

# MOUNTAINSTAR RESORT

## RESIDENTIAL LOTS

### PUBLIC OFFERING STATEMENT

Pursuant to the Washington Land Development Act, RCW ch. 58.19 (the "Act"), the following notices and information are provided by MountainStar Resort Development, LLC, the "Developer" of 413 lots (each a "Lot" and together the "Lots") in MountainStar Resort located in Kittitas County, Washington. The first phase of 247 Lots is shown on the plat of MountainStar Division 1-A and is referred to herein as "Division 1." The second phase of 166 Lots is shown on the plat of MountainStar Phase 1, Division 2 and is referred to herein as "Division 2." In some sections of this document, we use the words "You" and "Your" to refer to the purchaser and the words "We", "Us" and "Our" to refer to the Developer.

#### A. PURCHASER'S RIGHT TO SEEK LEGAL COUNSEL

**This Public Offering Statement is only a summary of some of the significant aspects of purchasing an interest in this Development and any documents which may govern or affect the Development may be complex, may contain other important information, and may create binding legal obligations. You should consider seeking the assistance of legal counsel.**

#### B. WARRANTIES

**A purchaser may not rely on any representation or express warranty unless it is contained in this Public Offering Statement or made in writing signed by the Developer or by any person identified in the Public Offering Statement as the Developer's agent.**

#### C. PURCHASER'S RIGHT TO CANCEL

**1. The purchaser of a Lot in this Development is entitled to receive a copy of this Public Offering Statement and all material amendments hereto before conveyance of the Lot. Unless a purchaser is given the Public Offering Statement more than two days before execution of a contract for the purchase of a Lot, the purchaser, before conveyance, shall have the right to cancel the contract within two days after first receiving the Public Offering Statement. If necessary in order to have two days to review the Public Offering Statement and cancel the contract, the purchaser may extend the closing date for conveyance of the Lot to a date not more than two days after first receiving the Public Offering Statement. The purchaser shall have no right to cancel the contract upon receipt of an amendment to the Public Offering Statement unless the purchaser would have that right under generally applicable legal principles. The two day period shall not include Saturdays, Sundays, or legal holidays.**

2. If a purchaser elects to so cancel a contract, the purchaser may do so by hand delivering notice thereof to the Developer or by mailing notice thereof by prepaid United States mail to the Developer or Developer's agent for service of process. Cancellation, in accordance with this Section C, is without penalty, and all payments made by the purchaser before cancellation shall be refunded promptly. The address of the Developer to which any such notice of cancellation should be delivered or mailed is:

**Mail:** MountainStar Resort  
P.O. Box 887  
Attn: Sales Department  
Roslyn, WA 98941

**Delivery:** MountainStar Resort  
109 South 1<sup>st</sup> Street  
Roslyn, WA 98941

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**D. INFORMATION ABOUT MOUNTAINSTAR RESORT**

This part of the Public Offering Statement contains specific information about this Development, which has been prepared by the Developer.

**1. Development.** The name and address of the Development is:

MountainStar Resort  
4244 Bullfrog Road  
Roslyn, Washington 98941

**2. Developer.** The Developer's name and address is:

MountainStar Resort Development, LLC  
109 So. 1<sup>st</sup> Street  
P.O. Box 887  
Roslyn, WA 98941

**3. Management Company.** The name and address of the management company is:

Development will be initially managed by Developer or an affiliate of Developer.

**4. Relationship of Management Company and Developer.** The relationship, if any, of the management company to Developer is: Same entity or an affiliate of the Developer.

5. **Interest Offered.** The nature of the interest being offered for sale is fee simple. The transfer of legal title will be accomplished by delivery of a Statutory Warranty Deed which is free and clear of all monetary liens and encumbrances.
6. **Permitted Uses and Use Restrictions.** Lots within the plats of MountainStar Division 1A and MountainStar Phase 1, Division 2 are subject to restrictive covenants contained in the Declaration of Covenants, Conditions, Restrictions and Easements for MountainStar Resort Residential Areas recorded on August 21, 2003 under Kittitas County Auditor's File No. 200308210008 ("Residential Declaration"). Lots within the plat of MountainStar Division 1A are also subject to the first supplemental residential declaration recorded on August 21, 2003 under Kittitas County Auditor's File No. 200308210009; and Lots within the plat of MountainStar Phase 1, Division 2 are subject to the third supplemental residential declaration recorded on January 8, 2004 under Kittitas County Recording No. 200401080028, collectively the "Supplemental Declaration." All Lots within the Development are also subject to restrictive covenants contained in the Declaration of Covenants and Easements for MountainStar Resort Community Improvements recorded on August 21, 2003 under Kittitas County Auditor's File No. 200308210007 as amended by the first amendment recorded on November 18, 2003 under Kittitas County Recording No. 200311180020 and as supplemented by the first supplement recorded on January 12, 2004 under Kittitas County Recording No. 200401120035 ("Community Improvements Declaration"). The Residential Declaration contains provisions which require you to secure permissions, approvals and the taking of other action prior to using or disposing of your Lot. The major provisions of these restrictions will be discussed in the paragraphs below. However, this discussion will only highlight certain areas of the covenants and should not be a substitute for a careful study of these restrictions by you.

