buyer shall not distribute Seller's Documents to more than ten (10) investors at a time and shall require all such investors to keep confidential all information contained therein.

The above notwithstanding, Buyer and its agents and consultants shall have the right (i) to use all Seller's Documents in connection with its due diligence review; (ii) to discuss the Property, and information contained in or learned from the Seller's Documents, with governmental authorities in

6

connection with its due diligence review; (iii) to disclose information contained in the Seller's Documents to the extent required by any law or regulation or in connection with enforcement of this Agreement; and (iv) to keep and retain all Seller's Documents and all records relating to the Property upon Closing. Buyer shall have no confidentiality obligation after Closing.

Seller also covenants and agrees that (1) no materials withheld from Seller pursuant to clauses (i) or (ii) in the first sentence of this *Section 4.2* contain or will contain any information about or allegation of (a) any material defect concerning the Property (including its physical condition, value, usefulness or development potential) not otherwise disclosed in the privilege log prepared by Seller for Buyer regarding every item withheld pursuant to clause (ii) in the first sentence of this *Section 4.2* (the "Privilege Log"), a schedule to this Agreement, or the environmental reports, assessments, and studies described at *Schedule 8.1.1(i)*, (b) any fact or circumstance which, if true, would make any representation or warranty of Seller in this Agreement materially inaccurate, or (c) a claim by any third party to have any right or interest in or materially affecting any portion of the Property except as disclosed in the Contracts, DNR Lease, Preliminary Commitment, Privilege Log, Tenant Leases, or *Schedule 8.1.1(b)*; and (2) Seller shall, within ten (10) days after the date this Agreement is executed by all parties, deliver the Privilege Log to Buyer.

4.3 *Inspection of Real Property.* During the Inspection Period, Buyer at its sole expense may inspect the physical condition of the Real Property, verify to its satisfaction the financial information provided to it and conduct any environmental or other inspections as it deems appropriate; provided, however, Buyer shall have the right to enter upon the Real Property only in accordance with the following terms and conditions:

(a) This Agreement has not been terminated;

(b) Any entry upon the Real Property shall be only for the purpose of inspections, studies, and surveys upon prior written notice to Seller; and

(c) Buyer shall indemnify, defend and hold Seller harmless from any claims, demands and causes of action for personal injury, property damage, mechanics liens, violation of laws or breach of contract or lease that arise out of or are related to Buyer's activities on the Real Property prior to Closing, including without limitation Seller's costs, expenses and attorney's fees, except to the extent such claims, demands or causes of action arise out of Seller's negligence, misconduct, breach of lease or contract or violation of law. Without expanding Buyer's obligations set forth above, it is understood that Buyer shall not be liable for or in connection with the discovery and reporting as required by law of any hazardous or environmental condition on the Property. Notwithstanding anything to the contrary herein, this indemnity shall survive termination of this Agreement.

(d) Buyer's entry shall be at reasonable times and in compliance with all laws, leases, and other agreements of Seller, so as to minimize any disruption of Seller's tenants and the operations of Seller, its affiliates and subsidiaries. Buyer, its agents and consultants, to the extent reasonably possible, will be sensitive to the impacts of their due diligence efforts on the employees of Seller, will minimize their intrusions, and will not disclose the purpose of their work to any person or entity without Seller's prior written consent. Unless Seller has given its prior written consent, which shall not unreasonably be withheld or delayed, (i) no improvements shall be constructed upon the Real Property, no materials, vehicles or equipment shall be placed or stored on the Real Property except for the purposes of testing, and no construction activity shall be conducted upon the Real Property, and (ii) no grading, filling, excavation, or other disturbance of the soils shall be permitted. Buyer's activities shall not violate any law, regulation, ordinance or permit.

Buyer may communicate with and retain Seller's consultants regarding the condition of the Real Property. All consultants retained by Buyer shall be compensated solely by Buyer for their work. If this Agreement is terminated for any reason prior to Closing, then Buyer shall provide to Seller and shall

7

cause its consultants to provide to Seller complete copies of any work product Buyer and its consultants have produced on behalf of Buyer, provided that Seller shall compensate Buyer and its consultants for their reproduction costs. Buyer shall cause all of its consultants to keep the transaction described in this Agreement completely confidential.

4.4 *Approval of Property Condition.* If Buyer is satisfied in its sole discretion with the results of its inspection of Seller's Documents and the Real Property, then at any time prior to expiration of the Inspection Period Buyer shall give written notice to Seller of Buyer's approval of the condition of the Property. If Buyer shall fail to give timely written notice to Seller of Buyer's approval of the condition of the Property, then Buyer shall be deemed to have disapproved the condition of the Property, whereupon this Agreement shall terminate, the Earnest Money shall be returned to Buyer, and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement.

4.5 *Certification.* Within ten (10) days after the date this Agreement has been executed by all parties, Seller shall certify and deliver to Buyer complete copies of all Tenant Leases, Contracts, the DNR Lease, and all reports, assessments, and studies listed on *Schedule 8.1.1(i)*. With respect to any materials previously delivered to Buyer, Seller's certification shall be sufficient as to those materials if it identifies how and when such materials were delivered and certifies that the copies so delivered were complete.

8

ARTICLE V. CONDITIONS PRECEDENT TO CLOSING

Buyer's obligations under this Agreement are expressly conditioned on, and subject to satisfaction of, the following conditions precedent:

5.1 *Performance by Seller.* Seller shall have timely performed all material obligations required by this Agreement to be performed by it.

5.2 *Approval of Property Condition.* Buyer shall have given written notice to Seller prior to expiration of the Inspection Period that Buyer approves the condition of the Property based on Seller's inspection of Seller's Documents and the Real Property. It is understood that Buyer may disapprove the Real Property prior to expiration of the Inspection Period for any reason (and thereby terminate this Agreement and receive back the Earnest Money) if it is dissatisfied with any aspect of the Real Property, including (without limitation) its condition, value or development potential.

5.3 *Title Policy.* Title Company shall be ready, willing and able to issue the Title Policy.

5.4 *Representations and Warranties True.* The representations and warranties of Seller contained herein shall be true and correct on and as of the Closing Date in all material respects, and Seller shall so certify to Buyer in an instrument reasonably specified by Buyer.

5.5 *No Damage or Destruction.* There shall be no material damage to or destruction of any portion of the Property.

5.6 *Tenant Estoppels.* Seller shall have delivered to Buyer, not less than five (5) days prior to expiration of the Inspection Period, from tenants under the Tenant Leases comprising at least 80% of the rentable area of the Village Center, a tenant estoppel letter in the form of *Schedule 5.6-1* without any material exception or claim thereon and dated not less than thirty (30) days after the date this Agreement is executed and delivered by all parties. Seller shall also have delivered, not less than five (5) days prior to expiration of the Inspection Period, a certificate of Seller with respect to the Leases for the Harbormaster Restaurant and the Conference Center containing substantially the same information contained in *Schedule 5.6-1* without any material exception or claim thereon (except that Seller may describe such tenant's existing default as alleged by Seller) and dated not less than thirty (30) days after the date this Agreement is executed and delivered by all parties. Seller shall also have used best efforts to obtain from the State of Washington an estoppel letter as to the DNR Lease in the form of *Schedule 5.6-2*.

5.7 *OWSI Stock Purchase Closing.* Buyer as buyer and Olympic Property Group LLC as seller shall have simultaneously closed that certain Stock Purchase Agreement of even date herewith relating to the stock of Olympic Water and Sewer, Inc., a Washington corporation.

5.8 *Heron Beach Inn.* Seller shall have terminated or made arrangements satisfactory to Buyer for the termination of the management agreement relating to the Heron Beach Inn.

5.9 *Consents and Notices.* Buyer and Seller shall have timely given all notices required by all applicable laws, ordinances, regulations, and agreements relating to the conveyance of the Property and other matters relating thereto and shall have timely obtained all consents required by all applicable laws, ordinances, regulations, and agreements relating to the same. Without limiting the generality of the foregoing, the DNR shall have approved the transfer of the DNR Lease without requiring any material and adverse change to the terms of such lease and at a rental rate not exceeding the rate DNR currently alleges is payable thereunder (which rate Seller is contesting). If such consent by the DNR has not been obtained by the date scheduled for Closing, at Buyer's option the Closing Date shall be extended for up to forty-five (45) days to allow the parties to satisfy this condition (and the parties shall cooperate for such purpose).

5.10 *Liquor License.* The Washington State Department of Licensing shall have issued new temporary retail liquor licenses under applicable statutes permitting the sale of liquor at the Heron Beach Inn, Port Ludlow Marina, and Port Ludlow Golf Course after closing in the same manner and to the same extent as presently allowed.

5.11 *Payment Certification.* Buyer shall have received from Seller a written warranty and certification in the form of Schedule 5.11 that Seller has paid all contractors, material providers and any other persons or parties performing work or supplying construction materials for work on any part of the Real Property for all work performed and materials supplied through the date of Closing. Seller also agrees to indemnify, defend and hold harmless Buyer and the Real Property from any claim or allegation which, if true, would make such warranty and certification inaccurate (and including, without limitation, from any mechanics lien or similar lien filed by any person or party).

The conditions set forth in Sections 5.1 through 5.11 above are intended solely for the benefit of Buyer. If any of the foregoing conditions is not satisfied or waived by Buyer in writing as of the Closing Date, then Buyer shall have the right at its sole election either to waive such condition and proceed with Closing or, in the alternative, to terminate this Agreement, whereupon this Agreement shall terminate, the Earnest Money shall be returned to Buyer, and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement (provided, that if any such condition is not satisfied due to Seller's default hereunder, then Buyer shall have all remedies for such default provided under this Agreement or under law).

Seller's obligations under this Agreement are expressly conditioned on, and subject to satisfaction of, the following conditions precedent:

5.12 *Performance by Buyer.* Buyer shall have timely performed all material obligations required by this Agreement to be performed by it.

5.13 *Representations and Warranties True.* The representations and warranties of Buyer contained herein shall be true and correct on and as of the Closing Date in all material respects, and Buyer shall so certify to Seller in an instrument reasonably specified by Buyer.

5.14 *OWSI Stock Purchase Closing.* Buyer as buyer and Olympic Property Group LLC as seller shall have simultaneously closed the OWSI Stock Purchase Agreement.

5.15 *Consents and Notices.* Buyer and Seller shall have timely given all notices required by all applicable laws, ordinances, regulations, and agreements relating to the conveyance of the Property and other matters relating thereto and shall have timely obtained all consents required by all applicable laws, ordinances, regulations, and agreements relating to the same. It is understood that if the DNR has not consented to transfer of the DNR Lease by the date scheduled for Closing, such date may be extended at Buyer's option in the manner described in Section 5.9 above.

5.16 *Board Approval.* Within ten (10) calendar days after mutual execution and delivery of this Agreement, the Board of Directors of Pope MGP, Inc., the managing general partner of Pope Resources, shall have approved the execution and delivery of this Agreement and the OWSI Stock Purchase Agreement and the performance by Pope Resources of the transactions contemplated herein and therein.

The conditions set forth in Sections 5.12 through 5.16 above are intended solely for the benefit of Seller. If any of the foregoing conditions are not satisfied or waived by Seller in writing as of the Closing Date, Seller shall have the right at its sole election either to waive the condition in question and proceed with the sale or, in the alternative, to terminate this Agreement. No such termination, however, shall be deemed a waiver of Seller's right to retain the Earnest Money if Buyer is then in default under this Agreement.

ARTICLE VI. OPERATIONS PENDING CLOSING

6.1 *Operations Pending Closing.* At all times prior to the Closing or the sooner termination of this Agreement, Seller agrees: (a) to maintain, manage and operate the Property in the ordinary course of business free from waste and neglect, in accordance with applicable laws, regulations and permits, and consistent with its past management practices; (b) to maintain the Property in its current condition and state of repair (normal wear and tear and casualty loss excepted); (c) to maintain its existing casualty and liability insurance on the Property; (d) to perform all of its material obligations under the Tenant Leases, DNR Lease, and the Contracts and not to amend, modify or terminate or permit the termination of any of the Tenant Leases, DNR Lease, or the Contracts without the prior written consent of Buyer, which shall not unreasonably be withheld; (e) not to lease or rent any portion of the Property without the prior written consent of Buyer, except for leases in the ordinary course of business of the Marina and accommodations and rental agreements at the Golf Course, RV Park, and Heron Beach Inn; and (f) not to make any capital improvements costing in excess of Fifty Thousand Dollars (US\$50,000.00) to all or any portion of the Real Property (except MPR Platted Lots in the ordinary course of business) without Buyer's prior written consent.

6.2 *Conditions of Title to Real Property.* Without Buyer's prior written consent, at all times prior to the Closing or sooner termination of this Agreement, Seller agrees with respect to the Real Property: (a) not to mortgage the Property; (b) not to enter into any new agreements that would be binding on Buyer after Closing without the prior written consent of Buyer except for leases in the ordinary course of business of the Marina, future reservations in the Golf Course, RV Park, and the Heron Beach Inn, construction agreements for homes on the MPR Platted Lots in the ordinary course of business, Golf Course membership agreements in the ordinary course of business, construction agreements for capital improvements approved by Buyer, sales of MPR Platted Lots as described at subsection (c) hereof; and (c) not to enter into any new agreements to transfer all or any portion of the Property except for sales of MPR Platted Lots for sale prices equal to or in excess of the minimum sale prices set forth on Schedule 6.2, conveyances of open space tracts to homeowner associations in the ordinary course of business.

6.3 *Special Conditions Applicable to Heron Beach Inn, Marina and Golf Course.* Seller shall continue to operate the Golf Course and the Marina, and shall use best efforts to cause the Heron Beach Inn to continue to be operated, in accordance with existing practices, policies, and procedures and will not conduct any

transaction outside the ordinary course of business except with Buyer's prior written consent. Among other things, Seller will cause Equipment and Inventory to be maintained at normal and customary levels and repairs and maintenance to be performed as reasonably required. As to the Heron Beach Inn, Seller shall cause guest and room service levels and marketing efforts to be maintained in accordance with existing practice and existing management personnel to remain fully involved in the operation of the Heron Beach Inn until the day of Closing. Seller shall use best efforts and due diligence to cause the termination prior to Closing of the Hotel Management Agreement dated April 3, 1991, between Pope Resources and CRG Hospitality, Inc., as amended (the "CRG Agreement").

6.4 *Updating of Schedules.* The schedules attached hereto may be revised prior to Closing to reflect changes in the ordinary course of business or as otherwise approved by Buyer. Seller shall also give Buyer prompt written notice if Seller, after the date this Agreement is executed by Seller, discovers or learns of any fact or occurrence that would make any of Seller's warranties and representations materially inaccurate if such warranty or representation were made on or after the date Seller discovered or learned of such fact or occurrence.

6.5 *Liquor Licenses.* Seller will cooperate fully with Buyer in Buyer's efforts to obtain from the Washington State Department of Licensing ("DOL") new temporary retail liquor licenses under applicable statutes to permit the sale of liquor at the Heron Beach Inn, Port Ludlow Marina, and Port

Ludlow Golf Course after closing in the same manner and to the same extent as presently allowed. Buyer and Seller acknowledge that the DOL probably will not issue non-temporary retail liquor licenses to Buyer until some time after closing and that the issuance of such licenses will not be a condition precedent to Buyer's obligation to close this transaction. Seller also will cooperate fully with Buyer in Buyer's efforts to secure any non-temporary liquor licenses desired by Buyer for the sale of liquor at the Heron Beach Inn, Port Ludlow Marina, and Port Ludlow Golf Course after closing.

ARTICLE VII. CLOSING AND ESCROW

7.1 *Closing.* The Closing hereunder (the "Closing" or the "Closing Date") shall be held at the offices of the Title Company in Seattle, Washington, forty-five (45) days following Buyer's approval of the condition of the Property under Article IV.

7.2 *Seller's Deliveries.* On or prior to the Closing Date, Seller shall deposit with Escrow Officer the following:

(a) The duly executed and acknowledged (where applicable) MPR Deed, Peacock Hill Deed, Assignment of DNR Lease, Assignment of Tenant Leases, Assignment of Contracts, Bill of Sale, and Assignment of Intellectual Property;

(b) The duly executed Washington State Real Estate Excise Tax Affidavits relating to the MPR Deed and Peacock Hill Deed, consistent with the allocations set forth on *Schedule 2.1*;

(c) An affidavit duly executed by Seller in the form of *Schedule 7.2(c)* hereto (the "FIRPTA Affidavit");

(d) A duly executed management agreement to be negotiated in good faith prior to Closing (the "Management Agreement"), under which Buyer will manage certain post-closing obligations of Seller described therein and relating to the Property in exchange for reasonable consideration to be described therein;

(e) The Tenant Estoppel Letters;

(f) The Contracts, DNR Lease, and Tenant Leases;

(g) A certificate executed by Seller stating that Seller's representations and warranties in Article VIII are true and correct as of the Closing Date;

(h) The duly executed Easements Over Adjoining Lands in the form of *Schedule 7.2(i)*;

(i) The duly executed Bio-solids Disposal Agreement in the form of *Schedule 7.2(i)*; and

(j) The duly executed Seller's Payment Certificate in the form of *Schedule 5.11*.

7.3 *Buyer's Deliveries.* On or prior to the Closing Date, Buyer shall deposit with Escrow Officer the following:

(a) The Purchase Price;

(b) The duly executed and acknowledged (where applicable) Assignment of DNR Lease, Assignment of Tenant Leases, Assignment of Contracts, and Assignment of Intellectual Property;

(c) The duly executed Washington State Real Estate Excise Tax Affidavits relating to the MPR Deed and Peacock Hill Deed, consistent with the allocations set forth on *Schedule 2.1*;

(d) The duly executed Management Agreement;

(e) A certificate executed by Buyer stating that Buyer's representations and warranties in Article VIII are true and correct as of the Closing Date; and

(f) The duly executed Bio-solids Disposal Agreement in the form of *Schedule 7.2(i)*.

7.4 *Title Policy; Other Instruments.* Seller shall cause Title Company to issue the Title Policy to Buyer at Closing or as soon thereafter as practicable (provided, however, that it shall be a condition to Buyer's obligation to close that title Company shall be committed to issue the Title Policy effective on and as of

the Closing Date). Seller and Buyer shall each deposit such other instruments as are reasonably required by Escrow Officer or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.

7.5 Prorations.

7.5.1 *General.* Except as otherwise provided in Sections 7.5.2 and 7.5.3, all revenues and all expenses of the Property, including but not limited to, real property taxes, hotel occupancy taxes, assessments, rents under the Tenant Leases, water, sewer and utility charges, amounts payable under the Contracts, and other expenses normal to the operation and maintenance of the Property, but excluding insurance premiums and payments pursuant to any of the Contracts that Buyer has elected not to assume, shall be prorated as of 12:01a.m. on the Closing Date (the "Cutoff Time"). Real Property tax prorations will be on the basis of taxes paid or payable in the year of Closing. Prepaid rents, security deposits, earnest money deposits, prepaid rentals or other deposits under any Tenant Leases or by customers under the Contracts, including without limitation gift certificates, prepaid fees and Member Book Balances for the Golf Course or any other facilities comprising part of the Property, shall be credited to Buyer. Prepaid rents and security deposits under the DNR Lease shall be credited to Seller. Utility deposits or prepaid amounts under any of the Contracts assigned to Buyer shall be credited to Seller. Any rents under Tenant Leases or other receivables past due as of the Closing Date shall not be prorated at Closing but upon receipt by Buyer shall be applied first to amounts due after Closing and the balance, if any, remitted to Seller for amounts due prior to Closing.

7.5.2 *Heron Beach Inn Adjustments and Prorations.* Except as otherwise provided herein, adjustments and prorations for the Heron Beach Inn shall be determined in accordance with the current edition of the Uniform Systems of Accounts for Hotels, as published by the Hotel Association of New York City, and shall all be prorated as of the Cutoff Time. The following matters and items shall be prorated or credited as of the Cutoff Time. Net credits in favor of Buyer shall be deducted from the balance of the Purchase Price at Closing, and net credits in favor of Seller shall be paid in cash at Closing.

(a) *Revenues and Expenses.* Except as otherwise provided in this section, Seller shall be entitled to all revenue and shall be responsible for all expenses for the period of time up to but not including the date of Closing, and Buyer shall be entitled to all revenue and shall be responsible for all expenses for the period of time from, after and including the date of Closing.

(b) *Guest Ledger Receivables.* Guest Ledger Receivables shall mean all amounts, including, without limitation, room charges and housekeeping costs, accrued to the accounts of guests occupying rooms in Heron Beach Inn as of the Cutoff Time. Seller shall receive a credit for all Guest Ledger Receivables for all room nights up to but not including the room night during which the Cutoff Time occurs, and Buyer shall be entitled to the amounts of Guest Ledger Receivables for the room nights after the Cutoff time. Seller and Buyer shall each receive a credit equal to one-half of the amount of Guest Ledger Receivables for the full room night during which the Cutoff Time occurs. All restaurant and bar facilities will be closed as of the Cutoff Time and Seller shall receive the income from the same until the Cutoff time.

13

(c) *Advance Bookings.* Buyer shall receive a credit for advance payments and security deposits, if any, under advance room and event bookings to the extent they relate to a period after the Cutoff Time.

(d) *Petty Cash Funds and House Banks.* Buyer shall purchase all petty cash funds and cash in house banks at 100% of face value at the Cutoff Time.

(e) *Accounts Receivable.* Seller shall retain the receivables of the Heron Beach Inn as of the Cutoff Time, other than Guest Ledger Receivables. Buyer agrees that it will promptly remit to Seller any funds received by Buyer in payment of such accounts receivable. With regard to any collection made from a person or entity who has accounts receivable arising both prior and subsequent to the Cutoff Time, such collection shall be applied first to current accounts receivable, then to prior accounts receivable.

(f) *Operating Supplies and Inventory.* Operating supplies and inventory for the Heron Beach Inn are included in the Personal Property for the Heron Beach Inn, and no proration or credits shall be made at Closing.

(g) *Calculation of Heron Beach Inn Prorations.* Seller shall cause its accounting staff to make such inventories, examinations, and audits of the Heron Beach Inn, and of the books and records of the Heron Beach Inn, as they may deem necessary to make the adjustments and prorations required under this section and other provisions of this Agreement. Buyer or its designated representatives may be present at such inventories, examinations and audits. Based upon such audits and inventories, Seller will prepare and deliver to the parties no later than two (2) days prior to Closing a closing statement containing Seller's best estimate of the prorations and adjustments in this Agreement.

7.5.3 *Compensating Tax.* Seller has disclosed to Buyer that portions of the Real Property are currently classified or designated as current use or forest land for tax purposes under RCW Ch. 84.33 or RCW Ch. 84.34, which portions to Seller's current actual knowledge are identified either in the Preliminary Commitment or in Schedule 7.5.3 or both. Conversion of the Real Property to another use will require the payment of compensating tax. At Closing, Buyer either shall continue the current classification or designation or pay the compensating tax, and in any event Buyer shall bear sole responsibility for, and shall indemnify and hold Seller harmless against, all such compensating tax. The provisions of this section shall survive Closing. In any suit, action, or appeal therefrom to enforce this section, the prevailing party shall be entitled to its costs incurred therein, including reasonable attorneys' fees and costs of litigation.

7.5.4 *Golf Club Memberships.* All complimentary Golf Club memberships, or special memberships based upon a promise of or right to a material discount of annual fees or charges from standard rates in effect from time to time, shall be terminated by Seller at or prior to Closing, except that Seller shall not be required to terminate (and Buyer shall accept) the special memberships of George Folquet, R.D. Bruce, and Joan Bruce as described in the recorded amended and restated lifetime membership easement, whose rights Seller has no ability or right to terminate.

7.6 *Closing Costs and Expenses.* Buyer and Seller shall each pay their own attorneys fees and expenses and the following:

(a) Seller shall pay:

(i) The owner's standard coverage portion of the premium for the Title Policy;

(ii) All real estate excise or transfer taxes; and

(b) Buyer shall pay:

- (i) One-half ($\frac{1}{2}$) of the fees for the Escrow Officer;
- (ii) All costs and expenses of Buyer's consultants and investigations during the Inspection Period;
- (iii) The premium differential between owner's standard coverage and owner's extended coverage for the Title Policy plus the cost of all endorsements requested by Buyer;
- (iv) All survey costs;
- (v) All costs of recording the MPR Deed and Peacock Hill Deed; and
- (vi) Any sales or use tax relating to the conveyance of the Personal Property.

7.7 Closing Statements. The prorations shall be made on the basis of a written closing statement submitted by Escrow Officer to Buyer and Seller prior to the Closing Date and approved by Buyer and Seller, which approval shall not be unreasonably withheld. In the event any prorations or apportionments made hereunder shall prove to be incorrect for any reason, then any party shall be entitled to an adjustment to correct the same. Any item that cannot be prorated because of the unavailability of information shall be tentatively prorated on the basis of the best data then available and re-prorated between Buyer and Seller when the information is available. Notwithstanding the foregoing, any adjustments or re-prorations shall be made, if at all, within one hundred eighty (180) days after the Closing Date.

7.8 Delivery Outside of Escrow. Seller shall deliver to Buyer at Closing outside of the Closing escrow the originals of Seller's Documents (including but not limited to the originals of the Tenant Leases, DNR Lease, and Contracts), keys and/or codes to all doors and security equipment, copies of all books and records of Seller used in the operation, maintenance, repair and protection of the Property, and such other presently existing records and items as reasonably requested by Buyer.

7.9 Guest Property. All baggage or other property of guests of the Heron Beach Inn checked or left in the care of Seller shall be listed in an inventory to be prepared in duplicate and signed by Seller and Buyer on the Closing date. Buyer shall be responsible from and after the Closing date and will indemnify and hold Seller harmless from and against all claims for all baggage and property listed in such inventory. Seller shall indemnify and hold harmless Buyer from and against claims for baggage and property not listed in such inventory but shown to have been left in Seller's custody prior to the Closing Date.

ARTICLE VIII. REPRESENTATIONS AND WARRANTIES

Seller and Buyer make the following representations and warranties:

8.1 Seller's Representations. Seller represents and warrants to Buyer as of the Date of this Agreement:

8.1.1 General Representations and Warranties Applicable to the Property.

(a) **Tenant Leases.** There are no leases, licenses, or other agreements granting any person or party the right to use or occupy the Real Property or any portion thereof except the Tenant Leases, matters set forth in the Title Commitment, matters that would be disclosed by an accurate ALTA survey of the Real Property, the use by guests, members, or patrons of the Heron Beach Inn and the Golf Course in the ordinary course of business between the date hereof and the Closing Date, and the Heron Beach Inn Reservations. The Tenant Leases have not been modified, amended, or terminated except as identified on *Schedule 1.3. Schedule 1.3*

sets forth all Tenant Leases and all security deposits and prepaid amounts due or owing to any tenant thereunder. To Seller's current actual knowledge, neither Seller nor any tenant is in default under or has asserted any uncured default under the Tenant Leases and no event has occurred that with the giving of notice or passage of time, or both, would constitute a default under any of the Tenant Leases. Seller has completed all tenant build-out items or other improvements required to be completed by Seller under the Tenant Leases. All brokerage commissions with respect to the Tenant Leases and any renewals, extensions, or expansions have been paid in full except with respect to those commission agreements disclosed on *Schedule 1.5*.

(b) **Litigation.** There is no claim, litigation, or proceeding pending against Seller, or to Seller's current actual knowledge threatened against Seller, which relate to the Property or the transactions contemplated by this Agreement except as set forth on *Schedule 8.1.1(b)*. Seller also covenants and agrees to provide Buyer, within ten (10) days after the date this Agreement is mutually executed and delivered, a list of all material claims and actions known to Seller that were asserted or commenced against Seller relating to the Property since January 1, 1990 (other than the matters listed on *Schedules 8.1.1(b)*), including all such matters that have been resolved, dismissed, or settled. Such list shall include without limitation all arbitration and litigation proceedings known to Seller and commenced since January 1, 1990 (other than the matters listed on *Schedules 8.1.1(b)*).

(c) **Compliance.** To Seller's current actual knowledge and except as set forth on *Schedule 8.1.1(e)*, (i) all permits, licenses, and other governmental authorizations and approvals required to construct the Improvements upon and to own and operate the MPR Operating Properties have been obtained, are in full force and effect, Seller is not in violation of any such permits, licenses, or other governmental authorizations and approvals, and Seller has received no notice of violation or claim of violation relating thereto; (ii) all governmental authorizations and approvals (including subdivision maps) required for the platting and subdivision of the MPR Platted Lots have been obtained, are in full force and effect, Seller is not in violation of any such authorizations and approvals, and Seller has received no notice of violation or claim of violation relating

thereto; and (iii) the Real Property and the use thereof complies in all material respects with applicable laws and regulations and all applicable agreements affecting the Real Property (including without limitation laws and regulations relating to zoning, land use and subdivision of land), and Seller has not received any notice alleging zoning non-compliance with respect to the Real Property. To Seller's current actual knowledge and except as set forth on *Schedule 8.1.1(c)*, there are no unsatisfied requests or demands for repairs, restorations, or improvements from any person, entity, or authority, including but not limited to any tenant, insurance carrier, or governmental authority with respect to the Real Property. All permits, licenses, governmental authorizations and approvals relating to operation, development or subdivision of the Real Property or operation of the other Property either run with title to the Real Property or can be assigned to Buyer without the consent of any third party, other than liquor licenses and any others specifically listed in *Schedule 8.1.1(c)*. Notwithstanding the foregoing, Seller makes no representation or warranty regarding government authorizations and approvals relating to the provision water and sewer utility services to those portions of the Real Property to which water and sewer utility services are not currently provided.

(d) *No Prior Options, Sales, or Assignments.* Seller has not granted any options nor obligated itself in any manner whatsoever to sell the Property or any portion thereof to any party other than Buyer except for sales of MPR Platted Lots for sale prices equal to or in excess of the minimum sale prices set forth on *Schedule 6.2*, conveyances of open space tracts to homeowner associations in the ordinary course of business, and creation of covenants and

16

easements in connection with the subdivision and development of lands in the ordinary course of business. Seller shall indemnify and defend Buyer and hold Buyer harmless from and against any claim which, if true, would constitute a breach of the warranty and representation set forth in the foregoing sentence.

(e) *Condition of Property.* To Seller's current actual knowledge and except as set forth on *Schedule 8.1.1(e)-1*, the Property is free from material defects that would materially impair the use or value of the Property, ordinary wear and tear excepted. As used within this section, "material defects" means a defect resulting in a liability or loss to Buyer of more than One Hundred Thousand Dollars (US\$100,000.00) in each instance and One Million Dollars (US\$1,000,000.00) in the aggregate. The inclusion of a defect on *Schedule 8.1.1(e)-1* does not mean that the defect is material.

Schedule 8.1.1(e)-2 describes those improvements and repairs that Seller is presently undertaking within the Property or had scheduled for completion in calendar year 2000, and Seller covenants to complete such improvements and repairs at its own expense prior to Closing; provided, that if the improvements and repairs listed in *Schedule 8.1.1(e)-2* are not completed by Closing, then at Buyer's option Seller shall grant a reasonable credit to Buyer at Closing to cover the cost of completing such improvements and repairs.

(f) *Special Assessments.* Except as set forth on *Schedule 8.1.1(f)*, Seller has not been notified of any contemplated improvements to the area surrounding the Real Property that would result in the assessment of a special improvement or similar lien against the Real Property that is not shown in the Preliminary Commitments.

(g) *Existing Agreements.* There are no contracts, agreements, or understandings (whether written or oral) relating to the Property that will be binding on Buyer after Closing, except for the Permitted Exceptions, the Appurtenances, the Tenant Leases, the DNR Lease, the Contracts, and other matters disclosed in this Agreement. The Contracts have not been modified, amended or terminated except as identified in *Schedule 1.5* and to Seller's current actual knowledge, neither Seller nor any other party is in default under any of the Contracts. All development agreements, land use entitlement agreements, management agreements, service contracts, supply contracts, vendor agreements, equipment leases, maintenance agreements, executory purchase and sale agreements for MPR Platted Lots, construction contracts, brokerage agreements, and other agreements and contracts (other than Tenant Leases and Exceptions) applicable to or binding on the Property are listed on *Schedule 1.5*. Except as described on *Schedule 8.1.1(g)*, all Contracts and leases related to the Real Property (except the DNR Lease) can be assigned to Buyer without the consent of any third party.

(h) *Taxes.* All business and occupation, sales, rooms, use, and other taxes imposed with respect to the Property, or the operation thereof, that are due and payable by Seller have been paid in full and Seller has not received any written notice that any such tax is overdue, has not been paid, or is subject to audit.

17

(i) *Environmental Compliance.* Seller has not caused or permitted the Property since December 31, 1985, to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, or process Hazardous Substances except as set forth in the reports, assessments, and studies described in *Schedule 8.1.1(i)* or as allowed by any applicable law, ordinance, or regulation. To Seller's current actual knowledge, there are no Hazardous Substances on the Property, except as set forth in the reports, assessments, and studies described in *Schedule 8.1.1(i)*, or as allowed by any applicable law, ordinance, or regulation; all written reports, assessments, or studies related to Hazardous Substances on, under, or around the Property prepared by or for Seller are listed on *Schedule 8.1.1(i)*; and there are no buried tanks on or under the Property except as set forth in the reports, assessments, and studies described in *Schedule 8.1.1(i)* or as otherwise disclosed to Buyer in writing during the Inspection Period. To Seller's current actual knowledge, except as specifically disclosed in the reports, assessments and studies described in *Schedule 8.1.1(i)*, no Hazardous Substances have been used, generated, manufactured, refined, transported, treated, stored, handled, disposed of, transferred, produced, or processed on or about the Real Property, except in compliance with all applicable laws, ordinances, regulations and permits and in a manner that has not and will not require clean-up or remediation under any applicable law, ordinance, regulation or permit. For the purposes hereof, "Hazardous Substances" shall mean asbestos, petroleum and petroleum derivatives and products, and any substance, chemical, waste, or other material that is listed, defined, or otherwise identified as "hazardous" or "toxic" under any federal, state, or local ordinance or law or any administrative agency rule or determination applicable to the Property. Buyer acknowledges that Seller has used cleaning solvents, paints, lubricants, fertilizers, pesticides, other golf course and agricultural products, and chemicals and similar materials in the ordinary course of business, but Seller warrants and represents that all such substances have been used, handled, stored, transported and disposed of in compliance with all applicable laws, ordinances, regulations and permits and in a manner that has not required and will not require clean-up or remediation under any applicable law, ordinance, regulation or permit, except as disclosed otherwise to Buyer in writing during the Inspection Period. Buyer acknowledges that portions of the MPR Properties were used prior to December 31, 1985, for lumber mill and other timber industry purposes and that Seller does not have complete information regarding the generation, manufacture, refinement, transport, treatment, storage, handling, disposal, transfer, production, processing, and use of Hazardous Substances within the MPR Properties prior to December 31, 1985.

(j) *Authority.* Pope Resources is a limited partnership duly organized, validly existing, and in good standing under the laws of the State of Delaware and is qualified to do business in the State of Washington. Olympic Property Group LLC, Olympic Real Estate Development LLC, and Olympic Resorts LLC are limited liability companies duly organized, validly existing, and in good standing under the laws of the State of Washington. Olympic Real Estate Management, Inc., is a corporation duly organized, validly existing, and in good standing under the laws of the State of Washington. This Agreement and all documents to be executed by Seller at Closing have been or will be duly authorized, executed, and delivered by Seller and are binding on and enforceable against Seller in accordance with their terms. Seller has obtained all authorizations or approvals necessary in order for Seller to enter into and perform its obligations under this Agreement.

(k) *Employees.* Seller has approximately eighty (80) employees engaged at or in connection with operation, subdivision and sale of the Property, all of whom are listed on Schedule 8.1.1(k). Except as described at *Schedule 8.1.1(k)*, there are no union contracts, labor agreements, or Employee Benefit Plans as defined in Section 3(3) of the Employee Retirement Income and Security Act of 1974, as amended from time to time, or written

18

employment contracts relating to any employees of Seller engaged in the management, development or operation of the Property.

(l) *Inventories Sales.* Seller has been engaged in the construction and sale of homes, town homes, and condominium units on the MPR Property. Buyer shall have no liability or responsibility for warranty claims (actual or alleged), defects (actual or alleged) or by any other claim or matter arising from the construction or sale of such homes, town homes, or condominium units.

(m) *Easements.* To Seller's actual knowledge, no person or party has any easement rights or rights to use any portion of the Real Property, other than rights shown of record, rights under the Tenant Leases, rights of patrons to use the Golf Course in the ordinary course of operations, the Heron Beach Inn Reservations, rights otherwise disclosed in the Schedules to this Agreement, and possible prescriptive easements in the Real Property.

(n) *Sewer and Water Utilities.* To Seller's actual knowledge, there are no physical obstacles to the connection of water and sewer facilities to all undeveloped portions of the Real Property. Notwithstanding the foregoing, Seller makes no representation or warranty regarding the capacity of the existing water and sewer facilities or the availability of ground or surface water or water rights required to provide water and sewer utility services to those portions of the Real Property to which water and sewer utility services are not currently provided.

(o) *Completeness of Documents.* All of Seller's Documents prepared by Seller specifically for Buyer (including financial information concerning the Property and Schedules to this Agreement) are accurate in all material respects and do not omit any material fact necessary to make the information in such Seller's Documents not misleading. To the best of Seller's actual knowledge, all of Seller's Documents prepared by Seller but not specifically for Buyer were accurate in all material respects when prepared.

(p) *Ownership.* Subject to the Exceptions disclosed in the Preliminary Commitment and matters that an accurate ALTA survey of the Real Property would disclose, Seller owns all of the buildings, improvements, structures and fixtures connected or attached to the Real Property, all equipment and other personal property located on and used in connection with the Land or Improvements, and all rights, licenses, entitlements, permits and other appurtenances used in connection with the Land or Improvements, other than those relating to tenant fixtures, pay telephones, vending machines, office equipment, indoor telephone equipment and lines under lease, other utility facilities owned by private and public utility companies, improvements to easements constructed by other easement beneficiaries, and structural encroachments from adjoining properties.

8.1.2 *Additional Warranties and Representations Applicable to Golf Course.*

(a) *Memberships.* *Schedule 1.5* includes the Golf Course Membership Agreement Schedule, which lists all members of the Golf Course and provides for each of such members the following information, which is true, correct, and complete as of the date of this Agreement: (i) the member's name, (ii) the type of membership, (iii) the effective date of the membership, (iv) the amount of the initiation deposit or fee that has been paid in cash (with respect to those members that elected an installment plan, if any, for payment of the initiation deposit, this amount includes both the initial cash down payment plus any receivable), and (v) any terms of the membership or any rights, privileges, or obligations of the member that are different from other memberships (for example, pre-paid dues or complimentary memberships), subject to applicable articles, bylaws, and rules and regulations.

19

(b) *Nature of Memberships.* To Seller's current actual knowledge, no representations or statements (either orally or in writing) have been made by Seller to any member of the Golf Course that (i) memberships in the Club are equity memberships, (ii) members have a right to participate in the ownership, management, or operation of the Golf Course, (iii) members have a right to share in any profits from the refinancing or sale of the Golf Course, (iv) memberships in the Golf Course are perpetual or non-terminable except as set forth in the membership agreement, or (v) members enjoy contractual rights in addition to or different from the right to use the Golf Course in accordance with the applicable membership agreement, by-laws and rules and regulations. No member or other person has made any claim or allegation which, if true, would render the warranty and representation in the foregoing sentence inaccurate.

(c) *Use of Club.* To Seller's current actual knowledge and except for the memberships listed on *Schedule 1.5* and except as may be disclosed in *Schedule 8.1.2(c)*, Seller has made no representations, statements, promises, or agreements (either orally or in writing) to any person or entity, including without limitation home builders, prospective home buyers, or owners or occupants of the land surrounding the Golf Course, regarding any of the following: (i) the right to membership in the Golf Course or the intent to operate the Golf Course as a private or semi-private country club, (ii) the right to play golf at the Golf Course or to otherwise use any of the Golf Course facilities, except on the same terms and conditions as are offered to the public, (iii) the right to participate in the operation, management, or maintenance of the Golf Course, and (iv) the manner in which the Golf Course will be operated, managed, maintained, or improved. No member or other person has made any claim or allegation which, if true, would render the warranty and representation in the foregoing sentence inaccurate.

(d) *Water Rights.* *Schedule 8.1.2(d)* describes all documents, agreements, instruments, certificates, registrations, and permits evidencing Seller's right to withdraw surface or underground water for the operation and maintenance of the Golf Course.

(e) *Reservations.* Schedule 1.5 includes all reservations and deposits for use of the Golf Course for time periods after December 31, 2000.

8.1.3 *Additional Warranties and Representations Applicable to Heron Beach Inn.*

(a) *Sufficiency of Inventories.* To Seller's actual current knowledge, the Heron Beach Inn Equipment and Inventory are sufficient for the operation of the Heron Beach Inn in accordance with the standard of operation heretofore maintained by Seller and shall not materially differ in amount or quality as of Closing.

(b) *Reservations.* Schedule 1.5 includes all reservations and deposits for use of the Heron Beach Inn for time periods after December 31, 2000.

(c) *Employees.* Other than the general manager, all employees currently employed at the Heron Beach Inn are employees of Seller. A complete and accurate schedule of employees and hire dates is attached hereto as part of Schedule 8.1.1(k).

(d) *Franchise and Management.* There are no contracts or other agreements for franchises, management, marketing, or operation of the Heron Beach Inn except as shown on Schedule 1.5 attached hereto.

8.1.4 *Seller's Current Actual Knowledge.* The representations and warranties herein are based upon the current actual knowledge of (a) Gregory M. McCarry, who is Senior Vice President—Real Estate of Pope Resources and Chief Operating Officer of Olympic Property Group LLC, Olympic Real Estate Development LLC, and Olympic Resorts LLC, and (b) Thomas A. Griffin,

20

who is Vice President of Olympic Real Estate Management LLC. Seller warrants and represents that Messrs. McCarry and Griffin are Seller's officers most familiar with the condition, use, operation and development of the Property. Seller has no obligation under this Agreement to undertake any investigation or take any affirmative action to acquire any knowledge, including without limitation the review of Seller's Documents, other than a reasonable inquiry of Seller's current employees likely to possess knowledge. It is also understood that information contained in the Disclosures, as defined in Section 11.1 below, is not imputed to Mr. McCarry or Mr. Griffin except as and to the extent either of them has actual knowledge of such information.

8.2 *Buyer's Representations.* Buyer represents and warrants to Seller as of the Closing Date as follows:

(a) *Status.* Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California.

(b) *Authority.* This Agreement and all documents to be executed by Buyer at Closing have been or will be duly authorized, executed, and delivered by Buyer and are binding on and enforceable against Buyer in accordance with their terms.

ARTICLE IX. EMPLOYEES

Schedule 8.1.1(k) sets forth a list of all employees of Seller regularly engaged in the management, operation, and construction activities of Seller relating to the Property ("Employees"). Buyer shall not assume any obligations of Seller (whether based upon contract or implied by law or otherwise) relating to the Employees, and Buyer shall have no obligation to hire any of the Employees upon Closing; provided, that Buyer shall have the right, after expiration of the Inspection Period, to solicit applications for employment from the Employees (or any of them), it being understood that all terms and conditions of employment offered by Buyer shall be in Buyer's sole discretion. During the Inspection Period, Buyer will designate the Employees with whom Buyer would like to discuss employment. Buyer shall not communicate with any Employees except Greg McCarry, Tom Griffin, and Jon Rose regarding their employment with Buyer or Seller without the prior written consent of Seller. After expiration of the Inspection Period, Seller shall cooperate with Buyer to further Buyer's efforts to enter into employment agreements with the Employees.

Buyer has no obligation under this Agreement to provide benefits to any or all Employees it hires. However, if Buyer provides benefits to Employees, then Buyer shall take the following actions in order to preserve Employee benefits to the extent possible after Closing, if and to the greatest extent allowed by the various plan and benefit providers, and only if such actions cause no additional expense to Buyer not compensated by Seller at Closing: (a) If Buyer offers Employees it hires a group health plan, then it will waive all pre-existing condition limitations and waiting periods for coverage, and Buyer's health plan will credit all payments made by the Employees it hires towards deductible, co-payment, and out-of-pocket limits under Seller's health care plans for the plan year that includes the Closing Date; and (b) If Buyer offers Employees it hires a qualified retirement plan, then it will give each such Employee credit for his or her past service with Seller as of the Closing Date for purposes of eligibility and vesting, but not for benefit accrual purposes, and will allow Employees to roll over distributions from Seller's 401(k) plan to Buyer's retirement plan. Seller shall remain responsible for any pre-Closing employee benefits, bonus plans, termination plans, and any other employee benefit plan applicable to the Employees, and also for any benefits or payments due to any Employee (whether under or by reason of any statute or regulation, contractual obligation of Seller, or any plan maintained by Seller) as a result of such Employee's termination in conjunction with the sale of the Property. Seller shall be responsible to provide any required WARN Act notices and any required COBRA coverage under Seller's health plans.

21

ARTICLE X. CASUALTY AND CONDEMNATION

In the event that all or any portion of the Property is damaged or destroyed by any material casualty or is the subject of a material condemnation action under the provisions of eminent domain law after the making of this Agreement but prior to the Closing Date, Buyer may terminate this Agreement and the Earnest Money shall be returned to Buyer. If the casualty or condemnation is not material or Buyer does not elect to terminate this Agreement, then Seller shall have no obligation to repair or replace any damage or destruction caused by the foregoing, but the following shall apply at the Closing: (a) in the event of a casualty, Buyer shall receive a credit against the Purchase Price at Closing for the reasonably estimated remaining cost to restore the Property to its condition immediately prior to such casualty (it being understood that the proceeds of any casualty insurance shall be and remain payable to Seller); and (b) in the event of condemnation, Seller shall assign to Buyer its rights to any resulting condemnation proceeds and shall not make any settlements without Buyer's prior written approval. For purposes of this section, "material" means a loss or liability in excess of Five Hundred Thousand Dollars (US\$500,000.00).

ARTICLE XI. DISCLOSURE, INDEMNITY, AND RELEASE RELATING TO CONDITION OF PROPERTY

11.1 *Disclosures.* Buyer acknowledges that Seller has disclosed to Buyer the condition of the Property by providing to Buyer the following documents and information (collectively, the "Disclosures"): the schedules hereto, the Preliminary Commitment, Seller's Documents, the right to interview Seller's consultants and employees, and the right to enter upon, inspect, study, survey, and conduct tests upon the Property, all prior to the time when Buyer was irrevocably committed to complete the purchase of the Property under this Agreement. Buyer further acknowledges that Buyer has acquired information regarding the condition of the Property from the inspections, studies, surveys and tests upon the Property conducted by Buyer and its agents, contractors, consultants, and employees.

Buyer acknowledges and agrees that the Disclosures disclose material defects in the condition of the Property and that Seller makes no covenant, representation, or warranty as to the suitability of the Property for any purpose or as to the condition of the Property except as otherwise expressly set forth in this Agreement. Buyer hereby waives all objections and complaints regarding the condition of the Property, including without limitation objections and complaints relating to surface and subsurface conditions, except as provided in any covenant, agreement, representation, or warranty in this Agreement. Buyer agrees that it is purchasing the Property in its present condition, AS IS, subject only to the covenants, agreements, representations, and warranties provided by Seller in this Agreement; provided that nothing in this Agreement shall be deemed a waiver or release of any claims or rights that Buyer may have against any third party, including without limitation any prior owner of any portion of the Property. Buyer assumes the risk that adverse conditions may not have been revealed by its own investigation or by the Disclosures (but without limiting Seller's covenants, agreements, warranties and representations in this Agreement). Except for and with respect to Seller's obligations, warranties and representations in this Agreement, Buyer hereby waives, releases, acquits, and forever discharges Seller of and from any and all claims, actions, demands, rights, damages, costs of response or remedial action, or expenses whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, including claims of third parties, that now exist or that may arise in the future on account of or in connection with the condition of the Property, including without limitation any surface or subsurface contamination, but excluding claims for statutory or contractual right of contribution under any state or federal hazardous substance law or regulation.

EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, SELLER MAKES NO COVENANTS, REPRESENTATIONS, OR WARRANTIES WITH RESPECT TO: (I) THE CONDITION OF THE REAL OR PERSONAL PROPERTY OR ANY BUILDINGS,

22

STRUCTURES, OR IMPROVEMENTS ON THE REAL PROPERTY OR THE SUITABILITY OF THE REAL PROPERTY FOR HABITATION OR FOR BUYER'S INTENDED USE OR FOR ANY USE WHATSOEVER; (II) ANY APPLICABLE BUILDING, ZONING, OR FIRE LAWS OR REGULATIONS, OR WITH RESPECT TO COMPLIANCE THEREWITH, OR WITH RESPECT TO THE EXISTENCE OF OR COMPLIANCE WITH ANY REQUIRED PERMITS, IF ANY, OF ANY GOVERNMENTAL AGENCY; (III) THE AVAILABILITY OR EXISTENCE OF ANY WATER, SEWER, OR OTHER UTILITIES OR UTILITY RIGHTS; (IV) THE EXISTENCE OF ANY WATER, SEWER OR OTHER UTILITY DISTRICT; OR (V) THE PRESENCE OF ANY HAZARDOUS SUBSTANCES; (VI) THE PRESENCE OF ANY UNDERGROUND STORAGE TANKS OR ASBESTOS; OR (VII) COMPLIANCE OF THE PROPERTY WITH THE TERMS OF THE AMERICANS WITH DISABILITIES ACT.

BUYER WAIVES ALL CLAIMS AGAINST SELLER, KNOWN OR UNKNOWN, WITH RESPECT TO THE PROPERTY (BUT EXCLUDING CLAIMS FOR CONTRIBUTION THAT BUYER MIGHT HAVE AGAINST SELLER UNDER FEDERAL OR STATE ENVIRONMENTAL REGULATIONS AND STATUTES), AND BUYER ASSUMES THE RISK OF ALL DEFECTS AND CONDITIONS, INCLUDING SUCH DEFECTS AND CONDITIONS, IF ANY, THAT CANNOT BE OBSERVED BY CASUAL INSPECTION; PROVIDING, THAT NOTHING HEREIN LIMITS OR IMPAIRS SELLER'S COVENANTS, AGREEMENTS, REPRESENTATIONS, AND WARRANTIES HEREIN. BUYER ACKNOWLEDGES THAT BUYER HAS HAD THE OPPORTUNITY TO INSPECT THE PROPERTY AND, EXCEPT FOR THE COVENANTS, AGREEMENTS, REPRESENTATIONS, AND WARRANTIES OF SELLER HEREIN, IS RELYING ENTIRELY THEREON, ON ANY CONSULTANTS THAT BUYER RETAINS, AND ON THE DISCLOSURES.

11.2 *Seller's Indemnification Liabilities.* 11.2.1 Seller shall defend, indemnify, and hold Buyer, its affiliates, directors, employees, officers, partners, and subsidiaries, harmless from and against any and all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Property (collectively, "Seller's Indemnification Liabilities") that arise from or relate to a liability or loss arising after the Closing Date from the following matters: (i) breach of any covenant, agreement, representation or warranty of Seller made herein; (ii) any warranty claims (actual or alleged), defects (actual or alleged) or by any other claim or matter arising from the construction or sale of homes, town homes, or condominium units on or before the Closing Date; (iii) any violation of the rights of any employee or agent of Seller that occurred or is alleged to have occurred on or before the Closing Date or in conjunction with the termination of employment in connection with this transaction; or (iv) any actual or alleged breach of lease or contract or any mechanics' lien, or any claim, demand or action for personal injury, death or property damage resulting from or in connection with any activity on, upon, or about any portion of the Property that occurred or is alleged to have occurred on or before the Closing Date, and including without limitation all matters listed on Schedule 8.1.1(b)-1; provided, that Seller shall not be obligated to indemnify Buyer (under clause (iv)) from and against any loss, liability, damage, cost or expense to the extent arising from Buyer's negligence, willful misconduct or breach of this Agreement (including breach of any representation or warranty of Buyer). For purposes of this Section 11.2.1, it is understood that a warranty or representation has been "breached" if such warranty or representation was inaccurate or untrue in any material respect when made. Without limiting the generality of Seller's Indemnification Liabilities set forth above, Seller shall retain all liabilities and obligations relating to those matters of pending and threatened litigation described in Schedule 8.1.1(b)-1, shall continue to defend those matters at its own expense and using its own counsel, and Buyer shall communicate and cooperate with Seller regarding such matters, but at no expense to Buyer.

23

11.2.2 Seller shall also defend, indemnify, and hold Buyer, its affiliates, directors, employees, officers, partners, and subsidiaries, harmless from and against any and all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Property that arise from or relate to (i) the remediation (including without limitation monitoring) or cleanup of any Hazardous Substances Problem (as defined below) resulting from the use, storage, handling, disposal or release of Hazardous Substances on or about the Property that occurred or is alleged to have occurred on or before the Closing Date (provided that such Hazardous Substance Problem was not disclosed to Buyer in the reports and studies listed on Schedule 8.1.1(i) or otherwise in writing prior to expiration of the Inspection Period); or (ii) any claim, demand or action made or commenced by a third party (including without limitation any governmental agency) against Buyer resulting from the use, storage, handling, disposal or release of Hazardous Substances on or about the Property that occurred or is alleged to have occurred on or before the Closing Date. Seller's obligations set forth above shall be deemed part of Seller's Indemnification Liabilities for purposes of this Agreement.

As used in this Section 11.2.2, a "Hazardous Substances Problem" means the presence of Hazardous Substances on any part of the Property that were used, stored, handled, disposed of or released in violation of any law or regulation or so as to require remediation (including monitoring) or cleanup under any law or regulation, whether or not any claim, demand or action has been made or commenced against Buyer by any third party. For purposes of clause (i) in the above paragraph, a Hazardous Substances Problem will have been "disclosed" to Buyer if there was disclosed (in the reports and studies listed in Schedule 8.1.1(i) or otherwise in writing to Buyer during the Inspection Period) reasonably specific information about such Problem. By way of example, if the presence of an underground tank in a reasonably specific location had been disclosed to Buyer, then clause (i) of the above paragraph would not impose on Seller any liability to remove such tank; but if it is discovered that the tank were leaking, and the leak had not been disclosed, then clause (i) would impose liability to remediate the leak (which might include removing the tank). By way of further example, disclosure of the mere fact that certain industrial activities had occurred on a portion of the Property, or that certain chemicals had been used on the Property, would not constitute disclosure of the need for remediation or cleanup resulting from such activity or use.

11.3 *Limitations on Seller's Indemnification Liabilities.* Certain of Seller's Indemnification Liabilities shall be limited as described in this subsection. Seller's Indemnification Liabilities under Section 11.2.1(i) above (as to breach of any representation or warranty made herein, and as to breach of any agreement or covenant to be performed by Seller at or before Closing) shall apply and be enforced only to the extent that the aggregate liability or loss to Buyer exceeds Fifty Thousand Dollars (US\$50,000.00) and is asserted against or incurred by Buyer within two (2) year after the Closing Date. Seller's Indemnification Liabilities under Sections 11.2.1(iii) and 11.2.1(iv) above shall apply and be enforced only to the extent that the liability or loss to Buyer is asserted against or incurred by Buyer within four (4) years after the Closing Date.

Seller's Indemnification Liabilities under Section 11.2.2, as they apply to all claims made by Buyer directly against Seller under clause (i) (in the first paragraph of such Section 11.2.2), shall apply and be enforceable only as to Hazardous Substances Problems that have been identified to Seller by Buyer and as to which Buyer has commenced litigation against Seller relating to such Problems (if Seller has not previously accepted responsibility therefor) within eight (8) years after the Closing Date. As Seller's Indemnification Liabilities under Section 11.2.2 apply to claims, demands or actions made or commenced by a third party against Buyer (and are thus covered by clause (ii) in the first paragraph of such Section 11.2.2), such Seller's Indemnification Liabilities shall apply and be enforceable without limit as to claims, demands or actions that are made or commenced against Buyer within eight

24

(8) years after the Closing Date and as to which Buyer has commenced litigation against Seller to enforce Seller's Indemnification Liabilities hereunder (if Seller has not previously accepted responsibility therefor) within such eight-year period after the Closing Date; but as to claims, demands or actions first made or commenced by a third party against Buyer more than eight (8) years after the Closing Date, Seller's Indemnification Liabilities shall not exceed One Million Dollars (\$1,000,000) in the aggregate.

With respect to Seller's Indemnification Liabilities described in Section 11.2.1, it shall be a further condition to Seller's obligation to indemnify and defend as to a particular loss or liability that Buyer shall have commenced litigation against Seller to enforce Seller's Indemnification Liabilities as to such loss or liability within the applicable time period (if any) described above (if Seller has not previously accepted responsibility therefor), except that with respect to any loss or liability resulting from an action or proceeding commenced by a third party against Buyer within the applicable limitation period (if any), Buyer shall not be required to have commenced litigation against Seller within the applicable limitation period in order to have Seller's Indemnification Liabilities apply to such loss or liability.

11.4 *Buyer's Indemnification Liabilities and Release.* Buyer shall defend, indemnify, and hold Seller, its affiliates, directors, employees, officers, partners, and subsidiaries, harmless from and against any and all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Property (collectively, "Buyer's Indemnification Liabilities") that arise from or relate to a liability or loss arising after the Closing Date from the following matters: (i) breach of any covenant, agreement, representation or warranty of Buyer made herein; (ii) any claim, demand or action made or commenced by a third party (including without limitation any government agency) against Seller resulting from the use, storage, handling, disposal or release of Hazardous Substances on or about the Property that occurred or is alleged to have occurred after the Closing Date; (iii) any warranty claims (actual or alleged), defects (actual or alleged) or by any other claim or matter arising from the construction or sale of homes, town homes, or condominium units after the Closing Date; (iv) any violation of the rights of any employee or agent of Buyer that occurred or is alleged to have occurred after the Closing Date; or (v) any actual or alleged breach of lease or contract or any mechanics' lien, or any claim, demand or action for personal injury, death or property damage resulting from or in connection with any activity on, upon, or about any portion of the Property that occurred or is alleged to have occurred after the Closing Date, provided, that Buyer shall not be obligated to indemnify Seller under clause (v) from and against any loss, liability, damage, cost or expense to the extent arising from Seller's negligence, willful misconduct or breach of this Agreement (including breach of any representation or warranty of Seller). For purposes of this Section 11.4, it is understood that a warranty or representation has been "breached" if such warranty or representation was inaccurate or untrue in any material respect when made.

Buyer hereby waives, releases, acquits, and forever discharges Seller, its affiliates, directors, employees, officers, partners, and subsidiaries, of and from all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Property that are incurred by Buyer after the Closing Date except as to (a) costs, expenses, and liabilities of Buyer for which Seller is obligated to defend, indemnify, and hold Buyer harmless under Seller's Indemnification Liabilities, including without limitation Seller's direct liability to Buyer for breach of any warranty or representation in this Agreement or for breach of any covenant or agreement to be performed by Seller at or before Closing, subject to the limitations set forth at Section 11.3, and (b) any obligation of Seller described within this Agreement that by its express terms is to be performed after or to extend beyond the Closing Date, including without limitation Seller's Post-Closing Community Obligations under Article XIV, the obligations of Seller arising under Seller's Closing documents described at Section 7.2, Seller's obligation to provide the Title Policy under Section 7.4, Seller's obligations under

25

Section 6.5, Seller's obligations regarding post-Closing adjustments of pro-rations and costs, and Seller's obligations under Section 16.16. Buyer's release under this paragraph shall not take effect as to any matter that is the subject of pending litigation between Buyer and Seller as of the date of expiration of the applicable Seller's Indemnification Liabilities until dismissal, final judgment, or other resolution of such litigation. For example, if as of the date two (2) years after the Closing Date Buyer and Seller are engaged in litigation regarding a claim by Buyer that Seller has breached a warranty under this Agreement, then Buyer's release of Seller for the breach of warranty alleged by Buyer in such litigation shall not take effect until dismissal, final judgment, or other resolution of such litigation.

Except for Seller's Indemnification Liabilities, Seller's Post-Closing Community Obligations under *Article XIV*, the express obligations of Seller under Seller's Closing documents described at *Section 7.2*, Seller's obligation to provide the Title Policy under *Section 7.4*, Seller's obligations under *Section 6.5*, Seller's obligations regarding post-Closing adjustments of pro-rations and costs, Seller's obligations under *Section 16.16*, and as otherwise provided above, Seller shall have no liabilities or obligations to Buyer after Closing under this Agreement.

11.5 *Survival*. The terms and conditions of this *Article XI* shall survive the Closing or termination of this Agreement and shall benefit and bind the successors and assigns of Buyer and Seller.

ARTICLE XII. POSSESSION

Possession of the Property shall be delivered to Buyer on the Closing Date subject to the rights of tenants under the Tenant Leases and other Permitted Exceptions.

ARTICLE XIII. DOCUMENT RETENTION

Buyer shall preserve and retain all documents provided by Seller to Buyer, including without limitation all copies and originals of Seller's Documents, at a secure administrative office or storage facility within Jefferson County, Kitsap County, or King County, Washington, for a period not less than ten (10) years after the Closing Date (the "Document Retention Period"). During the Document Retention Period, upon the prior written request of Seller, Buyer shall allow Seller to inspect and copy any and all of Seller's Documents at the office or storage facility during normal weekday business hours. All copies shall be made at Seller's expense.

ARTICLE XIV. OBLIGATIONS TO PORT LUDLOW COMMUNITY

Buyer acknowledges that Seller has made certain oral and other commitments to the Port Ludlow community, some or all of which may be legally unenforceable, but all of which are moral obligations that Buyer and Seller desire and intend to perform after the Closing Date. These commitments are described on *Schedule 14(a)* ("Seller's Post-Closing Community Obligations") and *Schedule 14(b)* ("Buyer's Post-Closing Community Obligations"). Within a reasonable period of time after the Closing Date, Seller shall perform or cause to be performed at its sole expense each of Seller's Post-Closing Community Obligations, and Buyer shall perform or cause to be performed at its sole expense each of Buyer's Post-Closing Community Obligations. The parties shall communicate and cooperate with each other to ensure that their performance of their respective Post-Closing Community Obligations is beneficial and causes no presently unforeseeable inconvenience or harm to the other party hereto.

ARTICLE XV. DEFAULT; REMEDIES

15.1 *Default by Buyer*. If Buyer fails, without legal excuse, to complete the purchase of the Property in accordance with the terms of this Agreement, Seller's sole and exclusive remedy shall be to retain the Earnest Money as liquidated damages. Buyer expressly agrees that the delivery to and the retention of the Earnest Money by Seller represents a reasonable estimation of the damages in the event of Buyer's default, that actual damages may be difficult to ascertain and that this provision does not constitute a penalty. The foregoing limitation on the liability of Buyer shall not be applicable with respect to Buyer's obligations to be performed or enforced after Closing.

15.2 *Default by Seller*. If Seller fails, without legal excuse, to complete the sale of the Property in accordance with the terms of this Agreement or otherwise defaults hereunder, Buyer may elect to pursue any remedy provided by law or in equity, including termination of this Agreement and suit for damages and specific enforcement in a proper case. If Seller's default consists of its failure to tender at Closing its deliveries as described at *Section 7.2*, then Buyer may elect to terminate the Agreement, in which case the Earnest Money shall be returned to Buyer, Seller shall pay to Buyer the Contribution described below, Buyer shall have no other remedy for Seller's default, and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement. It is understood that nothing in the preceding sentence is intended to limit or impair Buyer's remedies for Seller's breach unless Buyer elects the remedies described in the preceding sentence, and that if Buyer has the right to the remedies described in the preceding sentence but elects not to seek those remedies (as it may elect or not in its sole discretion), then Buyer shall have the right to seek all remedies available at law and in equity, including specific performance in a proper case and all provable damages.

The Contribution is the sum of Three Hundred Fifty Thousand Dollars (US\$350,000.00) and is intended (a) to reimburse Buyer for Buyer's costs and expenses payable to third parties in connection with its due diligence relating to the Property, and (b) to compensate Buyer for Buyer's time and expenses relating to the negotiations contemplated hereunder and the time of Buyer's executives to make the necessary arrangements to organize and finance this transaction, all of which losses would otherwise be difficult to ascertain. If Buyer elects to receive the Contribution and Seller pays it, then Buyer within ten (10) days after receipt of the Contribution shall convey and deliver to Seller possession and all of Buyer's right, title, and interest in and to all analyses, maps, reports, studies, surveys, and other documents owned or possessed by Buyer and relating to the Property. The parties expressly acknowledge and agree that the Contribution is reasonable in light of Buyer's time, opportunity cost and expenditures to examine the Property, to negotiate this Agreement and to conduct due diligence both before and following execution of this Agreement.

15.3 *Attorneys' Fees*. In the event either party brings an action or any other proceeding against the other party to enforce or interpret any of the terms, covenants or conditions hereof, the party prevailing in any such action or proceeding shall be paid all costs and reasonable attorneys' fees by the other party in such amounts as shall be set by the court, at trial and on appeal.

ARTICLE XVI. MISCELLANEOUS

16.1 *Brokers and Finders.* Each party represents to the other that no broker or finder has been involved in this transaction. In the event of a claim for broker's fee, finder's fee, commission or other similar compensation in connection with this Agreement, Buyer, if such claim is based upon any agreement alleged to have been made by Buyer, hereby agrees to indemnify Seller against any and all damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) that Seller may sustain or incur by reason of such claim. Seller, if such claim is based upon any agreement alleged to have been made by Seller, hereby agrees to indemnify Buyer against any and all damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) that Buyer may sustain or incur by reason of such claim. Notwithstanding anything to the contrary herein, the provisions of this section shall survive the termination of this Agreement or the Closing.

16.2 *Notices.* All notices, demands, requests, consents and approvals that may, or are required to, be given by any party to any other party hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, sent by a nationally recognized overnight delivery service,

28

electronically transmitted or if mailed or deposited in the United States mail and sent by registered or certified mail, return receipt requested, postage prepaid to:

Buyer at: HCV Pacific Partners LLC
625 Market Street, Suite 600
San Francisco, California 94105
Telephone No. 415-882-0900
Facsimile No. 415-882-0901

with a copy to: Kenneth J. Cohen
Collette & Erickson LLP
555 California Street
Bank of America Center
43rd Floor
San Francisco, California 94104-1791
Telephone No. 415-788-4646
Facsimile No. 415-788-6929

Seller at: Pope Resources
19245 Tenth Avenue N.E.
Poulsbo, Washington 98370-0239
Attn: Gregory M. McCarry
Telephone No. 360-697-6626
Facsimile No. 360-697-6696

with a copy to: Marco de Sa e Silva
Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688
Telephone No. 206-628-7766
Facsimile No. 206-628-7699

or to such other addresses as either party hereto may from time to time designate in writing and deliver in a like manner. All notices shall be deemed complete upon actual receipt or refusal to accept delivery.

16.3 *Amendment, Waiver.* No modification, termination or amendment of this Agreement may be made except by written agreement. No failure by Seller or Buyer to insist upon the strict performance of any covenant, agreement, or condition of this Agreement or to exercise any right or remedy shall constitute a waiver of any such breach or any other covenant, agreement, term or condition. No waiver shall affect or alter this Agreement, and each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof. All the terms, provisions, and conditions of this Agreement shall inure to the benefit of and be enforceable by Seller's or Buyer's permitted successors and assigns.

16.4 *Survival.* All provisions of this Agreement that involve obligations, duties or rights to be performed after the Closing Date or the recording of the Deed, and all representations, warranties and indemnities made in or to be made pursuant to this Agreement shall survive the Closing Date and the recording of the Deed. Those provisions of this Agreement intended to survive the termination of this Agreement, including without limitation Article XI and Sections 4.3(c), 4.3(d), and 16.1 hereof, shall survive the termination of this Agreement.

29

16.5 *Captions.* The captions of this Agreement are for convenience and reference only and in no way define, limit or describe the scope or intent of this Agreement.

16.6 *Merger of Prior Agreements.* This Agreement and the exhibits hereto constitute the final and complete agreement between the parties with respect to the purchase and sale of the Property and supersede all prior and contemporaneous agreements, letters of intent and understandings between the parties hereto relating to the subject matter of this Agreement except the Confidentiality Agreement described at Section 16.14.

16.7 *No Joint Venture.* It is not intended by this Agreement to, and nothing contained in this Agreement shall, create any partnership, joint venture or other arrangement between Buyer and Seller. No term or provision of this Agreement is intended to be, or shall be, for the benefit of any person, firm, organization or corporation not a party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder.

16.8 *Governing Law; Time.* This Agreement and the rights of the parties hereto shall be governed by and construed in accordance with the internal laws of the State of Washington. "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business.

Any period of time that would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Agreement.

16.9 *Schedules.* All schedules attached hereto or referenced herein are incorporated in this Agreement. The parties acknowledge and agree, however, that as of the date this Agreement has been executed, some schedules and exhibits have not been completed and agreed upon and the parties have also not agreed upon a final allocation of the Purchase Price among the Real Property, the Personal Property, and the Olympic Water and Sewer, Inc. stock. The parties agree to review and negotiate such matters diligently and in good faith, and upon completion and mutual approval of all such schedules, exhibits and other matters, they shall promptly execute an amendment to this Agreement memorializing such agreements.

16.10 *Severability.* In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such provisions had not been contained herein.

16.11 *Counterparts.* This Agreement and the documents to be delivered hereunder may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

16.12 *Assignment.* Buyer's rights under this Agreement are not assignable, by operation of law or otherwise, and Seller shall have no obligation to perform hereunder for any assignee or transferee of Buyer, except that Buyer may assign its rights under this Agreement to any affiliate of Buyer, or to any limited partnership, general partnership, co-tenancy or a limited liability company that is controlled or managed directly or indirectly by Buyer. In the event of any assignment by Buyer of its rights under this Agreement, Buyer will not be released from any obligations under this Agreement.

16.13 *Tax Deferred Exchange.* Buyer and Seller will cooperate with each other in connection with the form and structure of this transaction in order to limit tax liabilities and preserve tax benefits to themselves to the extent permitted by law. Either Buyer or Seller may elect to close this transaction as a part of a tax-deferred exchange under Section 1031 of the Internal Revenue Code, in which case the other party will sign all documents necessary for such exchange and otherwise cooperate therewith, provided only that the other party will not be required to incur any additional expense or liability or acquire title to any property except as provided otherwise in this Agreement. Each party electing to close as part of a tax-deferred exchange will indemnify, defend, and hold the other party harmless from

any loss, liability, claim, or expense that is asserted against or incurred by the other party in connection with their cooperation with any tax deferred exchange.

16.14 *Confidentiality.* Buyer shall keep this Agreement, the transactions described in this Agreement, Seller's Documents, and all information relating to the Property disclosed by Seller to Buyer completely confidential and shall not disclose the same to any person or entity (specifically including without limitation all employees of Seller other than management personnel) other than Buyer's consultants, affiliates, investors, and their respective employees (who shall agree to keep the information confidential and be provided only such information as is necessary to perform their services) without Seller's prior written consent; provided, that Buyer may disclose information as required under any law or regulation or as necessary to enforce this Agreement; and provided further that Buyer shall have no obligation of confidentiality after Closing. Buyer shall conduct all due diligence consistent with this section. The obligations of Buyer under this section supplement and do not replace the obligations of Buyer under that certain Confidentiality Agreement dated February 8, 2000.

16.15 *Continuing Forest Land Obligations.* Buyer acknowledges that portions of the Real Property are subject to certain continuing forest land obligations applicable under the forest practices rules adopted pursuant to RCW 76.09.370 (the "Continuing Obligations"). The Continuing Obligations are described on *Schedule 16.15* hereto. At or before Closing, Buyer agrees to sign and deliver to Seller an original notice that indicates the Buyer's knowledge of the Continuing Obligations, including any notice provided or required by the DNR. At Closing, Seller shall send the executed notice to DNR in accordance with the requirements of RCW 76.09.390. As of Closing, Buyer assumes and agrees to perform the Continuing Obligations at Buyer's sole cost and expense in a timely fashion, and to indemnify, defend and hold Seller harmless from and against the Continuing Obligations and any claim, loss, damage, cost or expense resulting from Buyer's failure to fulfill and perform the same. The provisions of this indemnity shall survive the Closing of this Agreement.

16.16 *Cooperation.* The parties acknowledge that Seller has disclosed in the schedules to this Agreement various potential issues and disputes relating to boundary lines affecting the Real Property. Seller agrees to cooperate with Buyer to resolve such issues and disputes after Closing, and in connection with any minor boundary line adjustments between the Real Property and Sellers' adjoining lands reasonably requested by Buyer from time to time (whether before or after Closing). In addition, Buyer and Seller agree that at any time or from time to time after the execution of this Agreement, whether before or after Closing, they will execute and deliver such further documents and undertake such other actions as the other party may reasonably request in order to effect fully the purposes of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SELLER: POPE RESOURCES L.P., a Delaware limited partnership, by
POPE MGP, Inc., a Delaware corporation, its managing general
partner

By: /s/ GREGORY M. MCCARRY
Name: Gregory M. McCarry
Its: V.P. Real Estate

OLYMPIC PROPERTY GROUP LLC, a Washington limited
liability company

By: /s/ GREGORY M. MCCARRY

Name: Gregory M. McCarry

Its: C.O.O.

OLYMPIC REAL ESTATE DEVELOPMENT LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Name: Gregory M. McCarry

Its: C.O.O.

OLYMPIC REAL ESTATE MANAGEMENT, INC., a Washington corporation

By: /s/ TOM GRIFFIN

Name: Tom Griffin

Its: Vice President

OLYMPIC RESORTS LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Name: Gregory M. McCarry

Its: C.O.O.

BUYER:

HCV PACIFIC PARTNERS LLC, a California limited liability company

By: /s/ RANDALL J. VERRUE

Name: Randall J. Verrue

Its: President & CEO

Schedules:

1.1.1(a)(i)	Description of Heron Beach Inn
1.1.1(a)(ii)	Description of Marina
1.1.1(a)(iii)	Description of Golf Course
1.1.1(a)(iv)	Description of Village Center
1.1.1(a)(v)	Description of RV Park
1.1.1(a)(vi)	Description of Harbormaster Restaurant
1.1.1(a)(vii)	Description of Conference Center
1.1.1(a)(viii)	Description of Miscellaneous MPR Operating Properties
1.1.1(a)(ix)	Description of Sales Office
1.1.1(b)(i)	Description of MPR Platted Lots
1.1.1(b)(ii)	Description of MPR Unplatted Parcels
1.1.1(b)(iii)	Description of MPR Outparcels
1.1.2	Description of Peacock Hill Property
1.2	Appurtenances
1.3	Tenant Leases
1.4	Equipment and Inventory
1.5	Contracts
1.6	Intellectual Property

1.7	DNR Lease
2.1	Allocation of Purchase Price
3.4(a)	Form of MPR Deed
3.4(b)	Form of Peacock Hill Deed
3.5	Form of Assignment of DNR Lease
3.6	Form of Assignment of Tenant Leases
3.7	Form of Assignment of Contracts
3.8	Form of Bill of Sale
3.9	Form of Assignment of Intellectual Property
5.6-1	Form of Tenant Estoppel Letter
5.6-2	Form of DNR Estoppel Letter
5.11	Form of Seller's Payment Certification
6.2	Minimum MPR Platted Lot Sale Prices
7.2(c)	Form of FIRPTA Affidavit
7.2(h)	Form of Easements Over Adjoining Lands
7.2(i)	Form of Bio-solids Disposal Agreement
7.5.3	Current Use and Forest Land
8.1.1(b)	Pending and Threatened Litigation
8.1.1(c)	Compliance with Laws and Permits; Permits and Licenses Requiring Third Party Consent to Assignment
8.1.1(e)-1	Material Property Defects
8.1.1(e)-2	Seller's Improvements and Repairs
8.1.1(f)	Potential Local Improvement Districts
8.1.1(g)	Contracts and Leases Requiring Third Party Consent to Assignment
8.1.1(i)	Hazardous Substances Reports
8.1.1(k)	Union Contracts, Labor Agreements, and Employee Benefit Plans
8.1.2(c)	Golf Course Management and Membership Rights
8.1.2(d)	Golf Course Water Rights
9	Employees and Hire Dates
11.2	Seller's Indemnification Liabilities
14(a)	Seller's Post-Closing Community Obligations
14(b)	Buyer's Post-Closing Community Obligations
16.15	Continuing Forest Land Obligations

QuickLinks

[Exhibit 10.1](#)

[REAL ESTATE PURCHASE AND SALE AGREEMENT](#)

[TABLE OF CONTENTS](#)

[REAL ESTATE PURCHASE AND SALE AGREEMENT \(Pope Resources and HCV Pacific Partners LLC\) \(Port Ludlow and Peacock Hill\)](#)

[ARTICLE I. PROPERTY](#)

[ARTICLE II. PURCHASE PRICE](#)

[ARTICLE III. CONDITION AND CONVEYANCE OF TITLE](#)

[ARTICLE IV. INSPECTION OF DOCUMENTS AND REAL PROPERTY](#)

[ARTICLE V. CONDITIONS PRECEDENT TO CLOSING](#)

[ARTICLE VI. OPERATIONS PENDING CLOSING](#)

[ARTICLE VII. CLOSING AND ESCROW](#)

[ARTICLE VIII. REPRESENTATIONS AND WARRANTIES](#)

[ARTICLE IX. EMPLOYEES](#)

[ARTICLE X. CASUALTY AND CONDEMNATION](#)

[ARTICLE XI. DISCLOSURE, INDEMNITY, AND RELEASE RELATING TO CONDITION OF PROPERTY](#)

[ARTICLE XII. POSSESSION](#)

[ARTICLE XIII. DOCUMENT RETENTION](#)

[ARTICLE XIV. OBLIGATIONS TO PORT LUDLOW COMMUNITY](#)

[ARTICLE XV. DEFAULT; REMEDIES](#)

[ARTICLE XVI. MISCELLANEOUS](#)

Its: C.O.O.

Date: 2/8/01

2

OLYMPIC REAL ESTATE MANAGEMENT, INC., a Washington corporation

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin

Its: Vice President

Date:

OLYMPIC RESORTS LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date:

Schedules:

1.1.1(a)(i)	Description of Heron Beach Inn
1.1.1(a)(ii)	Description of Marina
1.1.1(a)(iii)	Description of Golf Course
1.1.1(a)(iv)	Description of Village Center
1.1.1(a)(v)	Description of RV Park
1.1.1(a)(vi)	Description of Harbormaster Restaurant
1.1.1(a)(vii)	Description of Conference Center
1.1.1(a)(viii)	Description of Miscellaneous MPR Operating Properties
1.1.1(a)(ix)	Description of Sales Office
1.1.1(b)(i)	Description of MPR Platted Lots
1.1.1(b)(ii)	Description of MPR Unplatted Parcels
1.1.1(b)(iii)	Description of MPR Outparcels
1.1.2	Description of Peacock Hill Property
1.2	Appurtenances
1.3	Tenant Leases
1.4	Equipment and Inventory
1.5	Contracts
1.6	Intellectual Property
1.7	DNR Lease
2.1	Allocation of Purchase Price
3.4(a)	Form of MPR Deed
3.4(b)	Form of Peacock Hill Deed
3.5	Form of Assignment of DNR Lease
3.6	Form of Assignment of Tenant Leases
3.7	Form of Assignment of Contracts
3.8	Form of Bill of Sale
3.9	Form of Assignment of Intellectual Property
5.6-1	Form of Tenant Estoppel Letter
5.6-2	Form of DNR Estoppel Letter

3

5.11	Form of Seller's Payment Certification
6.2	Minimum MPR Platted Lot Sale Prices
7.2(c)	Form of FIRPTA Affidavit
7.2(h)	Form of Easements Over Adjoining Lands
7.2(i)	Form of Bio-solids Disposal Agreement

7.5.3	Current Use and Forest Land
8.1.1(b)	Pending and Threatened Litigation
8.1.1(c)	Compliance with Laws and Permits; Permits and Licenses Requiring Third Party Consent to Assignment
8.1.1(e)-1	Material Property Defects
8.1.1(e)-2	Seller's Improvements and Repairs
8.1.1(f)	Potential Local Improvement Districts
8.1.1(g)	Contracts and Leases Requiring Third Party Consent to Assignment
8.1.1(i)	Hazardous Substances Reports
8.1.1(k)	Union Contracts, Labor Agreements, and Employee Benefit Plans
8.1.2(c)	Golf Course Management and Membership Rights
8.1.2(d)	Golf Course Water Rights
9	Employees and Hire Dates
14(a)	Seller's Post-Closing Community Obligations
14(b)	Buyer's Post-Closing Community Obligations
16.15	Continuing Forest Land Obligations

QuickLinks

[Exhibit 10.2](#)

[AMENDMENT NO. 1 TO REAL ESTATE PURCHASE AND SALE AGREEMENT](#)

**AMENDMENT NO. 3
TO
REAL ESTATE PURCHASE AND SALE AGREEMENT**

THIS AMENDMENT NO. 3 TO REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Amendment") dated as of February 27, 2001, is made by and between Pope Resources, a Delaware limited partnership, its wholly owned subsidiary Olympic Property Group LLC, a Washington limited liability company, and its wholly owned subsidiaries Olympic Real Estate Development LLC, a Washington limited liability company, Olympic Real Estate Management, Inc., a Washington corporation, and Olympic Resorts LLC, a Washington limited liability company (collectively "Seller"), and HCV Pacific Partners LLC, a California limited liability company (or its assigns as permitted herein) ("Buyer"), regarding that certain Real Estate Purchase and Sale Agreement dated January 12, 2001, between Buyer and Seller, as amended by Amendment No. 1 dated February 8, 2001, and Amendment No. 2 dated February 14, 2001 (as amended, the "Agreement"), for the purchase and sale of certain property located in Jefferson and Pierce Counties, Washington, described therein (the "Property").

I. EFFECT OF AMENDMENT. This Amendment amends and modifies the Agreement. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings between Buyer and Seller relating to the Property. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement.

II. INSPECTION PERIOD. Section 4.1 of the Agreement is amended to provide as follows:

The period beginning on January 12, 2001, and ending on March 27, 2001, shall be the "Inspection Period."

III. CONDITIONS PRECEDENT TO CLOSING. All conditions precedent to Buyer's obligation to complete the purchase of the Property under the Agreement (including without limitation those described at Sections 3.1, 5.2, 5.6, 5.8, and 5.10 of the Agreement) except those described at Sections 5.1, 5.3, 5.4, 5.5, 5.7, 5.9, and 5.11 of the Agreement, shall be deemed satisfied or waived by Buyer unless Buyer shall deliver to Seller written notice otherwise on or before March 27, 2001.

IV. NO EXTENSION OF CLOSING BASED ON LACK OF DNR CONSENT TO LEASE ASSIGNMENT. The last sentence of Section 5.9 (beginning with the words "If such consent" and ending with the words "(and the parties shall cooperate for such purpose)") and the last sentence of Section 5.15 of the Agreement (beginning with the words "It is understood" and ending with the words "in the manner described in Section 5.9 above") are hereby deleted, it being the present understanding of Buyer and Seller that Buyer has sufficient time to obtain DNR consent to the transfer of the DNR Lease. Closing shall not be extended beyond April 27, 2001, except upon the mutual agreement of Buyer and Seller.

V. CLOSING DATE. Section 7.1 of the Agreement is amended to provide as follows:

The Closing hereunder (the "Closing" or the "Closing Date") shall be held at the offices of the Title Company in Seattle, Washington, on April 27, 2001.

VI. SCHEDULES. Section 16.9 of the Agreement is amended to provide as follows:

The parties acknowledge and agree that, as of the date this Agreement has been executed, some schedules and exhibits have not been completed and agreed upon and the parties have also not agreed upon a final allocation of the Purchase Price among the Real Property, the Personal Property, and the Olympic Water and Sewer, Inc. stock. The parties agree to review and negotiate such matters diligently and in good faith, and upon completion and mutual approval of all such schedules, exhibits and other matters, they shall promptly execute an amendment to this

Agreement memorializing such agreements. If all schedules hereto are not approved by the parties in an amendment to this Agreement mutually executed and delivered on or before March 27, 2001, then this Agreement shall terminate, the Earnest Money shall be returned to Buyer, and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement.

VII. OWSI STOCK PURCHASE AGREEMENT. The obligations of Buyer and Seller under the Agreement are expressly conditioned on, and subject to satisfaction of, the following condition precedent: on or before March 27, 2001, Buyer as buyer and Olympic Property Group LLC as seller shall have mutually executed and delivered a Stock Purchase Agreement relating to the stock of Olympic Water and Sewer, Inc.

Except as expressly amended by this Amendment, the Agreement is hereby ratified and confirmed and shall remain in full force and effect.

BUYER: HCV PACIFIC PARTNERS LLC, a California limited liability company

By: _____ /s/ RANDALL J. VERRUE

Print Name: _____ Randall J. Verrue

Its: _____ President & CEO

Date: _____ 2/27/01

SELLER: POPE RESOURCES L.P., a Delaware limited partnership, by POPE MGP, Inc., a Delaware corporation, its managing general partner

**AMENDMENT NO. 5
TO
REAL ESTATE PURCHASE AND SALE AGREEMENT**

THIS AMENDMENT NO. 5 TO REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Amendment") dated as of May 15, 2001, is made by and between Pope Resources, a Delaware limited partnership, its wholly owned subsidiary Olympic Property Group LLC, a Washington limited liability company, and its wholly owned subsidiaries Olympic Real Estate Development LLC, a Washington limited liability company, Olympic Real Estate Management, Inc., a Washington corporation, and Olympic Resorts LLC, a Washington limited liability company (collectively "Seller"), HCV Pacific Partners LLC, a California limited liability company (or its assigns as permitted herein) ("Buyer"), and Port Ludlow Associates LLC, a Washington limited liability company (or its assigns as permitted herein) ("Assignee"), regarding that certain Real Estate Purchase and Sale Agreement dated January 12, 2001, between Buyer and Seller, as amended by Amendment No. 1 dated February 8, 2001, Amendment No. 2 dated February 14, 2001, Amendment No. 3 dated February 27, 2001, and Amendment No. 4 dated March 26, 2001 (as amended, the "Agreement"), for the purchase and sale of certain property located in Jefferson and Pierce Counties, Washington, described therein (the "Property").

I. EFFECT OF AMENDMENT. This Amendment amends and modifies the Agreement. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings between Buyer and Seller relating to the Property. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement.

II. REVIVAL OF AGREEMENT. The Agreement is hereby revived, ratified, and confirmed as amended herein.

III. EXCLUSION OF PEACOCK HILL PROPERTY. The Land, Real Property, and Property shall not include the Peacock Hill Property. All references to the Peacock Hill Property and Peacock Hill Deed within the Agreement are hereby deleted. The Appurtenances, Improvements, Equipment and Inventory, Contracts, and Intellectual Property shall not include any such property or rights relating to the Peacock Hill Property. *Section 1.1.2* and *Schedule 1.1.2* of the Agreement are hereby deleted.

IV. PURCHASE PRICE. *Section 2.1* of the Agreement is amended to provide as follows:

The purchase price for the Property (the "Purchase Price") shall be Sixteen Million Three Hundred Fifty Thousand Dollars (US\$16,350,000.00) (which amount does not include the additional purchase price of US\$2,000,000.00 for the shares of Olympic Water and Sewer, Inc., under the OWSI Stock Purchase Agreement), subject to adjustments as provided for under *Section 2.2* below. The Purchase Price is allocated among the Real Property and between the Real Property and Personal Property as set forth in *Schedule 2.1*. The Purchase Price shall be paid by Buyer to Seller as described in *Section 2.5* below.

V. ADJUSTMENTS TO PURCHASE PRICE. *Section 2.2* of the Agreement is amended to provide as follows:

2.2 Adjustments to Purchase Price.

2.2.1 Generally. The Purchase Price has been determined as of September 1, 2000. The Purchase Price shall be adjusted on the Closing Date based on changes in the Property as described in this *Section 2.2* in accordance with United States generally accepted accounting principles and practices as in effect from time to time and applied consistently throughout the periods involved.

2.2.2 Qualified Adjustments. The Purchase Price shall be increased on the Closing Date in the amount of Seller's expenditures relating to the acquisition, subdivision, land use entitlement, and improvement of those portions of the Property not comprising Equipment, Inventory, and MPR Platted Lots (for which Purchase Price adjustments shall be made under *Sections 2.2.3, 2.2.4, and 2.2.5* hereof) between September 1, 2000, and the Closing Date ("Qualified Adjustments"), provided that Seller shall obtain Buyer's prior approval of any Qualified Adjustment exceeding US\$1,000.00 each and to all Qualified Adjustments exceeding US\$10,000.00 in aggregate cost in any calendar month. Qualified Adjustments shall include, for example, the cost of replacement of any existing improvement, fixture, building system, or portion thereof with a new improvement, fixture, building system, or portion thereof having an expected useful life of ten (10) years or more, as well as the cost of any consultant's report required by a government agency in connection with the subdivision of a portion of the Property. Buyer and Seller agree that the approved Qualified Adjustments between September 1, 2000, and March 31, 2001, are in the amount of US\$270,039.00.

2.2.3 Equipment Adjustments. The Purchase Price shall be increased or decreased on the Closing Date in the amount of increases and decreases in the value of Equipment between September 1, 2000, and the Closing Date ("Equipment Adjustments"), provided that Seller shall obtain Buyer's prior approval of the purchase of any Equipment exceeding US\$1,000.00 in a single purchase and to all purchases of Equipment exceeding US\$10,000.00 in aggregate cost in any calendar month. Buyer and Seller agree that the approved Equipment Adjustments between September 1, 2000, and March 31, 2001, are in the amount of US\$85,916.00.

2.2.4 Inventory Adjustments. The Purchase Price shall be increased or decreased on the Closing Date by the amount of the differences in value (whether up or down) of Inventory between September 1, 2000, and the Closing Date ("Inventory Adjustments"), provided that Seller shall obtain Buyer's prior approval of the purchase of any Inventory exceeding US\$10,000.00 in aggregate cost in any calendar month.

2.2.5 MPR Platted Lot Adjustments. The Purchase Price shall be increased or decreased on the Closing Date in the amount of increases and decreases in the cost basis of the MPR Platted Lots between September 1, 2000, and the Closing Date based on additions and improvements to and closed sales of the MPR Platted Lots ("MPR Platted Lot Adjustments"). The sum of Seven Million Seven Hundred Twenty-four Thousand Dollars (US\$7,724,000.00) shall be the cost basis allocated to the MPR Platted Lots as of September 1, 2000. Buyer and Seller agree that the approved MPR Platted Lot Adjustments between September 1, 2000, and March 31, 2001, are in the amount of (US\$554,796.00).

2.2.6 *Summary of Purchase Price Adjustments Through March 31, 2001.* Based on the Qualified Adjustments, Equipment Adjustments, and MPR Platted Lot Adjustments, the Purchase Price shall be reduced by the sum of US\$198,841.00 to an adjusted Purchase Price of Sixteen Million One Hundred Fifty-one Thousand One Hundred Fifty-nine Dollars (US\$16,151,159.00) (which amount does not include the additional purchase price of US\$2,000,000.00 for the shares of Olympic Water and Sewer, Inc., under the OWSI Stock Purchase Agreement, and Inventory Adjustments) as of March 31, 2001. The Purchase Price shall be further adjusted on the Closing Date based on Qualified Adjustments, Equipment Adjustments, and MPR Platted Lot Adjustments after March 31, 2001, and Inventory Adjustments after September 1, 2000.

VI. EARNEST MONEY. Within three (3) business days after the date of this Amendment and execution of the OWSI Stock Purchase and Sale Agreement, Buyer shall deposit with Escrow Officer the additional sum of Nine Hundred Thousand Dollars (US\$900,000.00), which sum shall be deemed

2

part of the Earnest Money. Upon Buyer's deposit of said additional sum, Buyer shall have paid to Escrow Officer all Earnest Money due under *Section 2.4* of the Agreement.

VII. PAYMENT OF PURCHASE PRICE. A new *Section 2.5* is hereby added to the Agreement, providing as follows:

2.5 *Payment of Purchase Price.* On the Closing Date, Buyer shall pay Pope Resources the sum of US\$8,709,445.00 (subject to adjustment on the Closing Date for Qualified Adjustments, Equipment Adjustments, and Inventory Adjustments as provided under *Section 2.2*) in immediately available United States funds pursuant to Pope Resources' instructions and shall deliver to Pope Resources a promissory note in the form of *Schedule 2.5(a)* (the "Note") in the original principal amount of (a) Seller's cost basis relating to the MPR Platted Lots as of the Closing Date, which amount is US\$7,169,204.00 as of March 31, 2001, but shall be subject to adjustment on the Closing Date as provided under *Section 2.2* for MPR Platted Lot Adjustments between March 31, 2001, and the Closing Date, plus (b) the sum of US\$232,183.00, which is the allocated value of certain development office trailers and furnishings located within the Village Center, plus (c) Seller's land use entitlement, engineering, and feasibility costs between September 1, 2000, and the Closing Date relating to the expansion of the Port Ludlow Marina, which amount is US\$40,327.00 as of March 31, 2001, but shall be subject to adjustment on the Closing Date as provided under *Section 2.2* for Qualified Adjustments between March 31, 2001, and the Closing Date. The Note shall be secured by a first priority deed of trust on the MPR Platted Lots for the benefit of Pope Resources in the form of *Schedule 2.5(b)* (the "Deed of Trust"). Buyer shall pay Pope Resources interest at the rate of 10.0 percent per annum, compounded annually, on the declining balance due under the Note. All accrued interest and unpaid principal shall be paid in full within thirty-six (36) months after the Closing Date. Buyer shall pay Pope Resources a release fee upon the sale of each lot in the amount set forth on *Schedule 2.5(c)* in partial repayment of the Note, which amount shall be applied first to accrued interest and second to unpaid principal. Pope Resources shall grant partial releases of the lien of the Deed of Trust from time to time as to certain lots within the MPR Platted Lots, subject to Buyer's compliance with and satisfaction of the requirements, terms, and conditions set forth in a subordination and release agreement in the form of *Schedule 2.5(d)* (the "Subordination Agreement"). During the thirty-six (36) month Note repayment period, Pope Resources shall subordinate the lien of the Deed of Trust to the lien of a third party construction lender according to the requirements, terms, and conditions of the Subordination Agreement. Prior to Closing, Buyer shall provide evidence reasonably satisfactory to Seller that Buyer and its managers and officers have the authority to execute and bind Buyer to the Note, Deed of Trust, and Subordination Agreement. Such evidence may be in the form of operating agreements of Buyer and its affiliated companies.

VIII. POST-CLOSING ADJUSTMENTS. A new *Section 2.6* is hereby added to the Agreement, providing as follows:

2.6 *Post-Closing Adjustments.*

2.6.1 *Utility, Vendor, and Other Operating Expenses.* After the Closing Date, Seller shall pay within thirty (30) days after receipt all invoices for utility charges, vendor fees, and all other operating expenses relating to the operation or ownership of the Property on or before the Closing Date if not already paid, pro-rated, or allocated between Buyer and Seller at or prior to Closing. Buyer shall promptly forward to Seller all invoices for which Seller is liable under this section together with a written notice describing the portion of the invoice for which Buyer is liable and the portion for which Seller is liable.

3

2.6.2 *Costs Relating to MPR Platted Lots and Marina Expansion Project.* After the Closing Date, Seller shall pay within thirty (30) days after receipt all invoices for goods and services relating to the MPR Platted Lots and the expansion of the Port Ludlow Marina (which shall include costs of acquisition, subdivision, land use entitlements, and other improvements) and for additions and improvements to the MPR Platted Lots if not already paid by Seller at or prior to Closing, but only to the extent that such invoices relate to goods or services provided on or before the Closing Date. The amounts paid by Seller under this section shall be "Seller's Post-Closing MPR Expenditures." After the Closing Date, Buyer shall pay within thirty (30) days after receipt all invoices for all goods and services relating to the MPR Platted Lots and the expansion of the Port Ludlow Marina (which shall include costs of acquisition, subdivision, land use entitlements, and other improvements) and for additions and improvements to the MPR Platted Lots to the extent that such invoices relate to goods and services provided after the Closing Date. Buyer shall promptly forward to Seller all invoices for which Seller is liable under this section. Within three (3) years after the Closing Date, Buyer shall reimburse Seller the full amount of Seller's Post-Closing MPR Expenditures under the Note, Deed of Trust, and Subordination Agreement, which shall be amended by Buyer and Seller after Closing as described at *Section 2.6.4* to increase the original principal balance due by the amount of Seller's Post-Closing MPR Expenditures.

2.6.3 *Costs Relating to Other Property.* After the Closing Date, Seller shall pay within thirty (30) days after receipt the following invoices for goods and services relating to the Property (which shall include costs of acquisition, subdivision, land use entitlements, and other improvements) and provided on or prior to the Closing Date: (a) invoices for which an adjustment was made to the Purchase Price at Closing in the expectation that Seller had paid or would pay such invoice, and (b) invoices for goods or services for which Seller was obligated but failed to obtain Buyer's approval under *Section 2.2* hereof whether the invoices relate to goods and services provided before, on, or after the Closing Date.

2.6.4 *Post-Closing Modifications to Loan Documents.* At any time after the Closing Date as may be convenient to Seller, Seller shall deliver to Buyer a statement of the total of Seller's Post-Closing MPR Expenditures, and within thirty (30) days thereafter Buyer and Seller shall increase the original principal balance under the Note, Deed of Trust, and Subordination and Release Agreement by the amount of Seller's Post-Closing MPR Expenditures in written amendment of such loan documents, and the release fees described on *Schedule 2.5(c)* shall be increased for each lot in the

amount of (a) Seller's Post-Closing MPR Expenditures relating to such lot, and (b) an amount equal to the land use entitlement, engineering, and feasibility costs between September 1, 2000, and the Closing Date relating to the expansion of the Port Ludlow Marina, which amount is US\$40,327.00 as of March 31, 2001, but shall be subject to adjustment on the Closing Date as provided under Section 2.2 for Qualified Adjustments between March 31, 2001, and the Closing Date, divided by the number of platted building lots within the MPR Platted Lots.

2.6.5 *Buyer's Obligations.* After the Closing Date, Buyer shall pay within thirty (30) days after receipt the following invoices received by Buyer after Closing for goods and services relating to the Property: (a) invoices for goods or services approved by Buyer prior to Closing, (b) invoices for Equipment and Inventory purchases prior to Closing for which Seller is not obligated to obtain Buyer's prior approval under Sections 2.2.3 and 2.2.4, and (c) invoices for goods and services ordered by Buyer. Notwithstanding the foregoing, Buyer shall have no obligation to pay an invoice if either (i) an adjustment was made to the Purchase Price at Closing in the expectation that Seller had paid or would pay such invoice, or (ii) Seller is obligated to pay the invoice under any other provision of this Agreement,

4

IX. ESM SURVEY. In Section 3.2 of the Agreement, the date of the ESM letter proposal is January 17, 2001.

X. CONVEYANCE OF REAL PROPERTY. Section 3.5 of the Agreement is amended to provide as follows:

At Closing, Seller shall convey to Buyer fee simple title to the Real Property by execution and delivery of statutory warranty deeds in the form of Schedule 3.4 hereto as to the MPR Property (the "MPR Deed"), subject only to the Permitted Exceptions. Seller shall also execute and deliver at Closing instruments granting the additional easement and rights described in the last sentence of Section 1.2 above in the forms of Schedules 7.2(h) and 7.2(i).

XI. BUYER'S CONDITIONS PRECEDENT TO CLOSING SATISFIED OR WAIVED. Seller represents and warrants to Buyer that Seller has caused the termination of the Hotel Management Agreement dated April 3, 1991, between Pope Resources and CRG Hospitality, Inc., as amended, under the Termination Agreement and Release dated March 6, 2001, between Pope Resources and Columbia Hospitality, Inc., and that Columbia Hospitality, Inc. (f/k/a CRG Hospitality, Inc.), has vacated the Heron Beach Inn.

Buyer is satisfied with the results of its inspection of Seller's Documents and the Real Property. Buyer approves the Preliminary Commitment and the ESM Survey, subject to the removal or modification of the matters described on Schedule 3.1 ("Buyer's Title and Survey Objections"). Seller shall use best efforts and due diligence to resolve Buyer's Title and Survey Objections to Buyer's satisfaction prior to the Closing Date. The second and third paragraphs of Section 3.1 of the Agreement (regarding the process for resolution of title issues) are hereby deleted.

All conditions precedent to Buyer's obligation to complete the purchase of the Property under the Agreement (including without limitation those described at Sections 3.1, 5.2, 5.6, 5.8, and 5.10 of the Agreement) except those described at Sections 5.1, 5.3, 5.4, 5.5, 5.7, 5.9, and 5.11 of the Agreement are hereby declared satisfied or waived by Buyer, provided, however, that if Seller does not resolve Buyer's Title and Survey Objections to Buyer's satisfaction prior to the Closing Date, then the Earnest Money shall be returned to Buyer and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement.

XII. LIQUOR LICENSE. On or before May 18, 2001, Buyer shall use best efforts and due diligence to file with the Washington State Liquor Control Board complete applications for new temporary or permanent retail liquor licenses under applicable statutes to permit the sale of liquor at the Harbormaster Restaurant, Heron Beach Inn, Port Ludlow Marina, and Port Ludlow Golf Course after Closing in the same manner and to the same extent as presently allowed, and if such applications are not so filed on or before May 18, 2001, Seller shall have the option to terminate this Agreement in its sole discretion. Prior to Closing and for six (6) months after the Closing Date, Seller agrees to provide reasonable cooperation and assistance to Buyer in connection with its application for temporary or permanent liquor licenses and its applications for all other permits and licenses required to operate and maintain the Property after the Closing Date in substantially the same manner as Seller has operated and maintained it prior to Closing.

XIII. OWSI STOCK PURCHASE AGREEMENT. The obligations of Buyer and Seller under the Agreement are expressly conditioned on, and subject to satisfaction of, the following condition precedent: on or before May 18, 2001, Buyer as buyer and Olympic Property Group LLC as seller shall have mutually executed and delivered a Stock Purchase Agreement relating to the stock of Olympic Water and Sewer, Inc.

5

XIV. OWSI STOCK PURCHASE CLOSING. Section 5.7 of the Agreement is amended to provide as follows:

Buyer as buyer and Olympic Property Group LLC as seller shall have simultaneously closed a Stock Purchase Agreement (the "OWSI Stock Purchase Agreement") relating to the stock of Olympic Water and Sewer, Inc., a Washington corporation ("OWSI").

XV. CLOSING DATE. Section 7.1 of the Agreement is amended to provide as follows:

The Closing hereunder (the "Closing" or the "Closing Date") shall be held at the offices of the Title Company in Seattle, Washington, on June 13, 2001, or earlier upon the mutual agreement of Buyer and Seller. The Closing Date shall be postponed to the extent necessary (a) to enable Seller to provide all governmental and third-party notices at least two (2) business days prior to the Closing Date, (b) to enable Seller to obtain all governmental and third-party consents required under the DNR Lease, the Contracts, and all applicable laws, regulations, and ordinances, at least two (2) business days prior to the Closing Date, (c) to enable Buyer to obtain new temporary retail liquor licenses under applicable statutes to permit the sale of liquor at the Harbormaster Restaurant, Heron Beach Inn, Port Ludlow Marina, and Port Ludlow Golf Course after Closing; (d) to allow for the satisfaction or waiver of all remaining conditions precedent to Closing, provided, however, that the Closing Date shall not be postponed beyond June 27, 2001, except upon the prior written approval of Buyer and Seller.

XVI. SCHEDULES. Section 16.9 of the Agreement is amended to provide as follows:

The parties acknowledge and agree that, as of the date this Agreement has been executed, some schedules and exhibits have not been completed and agreed upon and the parties have also not agreed upon a final allocation of the Purchase Price among the Real Property, the Personal Property, and the Olympic Water and Sewer, Inc. stock. The parties agree to review and negotiate such matters diligently and in good faith, and upon

N 88°12'07" W, 637.48 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said south line, N 88°12'07" W, 812.73 feet to a line parallel with the east line of said southwest quarter;

THENCE along said parallel line, N 00°49'24" E, 771.12 feet;

THENCE N 77°03'46" E, 139.89 feet to a line which lies 60.00 feet southerly from AND parallel with the southerly margin of Tract A of "Timberton Village Phase I", filed in Volume 7 of Plats, pages 16 through 23, Records of Jefferson County, Washington, and a point of curvature;

THENCE along said parallel line AND along the southerly margin of Timberton Drive, the following courses:

Northeasterly 34.69 feet along the arc of a tangent curve to the left, having a radius of 410.00 feet, through a central angle of 04°50'50" to a point of reverse curvature;

Easterly 197.04 feet along the arc of a tangent curve to the right, having a radius of 350.00 feet, through a central angle of 32°15'20" to a point of tangency;

S 75°31'55" E, 70.64 feet to a point of curvature;

Southeasterly 305.34 feet along the arc of a tangent curve to the right, having a radius of 350.00 feet, through a central angle of 49°59'05" to a point of tangency;

S 25°32'50" E, 299.29 feet to a point of curvature;

Easterly 474.85 feet along the arc of a tangent curve to the left, having a radius of 280.00 feet, through a central angle of 97°10'00";

THENCE leaving said southerly margin, S 57°17'10" W, 466.67 feet to said south line of the southwest quarter of Section 17 AND the TRUE POINT OF BEGINNING.

QuickLinks

[Exhibit 10.6](#)

[AMENDMENT NO. 5 TO REAL ESTATE PURCHASE AND SALE AGREEMENT
EXHIBIT A LEGAL DESCRIPTION TIMBERTON VILLAGE PHASE III](#)

Date: 5/25/01

2

OLYMPIC REAL ESTATE DEVELOPMENT LLC, a Washington
limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 5/25/01

OLYMPIC REAL ESTATE MANAGEMENT, INC., a Washington
corporation

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin

Its: Vice President

Date: 5/25/01

OLYMPIC RESORTS LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 5/25/01

3

QuickLinks

[Exhibit 10.8](#)

[AMENDMENT NO. 7 TO REAL ESTATE PURCHASE AND SALE AGREEMENT](#)

Print Name: Gregory M. McCarry
Its: C.O.O.
Date: 6/1/01

OLYMPIC REAL ESTATE DEVELOPMENT LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry
Its: C.O.O.
Date: 6/1/01

OLYMPIC REAL ESTATE MANAGEMENT, INC., a Washington corporation

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin
Its: Vice President
Date: 6/1/01

OLYMPIC RESORTS LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry
Its: C.O.O.
Date: 6/1/01

QuickLinks

[Exhibit 10.9](#)

[AMENDMENT NO. 8 TO REAL ESTATE PURCHASE AND SALE AGREEMENT](#)

**AMENDMENT NO. 9
TO
REAL ESTATE PURCHASE AND SALE AGREEMENT**

THIS AMENDMENT NO. 9 TO REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Amendment") dated as of June 13, 2001, is made by and between Pope Resources, a Delaware limited partnership, its wholly owned subsidiary Olympic Property Group LLC, a Washington limited liability company, and its wholly owned subsidiaries Olympic Real Estate Development LLC, a Washington limited liability company, Olympic Real Estate Management, Inc., a Washington corporation, and Olympic Resorts LLC, a Washington limited liability company (collectively "Seller"), HCV Pacific Partners LLC, a California limited liability company (or its assigns as permitted herein) ("Buyer"), and Port Ludlow Associates LLC, a Washington limited liability company (or its assigns as permitted herein) ("Assignee"), regarding that certain Real Estate Purchase and Sale Agreement dated January 12, 2001, between Buyer and Seller, as amended by Amendment No. 1 dated February 8, 2001, Amendment No. 2 dated February 14, 2001, Amendment No. 3 dated February 27, 2001, Amendment No. 4 dated March 26, 2001, Amendment No. 5 dated May 15, 2001, Amendment No. 6 dated May 18, 2001, Amendment No. 7 dated May 25, 2001, and Amendment No. 8 dated June 1, 2001 (as amended, the "Agreement"), for the purchase and sale of certain property located in Jefferson and Pierce Counties, Washington, described therein (the "Property").

I. EFFECT OF AMENDMENT. This Amendment amends and modifies the Agreement. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings between Buyer and Seller relating to the Property. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement.

II. REVIVAL OF AGREEMENT. The Agreement is hereby revived.

III. EXTENSION OF TIME. In Sections XII and XIII of Amendment No. 5 (as amended) and in Section 16.9 of the Agreement (as amended), the date "June 8, 2001," is hereby replaced in each instance by the date "June 22, 2001." In Section XIX of Amendment No. 5 (as amended), the date "June 8, 2001," is hereby replaced by the date "June 22, 2001."

IV. BOND OBLIGATIONS. A new *Section 7.10* is hereby added to the Agreement, providing as follows:

7.10 Bond Obligations. Seller has obtained certain bonds (the "Bonds") relating to the DNR Lease, the Property, and certain Employees who are licensed notaries public, for the benefit of certain government agencies. The Bonds are described on *Schedule 7.10*. Within thirty (30) days after Closing, Buyer and Seller shall use best efforts and due diligence to cause the Bonds to be released to Seller, provided that if any of the Bonds must be replaced by a new bond obtained by Buyer prior to its release, then Buyer shall be required to obtain the new bond only if Seller otherwise would be subject to a material contingent liability under the Bond to be replaced for matters arising after Closing. In any event, Buyer shall defend, indemnify, and hold Seller harmless from and against any and all loss, damage, claims, penalties, liability, suits, costs, and expenses (including, without limitation, reasonable attorneys fees and costs) suffered or incurred by Seller after Closing arising out of or related to any act or omission after Closing of Buyer, its agents, contractors, and employees, bonded against under any of the Bonds.

V. ELIMINATION OF CERTAIN SCHEDULES. References to the following schedules to the Agreement are hereby deleted: 8.1.1(e)-2, 8.1.1(f), and 16.15.

VI. BUYER'S CONDITIONS PRECEDENT TO CLOSING SATISFIED OR WAIVED. *Section XI* of Amendment No. 5 is amended to provide as follows:

Seller represents and warrants to Buyer that Seller has caused the termination of the Hotel Management Agreement dated April 3, 1991, between Pope Resources and CRG Hospitality, Inc., as amended, under the Termination Agreement and Release dated March 6, 2001, between Pope Resources and Columbia Hospitality, Inc., and that Columbia Hospitality, Inc. (f/k/a CRG Hospitality, Inc.), has vacated the Heron Beach Inn.

Buyer is satisfied with the results of its inspection of Seller's Documents and the Real Property. Buyer approves the Preliminary Commitment and the ESM Survey, provided that if the inability of Buyer or Seller to cause the removal or modification of any of the matters described on *Schedule 3.1* ("Buyer's Title and Survey Objections") will have a material and adverse effect on the use or value of the lot or parcel affected by the objection, or if Seller has failed to use best efforts and due diligence to resolve Buyer's Title and Survey Objections to Buyer's satisfaction prior to the Closing Date, then Buyer shall not be obligated to complete its purchase of the Property. Seller shall use best efforts and due diligence to resolve Buyer's Title and Survey Objections to Buyer's satisfaction prior to the Closing Date. Seller's inability to resolve Buyer's Title and Survey Objections to Buyer's satisfaction prior to the Closing Date shall not constitute a default of Seller under this Agreement, provided that Seller used best efforts and due diligence to resolve such objections. After Closing, Seller covenants to cooperate with Buyer and provide reasonable assurances to Buyer regarding any of Buyer's Title and Survey Objections not resolved on or before the Closing Date. The second and third paragraphs of *Section 3.1* of the Agreement (regarding the process for resolution of title issues) are hereby deleted.

All conditions precedent to Buyer's obligation to complete the purchase of the Property under the Agreement (including without limitation those described at *Sections 3.1, 5.2, 5.6, 5.8, and 5.10* of the Agreement) except those described at *Sections 5.1, 5.3, 5.4, 5.5, 5.7, 5.9, and 5.11* of the Agreement are hereby declared satisfied or waived by Buyer, provided, however, that if Seller does not resolve Buyer's Title and Survey Objections to Buyer's satisfaction prior to the Closing Date, then the Earnest Money shall be returned to Buyer and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement.

VII. BAY CLUB. Seller has provided Buyer a copy of the Agreement Regarding Bay Club dated May 29, 2001, between Olympic Property Group LLC and South Bay Community Association. Seller represents and warrants to Buyer that Seller has no current builder, declarant, or developer liabilities or obligations regarding the Bay Club except as owner of any lot subject to the South Bay Master Declaration (A.F. No. 325175) as amended.

VIII. CONDITION OF PROPERTY. *Section 8.1.1(e)* of the Agreement is amended to provide as follows:

AMENDMENT NO. 11

TO

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS AMENDMENT NO. 11 TO REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Amendment") dated as of July 11, 2001, is made by and between Pope Resources, a Delaware limited partnership, its wholly owned subsidiary Olympic Property Group LLC, a Washington limited liability company, and its wholly owned subsidiaries Olympic Real Estate Development LLC, a Washington limited liability company, Olympic Real Estate Management, Inc., a Washington corporation, and Olympic Resorts LLC, a Washington limited liability company (collectively "Seller"), HCV Pacific Partners LLC, a California limited liability company (or its assigns as permitted herein) ("Buyer"), and Port Ludlow Associates LLC, a Washington limited liability company (or its assigns as permitted herein) ("Assignee"), regarding that certain Real Estate Purchase and Sale Agreement dated January 12, 2001, between Buyer and Seller, as amended by Amendment No. 1 dated February 8, 2001, Amendment No. 2 dated February 14, 2001, Amendment No. 3 dated February 27, 2001, Amendment No. 4 dated March 26, 2001, Amendment No. 5 dated May 15, 2001, Amendment No. 6 dated May 18, 2001, Amendment No. 7 dated May 25, 2001, Amendment No. 8 dated June 1, 2001, Amendment No. 9 dated June 13, 2001, and Amendment No. 10 dated June 22, 2001 (as amended, the "Agreement"), for the purchase and sale of certain property located in Jefferson and Pierce Counties, Washington, described therein (the "Property").

I. EFFECT OF AMENDMENT. This Amendment amends and modifies the Agreement. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings between Buyer and Seller relating to the Property. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement.

II. REVIVAL. The Agreement is hereby revived.

III. EXTENSION OF TIME. In Sections XII and XIII of Amendment No. 5 (as amended) and in Section 16.9 of the Agreement (as amended), the date "June 29, 2001," is hereby replaced in each instance by the date "July 27, 2001." In Section XIX of Amendment No. 5 (as amended), the date "June 29, 2001," is hereby replaced by the date "July 27, 2001."

IV. CLOSING DATE. Section 7.1 of the Agreement is amended to provide as follows:

The Closing hereunder (the "Closing" or the "Closing Date") shall be held at the offices of Davis Wright Tremaine LLP in Seattle, Washington, on July 19, 2001, or earlier upon the mutual agreement of Buyer and Seller. The Closing Date shall be postponed to the extent necessary (a) to enable Seller to provide all governmental and third-party notices at least two (2) business days prior to the Closing Date, (b) to enable Buyer and Seller to obtain all governmental and third-party consents required under the DNR Lease, the Contracts, and all applicable laws, regulations, and ordinances, at least two (2) business days prior to the Closing Date, (c) to enable Buyer to obtain new temporary retail liquor licenses under applicable statutes to permit the sale of liquor at the Harbormaster Restaurant, Heron Beach Inn, Port Ludlow Marina, and Port Ludlow Golf Course after Closing; (d) to allow for the satisfaction or waiver of all remaining conditions precedent to Closing, provided, however, that the Closing Date shall not be postponed beyond July 27, 2001, except upon the prior written approval of Buyer and Seller.

V. PORT LUDLOW EQUIPMENT, INC. Prior to Closing, the Equipment and Inventory shall be contributed by Seller to Port Ludlow Equipment, Inc., a Washington corporation ("PLE"), which was formed by Seller or its agent on or around June 25, 2001. Seller represents and warrants to Buyer that Seller and PLR Management, Inc., a Washington corporation ("PLR"), a wholly-owned subsidiary

of Olympic Property Group LLC, a Washington limited liability company ("OPG"), are and shall be as of the Closing Date the owners of all of the outstanding stock in PLE, and covenants that as of the Closing Date PLE shall not be bound by any contractual or other obligations except as may arise by ownership of the Equipment and Inventory, as may arise under PLE's articles of incorporation, bylaws, consents to action, and other organizational documents, and as may bind any Washington corporation. At Closing, Seller and PLR shall assign and convey to Buyer all of the outstanding stock in PLE and the books and records of PLE. Section 3.9 of the Agreement is hereby deleted. In Section 7.2(a) of the Agreement, "Bill of Sale" is hereby deleted.

VI. PAYROLL. A new Section 2.6.6 is hereby added to the Agreement, providing as follows:

2.6.6 *Payroll Adjustments.* Within thirty (30) days after the Closing Date, Buyer shall reimburse Seller in the amount of salaries and wages paid by Seller prior to the Closing Date to Employees terminated by Seller and hired by Buyer on or after the Closing Date, to the extent that such salaries and wages are attributable to periods after the Closing Date. Notwithstanding the foregoing, Buyer shall have no obligation to reimburse Seller for salaries and wages if either (i) an adjustment was made to the Purchase Price at Closing in the expectation that Seller had paid or would pay such salaries or wages, or (ii) Seller is obligated to pay the salaries or wages under any other provision of this Agreement, nor shall Buyer in any case be obligated to reimburse Seller for salaries and wages attributable to periods more than fourteen (14) days after the Closing Date.

VII. PURCHASE PRICE ADJUSTMENTS. Qualified Adjustments, Equipment Adjustments, and MPR Platted Lot Adjustments shall be calculated as of June 21, 2001, subject to further adjustment after Closing based on changes between June 21, 2001, and the Closing Date, according to the methods described at Section 2.2 of the Agreement. Inventory Adjustments shall be calculated as of May 31, 2001, subject to further adjustment after Closing based on changes between May 31, 2001, and the Closing Date, according to the methods described at Section 2.2 of the Agreement. Within thirty (30) days after the Closing Date, Seller shall deliver to Buyer a statement of the Qualified Adjustments and Equipment Adjustments applicable to the period between June 21, 2001, and the Closing Date and Inventory Adjustments applicable to the period between May 31, 2001, and the Closing Date, together with payment in the amount by which such adjustments would have reduced the Purchase Price if known at Closing. In the alternative, if such amounts would have increased the Purchase Price if known at Closing, then Buyer shall pay Seller the amount of such increase within thirty (30) days after Seller's delivery of such statement to Buyer. After the Closing Date, Seller shall deliver a statement relating to MPR Platted Lot Adjustments applicable to the period between June 21, 2001, and the Closing Date, and the original principal balance under the Note, Deed of Trust, and Subordination Agreement shall be adjusted, as provided at Section 2.6.4.

VIII. PLR MANAGEMENT, INC. On or around February 28, 2001, OPG acquired all of the outstanding stock in PLR, pursuant to a Stock Purchase Agreement dated January 1, 2001, between OPG as purchaser and Christopher Michael Derrig and Robert B. Hobart as sellers (the "PLR Agreement"). OPG has delivered to Buyer, and Buyer acknowledges receipt of, a complete copy of the PLR Agreement and all schedules and other attachments thereto in the form of a binder entitled "Olympic Property Group Port Ludlow Resort Stock Purchase January 1, 2001." OPG represents and warrants to Buyer that OPG is and shall be as of the Closing Date the owner of all of the outstanding stock in PLR and that OPG has fully satisfied its obligations to Christopher Michael Derrig and Robert B. Hobart as sellers to pay the purchase price under Section 1.2 of the PLR Agreement and any other consideration due Derrig and Hobart in exchange for the stock of PLR under the PLR Agreement. At Closing, OPG shall cause PLR to assign and convey to Buyer all of PLR's right, title, and interest in any contracts, advance booking deposits, equipment, inventory, leases, and intellectual property in which PLR may have an interest (the "PLR Property"). OPG hereby represents and warrants to Buyer that (i) all representations and warranties of Derrig and Hobart under the PLR Agreement were true

2

and correct when made (subject to any qualifications or limitations set forth in the PLR Agreement and subject to the limitations on OPG's liability under this clause (i) set forth below), (ii) to the actual current knowledge of Gregory M. McCarry and Thomas A. Griffin, all representations and warranties of Derrig and Hobart under the PLR Agreement are true and correct as of the date hereof (subject to any and all qualifications or limitations set forth in the PLR Agreement), (iii) to the actual current knowledge of Gregory M. McCarry and Thomas A. Griffin, there is no existing material default with respect to any contractual obligation or commitment relating to any of the PLR Property except for the lack of third party consents to the assignment of certain contracts to Buyer, (iv) to the actual current knowledge of Gregory M. McCarry and Thomas A. Griffin, there has been no material change in the PLR Property since February 28, 2001, except in the ordinary course of business, and (v) OPG has not previously sold, conveyed, or mortgaged the PLR Property. OPG shall have no obligation to investigate any of the matters for which it makes a representation or warranty to Buyer in this section. Subject to the limitations set forth in the following sentence, OPG shall defend, indemnify, and hold Buyer harmless from any loss, liability, or expense arising from any material breach of any representation or warranty of OPG made under this section. Anything above to the contrary notwithstanding, OPG shall have no liability for breach of any warranty or representation in clause (i) of this section or for any indemnity or defense obligation arising from the breach of any warranty or representation in clause (i) to the extent that OPG is unable to impose liability upon and to recover damages or costs from Derrig or Hobart despite the exercise of reasonable diligence (conducted in cooperation with Buyer and at no out-of-pocket expense to OPG); provided, that OPG shall not be relieved of liability to Buyer under this sentence if and to the extent Gregory M. McCarry or Thomas A. Griffin has actual current knowledge as of the date hereof that a warranty and representation in clause (i) is untrue; and provided that Buyer shall have the right to control the prosecution of any claim or action against Derrig or Hobart if Buyer has paid OPG in advance any out-of-pocket expenses, including attorneys' fees and costs, incurred by OPG in such claim or action.

In exchange for such assignment and conveyance, on or before January 31, 2002, Buyer shall (a) pay to OPG the net proceeds (the "PLR Proceeds") to Buyer relating to the operation of the Harbormaster Restaurant, Conference Center, and Port Ludlow condominium rentals between the Closing Date and December 31, 2001, and (b) deliver to OPG a written report, including a description of accounting methods and copies of accounting records, describing how the PLR Proceeds were calculated. Notwithstanding the foregoing, the PLR Proceeds payable by Buyer to OPG shall not exceed the sum of US\$212,500.00. The PLR Proceeds shall not be reduced by (a) depreciation, (b) Buyer's administrative overhead, or (c) Buyer's management fees except to the extent that management fees are set forth in PLR's 2001 budget as of the date hereof.

IX. CONSULTING SERVICES AGREEMENT AND WARRANTY SERVICES AGREEMENT. Section 7.2(d) of the Agreement is amended to provide as follows:

A duly executed Consulting Services Agreement in the form of *Schedule 7.2(d)-1* (the "Consulting Services Agreement"), a duly executed Agreement to Perform Warranty Services in the form of *Schedule 7.2(d)-2* (the "Warranty Services Agreement"), and a duly executed Business Services Agreement in the form of *Schedule 7.2(d)-3* (the "Business Services Agreement").

Section 7.3(d) of the Agreement is amended to provide as follows:

The duly executed Consulting Services Agreement, Warranty Services Agreement, and Business Services Agreement.

X. SELLER'S PAYMENT CERTIFICATION. Seller represents and warrants to Buyer that Seller has paid all contractors, material providers, and any other persons or parties performing work or supplying construction materials for work on any part of the Real Property for all work performed and materials supplied through May 31, 2001, if such payment was due on or before June 30, 2001.

3

Section 5.11 of the Agreement and *Schedule 5.11* to the Agreement are hereby deleted. Nothing herein or otherwise in this Amendment is intended to limit or impair the rights and obligations of the parties with respect to prorations and post-closing adjustments under the Agreement

XI. LITIGATION. After Closing, Buyer shall cooperate with and reasonably assist Seller in the defense of those matters of pending and threatened litigation described on *Schedule 8.1.1(b)*, provided that Buyer shall not be obligated to bear any third party expense or other liability relating to such cooperation or assistance not compensated by Seller. After Closing, Buyer shall make available (at Seller's reasonable request from time to time) Buyer's employees who were former employees of Seller for consultations, depositions, court appearances, and similar matters in connection with the pending and threatened litigation described in *Section 8.1.1(b)*, and shall otherwise provide reasonable cooperation to Seller in connection with such litigation, provided that Buyer shall not otherwise be required to bear any third party expense or liability not compensated by Seller.

XII. POST-CLOSING ADJUSTMENTS. The parties shall make and pay outside of escrow within thirty (30) days after the Closing Date all Closing allocations relating to the Property not made and paid at Closing, including without limitation (a) utility charges, (b) amounts paid under Contracts, (c) tenant deposits, prepaid rents, advance group deposits, and gift certificates after June 21, 2001, (d) other Golf Course prepaid amounts (in addition to gift certificates) after June 30, 2001, and (e) earnest money deposits under executory Real Estate Purchase and Sale Agreements after June 21, 2001.

XIII. POST-CLOSING MODIFICATIONS TO LOAN DOCUMENTS. Section 2.6.4 of the Agreement is amended to provide as follows:

2.6.4 Post-Closing Modifications to Loan Documents. Within ninety (90) days after the Closing Date, Seller shall deliver to Buyer a statement of the MPR Platted Lot Adjustments between June 21, 2001, and the Closing Date (the "Final MPR Platted Lot Adjustment"), which shall take into account among other things Seller's Post-Closing MPR Expenditures, and within thirty (30) days thereafter Buyer and Seller shall either increase the original principal balance under the Note, Deed of Trust, and Subordination and Release Agreement by the amount by which the Final

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin

Its: Vice President

Date: 7/10/01

OLYMPIC RESORTS LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 7/10/01

QuickLinks

[Exhibit 10.12](#)

[AMENDMENT NO. 11 TO REAL ESTATE PURCHASE AND SALE AGREEMENT](#)

**AMENDMENT NO. 13
TO
REAL ESTATE PURCHASE AND SALE AGREEMENT**

THIS AMENDMENT NO. 13 TO REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Amendment") dated as of August 1, 2001, is made by and between Pope Resources, a Delaware limited partnership, its wholly owned subsidiary Olympic Property Group LLC, a Washington limited liability company, and its wholly owned subsidiaries Olympic Real Estate Development LLC, a Washington limited liability company, Olympic Real Estate Management, Inc., a Washington corporation, and Olympic Resorts LLC, a Washington limited liability company (collectively, "Seller"), and Port Ludlow Associates LLC, a Washington limited liability company ("Buyer"), regarding that certain Real Estate Purchase and Sale Agreement dated January 12, 2001, between HCV Pacific Partners LLC, a California limited liability company (whose interest subsequently was assigned to Buyer) and Seller, as amended by Amendment No. 1 dated February 8, 2001, Amendment No. 2 dated February 14, 2001, Amendment No. 3 dated February 27, 2001, Amendment No. 4 dated March 26, 2001, Amendment No. 5 dated May 15, 2001, Amendment No. 6 dated May 18, 2001, Amendment No. 7 dated May 25, 2001, Amendment No. 8 dated June 1, 2001, Amendment No. 9 dated June 13, 2001, Amendment No. 10 dated June 22, 2001, Amendment No. 11 dated July 11, 2001, and Amendment No. 12 dated July 24, 2001 (as amended, the "Agreement"), for the purchase and sale of certain property located in Jefferson County, Washington, described therein (the "Property").

I. EFFECT OF AMENDMENT. This Amendment amends and modifies the Agreement. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings between Buyer and Seller relating to the Property. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement.

II. SCHEDULES. The schedules to the Agreement attached hereto, all of which are described below, are hereby adopted and approved.

III. INDEMNITY. Pope Resources shall defend, indemnify, and hold Buyer harmless from any breach of the warranties given by Pope Resources under the Assignment of DNR Lease.

IV. PURCHASE PRICE. *Section 2.1* of the Agreement is amended to provide as follows:

2.1 Purchase Price. The purchase price for the Property (the "Purchase Price") shall be Seventeen Million Three Hundred Fifty Thousand Dollars (US\$17,350,000.00) (which amount does not include the additional purchase price of US\$2,140,056.00 for the shares of Olympic Water and Sewer, Inc., under the OWSI Stock Purchase Agreement), subject to adjustments as provided for under *Section 2.2*. The Purchase Price is allocated between the Real Property and Personal Property as set forth in *Schedule 2.1*. The Purchase Price shall be paid by Buyer to Seller as described in *Section 2.5*.

V. MPR PLATTED LOT ADJUSTMENTS. *Section 2.2.5* of the Agreement is amended to provide as follows:

2.2.5 MPR Platted Lot Adjustments. The Purchase Price shall be increased or decreased on the Closing Date in the amount of increases and decreases in the cost basis of the MPR Platted Lots between September 1, 2000, and the Closing Date based on additions and improvements to and closed sales of the MPR Platted Lot ("MPR Platted Lot Adjustments"); provided, that for the purpose of adjusting the Purchase Price on the Closing Date, the cost basis of the MPR Platted Lots as of the Closing Date (after taking into account MPR Platted Lot Adjustments between September 1, 2000, and the Closing Date) shall be decreased by One Million Dollars (US\$1,000,000.00) so as to result in a US\$1,000,000.00 reduction in the Purchase Price. The parties acknowledged that Eight

Million Seven Hundred Twenty-Four Thousand Dollars (US\$8,724,000.00) is the cost basis allocated to the MPR Platted Lots as of September 1, 2000, and that the approved MPR Platted Lot Adjustments between September 1, 2000, and March 31, 2001, are in the amount of (US\$554,796.00).

VI. SUMMARY OF PURCHASE PRICE ADJUSTMENTS THROUGH MARCH 31, 2001. *Section 2.2.6* of the Agreement is amended to provide as follows:

2.2.6 Summary of Purchase Price Adjustments Through March 31, 2001. Based on the Qualified Adjustments, Equipment Adjustments, and MPR Platted Lot Adjustments, the Purchase Price shall be reduced by the sum of US\$198,841.00 to an adjusted Purchase Price of Seventeen Million One Hundred Fifty-one Thousand One Hundred Fifty-nine Dollars (US\$17,151,159.00) (which amount does not include the additional purchase price of US\$2,140,056.00 for the shares of Olympic Water and Sewer, Inc., under the OWSI Stock Purchase Agreement, and Inventory Adjustments) as of March 31, 2001. The Purchase Price shall be further adjusted on the Closing Date based on Qualified Adjustments, Equipment Adjustments, and MPR Platted Lot Adjustments (including the US\$1,000,000.00 reduction described at *Section 2.2.5*) after March 31, 2001, and Inventory Adjustments after September 1, 2000.

VII. PAYMENT OF PURCHASE PRICE. Clause (a) of *Section 2.5* of the Agreement is amended to provide as follows:

(a) Seller's cost basis relating to the MRP Platted Lots as of the Closing Date, which amount is US\$8,169,204.00 as of March 31, 2001, but shall be subject to adjustment on the Closing Date as provided under *Section 2.2.5* for MPR Platted Lot Adjustments between March 31, 2001, and the Closing Date, and the US\$1,000,000.00 reduction on the Closing Date in accordance with *Section 2.2.5*, plus

VIII. CLOSING DATE. *Section 7.1* of the Agreement is amended to provide as follows:

The Closing hereunder (the "Closing" or the "Closing Date") shall be held at the offices of Transnation Title Insurance Company, Seattle, Washington, as soon as practicable, with both parties acting with diligence, after all of the following events have occurred (none of which shall be a condition precedent to the obligation of either party to perform their obligations under the Agreement except to the extent expressly provided otherwise under the Agreement): (a) Buyer and Seller have obtained all governmental and third-party consents required

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 8/1/01

4

OLYMPIC REAL ESTATE DEVELOPMENT LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 8/1/01

OLYMPIC REAL ESTATE MANAGEMENT, INC., a Washington corporation

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin

Its: Vice President

Date: 8/1/01

OLYMPIC RESORTS LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 8/1/01

5

SCHEDULES:

- 1.1.1(a)(i) Description of Heron Beach Inn
- 1.1.1(a)(ii) Description of Marina
- 1.1.1(a)(iii) Description of Golf Course
- 1.1.1(a)(iv) Description of Village Center
- 1.1.1(a)(v) Description of RV Park
- 1.1.1(a)(vi) Description of Harbormaster Restaurant
- 1.1.1(a)(vii) Description of Conference Center
- 1.1.1(a)(viii) Description of Miscellaneous MPR Operating Properties
- 1.1.1(a)(ix) Description of Sales Office
- 1.1.1(b)(i) Description of MPR Platted Lots
- 1.1.1(b)(ii) Description of MPR Unplatted Parcels
- 1.1.1(b)(iii) Description of MPR Outparcels

1.2	Appurtenances
1.3	Tenant Leases
1.4	Equipment and Inventory
1.5	Contracts
1.6	Intellectual Property
1.7	DNR Lease
2.1	Allocation of Purchase Price
2.5(a)	Form of Note
2.5(b)	Form of Deed of Trust
2.5(c)	Release Prices
2.5(d)	Form of Subordination Agreement
3.1	Buyer's Title and Survey Objections
3.4	Form of MPR Deed
3.5	Form of Assignment of DNR Lease
3.6	Form of Assignment of Tenant Leases
3.7	Form of Assignment of Contracts
3.9	Form of Assignment of Intellectual Property
5.6-1	Form of Tenant Estoppel Letter
6.2	Minimum MPR Platted Lot Sale Prices
7.2(c)	Form of FIRPTA Affidavit
7.2(d)-1	Form of Consulting Services Agreement
7.2(d)-2	Form of Warranty Services Agreement
7.2(d)-3	Form of Business Services Agreement
7.2(h)	Form of Easements Over Adjoining Lands
7.2(i)	Form of Bio-solids Disposal Agreement
7.5.3	Current Use and Forest Land
7.10	Bonds
8.1.1(b)	Pending and Threatened Litigation
8.1.1(c)	Compliance with Laws and Permits; Permits and Licenses Requiring Third Party Consent to Assignment
8.1.1(e)-1	Material Property Defects
8.1.1(f)	Potential Local Improvement Districts
8.1.1(g)	Contracts and Leases Requiring Third Party Consent to Assignment
8.1.1(i)	Hazardous Substances Reports
8.1.1(k)	Union Contracts, Labor Agreements, and Employee Benefit Plans
8.1.2(c)	Golf Course Management and Membership Rights
8.1.2(d)	Golf Course Water Rights
14(a)	Seller's Post-Closing Community Obligations
14(b)	Buyer's Post-Closing Community Obligations

QuickLinks

[Exhibit 10.14](#)

[AMENDMENT NO. 13 TO REAL ESTATE PURCHASE AND SALE AGREEMENT](#)

STOCK PURCHASE AGREEMENT
(Olympic Property Group LLC and Port Ludlow Associates LLC)
(Olympic Water and Sewer, Inc.)

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of May 29, 2001, between and among OLYMPIC WATER AND SEWER, INC., a Washington corporation (the "Company"), OLYMPIC PROPERTY GROUP LLC, a Washington limited liability company, as the sole shareholder in the Company ("OPG"), and PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company ("Purchaser").

RECITALS

WHEREAS, Purchaser desires to acquire the Company; and

WHEREAS, OPG owns, and at the Closing will own, all of the issued and outstanding shares of capital stock of the Company (the "Shares"); and

WHEREAS, OPG desires to sell all of the Shares to Purchaser, and Purchaser desires to purchase all of the Shares from OPG, on the terms and subject to the conditions contained in this Agreement; and

WHEREAS, the transactions contemplated by this Agreement are to occur simultaneously with the transactions contemplated under that certain Real Estate Purchase and Sale Agreement dated January 12, 2001, by and among Purchaser as Buyer and OPG, Pope Resources, and its wholly owned subsidiaries Olympic Real Estate Development LLC, Olympic Real Estate Management, Inc., and Olympic Resorts LLC collectively as Seller, as amended by Amendment No. 1 dated February 8, 2001, Amendment No. 2 dated February 14, 2001, Amendment No. 3 dated February 27, 2001, Amendment No. 4 dated March 26, 2001, and Amendment No. 5 dated May 15, 2001, Amendment No. 6 dated May 18, 2001, and Amendment No. 7 dated May 25, 2001 (as amended, the "Asset Purchase Agreement").

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

SECTION 1

PURCHASE AND SALE OF STOCK AND COMPANY ASSETS

1.1 Purchase and Sale of Stock. Subject to the terms and conditions of this Agreement, at the Closing OPG shall sell, convey, assign, transfer and deliver to Purchaser the Shares, and Purchaser shall purchase the Shares from OPG, free and clear of all liens, claims, options, charges, encumbrances, preferential rights and restrictions on transfer whatsoever.

1.2 Purchase Price. At Closing Purchaser shall deliver or cause to be delivered to OPG, in full payment for the sale, conveyance, assignment, transfer and delivery of the Shares and the other undertakings of the Company and OPG hereunder, the amount of Two Million One Hundred Forty Thousand Fifty-six Dollars (US\$2,140,056.00) (the "Purchase Price"). The Purchase Price shall be paid by Purchaser in immediately available United States funds pursuant to OPG's instructions on the Closing Date. Notwithstanding anything in this Agreement to the contrary, after Closing the amount of the Purchase Price shall be adjusted by calculating the amount of the difference (the "Adjustment"), if any, between the Estimated Working Capital Amount and Working Capital, determined pursuant to the procedure set forth in this *Section 1.2*.

As used in this Agreement, "Working Capital" means the Company's total current assets minus the Company's total current liabilities, as of the Closing Date, determined in accordance with GAAP; provided, however, that for purposes of this Agreement and the determination of Working Capital hereunder, the Company's total current assets shall not include the accounts receivable under the Revolving Promissory Note dated December 28, 2000, given by OPG to the Company, in the maximum principal amount of US\$1,000,000.00 (the "Revolving Note"), or the accounts payable under the Business Services Agreement dated December 26, 2000, between ORM, Inc., as Contractor, and the Company as Owner (the "BSA").

OPG and Purchaser agree that the estimated amount of Working Capital (the "Estimated Working Capital Amount") is US\$168,441.00.

No later than 45 days after the Closing Date, Purchaser and the Company shall, together with the outside accounting firm of the Company (the "Accountant"), prepare and deliver to OPG a statement of the Working Capital as of the Closing Date (the "Closing Statement"). The Closing Statement shall be prepared in accordance with GAAP (applied consistently with the Financial Statements defined below) subject to the definition of Working Capital, and OPG agrees to assist in the preparation of the Closing Statement if and to the extent requested by Purchaser or the Accountant. OPG shall have fifteen (15) days following delivery of the Closing Statement to OPG to review the working papers and books and records of the Company used to determine the Closing Statement. OPG shall notify the Company and Purchaser within fifteen (15) days of the delivery of the Closing Statement to OPG whether OPG agrees with or disagrees with the Closing Statement, including the determination of Working Capital. If Company and Purchaser receive notice of OPG's disagreement with the Closing Statement, then all parties shall make a good faith effort to reach agreement on the Closing Statement, including the determination of Working Capital, within five (5) days of all parties receiving notice of the disagreement. If the parties cannot reach such an agreement within such five-day period, then the parties shall mutually select an independent public accounting firm (the "Neutral Auditor") to determine the Closing Statement, including the Working Capital, and such determination shall be binding on all parties to this Agreement. The cost of such Neutral Auditor shall be borne by whichever of Purchaser or OPG had a greater differential between their proposed determination of Working Capital and that determined by the Neutral Auditor. No later than sixty-five (65) days following the Closing Date or, if applicable, as soon as practicable after a final determination by the Neutral Auditor:

(i) If Working Capital exceeds the Estimated Working Capital Amount, Purchaser shall pay the amount of the Adjustment by wire transfer in immediately available funds to the account or accounts designated by OPG; or

(ii) If the Estimated Working Capital Amount exceeds Working Capital, OPG shall pay the amount of the Adjustment by wire transfer in immediately available funds to the account or accounts designated by Purchaser.

1.3 Closing. The closing of the transactions contemplated by this Agreement shall take place simultaneously with the closing of the transaction set forth in the Asset Purchase Agreement (the "Closing"). The date of the Closing is sometimes referred to as the "Closing Date."

1.4 Form of Documents. At the Closing, the parties shall deliver the documents and shall perform the acts set forth in this Agreement. All closing documents shall be in form and substance satisfactory to OPG, the Company, and Purchaser.

1.5 Company Assets. The Company is the owner of certain sewer and water utility property and facilities located generally within the unincorporated master planned resort area commonly known as Port Ludlow, Jefferson County, Washington (the "MPR"), except with respect to certain wells, a reservoir, and appurtenant facilities located outside the MPR (over which the Company has rights and

2

easements for use, operation, and maintenance), which consist of the Company's entire right, title, and interest in and to the following:

1.5.1 Water Facilities, defined as the aggregate of the following:

(i) The wells and reservoirs (both active and inactive) listed on *Schedule 1.5.1(i)-1*, shown on the map attached hereto as *Schedule 1.5.1(i)-2*, and located on the real property described on *Schedule 1.5.1(i)-3* (the "Wells and Reservoirs"). The map attached hereto as *Schedule 1.5.1(i)-2* is provided for illustrative purposes only, might not be accurate, and shall not bind either party.

(ii) The infrastructure and water lines used to transfer water from the Wells and Reservoirs (and among the Wells and Reservoirs) to the platted lots and parcels within the MPR as shown on the map attached as *Schedule 1.5.1(ii)*, including, without limitation, such easements or licenses as are used for the infrastructure and waterlines to cross or be placed on property not owned by the Company (the "Water Line Distribution System"). The map attached hereto as *Schedule 1.5.1(ii)* is provided for illustrative purposes only, might not be accurate, and shall not bind either party.

(iii) The water permits, water certificates, and other water rights listed on *Schedule 1.5.1(iii)* relating to the withdrawal of water from the Wells and Reservoirs listed on *Schedule 1.5.1(i)* (the "Water Permits").

(iv) All other permits (other than the Water Permits) listed on *Schedule 1.5.1(iv)* (the "Other Water Permits"), that are used to operate and maintain the Water Facilities.

(v) All personal property owned by the Company and used in connection with the Water Facilities to maintain and operate the water distribution system, including without limitation the depreciated personal property listed on *Schedule 1.5.1(v)*.

(vi) All current customer accounts, including prepaid hookup fees, as shown on *Schedule 1.5.1(vi)* (which provides customer names, lots served, accounts receivable aging, and prepaid hookup and tariff fees, and variances from the Tariff Schedule defined below).

(vii) The current tariff schedule filed with the Washington Utilities and Transportation Commission ("WUTC") attached hereto as *Schedule 1.5.1(vii)* ("Tariff Schedule").

(viii) Any real property, franchise, patent, or technology rights not listed above that are owned by the Company and used in connection with the Water Facilities.

1.5.2 Sewer Facilities, defined as the aggregate of the following:

(i) The distribution and collection infrastructure used to transfer sewage wastewater from real property located within the MPR to the sewage treatment facility located on the Treatment Plant (as described in *Section 1.5.2(ii)*), including, without limitation, lift stations, as shown on the map attached hereto as *Schedule 1.5.2(i)*, including without limitation such licenses and easements used for the infrastructure and sewer lines to cross or be placed on property not owned by the Company ("Sewer Line Distribution System"). The map attached hereto as *Schedule 1.5.2(i)* is provided for illustrative purposes only, might not be accurate, and shall not bind either party.

(ii) The real property, improvements and equipment located on the Treatment Plant described on *Schedule 1.5.2(ii)* (the "Treatment Plant").

(iii) The permits and licenses listed on *Schedule 1.5.2(iii)* (the "Sewer Permits") that permit the Company to operate the Treatment Plant and discharge sewage.

3

(iv) All other permits (other than the Sewer Permits) listed on *Schedule 1.5.2(iv)* (the "Other Sewer Permits"), that are used to operate and maintain the Treatment Plant and the Sewer Line Distribution System.

(v) All personal property owned by the Company and used in connection with the Treatment Plant and the Sewer Line Distribution System, including without limitation the depreciated personal property listed on *Schedule 1.5.2(v)*.

(vi) All current customer accounts, including prepaid hookup fees, as shown on *Schedule 1.5.2(vi)* (which provides customer names, lots served, accounts receivable aging, and prepaid hookup fees).

(vii) The current rate schedule for sewer service, as shown on *Schedule 1.5.2(vii)* attached hereto.

(viii) All rights in and to plans, specifications, and technology owned by the Company and used in connection with the Sewer Facility.

1.5.3 Other Company Property, defined as the aggregate of the following:

(i) Those certain lots and parcels of real property not otherwise described on *Schedule 1.5.1(i)-3* that are described on *Schedule 1.5.3* attached hereto (the "Land and Improvements").

(ii) All personal property owned by the Company but not listed on *Schedule 1.5.1(v)* or *Schedule 1.5.2(v)*, including without limitation vehicles, maintenance equipment, small tools, inventories, office equipment, construction materials, spare parts and materials, equipment, computer hardware and software, security systems and files and records owned by the Company, including without limitation the depreciated personal property described on *Schedule 1.5.3(ii)* (collectively, together with *Schedule 1.5.1(v)* and *Schedule 1.5.2(v)*, the "Personal Property").

(iii) All contractual obligations and rights of the Company related to or used in connection with the Land and Improvements, the Water Facilities and the Sewer Facilities, including without limitation, development agreements, land use entitlement agreements, management agreements, service contracts, vendor agreements, equipment leases, Washington State Department of Natural Resources aquatic lands leases, settlement agreements, commitments to provide water or sewer utility services, and maintenance agreements, as generally described on *Schedule 1.5.3(iii)* ("Contracts").

(iv) All copyrights, trademarks, tradenames, marketing materials, websites, and other intellectual property rights owned by the Company, including without limitation the right to use the name Olympic Water and Sewer, Inc., as described generally on *Schedule 1.5.3(iv)* ("Intellectual Property").

The Other Company Property, the Water Facilities and the Sewer Facilities are sometimes herein collectively referred to as the "Property."

Section 2

INSPECTION AND CLOSING DELIVERIES

2.1 Inspection of Company's Documents. Between January 12, 2001, and April 2, 2001 (the "Inspection Period"), Purchaser and its agents had the opportunity to review and photocopy all documents in the possession of OPG, the Company, and the affiliates, parents, and subsidiaries of OPG and the Company, relating to the Company and the Property ("Company's Documents") except (i) materials or communications subject to attorney-client privilege; (ii) communications with other prospective purchasers of either the Company or all or any portion of the Property; (iii) the internal

4

financial analysis of OPG and the affiliates, parents, and subsidiaries of OPG except for the Company, and (iv) materials or communications deemed confidential by OPG and the Company and that do not disclose material defects in the Company or in the Property. OPG and the Company make no representations or warranties, express or implied, as to the accuracy or completeness of Company's Documents except those prepared by OPG or the Company for Purchaser (such as financial information). OPG and the Company expressly disclaim any and all liability for representations or warranties, expressed or implied, contained in or for omissions from Company's Documents, except those prepared by OPG or the Company for Purchaser. Prior to the Closing, Purchaser agrees not to distribute Company's Documents to others (other than its consultants, affiliates, investors, advisors and their respective employees) in whole or in part at any time without the prior written consent of OPG or the Company, and to keep confidential all information contained therein or made available in connection with any further discussions relating to the Property. Company's Documents were delivered for the limited purpose of assisting Purchaser in deciding whether or not to proceed with its purchase of the Property and upon the express understanding that they will be used only for such purpose. Upon the termination of this Agreement, Purchaser shall return its copies of Company's Documents to OPG and the Company without retaining any copies thereof. Purchaser shall not distribute Company's Documents to more than ten (10) investors at a time and shall require all such investors to keep confidential all information contained therein.

2.2 Inspection of Property. During the Inspection Period, Purchaser at its sole expense inspected the physical condition of the Property, verified to its satisfaction the financial information provided to it, and conducted any environmental or other inspections as it deemed appropriate. Purchaser shall indemnify, defend and hold OPG and the Company harmless from any claims, liens, causes of action, or obligations that arise out of or are in any way related to Purchaser's activities on the Real Property prior to Closing, including without limitation OPG's and the Company's costs, expenses and attorney's fees, except: (i) to the extent such claims arise out of OPG's or the Company's negligence or (ii) the discovery and reporting as required by law of any hazardous or environmental condition on the Property. Notwithstanding anything to the contrary herein, this indemnity shall survive termination of this Agreement. Prior to the Closing, Purchaser may communicate with and retain OPG's and the Company's consultants regarding the condition of the Real Property. All consultants retained by Purchaser shall be compensated solely by Purchaser for their work. If this Agreement is terminated for any reason prior to Closing, then Purchaser shall cause its consultants to provide to OPG complete copies of any work product they have produced on behalf of Purchaser, provided that OPG shall compensate Purchaser's consultants for their reproduction costs. Purchaser shall cause all of its consultants to keep the transaction described in this Agreement completely confidential.

2.3 Approval of Property Condition. Based on its inspection of Company's Documents and the Property and subject to the terms and conditions of this Agreement and the schedules hereto, Purchaser approves Company's Documents and the Property. Such approval, and nothing else in this Section 2, in any way limits or impairs the warranties, representations and covenants of OPG or the Company in this Agreement.

2.4 Purchaser's Deliveries. At Closing, subject to the fulfillment or waiver of the conditions set forth in *Section 5.2*, Purchaser shall execute and deliver to OPG all of the following:

(a) the Purchase Price as set forth in *Section 1.2*;

(b) a certified copy of a resolution or other certificate in a form satisfactory to OPG, executed by Purchaser's managing member or other person or body having management authority, authorizing the execution, delivery, and performance of this Agreement by Purchaser;

(c) a certified copy of Purchaser's certificate of limited liability company on file with the Secretary of State of California;

(d) a certificate of existence of Purchaser, issued prior to the Closing Date by the Secretary of State of Washington;

(e) a closing certificate executed by any officer of Purchaser specifically authorized to do so, on behalf of Purchaser, pursuant to which Purchaser represents and warrants to OPG that Purchaser's representations and warranties to OPG are true and correct in all material respects as of the Closing Date as if originally made on the Closing Date or, if any such representation or warranty is untrue in any material respect, specifying the respect in which it is untrue, that all covenants required by this Agreement to be performed by Purchaser on or before the Closing have been so performed, and that all documents to be executed and delivered by Purchaser at the Closing have been executed by duly authorized officers of Purchaser; and

(f) such other documents from Purchaser as may reasonably be required in order to effectuate the transactions contemplated by this Agreement; and

2.5 OPG's Deliveries. At Closing, subject to the fulfillment or waiver of the conditions set forth in *Section 5.1*, OPG shall execute and deliver to Purchaser at Closing all of the following:

(a) certificates representing the Shares, duly endorsed for transfer or accompanied by stock assignments in proper form and duly executed;

(b) a certified copy of a resolution or other certificate in a form satisfactory to Purchaser, executed by OPG's managing member or other person or body having management authority, authorizing the execution, delivery, and performance of this Agreement by OPG;

(c) a closing certificate duly executed by OPG, pursuant to which it represents and warrants to Purchaser that the representations and warranties of OPG and the Company to Purchaser are true and correct in all material respects as of the Closing Date as if originally made on the Closing Date or if any such representation or warranty is untrue in any material respect, specifying the respect in which it is untrue, that all covenants required by the terms of this Agreement to be performed by OPG or the Company on or before the Closing Date have been so performed, and that all documents to be executed and delivered by OPG and the Company at the Closing have been validly executed by each of OPG and the Company;

(d) such other documents as may be reasonably required from OPG in order to effectuate the transactions contemplated by this Agreement.

2.6 Company's Deliveries. At Closing, subject to the fulfillment or waiver of the conditions set forth in *Section 5.1*, the Company shall execute and deliver to Purchaser all of the following:

(a) all books and records of the Company;

(b) resignations of the directors and officers of the Company effective as of Closing;

(c) a certified copy of the Company's Articles of Incorporation and a copy of the Company's Bylaws certified to be true and correct by the Secretary of the Company;

(d) a certificate of existence of the Company, issued not earlier than thirty (30) days prior to the Closing Date by the Secretary of the State of Washington;

(e) an incumbency and specimen signature certificate with respect to the officers of the Company executing this Agreement, and any other document delivered under this Agreement, on behalf of the Company;

(f) a closing certificate duly executed by the President of the Company, on behalf of the Company, pursuant to which the Company represents and warrants to Purchaser that the representations and warranties of the Company to Purchaser are true and correct in all material respects as of the Closing Date as if originally made on the Closing Date or if any such

representation or warranty is untrue in any material respect, specifying the respect in which it is untrue, that all covenants required by the terms of this Agreement to be performed by the Company on or before the Closing Date have been so performed, and that all documents to be executed and delivered by the Company at the Closing have been validly executed by a duly authorized officer of the Company;

(g) the Material Consents required to be delivered by the Company pursuant to *Section 4.4*;

(h) certified copies of the resolutions of the Company's board of directors authorizing the execution, delivery, and performance of this Agreement;

(i) A title certificate, endorsement, policy, or guarantee issued by Jefferson Title Company and dated as of Closing assuring Purchaser as to the Company's title to the real property described in this Agreement, in form and substance reasonably satisfactory to Purchaser;

(j) such other documents as may be reasonably required from the Company in order to effectuate the transactions contemplated by this Agreement.

SECTION 3

REPRESENTATIONS AND WARRANTIES

3.1 General Statement. The parties make the representations and warranties to each other that are set forth in this *Section 3*. OPG and the Company acknowledge that the representations and warranties contained in this Agreement (the "Representations and Warranties") are material inducements to Purchaser entering into this Agreement. Each Representation and Warranty shall survive the Closing, subject to the limitations set forth herein. The representations and warranties of OPG and the Company in *Sections 3.3.7, 3.3.9, 3.3.11, 3.4.3, 3.4.4, 3.4.5, 3.4.6* and *3.4.7* herein are based upon the current actual knowledge of (a) Thomas A. Griffin, who is President of the Company, and (b) Larry Smith, who is Vice President of the Company. OPG and the Company represent and warrant to Purchaser that Messrs. Griffin and Smith are Seller's officers most familiar with the condition, use, operation, and development of the Property. OPG and the Company have no obligation under this Agreement to undertake any investigation or take any affirmative action to acquire any knowledge, including without limitation the review of Company's Documents, other than a reasonable inquiry of the Company's current employees likely to possess knowledge. It is

also understood that information contained in Company's Documents is not imputed to Messrs. Griffin or Smith except as and to the extent either of them has actual knowledge of such information. The use of the term "within this Agreement" shall mean "within this Agreement or any schedule hereto."

3.2 Representations and Warranties of Purchaser. Purchaser represents and warrants to OPG as follows:

3.2.1 Purchaser is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California. Purchaser has full power and authority to enter into and perform this Agreement. This Agreement has been duly executed and delivered by a duly authorized officer of Purchaser.

3.2.2 No consent, authorization, order or approval of, or filing or registration with, any governmental authority or other person is required for the execution and delivery of this Agreement or for the consummation by Purchaser of the transactions contemplated by this Agreement except as described on *Schedule 4.4*.

7

3.2.3 Neither the execution and delivery of this Agreement by Purchaser, nor the consummation by Purchaser of the transactions contemplated by this Agreement, will conflict with or result in a breach of any of the terms, conditions, or provisions of Purchaser's organizational documents, or of any statute or administrative regulation, or of any order, writ, injunction, judgment or decree of any court or governmental authority or of any arbitration award.

3.2.4 Purchaser is not a party to, or bound by, any material unexpired, undischarged or unsatisfied written or oral contract, agreement, indenture, mortgage, debenture, note or other instrument whereby timely performance by Purchaser according to the terms of this Agreement may be prohibited, prevented or delayed.

3.2.5 Purchaser has not dealt with any person, firm or corporation who is or may be entitled to a broker's commission, finder's fee, investment banker's fee or similar payment from Purchaser with respect to this transaction.

3.2.6 Purchaser has been provided the opportunity to ask questions of the officers and management employees of the Company and to acquire such additional information about the business and financial condition of the Company as Purchaser has requested.

3.2.7 The Shares will be acquired by Purchaser for its own account, not as a nominee or agent, for investment and without a view to resale or other distribution within the meaning of the Securities Act of 1933, as amended, and the rules and regulations thereunder. Purchaser is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act. Purchaser understands that the Shares are not registered under the Securities Act and must be held indefinitely by Purchaser unless a registration statement covering the Shares is effective or an exemption from registration is available, and the certificates representing the Shares may contain a restrictive legend noting the restrictions on transfer described herein and under applicable federal and state securities laws and regulations.

3.3 Representations and Warranties of the Company and OPG: Part I. The Company and OPG jointly and severally represent and warrant to Purchaser as follows:

3.3.1 Title to Shares. Prior to and as of Closing, OPG shall be the legal and beneficial owner and registered holder of all of the Shares of the Company and all Shares will have been legally and validly issued, are fully paid and free of any interest or equity of any person (including without limitation to the generality of the foregoing, any right or option to acquire) or any mortgage, charge, pledge, lien, encumbrance, assignment, hypothecation, security interest, title retention, claim, covenant, condition, or any other security agreement or any restriction of any kind or character whatsoever, including any escrow arrangement ("Encumbrance"). Prior to and as of Closing, OPG shall have the right to transfer to Purchaser complete and absolute legal and beneficial title to, and complete and absolute rights and interests in, the Shares free from any Encumbrance or any other restrictions on transfer (other than any restrictions under federal and state securities laws). Neither the Company nor OPG is a party to any option, warrant, purchase right, or other contract or commitment that could require the Company or OPG to sell, transfer, or otherwise dispose of any Shares (other than this Agreement). No person or entity (including, without limitation, OPG or employees, officers and directors of OPG or the Company) has any right, security interest, option, warrant, contract, commitment, equity, claim, or demand to acquire any additional Shares nor are there any preemptive rights in any issued or unissued capital stock or other securities of the Company. Neither the Company nor OPG is a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of the Shares.

3.3.2 Officers, Directors and Managers. A true and correct listing of the officers and directors of the Company is attached hereto as *Schedule 3.3.2*.

8

3.3.3 No Conflicts with Obligations. The execution, delivery, and performance of this Agreement by the Company and OPG does not, and the consummation of the transactions contemplated hereby will not, violate or result in a breach of any provision of the Company's or OPG's organizational documents, or violate any provision of, constitute a default under, result in the acceleration of any obligation under, or result in the creation or imposition of any Encumbrance upon the Property of the Company under, any mortgage, lien, lease, contract, agreement, indenture, order, arbitration award, judgment or decree to which the Company or OPG is a party or by which either of them is bound, or violate any other restriction of any kind or character to which the Company or OPG is subject.

3.3.4 Organization. The Company is a corporation duly organized, existing and in good standing, under the laws of the State of Washington. The Company has all necessary power and authority under applicable corporate law and its organizational documents to own, lease, or operate the Property and to carry on its business as presently conducted. The Company does not conduct any business in any foreign jurisdiction where registration to do business would be required.

3.3.5 Capitalization. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of the Company. The number of shares authorized, the number of shares issued and outstanding, the name of each individual, partnership, corporation, trust or other entity holding shares and the number of shares held by each, and the par value per share of the authorized capital stock of the Company are set forth in *Schedule 3.3.5*. All the issued and outstanding shares are duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights. As of the date of this Agreement, there are not, and on the Closing Date there will not be, any shares of capital stock of the Company authorized, issued,

outstanding other than the Shares, or any outstanding subscriptions, options, warrants, stock appreciation rights, calls, rights, convertible securities or other agreements or commitments of any character relating to issued or unissued capital stock or other securities of the Company, or otherwise obligating the Company to issue, transfer or sell any shares of the capital stock of the Company, or other securities convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of the capital stock of the Company. The Company does not own, directly or indirectly, any capital stock or other equity interest of any corporation or have any direct or indirect equity or ownership interest in any other business.

3.3.6 Authorization. The Company has full corporate power and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement and all other agreements and instruments to be executed by the Company in connection herewith have been (or upon execution will have been) duly executed and delivered by the President or other authorized officers of the Company, have been effectively authorized by all necessary action, corporate or otherwise, and constitute (or upon execution will constitute) legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their respective terms. OPG has full power and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement and all other agreements and instruments to be executed by the Company in connection herewith have been (or upon execution will have been) duly executed and delivered by an authorized member or manager of OPG, have been effectively authorized by all necessary action, company or otherwise, and constitute (or upon execution will constitute) legal, valid, and binding obligations of the OPG and are enforceable against OPG in accordance with their respective terms.

9

3.3.7 Consents; Approvals. Except as provided in *Schedule 4.4*, no consent, authorization, order, or approval of, or filing or registration with, any governmental authority or other third party is required for the execution and delivery of this Agreement by the Company and OPG or for the consummation by the Company and OPG of the transactions contemplated by this Agreement.

3.3.8 No Conflicts with Other Instruments. The execution, delivery, and performance of this Agreement by the Company and OPG and the consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions, or provisions of, or constitute a default under, or conflict with any contracts, agreement, indenture, or other instrument to which the Company or OPG is a party or by which the Company or OPG is bound, including (without limitation) the Company's Articles of Incorporation or Bylaws, OPG's operating agreement, or other organizational documents of the Company and OPG, or of any statute, administrative regulation, order, writ, injunction, judgment, or decree.

3.3.9 Employment Matters. With respect to the employees of the Company:

(a) Employees. *Schedule 3.3.9(a)* contains a list of all employees of the Company. The Schedule correctly reflects, in all material respects, their salaries, other compensation, benefits, dates of employment, employment contracts (if any), and positions. No employee has any employment contract or similar arrangement with the Company except as noted in *Schedule 3.3.9(a)*.

(b) Benefits. *Schedule 3.3.9(b)* sets forth a general description of employee benefits, bonus plans, and any other employee benefit plan applicable to the employees of the Company ("Employee Benefits").

(c) Other Agreements. The Company is not a party to or bound by a collective bargaining agreement or other union contract, and it has not been requested to enter into or be bound by any such agreement or contract and no effort is currently pending or threatened to organize the employees into a group bargaining unit. There is not pending or threatened any labor dispute, strike or work stoppage. The Company has complied with all applicable laws, rules, and regulations relating to the employment of labor, including those related to wages, hours, collective bargaining, and the payment and withholding of taxes and other sums as required by appropriate governmental authorities, and has withheld and paid to the appropriate governmental authorities or is holding for payment not yet due to such authorities, all amounts required to be withheld from such employees of the Company, and is not liable for any arrearages of wages, taxes, penalties, or other sums for failure to comply with any of the foregoing. There is no: (i) unfair labor practice complaint pending or threatened against the Company pending before the National Labor Relations Board or any state or local agency; (ii) pending or threatened labor strike or other material labor trouble affecting the Company; (iii) labor grievance pending or threatened against the Company; (iv) pending representation question respecting the employees of the Company; (v) pending or threatened arbitration proceedings arising out of or under any collective bargaining agreement to which the Company is a party; or (vii) any pending or, to the knowledge of the Company, threatened claim against the Company regarding the discharge or dismissal of any employee. All reasonably anticipated obligations of the Company (whether arising by operation of law, by contract, by past custom or otherwise), for salaries, vacation and holiday pay, bonuses and other forms of compensation payable to the officers, directors or other employees of the Company in respect of the services rendered by any of them have been paid or adequate accruals therefor have been made in the ordinary course of business in the Financial Statements for obligations accrued through the date thereof.

(d) Certain Liabilities. The Company is not bound to make nor has proposed the making of any bonus or incentive or other similar payment to any employee at any future date

10

or an increase in the compensation of any employee other than annual review increases in the usual and ordinary course of business. No employee, director, officer or shareholder of the Company, either individually or in any other capacity, has asserted any claim, and has no claim, of any kind whatsoever against the Company, except the right of its current salary or wages, any accrued vacation pay, any reimbursable expenses arising in the ordinary course of business, and other matters disclosed under this Agreement.

3.3.10 Tax Matters. For purposes of this Agreement, "Taxes" shall mean all taxes, charges, fees, levies or other assessments of whatever kind or nature, including, without limitation, all net income, gross income, gross receipts, business and occupation, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupancy or property taxes, customs duties, fees, assessments or charges of any kind whatsoever (together with any interest and any penalties, additions to tax or additional amounts) imposed by any taxing authority (domestic or foreign) upon or payable by the Company. With respect to all such Taxes:

(a) The Company has filed or will file or cause to be filed, within the time and in the manner prescribed by law, all returns, declarations, reports, estimates, information returns and statements ("Tax Returns") required to be filed under federal, state, local or any foreign laws by the Company for all taxable periods ending on or prior to the Closing Date. All such Tax Returns were correct and complete in all material respects. The Company is not currently a beneficiary of any extension of time within which to file any Tax Return except in connection with an extension to

September 15, 2001, of the deadline for filing a Year 2000 federal income tax return. No claim has been made within the past six (6) years by an authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. The Company has within the time and in the manner prescribed by law, paid (and until the Closing will, within the time and in the manner prescribed by law, pay) all Taxes that are due and payable. The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party. The Company has established (and until the Closing will establish) on its books and records reserves that are adequate for the payment of all Taxes not yet due and payable and there shall be no difference between the amounts of the book basis and the tax basis of assets (net of liabilities) that are not accounted for by an accrual on the books for federal and state income tax purposes. There are no liens for Taxes upon the assets of the Company except liens for real property taxes and assessments not yet due.

(b) No deficiency or adjustment for any Taxes has been proposed or asserted in writing, or assessed against the Company and no federal, state or local audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes, and no waiver or consent extending any statute of limitations for the assessment of collection of any Taxes, which waiver or consent remains in effect, has been executed by or on behalf of the Company, nor are any requests for such waiver or consent pending. *Schedule 3.3.10(b)* lists all federal, state, local, and foreign income Tax Returns filed with respect to the Company for taxable periods ended on or after December 31, 1998, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. OPG has delivered to the Purchaser correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company since December 31, 1998.

(c) The Company is not a party to any tax-sharing or allocation agreement, nor does the Company owe any amount under any tax-sharing or allocation agreement. The Company has not filed a consent under Section 341(f) of the Internal Revenue Code (the "Code")

11

concerning collapsible corporations. The Company is not obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Code Section 280G. The Company is not a United States real property holding corporation within the meaning of Code Section 897(c)(2). The Company (i) has not been a member of an affiliated group filing a consolidated federal income Tax Return or (ii) has any liability for the Taxes of any person other than Company, as a transferee or successor, by contract, or otherwise

(d) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date under Code Section 481(c) (or any corresponding or similar provision of state, local or foreign income Tax law); (ii) "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (iii) deferred intercompany gain or any excess loss account described in Treasury Regulations under Code Section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (iv) installment sale or open transaction disposition made on or prior to the Closing Date; or (v) prepaid amount received on or prior to the Closing Date.

(e) *Schedule 3.3.10(e)* sets forth the depreciated basis of the Property as of December 31, 2000.

(f) Notwithstanding the foregoing, Purchaser agrees that the Purchase Price has been reduced in the amount of US\$66,120.00 for estimated potential federal income tax liability on revenue relating to prepaid utility hook-up fees received by the Company prior to Closing and recorded as deferred revenue on the Financial Statements, and Purchaser agrees that, as among the parties, the Company and OPG have satisfied the Company's obligation for the payment of federal income taxes relating to such revenue.

3.3.11 *Litigation and Claims.*

(a) Except for litigation or proceedings relating to the environment (which are exclusively provided for in *Section 3.4.7* below), there is no litigation, proceeding, action, suit, arbitration, grievance or investigation, pending or threatened, before any court, tribunal, panel, master or governmental agency, authority or body in which the Company or OPG is a party or that relates to the Company's business or operations or the consummation of the transactions contemplated by this Agreement. The Company is not a party to any decree, order or arbitration award (or agreement entered into in any administrative, judicial or arbitration proceeding with any governmental authority) with respect to its properties, assets, personnel or business activities except as set forth on any schedule to this Agreement.

(b) Except for laws, rules and regulations relating to the environment (which are the subject of separate representations and warranties in this Agreement), matters set forth on *Schedule 3.3.11(b)*, and as otherwise disclosed in this Agreement, the Company is not in violation of any provision of any law, statute, decree, license, permit, order, or regulation (including, without limitation, those relating to antitrust or prohibiting other anti-competitive business practices, those relating to employment practices, such as discrimination, health and safety, and those relating to minority business enterprises) with respect to the Company's properties, operations, personnel, or business activities.

3.3.12 *Loans.* Except for loan obligations of the Company to Pope Resources, OPG, and other affiliates and subsidiaries of Pope Resources, which obligations shall be eliminated at or prior to Closing, there are no outstanding loans or obligations for repayment of any borrowed

12

money by the Company, and there are no guarantees, endorsements or other obligations of the Company with respect to any indebtedness, obligation or liability of any party.

3.3.13 *Brokers and Finders.* Neither the Company nor OPG has dealt with any person, firm or corporation who is or may be entitled to a broker's commission, finder's fee, investment banker's fee or similar payment in connection with the transaction contemplated by this Agreement.

3.4 *Representations and Warranties of the Company and OPG: Part II.* The Company and OPG further represent and warrant (jointly and severally) to Purchaser as follows:

3.4.1 Financial Statements. The balance sheet of the Company as of December 31, 2000, the income statement of the Company for the fiscal year ended December 31, 2000, the balance sheet of the Company as of April 30, 2001, and the income statement of the Company for the fiscal quarter ended April 30, 2001 (copies of which are attached as *Schedule 3.4.1*), and the updated balance sheet of the Company as of Closing and the statement of earnings of the Company for the period ended as of the Closing have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, are true, complete and accurate and present fairly the financial position of the Company as of the dates of the balance sheets and the income statements except with respect to OPG's obligations to the Company under the Revolving Note, the Company's obligations to ORM, Inc., under the BSA, and understated deferred revenue in the amount of US\$130,000.00 attributable to prepaid utility hook-up fees received by the Company and recorded as revenue instead of deferred revenue. The financial statements described in this *Section 3.4.1* are referred to in this Agreement as the "Financial Statements."

The Company is subject to no contract, agreement, purchase order, lease, license, indenture, commitment, or other liability that should have been accrued under generally accepted accounting principles except as set forth on the Financial Statements and (i) liabilities accrued since the date of the Financial Statements, all of which are listed on *Schedule 3.4.1-A*, (ii) liabilities arising under the Contracts, the BSA, and the Revolving Note, (iii) liabilities relating to the Property that are disclosed in the real property records of Jefferson County, Washington, and (iv) agreements, contracts, commitments, or other liabilities that total in the aggregate less than \$10,000.

OPG and the Company project that the updated balance sheet of the Company as of Closing for the period ended as of the Closing Date shall be as shown on *Schedule 3.4.1-B* (the "Pro Forma Balance Sheet").

3.4.2 Accounts Receivable. *Schedules 1.5.1(vi)* and *1.5.2(vi)* fairly reflects in all material respects all notes and accounts receivable of the Company except notes and accounts receivable due from Pope Resources, OPG, and other affiliates and subsidiaries of Pope Resources, which obligations shall eliminate at or prior to Closing, and are valid receivables subject to no setoffs or counterclaims. All accounts receivable are less than 30 days overdue except as otherwise stated on *Schedules 1.5.1(vi)* and *1.5.2(vi)*.

3.4.3 Fixed Assets.

(a) Except as described on *Schedule 3.4.3(a)*, the Property in all material respects is free from material defects that would impair its use. As used within this section, "material defects" means a defect resulting in a liability or loss to Purchaser of more than One Hundred Thousand Dollars (US\$100,000.00) in each instance and One Million Dollars (US\$1,000,000.00) in the aggregate, which aggregate shall include and be satisfied by liabilities and losses to Purchaser resulting from material defects in the Property under Section 8.1.1(e) of the Asset Purchase Agreement. The inclusion of a defect on *Schedule 3.4.3(b)* does not mean that the defect is material. The Company has the legal or equitable right to maintain and operate the Wells and Reservoirs, Water Line Distribution System, and Sewer Line

Distribution System within the real property within which such facilities are located, subject to matters of record and those matters described on *Schedule 3.4.3(a)*.

(b) The Company owns all of the Property free and clear of all liens except for leased Equipment disclosed in *Schedule 1.5.3(iii)*.

(c) The Water Facilities and the Sewer Facilities are, together with all other Property necessary to their maintenance, operation, and use, sufficient (i) to serve all present customers of the Company, and (ii) to satisfy all legal and regulatory requirements applicable to the Company's operations and the condition of its properties and facilities.

(d) *Schedule 1.5.3(iii)* discloses obligations of the Company to provide future sewer or water utility services to Thomas Hanson, Mark Moriarty, and Albert Loomis IV.

(e) Thomas A. Griffin, who is President of the Company, and Larry Smith, who is Vice President of the Company, presently maintain offices in portable trailers owned by OPG and located upon a portion of the Village Center, in which the Company holds no leasehold interest.

3.4.4 Conduct of Business. Since December 31, 2000, the Company has not: (i) sold or transferred any material portion of the assets of the Company, except personal property in the usual and ordinary course of business; (ii) suffered any material loss, or material interruption in use, of any asset or property (whether or not covered by insurance), on account of fire, flood, riot, strike or other hazard or Act of God; (iii) made any material change in the conduct or nature of its business or operations; (iv) waived any material rights arising out of the conduct of, or with respect to, its business or operations; (v) commenced or continued any capital improvement projects that have not been completed; (vi) suffered or been threatened with any adverse change with respect to the business or financial condition of the Company that would have a Material Adverse Effect (as hereinafter defined); or (vii) without limitation by the enumeration of any of the foregoing, entered into any material transaction or incurred any liabilities other than in the usual and ordinary course of business. "Material Adverse Effect" means a material adverse effect on the business, operations or financial condition of the Company, taken as a whole.

3.4.5 Contracts.

(a) All contracts and agreements set forth on *Schedule 1.5.3(iii)* ("Contracts") are in full force and effect and valid, binding, and enforceable agreements of the Company and the other parties thereto. There has not occurred any default under any Contract on the part of the Company or on the part of the other parties thereto, and no event has occurred that, with the giving of notice or the lapse of time, or both, would constitute any default under any Contract.

(b) The Company is party to the BSA, under which ORM, Inc., an affiliate of the Company, provides the following services to the Company in exchange for fees: agency billing and collection services, purchase agency services, common paymaster services, payroll services, accounting and bookkeeping services, corporate affairs services, and human resources services. The BSA will be terminated effective on the Closing Date, and ORM, Inc., thereafter will not provide these services to the Company.

(c) *Schedule 1.5.3(iii)* includes, without limitation, every contract, agreement, purchase order, lease, license, indenture or commitment except the BSA that is material to the Company's business and operations as presently conducted. True and complete copies of each of the Contracts

3.4.6 Permits and Licenses. *Schedules 1.5.1(iii), 1.5.1(iv), 1.5.1(vii), 1.5.2(iii), 1.5.2(iv), 1.5.3(iii), and 3.4.6* contain lists of every current and material license, permit, or governmental approval, order, directive, and agreement applied for, pending, issued or given to the Company with respect to its conduct of its business or operations (the "Permits"). The Company has and holds all material licenses, permits, and governmental approvals and authorizations that are required in order to operate its business as presently conducted except for the apparent lack of subdivision approvals of Jefferson County relating to certain Wells and Reservoirs. Except as shown on the schedules described above, all of the issued Permits are in full force and effect; there is not any claim, notice or proceeding pending or threatened to revoke, terminate, or cancel any Permit nor will the transactions contemplated by this Agreement cause such revocation, termination or cancellation; and the Company is in substantial compliance with all such Permits. Except as shown on *Schedule 3.4.6*, there are no applications pending for any new Permits or to amend any existing Permits and the Company has done nothing in the conduct of its business or operations that requires any new Permit or any change or amendment to any existing Permit. Except as disclosed on *Schedule 4.4* with respect to required consents and notices, the sale and transfer contemplated herein will not limit or impair the validity or effectiveness of any Permit.

3.4.7 Environmental Provisions.

(a) Except as disclosed in the reports, assessments, and studies described on *Schedule 3.4.7(a)* or otherwise within this Agreement, (i) the Company is in compliance in all material respects with all applicable federal, state, and local laws and regulations relating to pollution, protection of human health and the environment, including without limitation laws and regulations relating to the storage, handling, use or disposal of Hazardous Substances (as defined below), which compliance includes, but is not limited to, the possession by the Company of all permits and other governmental authorizations required to conduct its business and its compliance with the terms and conditions thereof, and (ii) the Company has not received any communication (written or oral) that alleges an unresolved environmental claim against the Company, or alleges that the Company is not presently in compliance with environmental laws, and, to OPG's current actual knowledge, there are no circumstances that may prevent or interfere with such full compliance in the future. *Schedule 3.4.7(a)* lists all reports and assessments made by or at the request of the Company or OPG or filed by the Company with any regulatory body since December 12, 1985, relating to the compliance by the Company with all applicable and material environmental and health laws, rules and regulations.

(b) Except as disclosed on *Schedule 3.4.7(b)* or otherwise within this Agreement, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the release, emission, discharge, presence or disposal of any Hazardous Substances that could form the basis of any material claim against the Company or, to the Company's current actual knowledge against any person or entity whose liability for any claim the Company has or may have retained or assumed either contractually or by operation of law. For the purposes hereof, "Hazardous Substances" shall mean asbestos, petroleum and petroleum derivatives and products, and any substance, chemical, waste or other material that is listed, defined or otherwise identified as "hazardous" or "toxic" under any federal, state or local ordinance or law or any administrative agency rule or determination applicable to the Property, except for processing and discharge of effluent that has been done strictly in compliance with the Permits.

(c) Without in any way limiting the generality of the foregoing, except as expressly described on *Schedule 3.4.7(c)* or otherwise within this Agreement, (i) there are no on-site or off-site locations where the Company or OPG has stored, disposed of or arranged for the disposal of Hazardous Materials or sludge from the Sewer Facility, (ii) there are no

underground storage tanks located on property owned or leased by the Company, (iii) there is no asbestos contained in or forming part of any building, building component, structure or office space owned or leased by the Company; (iv) no polychlorinated biphenyls (PCB's) are used or stored at any property owned or leased by the Company, and (v) the Company possesses all manifests, material safety data sheets, hazard communications program documents and all other records required to be retained in compliance with the environmental laws.

3.4.8 Insurance. The Company has maintained and will maintain until Closing (i) property and casualty insurance covering all major facilities, equipment and real property of the Company (including buildings, improvements, and fixtures) against risks covered under fire and extended coverage policies for full replacement cost, (ii) liability insurance in an amount of not less than \$1,000,000.00 per person and per occurrence, and (iii) worker's compensation insurance and surety bonds reasonable and customary for the business and operations of the Company (and in any case in scope and amounts meeting any and all legal or regulatory requirements). The Company is not in default with respect to any material provision contained in any insurance policy nor has the Company failed to give any notice or present any claim thereunder in due and timely fashion and no cancellation or non-renewal has been threatened or occurred with respect to any policy. The Company has during the past seven (7) years continuously maintained insurance (including without limitation liability, property, casualty and workmen's compensation insurance) in scope and amounts customary and reasonable for its operations and business and consistent with any and all legal or regulatory requirements.

3.5 Indemnity for Breach of Representations and Warranties. Purchaser shall defend, indemnify, and hold OPG, its affiliates, directors, employees, managers, members, officers, parents, partners, and subsidiaries, harmless from and against any and all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Company or the Property that arise from or relate to a liability or loss arising after the Closing Date from the breach of any covenant, agreement, representation, or warranty of Purchaser made herein.

Subject to the limitations set forth in *Section 3.7*, OPG shall defend, indemnify, and hold Purchaser, its affiliates (including the Company after Closing), directors, employees, managers, members, officers, parents, partners, and subsidiaries, harmless from and against any and all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Company or the Property that arise from or relate to a liability or loss arising after the Closing Date from the breach of any covenant, agreement, representation, or warranty of OPG or the Company made herein.

3.6 Indemnity for Certain Environmental Liabilities. Subject to the limitations set forth in *Section 3.7*, OPG shall defend, indemnify, and hold Purchaser, its affiliates (including the Company after Closing), directors, employees, managers, members, officers, parents, partners, and subsidiaries, harmless from and against any and all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses

(including attorney's fees and costs and fees of consultants) relating to the Company or the Property that arise from or relate to a liability or loss arising after the Closing Date from (i) the remediation (including without limitation monitoring) or cleanup of any Hazardous Substances Problem (as defined below) resulting from the use, storage, handling, disposal or release of Hazardous Substances by the Company that occurred or is alleged to have occurred on or before the Closing Date, provided that such Hazardous Substance Problem was not disclosed to Purchaser in the reports and studies listed on *Schedules 3.4.7(a)* or otherwise in writing prior to expiration of the Inspection Period; or (ii) any claim, demand or action made or commenced by a third party (including without limitation any governmental agency) against

Purchaser resulting from the use, storage, handling, disposal or release of Hazardous Substances by the Company that occurred or is alleged to have occurred on or before the Closing Date.

3.7 Limitations on OPG's Indemnity Obligations.

3.7.1 All Matters Except Environmental Matters. OPG's liability for breach of any representation or warranty made herein except those relating to environmental matters under *Section 3.4.7*, those arising under *Section 3.6*, and those relating to tax liabilities under *Section 3.3.10* shall apply and be enforced only to the extent that the aggregate liability, loss or cost to Purchaser together with the aggregate liability, loss or cost to Purchaser as Buyer for Seller's Indemnification Liabilities under *Section 11.2.1(i)* of the Asset Purchase Agreement (as to breach of any representation or warranty made therein, and as to breach of any agreement or covenant to be performed by Seller therein at or before Closing) exceeds Fifty Thousand Dollars (US\$50,000.00) and is asserted against or incurred by Purchaser within two (2) years after the Closing Date. For purposes of this section, it is understood that a representation or warranty has been "breached" if such representation or warranty was inaccurate or untrue in any material respect when made. "Asserted against or incurred by Purchaser" shall mean Purchaser actually has incurred the liability, loss or cost and either (a) has commenced litigation against OPG regarding it, or (b) is a defendant in litigation brought by a third party regarding it, of which OPG has actual notice, within the two (2) year limitation period.

3.7.2 Environmental Matters. OPG's liability for breach of any representation or warranty made herein and relating to environmental matters under *Section 3.4.7* and OPG's liability under *Section 3.6* shall apply and be enforced as to claims first made by Purchaser directly against OPG, its affiliates, directors, employees, members, officers, partners, and subsidiaries, only to the extent that the liability, loss or cost is first asserted against or incurred by Purchaser within eight (8) years after the Closing Date. OPG's liability for breach of any representation or warranty made herein and relating to environmental matters under *Section 3.4.7* and OPG's liability under *Section 3.6* shall apply and be enforced as to claims first made by third parties against Purchaser more than eight (8) years after the Closing Date except to the extent that the aggregate liabilities of OPG, its affiliates, directors, employees, members, officers, partners, and subsidiaries for such claims together with the aggregate liabilities of Seller, its affiliates, directors, employees, members, officers, partners, and subsidiaries for Hazardous Substances claims first made more than eight (8) years after the Closing Date under the Asset Purchase Agreement exceed One Million Dollars (\$1,000,000) in the aggregate. For purposes of this section, it is understood that a representation or warranty has been "breached" if such representation or warranty was inaccurate or untrue in any material respect when made. "Asserted against or incurred by Purchaser" shall mean Purchaser actually has incurred the liability, loss or cost and either (a) has commenced litigation against OPG regarding it, or (b) is a defendant in litigation brought by a third party regarding it, of which OPG has actual notice, within the eight-(8) year limitation period.

3.8 Release. Purchaser hereby waives, releases, acquits, and forever discharges OPG, its affiliates, directors, employees, managers, members, officers, parents, partners, and subsidiaries, of and from all claims, demands, damages, losses, liens, liabilities, fines, penalties, monitoring costs, response costs, and any other costs and expenses (including attorney's fees and costs and fees of consultants) relating to the Company or Property that are incurred by the Company or Purchaser after the Closing Date except as to (a) costs, expenses, and liabilities of the Company or Purchaser for which OPG is obligated to defend, indemnify, and hold Purchaser harmless under *Sections 3.5* and *3.6*, including without limitation OPG's direct liability to Purchaser for breach of any representation or warranty in this Agreement or for breach of any covenant or agreement to be performed by OPG at or before Closing, subject to the limitations set forth in *Section 3.7*, and (b) any obligation of OPG described within this Agreement that by its express terms is to be performed after the Closing Date. Purchaser's release under this paragraph shall not take effect as to any matter that is the subject of pending

litigation between Purchaser and OPG as of the date on which the applicable limitations period described in *Section 3.7* ends until dismissal, final judgment, or other resolution of such litigation.

Section 4

COVENANTS

4.1 Conduct of Business of the Company Pending the Closing. OPG and the Company agree that from the date of this Agreement until the Closing Date:

4.1.1 OPG and the Company will use their best efforts to take all action and to do all things necessary and proper in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in *Section 5* below).

4.1.2 OPG shall cause the Company to give to Purchaser's officers, employees, agents, attorneys, consultants, accountants and financial advisors access to the properties, books, contracts, documents, records, information, and personnel of the Company as provided under *Section 2.1*.

4.1.3 Without the prior written consent of Purchaser, and without limiting the generality of any other provision of this Agreement, the Company shall not:

(a) amend its Articles of Incorporation or Bylaws;

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities, or amend any of the terms of any such securities or agreements outstanding as of the date of this Agreement, except as contemplated by this Agreement;

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, or redeem or otherwise acquire any of its securities;

(d) incur or assume any debt except in the ordinary course of business;

(e) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person or entity except in the ordinary course of business;

(f) make any loans, advances or capital contributions to, or investments in, any other person or entity except in the ordinary course of business;

(g) incur or commit to incur any capital expenditures that are not approved by Purchaser except in the ordinary course of business;

(h) sell or transfer any material asset or property (including sales or transfers to affiliates), except for sales of personal property in the usual and ordinary course of business that is replaced with personal property of like kind and value, cash applied in payment of the Company's liabilities in the usual and ordinary course of business, and dividends allowed to shareholders hereunder;

(i) make any increase in the level of compensation to its officers, or increase the level of compensation payable to other employees;

(j) sell or transfer, by license or otherwise, any portion of the technical know-how, patents, trademarks, copyrights, or other intellectual property;

18

(k) make or commit to make any distribution to its shareholders except for distributions of cash and cash equivalents to OPG at or prior to Closing in the amount of payments by OPG to the Company in settlement of obligations of OPG to the Company under the Revolving Note, which OPG shall pay in full at or prior to Closing;

(l) enter into any new contracts or agreements other than hook-up commitments, acquisition of supplies, and orders pertaining to the maintenance or servicing of the Company's assets in the usual and ordinary course of business.

Notwithstanding the foregoing, the Company may (1) pay fees to ORM, Inc., earned in the ordinary course of business prior to Closing under the BSA, (2) terminate the BSA at or prior to Closing, and (3) pay dividends to OPG not to exceed the amount of principal, interest, and other charges paid by OPG to the Company at or prior to Closing under the Revolving Note.

4.1.4 Except as expressly provided in this Agreement, the Company shall, and OPG shall cause the Company to, conduct its operations according to its ordinary and usual course of business and consistent with past practice, and the Company shall, and OPG shall cause the Company to, use its best efforts to preserve intact its business organization, to keep available the services of its officers and employees and to maintain existing relationships with licensors, licensees, suppliers, contractors, distributors, customers, lessors and others having business relationships with it. Notwithstanding the foregoing, the Company may terminate the BSA at or prior to Closing.

4.1.5 The Company may enter into an agreement with Pope Resources at or prior to Closing regarding the management after Closing of certain sewer and water utility facilities located in Port Gamble, Kitsap County, Washington, in the form of *Schedule 4.1.5* or as otherwise may be mutually satisfactory to Pope Resources, the Company, and Purchaser in their reasonable discretion (the "Port Gamble Maintenance Agreement").

4.2 Financial Statements. The Company shall furnish to Purchaser promptly (but in no event later than three (3) business days after the preparation of such statements) monthly and quarterly financial statements of the Company to the extent prepared by the Company in accordance with its usual business practices.

4.3 Regulatory Filings. The parties will make or cause to be made all filings and submissions under laws and regulations applicable to them, if any, as may be required of them for the consummation of the sale of the Shares pursuant to this Agreement. The parties will coordinate and cooperate with one another in exchanging such information and reasonable assistance as the other may request in connection with all of the foregoing.

4.4 Third Party Consents. Without penalty or amendment to the underlying Agreement, each party shall use its best efforts to obtain, as soon as reasonably practicable, all material permits, authorizations, consents, waivers and approvals from third parties or governmental authorities and to provide all required notices necessary to consummate this Agreement and the transactions contemplated by this Agreement, including, without limitation, any material permits, authorizations, consents, waivers, approvals, and notices required in connection with the sale of the Shares, the transfer of the Water Facilities and the Sewer Facilities, and any consents, waivers, approvals, and notices required to assign the Washington State Department of Natural Resources aquatic lands lease. Such permits, authorizations, consents, waivers, approvals, and notices are set forth on *Schedule 4.4* and are referred to as the "Material Consents" and must be obtained prior to the Closing Date. Promptly following the execution and delivery of this Agreement, OPG and Purchaser shall cooperate with each other in obtaining the Material Consents. The forms of consent shall be reasonably acceptable to Purchaser.

4.5 Reserved.

19

4.6 Material Changes. OPG also shall give Purchaser prompt written notice if OPG, after the date this Agreement is executed by OPG, discovers or learns of any fact or occurrence that would make any of OPG's warranties and representations materially inaccurate if such warranty or representation were made on or after the date OPG discovered or learned of such fact or occurrence.

4.7 Employees. *Schedule 3.3.9(a)* sets forth a list of all employees of the Company ("Employees"). *Schedule 3.3.9(b)* sets forth a general description of employee benefits, bonus plans, and any other employee benefit plan applicable to the employees of the Company ("Employee Benefits"). OPG and the Company shall cooperate with Purchaser after May 11, 2001, to further Purchaser's efforts to enter into employment agreements with any Employees designated by Purchaser. Purchaser agrees to maintain the existing Employee Benefits of Employees of the Company after the Closing Date. Any health plans applicable to the Employees after the Closing Date shall waive all pre-existing condition limitations for all such Employees that are covered by the health care plans of OPG, the Company, or any affiliate, parent, or subsidiary of OPG or the Company as of the Closing Date and shall provide such health care coverage effective as of the

Closing Date without the application of any eligibility period for coverage. In addition, Purchaser shall credit all payments made by the Employees toward deductible, co-payment and out-of-pocket limits under existing health care plans for the plan year that includes the Closing Date as if such payments had been made for similar purposes under post-closing health care plans during the plan year that includes the Closing Date, with respect to Employees employed by Purchaser as of the Closing Date. For each Employee employed on the Closing Date, Purchaser shall (i) permit such Employee to participate in Purchaser's employee benefit plans to the same extent as similarly situated employees of Purchaser and their dependents; and (ii) give each such Employee credit for his or her past service with the Company as of the Closing Date for purposes of eligibility and vesting, but not for benefit accrual purposes, under Purchaser's employee plans and compensation arrangements in accordance with Purchaser's standard practices. Purchaser otherwise shall have no liability for pre-Closing accrued vacation time, severance, pension plans, welfare plans, and employment related claims and similar matters with respect to any of the Employees. Purchaser shall be liable for pre-Closing accrued sick leave, for which the Purchase Price has been reduced in the amount of US\$16,000.00.

4.8 Post-Closing Covenants. The parties to the Agreement agree as follows with respect to the period following the Closing.

4.8.1 General. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the parties to the Agreement will take such further action (including the execution and delivery of such further instruments and documents) as any other party reasonably may request, all at the sole cost and expense of the requesting party. OPG acknowledges and agrees that from and after the Closing, Purchaser will be entitled to possession of all documents, books, records (including tax records), agreements, and financial data of any sort relating to the Company, subject to the obligations of Purchaser under *Section 7* to make such documents (to the extent prepared by the Company or OPG prior to the Closing) available to OPG after the Closing.

4.8.2 Transition. OPG will not take and will not cause or permit the Company to take, any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of the Company from maintaining the same business relationships with the Company after the Closing as it maintained with the Company prior to the Closing. OPG and the Company will refer all customer inquiries relating to the businesses of the Company to Purchaser from and after the Closing.

4.8.3 Confidentiality. OPG shall use best efforts and due diligence to keep all information concerning the businesses and affairs of the Company that is not already generally available to the public confidential and private.

20

SECTION 5

CONDITIONS TO CLOSING

5.1 Conditions to OPG's and the Company's Obligations. The obligations of OPG and the Company to close the transactions contemplated by this Agreement are subject to fulfillment of all of the following conditions precedent on or prior to the Closing Date:

(a) The representations and warranties made by Purchaser shall have been true in all material respects when made and shall be true in all material respects as if originally made on and as of the Closing Date, and Purchaser shall so certify in form and substance reasonably satisfactory to OPG.

(b) All material obligations and covenants of Purchaser to be performed under this Agreement through, and including on, the Closing Date (including, without limitation, all obligations that Purchaser would be required to perform at the Closing if the transactions contemplated by this Agreement were consummated) shall have been performed in all material respects.

(c) No injunction shall have been entered by a court of competent jurisdiction and be in effect that would restrain or prohibit the consummation of the transactions contemplated by this Agreement.

(d) Purchaser as buyer and OPG and its affiliates as seller shall have simultaneously closed the Asset Purchase Agreement.

(e) Purchaser, the Company, and OPG shall have timely given all notices required by all applicable laws, ordinances, regulations, and agreements relating to the transactions contemplated by this Agreement and shall have timely obtained all consents required by all applicable laws, ordinances, regulations, and agreements relating to the same.

5.2 Conditions to Purchaser's Obligations. The obligation of Purchaser to close the transactions contemplated by this Agreement is subject to the fulfillment of all of the following conditions precedent on or prior to the Closing Date:

(a) Purchaser as buyer and OPG and its affiliates as seller shall have simultaneously closed the Asset Purchase Agreement.

(b) The representations and warranties made by the Company and OPG in this Agreement shall be true in all material respects when made and shall be true in all material respects as if originally made on and as of the Closing Date, subject (with respect to their truth and correctness on and as of the Closing Date) to changes in the ordinary course of business, provided that such changes have no material adverse effect on the financial condition, operations, or assets of the Company and do not result from, create, or constitute a breach or default by OPG or the Company hereunder. OPG and the Company at Closing shall also certify the foregoing matters in form and substance reasonably satisfactory to Purchaser, which certification shall specify in reasonable detail any changes in the ordinary course of business that affect the truth or correctness of any representations and warranties on and as of the Closing Date.

(c) All material obligations and covenants of the Company and OPG to be performed under this Agreement through, and including on, the Closing Date (including, without limitation, all obligations that the Company and OPG would be required to perform at the Closing if the transactions contemplated by this Agreement were consummated) shall have been performed in all material respects.

21

(d) No injunction shall have been entered by a court of competent jurisdiction and remain in effect that would restrain or prohibit the transactions contemplated by this Agreement.

(e) Since the date of this Agreement, the Company shall not have suffered any material change in the financial condition, business, or operations of the Company or suffered any material damage or loss having, or reasonably expected to have, any Material Adverse Effect on the business or operations of the Company.

(f) Purchaser, the Company, and OPG shall have timely given all notices required by all applicable laws, ordinances, regulations, and agreements relating to the transactions contemplated by this Agreement and shall have timely obtained all consents required by all applicable laws, ordinances, regulations, and agreements relating to the same.

(g) The Company shall have obtained and delivered to Purchaser a written consent for the assignment of the Washington State Department of Natural Resources aquatic lands lease, and, if requested by Purchaser's lender, a waiver of landlord liens, collateral assignment of lease or leasehold mortgage from the landlord or other party whose consent thereto is required under such lease, in form and substance satisfactory to Purchaser and Purchaser's lender.

(h) The Company shall deliver to Purchaser a non-foreign affidavit dated as of the Closing Date and in form and substance required under the Treasury Regulations issued pursuant to Section 1445 of the Internal Revenue Code so that Purchaser is exempt from withholding any portion of the Purchase Price thereunder (the "FIRPTA Affidavit").

(i) No damage or destruction or other change shall have occurred with respect to any of the Property or any portion thereof that, individually or in the aggregate, that would have a material adverse effect on the use or occupancy of the Property or the operation of the Company's business as currently conducted thereon.

(j) Transnation Title shall be ready and willing to issue to the Company a standard ALTA Owner's title policy in the amount of the purchase price, insuring the Company's title to all Water Facilities, Sewer Facilities, and land used in connection therewith, subject only to exceptions that are satisfactory to Purchaser in its reasonable discretion (and in any case subject to no deeds of trust, mortgages, mechanics liens, or other liens for security purposes other than liens for non-delinquent property taxes). Such policy shall also be in form and substance satisfactory to Purchaser in its reasonable discretion and shall include such coverages and endorsements as Purchaser may reasonably request. The foregoing notwithstanding, if Transnation Title for any reason is not ready and willing to issue the title policy described above, this condition may be satisfied by OPG's delivery of an instrument warranting to Purchaser and the Company that the Company owns good and marketable fee title to all real property (including buildings, improvements and structures) constituting the Water Facilities and the Sewer Facilities, other than for specified Wells and Reservoirs owned pursuant to easement rights, subject to (i) no liens or encumbrances for debt or monetary security other than non-delinquent taxes, (ii) no easements, use rights or other encumbrances adversely affecting the use, operation or maintenance of such real property (or any buildings, improvements, structures or facilities thereon), and (iii) with respect to specified Wells and Reservoirs, the subdivision problem described in Section 3.4.6, provided, however, that OPG shall cooperate with the Purchaser to cure the subdivision problem at Closing.

SECTION 6

DISCLOSURE AND RELEASE

Purchaser acknowledges that OPG has disclosed to Purchaser the condition of the Company and the Property by providing to Purchaser the following documents and information (collectively, the "Disclosures"): the schedules hereto, Company's Documents, the right to interview the consultants and employees of OPG, the Company, and their affiliates, parents, and subsidiaries, and the right to enter upon, inspect, study, survey, and conduct tests upon the Property, all prior to the time when Purchaser was irrevocably committed to complete the purchase of the Company under this Agreement. Purchaser further acknowledges that Purchaser has acquired information regarding the condition of the Company and the Property from the inspections, studies, surveys and tests upon the Property conducted by Purchaser and its agents, contractors, consultants, and employees. All documents and information disclosed to Purchaser in connection with this Agreement and relating to the Company and the Property are referred to herein as the "Disclosures."

Purchaser acknowledges and agrees that the Disclosures disclose material information about the Company and the condition of the Property and that OPG makes no covenant, representation, or warranty as to the suitability of the Property for any purpose or as to the condition of the Company or the Property except as expressly set forth in this Agreement. Purchaser hereby waives all objections and complaints regarding the condition of the Company and the Property, including without limitation objections and complaints relating to surface and subsurface conditions, except as provided in any covenant, representation, or warranty in this Agreement. Purchaser agrees that it is purchasing the Company and the Property in its present condition, AS IS, subject only to the covenants, representations, and warranties provided by OPG and the Company in this Agreement; provided that nothing in this Agreement shall be deemed a waiver or release of any claims or rights that Purchaser may have against any third party, including without limitation any prior owner of the Company and any portion of the Property. Purchaser assumes the risk that adverse conditions may not have been revealed by its own investigation or by the Disclosures. Purchaser hereby waives, releases, acquits, and forever discharges OPG of and from any and all claims, actions, demands, rights, damages, costs of response or remedial action, or expenses whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, including claims of third parties, that now exist or that may arise in the future on account of or in connection with the condition of the Company or the Property, including without limitation any surface or subsurface contamination, and including without limitation all claims for statutory or contractual right of contribution under any state or federal hazardous substance law or regulation.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, OPG AND THE COMPANY MAKE NO COVENANTS, REPRESENTATIONS, OR WARRANTIES WITH RESPECT TO: (I) THE CONDITION OF THE REAL OR PERSONAL PROPERTY OR ANY BUILDINGS, STRUCTURES, OR IMPROVEMENTS ON THE REAL PROPERTY OR THE SUITABILITY OF THE REAL PROPERTY FOR HABITATION OR FOR PURCHASER'S INTENDED USE OR FOR ANY USE WHATSOEVER; (II) ANY APPLICABLE BUILDING, ZONING, OR FIRE LAWS OR REGULATIONS, OR WITH RESPECT TO COMPLIANCE THEREWITH, OR WITH RESPECT TO THE EXISTENCE OF OR COMPLIANCE WITH ANY REQUIRED PERMITS, IF ANY, OF ANY GOVERNMENTAL AGENCY; (III) THE EXISTENCE OF ANY WATER, SEWER OR OTHER UTILITY DISTRICT; OR (IV) THE PRESENCE OF ANY HAZARDOUS SUBSTANCES; (V) THE PRESENCE OF ANY UNDERGROUND STORAGE TANKS OR ASBESTOS; OR (VI) COMPLIANCE OF THE PROPERTY WITH THE TERMS OF THE AMERICANS WITH DISABILITIES ACT. PURCHASER WAIVES ALL CLAIMS AGAINST OPG, KNOWN OR UNKNOWN, WITH RESPECT TO THE COMPANY AND THE PROPERTY, INCLUDING CLAIMS

DEPOSITED OR RELEASED ON THE PROPERTY, AND PURCHASER ASSUMES THE RISK OF ALL DEFECTS AND CONDITIONS, INCLUDING SUCH DEFECTS AND CONDITIONS, IF ANY, THAT CANNOT BE OBSERVED BY CASUAL INSPECTION, EXCEPT TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE UNDER OPG'S COVENANTS, REPRESENTATIONS, AND WARRANTIES HEREIN. PURCHASER ACKNOWLEDGES THAT PURCHASER HAS HAD THE OPPORTUNITY TO INSPECT AND REVIEW THE CONDITION OF THE COMPANY AND THE PROPERTY AND, EXCEPT FOR THE COVENANTS, REPRESENTATIONS, AND WARRANTIES OF OPG HEREIN, IS RELYING ENTIRELY THEREON, ON ANY CONSULTANTS THAT PURCHASER RETAINS, AND ON THE DISCLOSURES.

Anything above to the contrary notwithstanding, nothing in this Section 6 in any way limits or impairs the warranties, representations, and covenants to the contrary that are expressly made by OPG and the Company in this Agreement, or any other obligation of OPG and the Company to Purchaser set forth in this Agreement.

The terms and conditions of this Section 6 shall survive the closing or termination of this Agreement and shall benefit and bind the successors and assigns of Purchaser and OPG.

SECTION 7

TAX RETURNS, COOPERATION, AND DOCUMENT RETENTION

7.1 Certain Tax and Other Matters. For all taxable periods ending December 31, 2000, and earlier, the Company shall have prepared or will have prepared and filed prior to Closing all Tax Returns in which are included the results of operation of the Company and shall pay all taxes shown on such Tax Returns. The Company shall maintain reasonable and customary tax reserves for payment of such Taxes. After the Closing Date, Purchaser shall prepare and file on a timely basis, all Tax Returns in which are included the results of operation of the Company, for all taxable periods ending after December 31, 2000, and all other Tax Returns of the Company, and shall be responsible for and shall pay all Taxes shown due thereon. All Tax Returns of the Company filed after the Closing Date with respect to taxable periods ending before or including the Closing Date shall be prepared in a manner consistent with returns filed prior to the Closing Date.

7.2 Certain Information. Purchaser, the Company and OPG agree to furnish or cause to be furnished to each other (at reasonable times and at no charge) upon request as promptly as practicable such information (including access to books and records pertinent to the Company and assistance relating to the Company) as is reasonably necessary for the preparation, review and audit of financial statements, the preparation, review, audit and filing of any Tax Return, the preparation for any audit or the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment, provided, that access shall be limited to items pertaining solely to the Company. OPG shall grant access to Purchaser to all Tax Returns filed with respect to the Company.

7.3 Document Retention. Purchaser shall preserve and retain all documents provided by OPG to Purchaser, including without limitation all copies and originals of Company's Documents, at a secure administrative office or storage facility within Jefferson County, Kitsap County, or King County, Washington, for a period not less than ten (10) years after the Closing Date (the "Document Retention Period"). During the Document Retention Period, upon the prior written request of OPG, Purchaser shall allow OPG to inspect and copy any and all of Company's Documents prepared prior to the Closing Date at the office or storage facility during normal weekday business hours. All copies shall be made at OPG's expense.

SECTION 8

RESERVED

SECTION 9

MISCELLANEOUS

9.1 Confidentiality. Prior to waiver of the Inspection Period, except with OPG's prior written consent, Purchaser shall keep this Agreement, the transactions described in this Agreement, the fact that Purchaser and OPG are discussing any transaction, and all information relating to the Property disclosed by OPG to Purchaser completely confidential and shall not disclose the same to any person or entity, specifically including without limitation all employees of the Company or OPG other than management personnel, and their subsidiaries and affiliated entities, other than Purchaser's consultants, affiliates, investors, and their respective employees (who shall agree to keep the information confidential and be provided only such information as is necessary to perform their services), except to the extent required otherwise by applicable laws and regulations and NASDAQ regulations. The obligations of Purchaser under this section supplement and do not replace the obligations of Purchaser under that certain Confidentiality Agreement dated _____, 2000. Purchaser shall conduct all due diligence consistent with this section.

9.2 Notices. All notices, demands, requests, consents and approvals that may, or are required to, be given by any party to any other party hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, sent by a nationally recognized overnight delivery service,

electronically transmitted or if mailed or deposited in the United States mail and sent by registered or certified mail, return receipt requested, postage prepaid to:

Purchaser at:

Port Ludlow Associates LLC

c/o HCV Pacific Partners LLC
625 Market Street, Suite 600
San Francisco, California 94105
Attn: President
Telephone No. 415-882-0900
Facsimile No. 415-882-0901

with a copy to:

Kenneth J. Cohen
Collette & Erickson LLP
555 California Street
Bank of America Center
43rd Floor
San Francisco, California 94104-1791
Telephone No. 415-788-4646
Facsimile No. 415-788-6929

The Company at:

Olympic Water and Sewer, Inc.
70 Breaker Lane
Port Ludlow, Washington 98365
Attn: President
Telephone No. 360-437-2101
Facsimile No. 360-437-2522

with a copy to:

Marco de Sa e Silva
Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688
Telephone No. 206-628-7766
Facsimile No. 206-628-7699

OPG at:

Olympic Property Group LLC
19245 Tenth Avenue N.E.
Poulsbo, Washington 98370-0239
Attn: President
Telephone No. 360-697-6626
Facsimile No. 360-697-6696

with a copy to:

Marco de Sa e Silva
Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688
Telephone No. 206-628-7766
Facsimile No. 206-628-7699

or to such other addresses as either party hereto may from time to time designate in writing and deliver in a like manner. All notices shall be deemed complete upon actual receipt or refusal to accept delivery.

9.3 Entire Agreement. This Agreement and the Asset Purchase Agreement constitute the final and complete agreement between the parties and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns. Each exhibit or schedule shall be considered incorporated into this Agreement.

9.4 Non-Waiver. The failure in any one or more instances of a party to insist upon performance of any of the terms, covenants or conditions of this Agreement, to exercise any right or privilege conferred in this Agreement, or the waiver by said party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

9.5 Applicable Law. Except as otherwise stated, this Agreement shall be governed and controlled as to validity, enforcement, interpretation, construction, effect and in all other respects by the internal laws of the State of Washington applicable to contracts made and performed in that State and without reference to choice of laws provisions.

9.6 Consent to Jurisdiction. This Agreement has been executed and delivered in and shall be deemed to have been made in Seattle, Washington. Each of the parties hereto agrees to the exclusive jurisdiction of any state or Federal court within King County, Washington, with respect to any claim or cause of action arising under or relating to this Agreement.

9.7 Attorneys' Fees. In the event any party brings an action or any other proceeding against any other party to enforce or interpret any of the terms, covenants, or conditions hereof, the party prevailing in any such action or proceeding shall be paid all costs and reasonable attorneys' fees by nonprevailing party in such amounts as shall be set by the court, at trial, and on appeal.

9.8 Binding Effect: Benefit. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and their respective successors and permitted

assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, including, without limitation, third party beneficiary rights.

9.9 Assignability. Purchaser's rights under this Agreement are not assignable, by operation of law or otherwise, and OPG and the Company shall have no obligation to perform hereunder for any assignee or transferee of Purchaser, except that Purchaser may assign its rights under this Agreement to any affiliate of Purchaser, or to a limited partnership in which Purchaser or an affiliate of Purchaser is a general partner, a general partnership in which Purchaser or an affiliate of Purchaser is managing general partner, a co-tenancy in which Purchaser or an affiliate thereof is a co-tenant, or a limited liability company in which Purchaser is the managing member. In the event of any assignment by Purchaser of its rights under this Agreement, Purchaser will not be released from any obligations under this Agreement.

9.10 Amendments. This Agreement shall not be modified, amended or supplemented, except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.

9.11 Headings. The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

9.12 Severability. The invalidity of any provision of this Agreement or portion of a provision shall not affect the validity of any other provision of this Agreement or the remaining portion of the applicable provision.

9.13 Survival. All provisions of this Agreement that involve obligations, duties, or rights to be performed after the Closing Date or the transfer of the Shares, and all representations, warranties, and

indemnifications made in or to be made pursuant to this Agreement shall survive the Closing Date or the transfer of the Shares, including without limitation the provisions of Sections 2.3(iii) hereof.

9.14 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.

9.15 Covenants. Any reference in this Agreement to the "covenants" of any party means and includes all agreements and commitments of such party set forth in this Agreement.

9.16 Obligations. All warranties, representations and covenants of the Company and OPG in and under this Agreement, and all obligations of the Company and OPG to Purchaser hereunder, are joint and several in every respect. OPG waives and forever releases any right or claim of contribution or reimbursement it may have at any time against the Company arising from or relating to the breach of any warranty, representation, covenant or other obligation to Purchaser under this Agreement.

9.17 Schedules. The parties acknowledge and agree that, as of the date this Agreement has been executed, some schedules have not been completed and agreed upon. The parties agree to review and negotiate such matters diligently and in good faith, and upon completion and mutual approval of all such schedules they shall promptly execute an amendment to this Agreement memorializing such approval. If all schedules hereto are not approved by the parties in an amendment to this Agreement mutually executed and delivered on or before June 1, 2001, then this Agreement shall terminate and the parties shall have no further obligations hereunder except under those provisions intended to survive the termination of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

COMPANY: OLYMPIC WATER AND SEWER, INC.,
a Washington corporation

By: _____ /s/ TOM GRIFFIN

Name: _____ Tom Griffin

Its: _____ President

OPG: OLYMPIC PROPERTY GROUP LLC, a
Washington limited liability company

By: _____ /s/ GREGORY M. MCCARRY

Name: _____ Gregory M. McCarry

Its: _____ C.O.O.

PURCHASER: PORT LUDLOW ASSOCIATES LLC, a
Washington limited liability company

By Northwest Pacific Partners LLC, a Washington limited
liability company, its manager

1.5.3(ii)	Other Company Property: Depreciated Personal Property
1.5.3(iii)	Contracts
1.5.3(iv)	Intellectual Property
3.3.2	Officers and Directors
3.3.5	Capitalization
3.3.9(a)	Employees
3.3.9(b)	Employee Benefits
3.3.10(b)	List of Tax Returns Filed (on or after 12/31/98)
3.3.10(e)	Depreciated Basis of Property (12/31/00)
3.3.11(a)	Litigation and Other Proceedings
3.3.11(b)	Violations of Laws, Rules, and Regulations
3.4.1	Copies of Financial Statements (12/31/00 and 4/30/01)
3.4.1-A	Accrued Liabilities (after 4/30/01)
3.4.1-B	Pro Forma Balance Sheet
3.4.3(a)	Material Defects
3.4.6	Other Permits and Applications
3.4.7(a)	Environmental Reports
3.4.7(b)	Potential Material Hazardous Substances Claims
3.4.7(c)	Storage of Hazardous Substances
4.1.5	Form of Port Gamble Maintenance Agreement
4.4	Material Governmental and Third Party Consents

QuickLinks

[Exhibit 10.15](#)

[STOCK PURCHASE AGREEMENT \(Olympic Property Group LLC and Port Ludlow Associates LLC\).\(Olympic Water and Sewer, Inc.\)](#)

[RECITALS](#)

[AGREEMENT SECTION 1](#)

[PURCHASE AND SALE OF STOCK AND COMPANY ASSETS](#)

[Section 2 INSPECTION AND CLOSING DELIVERIES](#)

[SECTION 3 REPRESENTATIONS AND WARRANTIES](#)

[Section 4 COVENANTS](#)

[SECTION 5 CONDITIONS TO CLOSING](#)

[SECTION 6 DISCLOSURE AND RELEASE](#)

[SECTION 7 TAX RETURNS, COOPERATION, AND DOCUMENT RETENTION](#)

[SECTION 8 RESERVED](#)

[SECTION 9 MISCELLANEOUS](#)

[GUARANTY](#)

QuickLinks

[Exhibit 10.17](#)

[AMENDMENT NO. 2 TO STOCK PURCHASE AGREEMENT](#)

**AMENDMENT NO. 3
TO
STOCK PURCHASE AGREEMENT**

THIS AMENDMENT NO. 3 TO STOCK PURCHASE AGREEMENT (this "Amendment") dated as of June 22, 2001, is made by and among Olympic Property Group LLC, a Washington limited liability company ("OPG"), Olympic Water and Sewer, Inc., a Washington corporation (the "Company"), and Port Ludlow Associates LLC, a Washington limited liability company ("Purchaser"), regarding that certain Stock Purchase Agreement dated May 29, 2001, as amended by Amendment No. 1 dated June 1, 2001, and Amendment No. 2 dated June 13, 2001 (as amended, the "Agreement"), among OPG, the Company, and Purchaser, for the purchase and sale of the shares of capital stock of the Company (the "Shares").

I. EFFECT OF AMENDMENT. This Amendment amends and modifies the Agreement. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control. Except as contained within the Agreement and this Amendment, there are no other agreements or understandings among OPG, the Company, and Purchase relating to the Shares. Capitalized terms not otherwise defined herein shall have the meanings given them under the Agreement.

II. EXTENSION OF TIME. In Section 9.17 of the Agreement, the date "June 22, 2001," is hereby replaced by the date "June 29, 2001."

Except as expressly amended by this Amendment, the Agreement is hereby ratified and confirmed and shall remain in full force and effect.

PURCHASER: PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company

By West Coast Northwest Pacific Partners LLC, a Washington limited liability company, its manager

By: /s/ RANDALL J. VERRUE

Print Name: Randall J. Verrue

Its: President & CEO

Date: 8/1/01

OPG: OLYMPIC PROPERTY GROUP LLC, a Washington limited liability company

By: /s/ GREGORY M. MCCARRY

Print Name: Gregory M. McCarry

Its: C.O.O.

Date: 8/1/01

COMPANY: OLYMPIC WATER AND SEWER, INC., a Washington corporation

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin

Its: President

Date: 8/1/01

QuickLinks

[Exhibit 10.18](#)

[AMENDMENT NO. 3 TO STOCK PURCHASE AGREEMENT](#)

QuickLinks

[Exhibit 10.19](#)

[AMENDMENT NO. 4 TO STOCK PURCHASE AGREEMENT](#)

QuickLinks

[Exhibit 10.20](#)

[AMENDMENT NO. 5 TO STOCK PURCHASE AGREEMENT](#)

Date: 8/1/01

COMPANY:

OLYMPIC WATER AND SEWER, INC., a
Washington corporation

By: /s/ TOM GRIFFIN

Print Name: Tom Griffin

Its: President

Date: 8/1/01

Pope Acknowledgment

Pope Resources, a Delaware limited partnership ("Pope"), acknowledges its obligations under the Guaranty attached to the Agreement (as executed prior to the adoption of any amendments), and acknowledges and agrees that (i) such obligations are not and will not be limited or impaired by any amendments or modifications made to the Agreement since Pope executed the Guaranty (including amendments or modifications that OPG may agree to after this date); and (ii) the "Agreement" as used and referenced in the Guaranty means the Agreement as originally executed by OPG and all amendments and modifications thereto, including any that OPG may agree to after this date. Nothing

2

herein is intended to limit or impair Pope's right to assert Transaction Defenses as defined in the Guaranty.

POPE RESOURCES, a Delaware limited partnership, by POPE
MGP, Inc., a Delaware corporation, its managing general
partner

By: /s/ DAVID L NUNES

Name: David L. Nunes
Its: President

3

SCHEDULES:

1.5.1(i)-1	Water Facilities: List of Wells and Reservoirs
1.5.1(i)-2	Water Facilities: Map of Wells and Reservoirs
1.5.1(i)-3	Water Facilities: Description of Well and Reservoir Parcels
1.5.1(ii)	Water Facilities: Map of Water Lines and Other Infrastructure
1.5.1(iii)	Water Facilities: Water Permits
1.5.1(iv)	Water Facilities: Other Water Permits
1.5.1(v)	Water Facilities: Depreciated Personal Property
1.5.1(vi)	Water Facilities: Customer Accounts
1.5.1(vii)	Water Facilities: Tariff Schedule
1.5.2(i)	Sewer Facilities: Map of Sewer Line Distribution System
1.5.2(ii)	Sewer Facilities: Description of Treatment Plant Parcel
1.5.2(iii)	Sewer Facilities: Sewer Permits
1.5.2(iv)	Sewer Facilities: Other Sewer Permits
1.5.2(v)	Sewer Facilities: Depreciated Personal Property
1.5.2(vi)	Sewer Facilities: Customer Accounts
1.5.2(vii)	Sewer Facilities: Rate Schedule
1.5.3(i)	Other Company Property: Description of Land and Improvements
1.5.3(ii)	Other Company Property: Depreciated Personal Property
1.5.3(iii)	Contracts
1.5.3(iv)	Intellectual Property
3.3.2	Officers and Directors
3.3.5	Capitalization
3.3.9(a)	Employees
3.3.9(b)	Employee Benefits
3.3.10(b)	List of Tax Returns Filed (on or after 12/31/98)
3.3.10(e)	Depreciated Basis of Property (5/31/01)
3.3.11(a)	Litigation and Other Proceedings
3.3.11(b)	Violations of Laws, Rules, and Regulations
3.4.1	Copies of Financial Statements (12/31/98 and 6/30/01)
3.4.1-A	Accrued Liabilities (after 6/30/01)
3.4.3(a)	Material Defects
3.4.6	Other Permits and Applications

3.4.7(a)	Environmental Reports
3.4.7(b)	Potential Material Hazardous Substances Claims
3.4.7(c)	Storage of Hazardous Substances
4.1.5	Form of Port Gamble Maintenance Agreement
4.4	Material Governmental and Third Party Consents

QuickLinks

[Exhibit 10.21](#)

[AMENDMENT NO. 6 TO STOCK PURCHASE AGREEMENT](#)

PROMISSORY NOTE

US\$5,814,742.00

Seattle, Washington
, 2001

FOR VALUE RECEIVED AND ACKNOWLEDGED, the undersigned, PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company ("Maker"), hereby promises to pay collectively to POPE RESOURCES, a Delaware limited partnership ("Holder"), or order, the principal sum of FIVE MILLION EIGHT HUNDRED FOURTEEN THOUSAND SEVEN HUNDRED FORTY-TWO DOLLARS (US\$5,814,742.00), with interest on the unpaid principal balance at an annual rate of ten percent (10%) compounded annually. Payments under this Note shall be made pursuant to the terms of that certain Subordination and Release Agreement of even date herewith (the "Subordination and Release Agreement") upon the transfer and conveyance of residential lots, as further described therein. All principal and accrued interest not previously paid pursuant to the Subordination and Release Agreement shall be due and payable on the third (3rd) anniversary of the date of this Note.

1. The unpaid balance of principal and interest under this Note may be prepaid in full or in part by Maker without penalty at any time. All payments shall be applied first to accrued interest and thereafter to principal.
2. This Note is secured by a Deed of Trust of even date herewith, to Jefferson Title Company, as Trustee (the "Deed of Trust"), on the residential lots in the unincorporated master planned resort area commonly known as Port Ludlow, Jefferson County, Washington, as more particularly described in the Deed of Trust.
3. Principal and interest shall be payable at the offices of Pope Resources at 19245 Tenth Avenue N.E. Poulsbo, Washington 98370, or at such other place as the Holder or holders of this Note may designate from time to time in writing.
4. The occurrence of any of the following events shall, at the election of the Holder or holders of this Note, make the entire unpaid balance of the principal amount of this Note immediately due and payable without notice of default, notice or demand for payment, protest or notice of non-payment or dishonor, or any other notices or demands of any kind or character (except for any notices expressly required under the Deed of Trust or under the Subordination and Release Agreement):
 - (a) Any failure by Maker to make any payment on or before the date payment is due or to perform or observe any other obligation under this Note, if such failure continues for a period of five (5) days after written notice.
 - (b) Any failure on the part of Maker to perform or observe any of the obligations under the Deed of Trust, if (i) in the event of a failure to perform or observe any obligation requiring only the payment of money by Maker to the beneficiary under the Deed of Trust, such failure continues for a period of ten (10) days after written notice from the beneficiary, or (ii) in the event of a failure to perform or observe any other obligation under the Deed of Trust, such failure continues for a period of thirty (30) days after written notice to Maker from the beneficiary under the Deed of Trust, or for such longer period as may be reasonably required to cure such failure (provided that Maker promptly commences such cure upon receipt of notice from the beneficiary and diligently prosecutes such cure to completion).
 - (c) Any failure on the part of Maker to perform or observe any of the obligations under the Subordination and Release Agreement, subject to any cure period provided for in the Subordination and Release Agreement.

-
5. Failure of the Holder or holders of this Note to exercise the acceleration option set forth in Paragraph 4 above upon the occurrence of any event enumerated in Paragraph 4 shall not constitute waiver of the right to exercise such option on the subsequent occurrence of any of the events enumerated in such provision.
 6. Principal and interest shall be payable in lawful money of the United States of America which shall be legal tender in payment of all debts and dues, public and private, at the time of payment. Maker waives presentment, demand for payment, notice of non-payment, protest, notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default, or enforcement of this Note (except for any notices expressly required under the Deed of Trust or under the Subordination and Release Agreement). Maker consents to any and all assignments of this Note, extensions of time, renewals, and waivers that may be made or granted by the Holder or holders of this Note.
 7. If action be instituted in connection with this Note (including, without limitation, any proceedings for collection hereof in any bankruptcy matter or case), Maker promises to pay the Holder or holders of this Note all reasonable fees and costs in connection with such action, including, without limitation, reasonable attorneys' fees incurred in good faith.

After Recording Return To:

Marco de Sa e Silva
Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688

DEED OF TRUST

Grantor: Port Ludlow Associates LLC, a Washington limited liability company

Trustee: Jefferson Title Company, Inc., a Washington corporation

Beneficiary: Pope Resources, a Delaware limited partnership

Abbreviated Legal Description:

Portions of Sections 8, 16, 17 and 21, Township 28 North, Range 1 East, W.M., Jefferson County, Washington.

Complete legal description is on pages 14-17 (Exhibit A) of document.

Assessor's Property Tax Parcel Account Numbers:

See Attachment 1 hereto.

Reference Numbers of Assigned or Released Documents:

None.

Attachment 1

969800001	LUDLOW POINT VILLAGE DIV 4 LOT 1
969800002	LUDLOW POINT VILLAGE DIV 4 LOT 2
998500017	TIMBERTON VILLAGE PHASE I LOT 17 SUBJ/EASE
998700009	TEAL LAKE VILLAGE LOT 9
998700015	TEAL LAKE VILLAGE LOT 15
998700016	TEAL LAKE VILLAGE LOT 16
998700017	TEAL LAKE VILLAGE LOT 17
998700018	TEAL LAKE VILLAGE LOT 18
998700074	TEAL LAKE VILLAGE LOT 74
998700075	TEAL LAKE VILLAGE LOT 75
998700076	TEAL LAKE VILLAGE LOT 76
998700077	TEAL LAKE VILLAGE LOT 77
998700078	TEAL LAKE VILLAGE LOT 78
998700094	TEAL LAKE VILLAGE LOT 94
998700099	TEAL LAKE VILLAGE

	LOT 99
999700011	WOODRIDGE VILLAGE DIV 1 LOT 11
999700019	WOODRIDGE VILLAGE DIV 1 LOT 19
999700023	WOODRIDGE VILLAGE DIV 1 LOT 23
999700024	WOODRIDGE VILLAGE DIV 1 LOT 24
999700025	WOODRIDGE VILLAGE DIV 1 LOT 25
999700026	WOODRIDGE VILLAGE DIV 1 LOT 26
999700027	WOODRIDGE VILLAGE DIV 1 LOT 27
999700028	WOODRIDGE VILLAGE DIV 1 LOT 28
999700030	WOODRIDGE VILLAGE DIV 1 LOT 30

999700036	WOODRIDGE VILLAGE DIV 1 LOT 36
968600027	LUDLOW BAY VILLAGE LOT TH-14
968600028	LUDLOW BAY VILLAGE LOT TH-15
968600029	LUDLOW BAY VILLAGE LOTS TH-16 & 16A
968600030	LUDLOW BAY VILLAGE LOT TH-17
968600031	LUDLOW BAY VILLAGE LOT TH-18
968600032	LUDLOW BAY VILLAGE LOT TH-19
968600033	LUDLOW BAY VILLAGE LOT TH-20
968600034	LUDLOW BAY VILLAGE LOT TH-21
968600035	LUDLOW BAY VILLAGE LOT TH-22
968600036	LUDLOW BAY VILLAGE LOT TH-23
968600037	LUDLOW BAY VILLAGE LOT TH-24
968600038	LUDLOW BAY VILLAGE LOT TH-25
968600039	LUDLOW BAY VILLAGE LOT TH-26
968600040	LUDLOW BAY VILLAGE LOT TH-27
968600041	LUDLOW BAY VILLAGE LOTS TH-28 & 28A
968600042	LUDLOW BAY VILLAGE LOTS TH-29 & 29A
968600043	LUDLOW BAY VILLAGE LOT TH-30
968600044	LUDLOW BAY VILLAGE LOT TH-31
968600045	LUDLOW BAY VILLAGE LOT TH-32
968600046	LUDLOW BAY VILLAGE LOT TH-33
968600047	LUDLOW BAY VILLAGE LOT TH-34
968600048	LUDLOW BAY VILLAGE LOT TH-35
968600049	LUDLOW BAY VILLAGE LOT TH-36
968600050	LUDLOW BAY VILLAGE LOT TH-37

968600051	LUDLOW BAY VILLAGE LOT TH-38
968600052	LUDLOW BAY VILLAGE LOT TH-39
968600053	LUDLOW BAY VILLAGE LOT TH-40
968600054	LUDLOW BAY VILLAGE LOT TH-41
968600055	LUDLOW BAY VILLAGE LOT TH-42
968600056	LUDLOW BAY VILLAGE LOT TH-43
968600057	LUDLOW BAY VILLAGE LOTS TH-44 & 44A
968600058	LUDLOW BAY VILLAGE LOTS TH-45 & 45A
968600059	LUDLOW BAY VILLAGE LOT TH-46
968600060	LUDLOW BAY VILLAGE LOT TH-47
968600061	LUDLOW BAY VILLAGE LOT TH-48
968600062	LUDLOW BAY VILLAGE LOT TH-49
968600063	LUDLOW BAY VILLAGE LOT TH-50
968600064	LUDLOW BAY VILLAGE LOT TH-51
968600065	LUDLOW BAY VILLAGE LOTS TH-52 & 52A
968600066	LUDLOW BAY VILLAGE LOT TH-53
968600009	LUDLOW BAY VILLAGE LOT SF-1
968600010	LUDLOW BAY VILLAGE LOT SF-2
968600011	LUDLOW BAY VILLAGE LOT SF-3
968600012	LUDLOW BAY VILLAGE LOT SF-4
998500028	TIMBERTON VILLAGE PHASE II LOT 28 SUBJ TO EASE
998500029	TIMBERTON VILLAGE PHASE II LOT 29 SUBJ TO EASE
998500030	TIMBERTON VILLAGE PHASE II LOT 30 SUBJ TO EASE
998500031	TIMBERTON VILLAGE PHASE II LOT 31 SUBJ TO EASE
998500034	TIMBERTON VILLAGE PHASE II LOT 34 SUBJ TO EASE

998500035	TIMBERTON VILLAGE PHASE II LOT 35 SUBJ TO EASE
998500036	TIMBERTON VILLAGE PHASE II LOT 36 SUBJ TO EASE
998500037	TIMBERTON VILLAGE PHASE II LOT 37 SUBJ TO EASE
998500038	TIMBERTON VILLAGE PHASE II LOT 38 SUBJ TO EASE
998500039	TIMBERTON VILLAGE PHASE II LOT 39 SUBJ TO EASE
998500040	TIMBERTON VILLAGE PHASE II LOT 40 SUBJ TO EASE
998500046	TIMBERTON VILLAGE PHASE II LOT 46, SUBJ TO EASE
998500050	TIMBERTON VILLAGE PHASE II LOT 50 SUBJ TO EASE
998500051	TIMBERTON VILLAGE PHASE II LOT 51 SUBJ TO EASE
998500052	TIMBERTON VILLAGE PHASE II LOT 52 SUBJ TO EASE
998500054	TIMBERTON VILLAGE PHASE II LOT 54 SUBJ TO EASE
998500055	TIMBERTON VILLAGE PHASE II

998500057	LOT 55 SUBJ TO EASE TIMBERTON VILLAGE PHASE II LOT 57 SUBJ TO EASE
998500058	TIMBERTON VILLAGE PHASE II LOT 58 SUBJ TO EASE
990100005	PORT LUDLOW NO 7 LOT 5 SUBJ TO ESMTS OF RECORD
990100006	PORT LUDLOW NO 7 LOT 6 SUBJ TO ESMTS OF RECORD
990100015	PORT LUDLOW NO 7 LOT 15 SUBJ TO ESMTS OF RECORD
990100019	PORT LUDLOW NO 7 LOT 19/20 SUBJ TO ESMTS OF RECORD
990100021	PORT LUDLOW NO 7 LOT 21 SUBJ TO ESMTS OF RECORD
990100022	PORT LUDLOW NO 7 LOT 22 SUBJ TO ESMTS OF RECORD
821173002	TIMBERTON III

DEED OF TRUST

THIS DEED OF TRUST is made this day of August, 2001, among Port Ludlow Associates LLC, a Washington limited liability company, as Grantor, whose address is c/o HCV Pacific Partners LLC, 625 Market Street, Suite 600, San Francisco, California 94105; Jefferson Title Company, Inc., a Washington corporation, as Trustee, whose address is 2205 Washington Street, P.O. Box 256, Port Townsend, Washington 98368; and Pope Resources, a Delaware limited partnership, as Beneficiary, whose address is 19245 Tenth Avenue N.E., Poulsbo, Washington 98370-0239.

Grantor irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, the property in Jefferson County, Washington, described on *Exhibit A* attached hereto and incorporated herein by reference, together with all interest and estate therein that the Grantor may hereafter acquire and together with the rents, issues, and profits therefrom, all waters and water rights however evidenced or manifested, and all appurtenances, buildings, structures, fixtures, attachments, tenements, and hereditaments, now or hereafter belonging or appertaining thereto (the "Property").

The Property is divided into the following four (4) categories or types of lots, as shown on *Exhibit A*: Type I Lots, Type II Lots, Type III Lots, and Type IV Lots. A Type I Lot is a platted lot improved by a completed single family residence as of the date hereof. A Type II Lot is a platted lot upon which a single family residence is under construction and is fifty percent (50%) or more completed, based on the estimated total construction cost, as of the date hereof. A Type III Lot is a platted lot upon which a single family residence is under construction and is less than fifty percent (50%) completed, based on the estimated total construction cost, as of the date hereof. A Type IV Lot is a vacant platted lot.

Grantor covenants the Property is not used principally for agricultural purposes.

THIS DEED IS FOR THE PURPOSE OF SECURING PAYMENT AND PERFORMANCE of each agreement of Grantor incorporated by reference or contained herein and payment of the sum of FIVE MILLION EIGHT HUNDRED FOURTEEN THOUSAND SEVEN HUNDRED FORTY-TWO DOLLARS (US\$5,814,742.00) with interest thereon and any late charges, according to the terms of a promissory note dated of even date herewith, payable to Beneficiary or order and made by Grantor (the "Note"); all renewals, modifications or extensions thereof; and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

As used herein, "Loan Documents" means the Note, this Deed of Trust, that certain unrecorded Subordination and Release Agreement of even date herewith between Grantor and Beneficiary (the "Subordination and Release Agreement"), and any other document executed by Grantor in connection with the indebtedness secured hereby, including without limitation any loan agreement, and all renewals, modifications and extensions thereof.

The Grantor covenants and agrees as follows:

1. To pay all debts and monies secured hereby, when from any cause the same shall become due. To keep the Property free from statutory and governmental liens of any kind except liens for taxes and assessments not delinquent. That the Grantor is seized in fee simple of the Property and owns outright every part thereof, that he has good right to make this Deed of Trust and that he will forever warrant and defend said Property unto the Beneficiary, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof. The Grantor upon request by mail will furnish a written statement duly acknowledged of the amount due on this Deed of Trust and whether any offsets or defenses exist against the debt secured hereby.
2. To maintain the buildings and other improvements on the Property in a rentable and tenantable condition and state of repair, to neither commit nor suffer any waste, to promptly comply

with all requirements of the Federal, State and Municipal authorities and all other laws, ordinances, regulations, covenants, conditions and restrictions respecting Property or the use thereof, and pay all fees or charges of any kind in connection therewith. Grantor shall permit Beneficiary or its agents the opportunity to inspect the Property, including the interior of any structures, at reasonable times and after reasonable notice.

3. To use best efforts and due diligence to complete construction, within one hundred twenty (120) days after commencement of construction, of a single family residence upon each of the Type II Lots and Type III Lots, pursuant to building permits issued by Jefferson County, Washington, including all reasonably necessary appurtenances thereto, which shall include without limitation foundations, framing, sheathing, siding, windows, doors, walls, roofing, painting, and insulation; piping and plumbing fixtures; electrical distribution systems, outlets, and lighting fixtures; heating systems; carpeting and other floor finishes; window coverings; lawns, trees, shrubbery, and other landscaping; and concrete driveways.

4. To use best efforts and due diligence to sell the Type I Lots, Type II Lots, Type III Lots, and Type IV Lots, to bona fide purchasers for fair market value, which shall include continuously and exclusively listing such lots for sale with a licensed real estate broker and paying fair and reasonable listing and sales commissions to such brokers upon closing, subject to *Sections 10 and 13* hereof.

5. To maintain unceasingly, property insurance with premiums prepaid, on all of the Property, or hereafter becoming part of Property, against loss by fire and other causes of loss, and with such endorsements, as may be reasonably required from time to time by the Beneficiary. Such insurance shall be in such amounts and for such periods of time as Beneficiary reasonably designates and shall include a standard mortgagee clause, and/or a loss payee endorsement (without contribution) in favor of and in form satisfactory to Beneficiary. The foregoing notwithstanding, Grantor shall not be required to maintain insurance against loss by war damage, nuclear accident, flood, or earthquake unless it is available at commercially reasonable rates. Grantor covenants upon demand on Beneficiary to deliver to Beneficiary such policies and evidences of payment of premiums as Beneficiary requests.

6. To pay in full at least ten (10) days before delinquent all rents, taxes, assessments, encumbrances, charges, or liens with interest, that may now or hereafter be levied, assessed or claimed upon the Property that is the subject of this Deed of Trust or any part thereof, which at any time appear to be prior or superior hereto for which provision has not been made heretofore, and upon request will exhibit to Beneficiary official receipts therefor, and to pay all taxes imposed upon, reasonable costs, fees, and expenses of this Trust; *provided, however*, that Grantor, at its sole cost and expense and after written notice and furnishing of an appropriate bond to Beneficiary, may contest any rents, taxes, assessments, encumbrances, charges, or liens by appropriate proceedings conducted in good faith and with due diligence. On default under this paragraph, Beneficiary may, at its option, pay any such sums, without waiver of any other right of Beneficiary by reason of such default of Grantor, and Beneficiary shall not be liable to Grantor for a failure to exercise any such option.

7. To repay within ten (10) days upon written demand to Grantor all sums expended or advanced under the Loan Documents by or on behalf of Beneficiary or Trustee, with interest from the date of such advance or expenditure at the rate provided in the Note until paid, and the repayment thereof shall be secured hereby. Failure to repay such expenditure or advance and interest thereon within ten (10) days of delivery of such demand will, at Beneficiary's option, constitute an event of default hereunder. All sums expended or advanced by or on behalf of Beneficiary or Trustee in satisfaction of any obligation of Grantor under the Loan Documents and any other loan documents to which Grantor is a party and under which the Property is subject to a lien shall be paid by Grantor to Beneficiary within ten (10) days of delivery of Beneficiary's written demand, and such repayment obligation shall be secured by this Deed of Trust.

7

8. Time is of the essence hereof in connection with all obligations of the Grantor herein or in the Note. By accepting payment of any amount secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

9. All sums secured hereby shall become immediately due and payable, at the option of the Beneficiary without demand or notice, after any of the following occur, each of which shall be an Event of Default: (a) default by Grantor in the payment of any indebtedness secured hereby and expiration of any applicable cure period provided for in the Note without such default having been cured, (b) default in the performance or observance of any other agreement contained herein or secured hereby and expiration of any applicable cure period provided for herein or in any other Loan Document without such default having been cured; or (c) if Grantor or any party liable on the Note (including guarantors) shall make any assignment for the benefit of creditors or shall permit the institution of any proceedings under any federal or state statutes pertaining to bankruptcy, insolvency, arrangement, dissolution, liquidation or receivership, whether or not an order for relief is entered. In the event of a default, Beneficiary may declare all amounts owed under the Loan Documents immediately due and payable without demand or notice and/or exercise its rights and remedies under the Loan Documents and applicable law including foreclosure of this Deed of Trust judicially or nonjudicially by the Trustee pursuant to the power of sale. Beneficiary's exercise of any of its rights and remedies shall not constitute a waiver or cure of a default. Beneficiary's failure to enforce any default shall not constitute a waiver of the default or any subsequent default. Grantor agrees to pay all reasonable costs, including reasonable attorneys' fees, accountants' fees, appraisal and inspection fees and cost of a title report, incurred by Beneficiary in connection with collection of the Note or any foreclosure of this Deed of Trust, which costs shall be included in the indebtedness secured hereby; and in any suit, action or proceeding (including arbitration or bankruptcy proceedings), or any appeal therefrom, to enforce or interpret the Note or any other Loan Document, or to foreclose this Deed of Trust, the prevailing party shall be entitled to recover its costs incurred therein, including reasonable attorneys fees and costs of litigation. The Property may be sold separately or as a whole, at the option of Beneficiary. Trustee and/or Beneficiary may also realize on any personal property in accordance with the remedies available under the Uniform Commercial Code or at law. In the event of a foreclosure sale, Grantor and the holders of any subordinate liens or security interests waive any equitable, statutory or other right they may have to require marshaling of assets or foreclosure in the inverse order of alienation. Beneficiary may at any time discharge the Trustee and appoint a successor Trustee who shall have all of the powers of the original Trustee.

10. Except for those instances in which Grantor pays Beneficiary a Release Fee at the closing of a Property lot sale as described at *Section 13* below and in the Subordination and Release Agreement, if the Property or any part thereof or any interest therein is sold, conveyed, transferred, encumbered, or full possessory rights therein transferred, or if a controlling interest in Grantor (if a corporation or limited liability company) or a general partnership interest in Grantor (if a partnership) is sold, conveyed, transferred or encumbered, without the prior written consent of the Beneficiary, then Beneficiary may declare all sums secured by the Deed of Trust immediately due and payable. This provision shall apply to each and every sale, transfer, conveyance or encumbrance regardless of whether or not Beneficiary has consented or waived its rights, whether by action, or nonaction, in connection with any previous sale, transfer, conveyance, or encumbrance, whether one or more. Notwithstanding the foregoing, Grantor may sell, convey, transfer, or encumber the Property or any part thereof or any interest therein to any affiliate of Grantor, or to any limited partnership, general partnership, co-tenancy, or a limited liability company that is controlled or managed directly or indirectly by Grantor (an "Approved Transferee"). Notwithstanding any sale, conveyance, transfer, or encumbrance, in no event shall Grantor be released from any obligations under the Loan Documents.

11.

8

11.1 Beneficiary may commence, appear in, and defend any action or proceeding which may affect the Property or the rights or powers of Beneficiary or Trustee.

11.2 If Beneficiary so requires following the occurrence of a default hereunder, Grantor shall pay to Beneficiary monthly, together with and in addition to any payments of principal and/or interest due under the Note, a sum, as estimated by the Beneficiary, equal to the ground rents, if any, the real estate taxes and assessments next due on the Property and the premiums next due on insurance policies required under this Deed of Trust, less all sums already paid therefor, divided by the number of months to elapse before 2 months prior to the date when the ground rents, real estate taxes, assessments and insurance premiums will become delinquent, to be held by Beneficiary without interest and used to pay such items when due.

11.3 This Deed of Trust shall also serve as a financing statement filed for record in the real estate records as a fixture filing pursuant to the Uniform Commercial Code. To the extent applicable, this is a security agreement under the Uniform Commercial Code.

11.4 If any payment made or to be made under the Loan Documents shall constitute a violation of the applicable usury laws, then the payment made or to be made shall be reduced so that in no event shall any obligor pay or Beneficiary receive an amount in excess of the maximum amount permitted by the applicable usury laws.

11.5 If Grantor is in default, any tender of payment sufficient to satisfy all sums due hereunder or under the Note or other documents secured hereby, if any, made at any time prior to foreclosure sale shall constitute an evasion of the prepayment terms of the Note, if any, and shall be deemed a voluntary pre-payment. Any such payment, to the extent permitted by law, shall include the additional payment required under the prepayment privilege in the Note or if at that time there is no prepayment privilege, then such payment, to the extent permitted by law, will include an additional payment of 5% of the then principal balance.

11.6 The right, duties, liabilities and obligations of the parties under the Note shall be construed and governed by and under the laws of the State of Washington. The right, duties, liabilities, and obligations of the parties with respect to the Property shall be governed by the laws of the state where the Property is located. It is the intent of the parties that, to the fullest extent allowable by law, the law of the State of Washington shall apply to the transaction of which this Deed of Trust is a part.

12. Grantor agrees to provide written notice to Beneficiary immediately upon Grantor becoming aware that the Property or any adjacent property is being or has been contaminated after the date hereof with hazardous or toxic waste or substances. Grantor will not cause nor permit any activities on the Property that directly or indirectly could result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances in violation of any applicable law, regulation, or ordinance. For purposes of this Deed of Trust, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term by any applicable federal, state or local statute, regulation or ordinance now or hereafter in effect. Grantor shall promptly comply with all statutes, regulations and ordinances which apply to Grantor or the Property, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction by which Grantor is bound, relating to the use, collection, storage, treatment, transportation, disposal, control, removal or cleanup of hazardous or toxic substances in, on or under the Property or in, on or under any adjacent property that becomes contaminated after the date hereof with hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Property, at Grantor's expense. Beneficiary may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its

interest as Beneficiary; and whether or not Grantor has actual knowledge of the existence of hazardous or toxic substances in, on or under the Property or any adjacent property as of the date hereof.

13. From time to time during the term hereof, Beneficiary shall grant partial releases of the lien of this Deed of Trust as to portions of the Property, subject to Grantor's compliance with and satisfaction of the requirements, terms, and conditions set forth within the Subordination and Release Agreement.

14. During the term hereof, Beneficiary shall mutually execute and deliver a subordination agreement with Grantor's construction lender to subordinate the lien of this Deed of Trust as to certain of the Type III Lots and Type IV Lots, according to the requirements, terms, and conditions set forth in the Subordination and Release Agreement.

EXECUTED as of the day and year first above written.

GRANTOR:

Port Ludlow Associates LLC, a Washington limited liability company

By West Coast Northwest Pacific Partners LLC, a Washington limited liability company, its manager

By: /s/ RANDALL J. VERRUE

Randall J. Verrue
Its President

EXHIBIT:

A—Legal Description of Property

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this day of August, 2001, before me, a Notary Public in and for the State of Washington, personally appeared RANDALL J. VERRUE, 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 was authorized to execute the instrument, and acknowledged it as the PRESIDENT of WEST COAST NORTHWEST PACIFIC PARTNERS LLC, a Washington limited liability company, the manager of PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company, 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

11

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

TYPE I LOTS

Lots 9, 94 and 99, Teal Lake Village, as per plat recorded in Volume 6 of Plats, pages 186 through 197, which is an amendment to Volume 6 of Plats, pages 158 through 169, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lots 50 and 51 of Timberton Village Phase II as recorded in Volume 7 of plats, pages 107 through 112, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lots 11, 30 and 36, Woodridge Village, Division I, as per plat recorded in Volume 7 of plats, pages 47 through 50, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

TYPE II LOTS

Lot 15, Teal Lake Village, as per plat recorded in Volume 6 of Plats, pages 186 through 197, which is an amendment to Volume 6 of Plats, pages 158 through 169, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lot 34 of Timberton Village Phase II as recorded in Volume 7 of plats, pages 107 through 112, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lot 27, Woodridge Village, Division I, as per plat recorded in Volume 7 of plats, pages 47 through 50, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

TYPE III LOTS

Lot 15, Port Ludlow No. 7, as recorded in Volume 7 of Plats, pages 76 through 83, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lots 16, 17, 18 and 78, Teal Lake Village, as per plat recorded in Volume 6 of Plats, pages 186 through 197, which is an amendment to Volume 6 of Plats, pages 158 through 169, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lot 28, Woodridge Village, Division I, as per plat recorded in Volume 7 of plats, pages 47 through 50, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

12

TYPE IV LOTS

Parcels TH14 through TH53 inclusive, 16A, 28A, 29A, 44A, 45A, 52A and SF1 through SF4, inclusive, as shown on the face of Ludlow Bay Village, as per plat recorded in Volume 6 of Plats, pages 228 through 233, records of Jefferson County, Washington.

TOGETHER WITH a perpetual non-exclusive easement over and across Tract "A" as shown on the final plat for access, ingress and egress along the private roadway located therein.

Situate in the County of Jefferson, State of Washington.

Lots 1 and 2 of Ludlow Point Village Division IV as recorded in Volume 6 of Plats pages 216 through 222, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lots 5, 6, 21, 22 and Lots 19/20, consisting of that combined property formerly consisting of Lots 19 and 20, Port Ludlow No. 7, as recorded in Volume 7 of Plats, pages 76 through 83, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lots 74 through 77, Teal Lake Village, as per plat recorded in Volume 6 of Plats, pages 186 through 197, which is an amendment to Volume 6 of Plats, pages 158 through 169, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

Lot 17, Timberton Village, Phase I, as per plat recorded in Volume 7 of Plats, page 16, records of Jefferson County, Washington.

EXCEPT the Northwesterly 5 feet thereof adjoining Lot 18 of said plat.

TOGETHER WITH the adjoining 5 feet of Lot 16 of said plat.

Situate in the County of Jefferson, State of Washington.

Lots 28 through 31, Lots 35, 36, 37 through 40, 52, 54, 55, 57 and 58 of Timberton Village Phase II as recorded in Volume 7 of plats, pages 107 through 112, records of Jefferson County, Washington.

ALSO Lot 46 together with that portion of Tract "C" of Timberton Village Phase II as recorded in Volume 7 of Plats at page 107 records of Jefferson County, Washington, lying between the Easterly line of Lot 46 of said Timberton Village Phase II, and the Westerly right-of-way margin of Timber Ridge Drive and Southerly of the Northerly line of said Lot 46 extended Easterly to intersect the Westerly right of way margin of said Timber Ridge Drive.

Situate in the County of Jefferson, State of Washington.

Lots 19, 23 through 26, Woodridge Village, Division I, as per plat recorded in Volume 7 of plats, pages 47 through 50, records of Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

All residential building lots now existing or hereafter subdivided within the following described parcel (commonly known as the proposed plat of **Timberton Village Phase III**):

Revised Parcel "B" of BLA recorded under AFN 440088 being described as:

That portion of the southwest quarter of Section 17, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington, more particularly described as follows:

COMMENCING at the south quarter corner of said Section 17;

13

THENCE along the south line of said southwest quarter of Section 17, N 88°12'07" W, 637.48 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said south line, N 88°12'07" W, 812.73 feet to a line parallel with the east line of said southwest quarter;

THENCE along said parallel line, N 00°49'24" E, 771.12 feet;

THENCE N 77°03'46" E, 139.89 feet to a line which lies 60.00 feet southerly from AND parallel with the southerly margin of Tract A of "Timberton Village Phase I", filed in Volume 7 of Plats, pages 16 through 23, Records of Jefferson County, Washington, and a point of curvature;

THENCE along said parallel line AND along the southerly margin of Timberton Drive, the following courses:

Northeasterly 34.69 feet along the arc of a tangent curve to the left, having a radius of 410.00 feet, through a central angle of 04°50'50" to a point of reverse curvature;

Easterly 197.04 feet along the arc of a tangent curve to the right, having a radius of 350.00 feet, through a central angle of 32°15'20" to a point of tangency;

S 75°31'55" E, 70.64 feet to a point of curvature;

Southeasterly 305.34 feet along the arc of a tangent curve to the right, having a radius of 350.00 feet, through a central angle of 49°59'05" to a point of tangency;

S 25°32'50" E, 299.29 feet to a point of curvature;

Easterly 474.85 feet along the arc of a tangent curve to the left, having a radius of 280.00 feet, through a central angle of 97°10'00";

THENCE leaving said southerly margin, S 57°17'10" W, 466.67 feet to said south line of the southwest quarter of Section 17 AND the TRUE POINT OF BEGINNING.

QuickLinks

[Exhibit 10.23](#)

[DEED OF TRUST](#)

[Attachment 1](#)

[DEED OF TRUST](#)

[EXHIBIT A LEGAL DESCRIPTION OF PROPERTY](#)

SUBORDINATION AND RELEASE AGREEMENT

THIS SUBORDINATION AND RELEASE AGREEMENT (this "Agreement") is entered into as of August , 2001, by and between PORT LUDLOW ASSOCIATES LLC, a Washington limited liability company ("Grantor"), and POPE RESOURCES, a Delaware limited partnership ("Beneficiary").

RECITALS

A. Beneficiary is beneficiary and Grantor is grantor under that certain Deed of Trust of even date herewith (the "Pope Deed of Trust") encumbering residential lots in the unincorporated master planned resort area commonly known as Port Ludlow, Jefferson County, Washington, as more particularly described in the Pope Deed of Trust (the "Lots"). The Pope Deed of Trust secures Grantor's obligations to Beneficiary under a Promissory Note in the original principal amount US\$5,814,742.00 of even date herewith (the "Pope Note") and other obligations described in the Pope Deed of Trust.

B. Grantor has acquired title to the Lots in contemplation of constructing and developing residences and related improvements on the Lots, as further described in the Pope Deed of Trust.

C. It is the intent and desire of Beneficiary and Grantor to set forth certain provisions pertaining to subordination and partial release of the lien of the Pope Deed of Trust in this unrecorded Agreement rather than in the Pope Deed of Trust. The Pope Deed of Trust makes reference to this Agreement.

NOW, THEREFORE, the parties agree as follows:

AGREEMENT

1. *Subordination.* Beneficiary agrees that it will subordinate the lien of the Pope Deed of Trust to the lien of a future mortgage or deed of trust (the "Construction Deed of Trust") given to secure Grantor's obligations under a revolving loan for the purpose of constructing houses and related improvements on the Lots (the "Construction Loan"), subject to the following terms and conditions:

a. The aggregate amounts secured by the Pope Deed of Trust (including principal, interest, and late charges due under the Pope Note and all obligations of Grantee paid or performed by Beneficiary for Grantee's account as provided under the Pope Deed of Trust), Construction Deed of Trust, and all other financial encumbrances on the Lots (except liens for taxes and assessments, including without limitation homeowners association assessments, not yet due and payable) shall not exceed at any time eighty percent (80%) of the aggregate fair market value of all Lots encumbered by the Pope Deed of Trust from time to time. The agreement or agreements under which Beneficiary shall agree to the subordination of the lien of the Pope Deed of Trust to the lien of the Construction Deed of Trust shall contain reasonably sufficient provisions to ensure compliance by Grantor and Grantor's construction lender with the foregoing limitation.

b. Beneficiary shall not subordinate the lien of the Pope Deed of Trust on (i) any of the Lots improved by a completed single family residence as of the date hereof ("Type I Lots"), or (ii) any of the Lots upon which a single family residence is under construction and is fifty percent (50%) or more completed, based on the estimated total construction cost, as of the date hereof ("Type II Lots"). The Type I Lots and Type II Lots are described on *Exhibit A* hereto.

c. Beneficiary shall not be required to subordinate the lien of the Pope Deed of Trust to more than one (1) financial encumbrance at any time.

d. The Construction Loan shall be made solely for the purpose of constructing houses and related improvements on the Lots (including permitting, design, engineering and direct

construction management related to such construction but excluding Grantor's overhead), and funding closing costs and other costs directly related to such loan, and all sums so borrowed by Grantor shall be used only for those purposes.

e. The amount drawn and outstanding under the Construction Loan shall be limited to an amount reasonably necessary to consummate the loan and to construct the improvements on the Lots to be constructed with the proceeds thereof, which improvements shall be specifically described in agreements and documents relating to the Construction Loan. The terms and conditions of any Construction Loan and all documents in connection therewith (including the Construction Deed of Trust) shall be subject to Beneficiary's prior written approval, which approval shall not be unreasonably withheld or delayed provided all such terms and conditions conform with the requirements of this Agreement. The foregoing notwithstanding, Beneficiary shall not disapprove any proposed Construction Loan by reason of the term of such loan or the interest rate to be paid by Grantor thereunder, so long as all other requirements of this Agreement are met. It is understood that the Construction Loan may be in the form of a revolving credit under which individual "loans" are made for construction on each Lot.

f. Without limiting the generality of Beneficiary's rights of review and approval of Grantor's Construction Loan documents, the Construction Deed of Trust and Construction Loan agreement shall expressly provide (i) that the Construction Loan shall be used solely for the purposes permitted under this Agreement; (ii) that in the event of any failure of performance by Grantor under or in connection with the Construction Loan, the beneficiary under the Construction Deed of Trust shall give written notice of such failure to Beneficiary and a reasonable opportunity to cure such failure before declaring a default under the Construction Deed of Trust or the Construction Loan; and (iii) a procedure or mechanism to ensure that the aggregate amounts secured by the Pope Deed of Trust, Construction Deed of Trust, and all other financial encumbrances on the Lots (except liens for taxes and assessments not yet due and payable and homeowner association liens arising under any recorded declaration of covenants, conditions, and restrictions) shall not exceed at any time eighty percent (80%) of the aggregate fair market value of all Lots encumbered by the Pope Deed of Trust from time to time.

g. No subordination of the lien of the Pope Deed of Trust to any other lien or encumbrance shall be effective unless evidenced by a subordination instrument executed and delivered by Beneficiary and recorded in the Official Records of Jefferson County.

h. Grantor covenants and agrees that it will not cause or permit the aggregate amounts secured by the Pope Deed of Trust, Construction Deed of Trust, and all other financial encumbrances on the Lots (except liens for taxes and assessments not yet due and payable and homeowner association liens arising under any recorded declaration of covenants, conditions, and restrictions) to exceed at any time eighty percent (80%) of the aggregate fair market value of all Lots encumbered by the Pope Deed of Trust from time to time.

2. *Partial Release.* Grantor shall have the right to sell, transfer, and convey title to individual Lots, or to grant a Construction Deed of Trust as to individual Lots, and Beneficiary shall release the lien of the Pope Deed of Trust from title to each Lot so sold, transferred, conveyed, or encumbered concurrently with such transfer and conveyance or encumbrance, provided that (i) Grantor shall pay to Beneficiary the release price ("Release Price") set forth on *Exhibit B* hereto, subject to adjustment as provided below, (ii) in the case of any sale, transfer, or conveyance of title, each Lot so released shall be sold, transferred, or conveyed in a bona fide sales transaction, (iii) no material default under the Pope Note or Pope Deed of Trust shall have occurred and be continuing, (iv) Grantor shall have given Beneficiary at least seven (7) days prior written notice and shall have complied with all other terms and conditions of this Agreement, and (v) the partial release shall not impair the validity of the lien of the Pope Deed of Trust as to the remaining Lots. It is expressly understood that the terms of this *Section 2*

2

shall not apply to the sale, conveyance, or transfer of all or a portion of the Property to an Approved Transferee in accordance with Section 10 of the Pope Deed of Trust.

a. The Release Price shall be paid by Grantor to Beneficiary through an escrow established for the transfer, conveyance or encumbrance of the Lot to be released hereunder, and the amount of the Release Price shall be treated as a payment under the Pope Note, to be applied first to interest accrued under the Pope Note and thereafter to principal.

b. The parties acknowledge that the Release Prices reflect a reasonable allocation among the Lots of the total original principal amount under the Pope Note (increased by twenty percent (20%) to provide for repayment of unpaid principal and accrued interest due under the Pope Note) to each Lot based upon the respective values of the Lots and other relevant factors (such as the state of improvement of each Lot) as of the date of this Agreement. Grantor shall have the right from time to time to propose revisions to the schedule of Release Prices, to which Pope shall not unreasonably withhold or delay its consent, provided that any revision to the schedule of Release Prices shall not (i) decrease the aggregate of all Release Prices, (ii) impair Beneficiary's security under the Pope Deed of Trust, or (iii) decrease the rate of repayment of amounts due under the Pope Note.

c. It shall be a further condition to the release of any Lot from the lien of the Pope Deed of Trust that Grantor shall provide a written notice to Beneficiary at least seven (7) days prior to the date that Grantor intends to transfer or convey title to such Lot free of the lien created by the Pope Deed of Trust. Such written notice shall specify the Lot to be released hereunder, certification by Grantor that the Lot to be released will be sold, transferred or conveyed in a bona fide sales transaction, and the Release Price to be paid by Grantor to Beneficiary as a condition to the release of lien. Such written notice shall be accompanied by (i) a completed Request for Partial Reconveyance relating to the Lot to be released, and (ii) a proposed form of Beneficiary's escrow instructions to the escrow officer who will close the sale of the Lot. Grantor shall be solely liable for payment of all reconveyance fees and recording fees relating to partial releases of the lien of the Pope Deed of Trust under this Agreement.

3. *Repayment of Note.* Grantor covenants and agrees, in the case of any sale, transfer, or conveyance of title to any Lot in a bona fide sales transaction, to pay to Grantor upon the closing of such sale, transfer, or conveyance a sum equal to the Release Price applicable to such Lot, in partial repayment of accrued interest, principal, and other amounts due under the Pope Note.

4. *Default.* Any failure by Grantor to make any payment or to perform or observe any of the obligations under this Agreement shall be deemed a default under the Pope Deed of Trust, if (i) in the event of a failure to perform or observe any obligation requiring only the payment of money by Grantor to Beneficiary, such failure continues for a period of ten (10) days after written notice from Beneficiary, or (ii) in the event of a failure to perform or observe any other obligation under this Agreement, such failure continues for a period of thirty (30) days after written notice to Grantor from Beneficiary, or for such longer period as may be reasonably required to cure such failure (provided that Grantor promptly commences such cure upon receipt of notice from Beneficiary and diligently prosecutes such cure to completion). In the event of such breach or default, Beneficiary shall be entitled to exercise any and all rights and remedies provided in the Pope Deed of Trust or under law.

5. *No Recordation.* Neither party shall record this Agreement or any memorandum thereof without the express written consent of the other party.

6. *Definitions.* Any capitalized term used in this Agreement and not otherwise defined herein shall have the same definition as set forth for such term in the Pope Deed of Trust and Pope Note.

7. *No Modification.* No term or provision of this Agreement is intended to modify any term or provision of the Pope Deed of Trust or Pope Note or to limit or impair the obligations of either party

3

thereunder. This Agreement may not be modified or amended except with a written instrument executed by both parties hereto or their respective successors-in-interest.

IN WITNESS WHEREOF, Grantor and Beneficiary have executed this Agreement as of the date first written above.

GRANTOR:

PORT LUDLOW ASSOCIATES LLC, a
Washington limited liability company

By WEST COAST NORTHWEST PACIFIC
PARTNERS LLC, a Washington limited liability
company, its manager

- TMB1 = Timberton Village Phase 1
- TMB2 = Timberton Village Phase 2

- TMB3 = Timberton Village Phase 3
- WRV 1 = Woodridge Village Division 1
- LBV TH = Ludlow Bay Village Town Home Lot
- LBV SFL = Ludlow Bay Village Single Family Lot

Subdivision	Lot #	Release Price (in US dollars)	
LPV	1	21,182.21	
LPV	2	21,182.21	
PL7	5	16,141.40	
PL7	6	20,175.70	
PL7	15	174,361.89	
PL7	20	30,264.60	
PL7	21	18,158.55	
PL7	22	18,835.17	
TLV	9	229,230.95	
TLV	15	184,396.80	
TLV	16	74,759.35	
TLV	17	27,570.84	
TLV	18	113,955.52	
TLV	19	203,309.26	*
TLV	74	17,836.65	
TLV	75	22,608.98	
TLV	76	22,608.98	
TLV	77	22,608.98	
TLV	78	64,304.07	
TLV	94	223,840.74	*
TLV	95	230,221.48	*
TLV	99	209,030.33	
TMB 1	17	29,390.09	
TMB 2	28	28,071.68	
TMB 2	29	28,336.40	
TMB 2	30	28,071.68	
TMB 2	31	28,071.68	
TMB 2	33	223,342.01	*
TMB 2	34	149,569.53	
TMB 2	35	64,623.85	
TMB 2	36	61,073.46	
TMB 2	37	49,390.96	

TMB 2	38	42,108.06	
TMB 2	39	35,089.87	
TMB 2	40	28,071.68	
TMB 2	46	31,611.48	
TMB 2	50	233,829.05	
TMB 2	51	205,142.16	
TMB 2	52	35,120.58	
TMB 2	54	28,102.39	
TMB 2	55	28,367.11	
TMB 2	57	28,367.11	
TMB 2	58	24,593.30	
TMB 3	60	45,281.01	
TMB 3	61	41,507.59	
TMB 3	62	43,394.30	
TMB 3	63	37,734.17	
TMB 3	64	33,960.76	
TMB 3	65	39,620.88	
TMB 3	66	41,507.59	
TMB 3	67	43,394.30	
TMB 3	68	45,281.01	
TMB 3	69	28,300.63	
TMB 3	70	28,300.63	
TMB 3	71	32,074.05	
TMB 3	72	30,187.34	
TMB 3	73	28,300.63	
TMB 3	74	28,300.63	
TMB 3	75	30,187.34	
TMB 3	76	24,527.21	
TMB 3	77	24,527.21	
TMB 3	78	24,527.21	
WRV 1	11	480,213.11	

WRV 1	19	47,355.81	
WRV 1	23	37,454.33	
WRV 1	24	34,778.56	
WRV 1	25	34,778.56	
WRV 1	26	34,778.56	
WRV 1	27	149,932.72	
WRV 1	28	54,711.78	
WRV 1	30	230,345.37	*
WRV 1	36	436,114.38	
LBV TH	4	62,026.87	
LBV TH	4	62,026.87	
LBV TH	4	62,026.87	
LBV TH	4	62,026.87	
LBV TH	4	62,026.87	
LBV TH	5	40,182.35	
LBV TH	5	40,182.35	
LBV TH	5	40,182.35	
LBV TH	6	21,973.41	

7

LBV TH	6	21,973.41	
LBV TH	6	21,973.41	
LBV TH	6	21,973.41	
LBV TH	7	38,116.68	
LBV TH	7	38,116.68	
LBV TH	7	38,116.68	
LBV TH	7	38,116.68	
LBV TH	7	38,116.68	
LBV TH	7	38,116.68	
LBV TH	8	18,922.67	
LBV TH	8	18,922.67	
LBV TH	9	18,922.67	
LBV TH	9	18,922.67	
LBV TH	10	20,976.08	
LBV TH	10	20,976.08	
LBV TH	10	20,976.08	
LBV TH	10	20,976.08	
LBV TH	11	19,454.67	
LBV TH	11	19,454.67	
LBV TH	11	19,454.67	
LBV TH	11	19,454.67	
LBV TH	12	20,068.70	
LBV TH	12	20,068.70	
LBV TH	12	20,068.70	
LBV TH	13	14,390.66	
LBV TH	13	14,390.66	
LBV TH	13	14,390.66	
LBV TH	13	14,390.66	
LBV TH	14	15,075.21	
LBV TH	14	15,075.21	
LBV TH	14	15,075.21	
LBV TH	14	15,075.21	
LBV SFL	1	71,185.51	
LBV SFL	2	71,185.51	
LBV SFL	3	71,185.51	
LBV SFL	4	71,185.51	

6,977,690.23

* TMB2 Lot 33, TLV Lot 95, and TLV Lot 19 have been sold by Olympic Real Estate Development LLC ("ORED"), an affiliate of Pope Resources, to third parties in bona fide transactions after June 21, 2001, and prior to the date hereof. TLV Lot 94 and WRV 1 Lot 30 might be sold by ORED to a third party in a bona fide transaction after June 21, 2001, and prior to the date hereof. Any Lot sold by ORED to a third party prior the date hereof is not subject to payment of a Release Price.

8

[SUBORDINATION AND RELEASE AGREEMENT](#)

[RECITALS](#)

[AGREEMENT](#)

[EXHIBIT A LEGAL DESCRIPTION OF PROPERTY \(NOT SUBJECT TO SUBORDINATION\)](#)

[EXHIBIT B RELEASE PRICES](#)

19245 Tenth Avenue Northeast
Poulsbo, WA 98370

Contact: Tom Ringo
Vice President & CFO
360.394.0520
Fax 360.697.1156

NEWS RELEASE

FOR IMMEDIATE RELEASE

Nasdaq: POPEZ

August 8, 2001

POPE RESOURCES ANNOUNCES CLOSING OF PORT LUDLOW RESORT SALE

Pope Resources (Nasdaq: POPEZ) announced today that it has closed the sale of its 1,300 acre Port Ludlow, Washington resort and real estate development assets to Port Ludlow Associates LLC, a new ownership entity formed by HCV Pacific Partners LLC. The resort assets include the 37-room Heron Beach Inn, a 300-slip saltwater marina, a 27-hole championship golf course, conference center, commercial center, RV park, a restaurant/lounge and related facilities, and water and sewer utilities serving the area. The real estate development assets include approximately 100 developed lots and raw land for the development of 450 additional residential lots that will complete the build-out of this master planned resort community.

Total consideration was approximately \$16.7 million, of which approximately two-thirds was in cash and one-third in the form of a three-year note. Cash proceeds will be used to pay down debt associated with the Partnership's recent timberland acquisition in southwest Washington.

Pope Resources, a publicly traded limited partnership, and its subsidiary, Olympic Resource Management, own or manage over 600,000 acres of timberland and development property in Washington, Oregon, California, and British Columbia. In addition, it provides forestry consulting and timberland investment management services to third-party owners and managers of timberland. The company and its predecessor companies have owned and managed timberlands and development properties for more than 150 years. Additional information on the company can be found at www.orm.com.