Unless otherwise indicated, capitalized terms are as defined in the Residential Declaration.

Article 6.9.3. of the Residential Declaration provides that no owner may landscape or place any improvement, fence, rope or barrier within a golf course easement without the prior written consent of the golf course owner and the approval of the Design Review Committee.

Article 7.1 of the Residential Declaration provides that no structures may be erected or permitted to remain on any Lot except structures containing residential dwellings and structures normally accessory thereto as approved by the Design Review Committee. Construction of any building on a Lot must be completed within twelve months from the beginning of construction so as to present a finished appearance when viewed from any angle. In the event of undue hardship due to weather conditions or other causes beyond the reasonable control of the Owner, this time period may be extended for a reasonable length of time upon written approval of the Design Review Committee.

Article 7.2 provides that Lots may be used for residential purposes only. However, the Association's Board of Directors may permit a Lot to be used for business purposes on certain conditions.

Article 7.14 requires that landscaping plans be submitted to the Design Review Committee and must be in compliance with sod and planting limitations and tree preservation guidelines as may be established by the Design Review Committee or the Association from time to time. Such landscaping must be completed within ten months from the date the occupancy of the unit constructed on the Lot is approved by the applicable governmental authority. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval of the Design Review Committee.

Article 7.4 provides that no animals of any kind may be raised, bred or kept on a Lot, except dogs, cats and such other household pets as may be approved by the Board.

Article 7.9 prohibits Lot owners from altering, modifying or interfering with the established drainage patterns and grades, slopes and courses related thereto over any Lot or common area without the express written permission of the Design Review Committee and then only to the extent and in the manner specifically approved.

Article 7.12 provides that storage areas, machinery and equipment are prohibited on any Lot, unless obscured from view of neighboring property and streets by an appropriate screen or enclosure approved by the Design Review Committee.

Article 7.19 provides that all exterior lighting is subject to approval of the Design Review Committee.

Article 7.20 provides that no owner, other than Declarant or the Association, may create any paths or trails within the Residential Areas without the prior written approval of the Design Review Committee.

Article 7.21 prohibits wood-burning fireplaces and stoves within all dwellings on Lots in the Residential Areas. This restriction may not be modified or repealed without prior written approval of the State of Washington Department of Ecology or any successor governmental authority.

Article 7.22 provides that any structure intended for use as an attached or detached residence must have automatic fire sprinkler systems installed, tested and maintained in accordance with codes and standards of the applicable governmental authority.

The Residential Declaration provides for the formation of MountainStar Resort Residential Owners Association (the "Residential Association") and for the mandatory membership in that Association of all Lot owners. Members of the Residential Association are subject to assessments levied by the Residential Association and to the rules and regulations promulgated by the Residential Association. The Residential Areas may contain one or more Villages and the Declarant has reserved the right to designate which portions of the Residential Areas shall constitute a Village. The establishment of a Village may be accompanied by the formation of a Village Association with memberships comprised of the owners of the Lots within such Villages. We may designate the 413 Lots included in this offering as a part of a Village or Villages in the future.



The Community Improvements Declaration designates certain improvements within MountainStar Resort which will provide a benefit to all portions of the Resort ("Community Improvements") and provides for the use, maintenance and operation of the Community Improvements. The Community Improvements Declaration provides for the obligation of all owners of property within the resort to contribute to the costs of such use, maintenance, operation and replacement through assessments imposed by a Community Council which has been established to administer the terms and conditions of the Community Improvements Declaration. As the Community Improvements Declaration relates primarily to the Community Improvements, it does not contain provisions which require permissions, approvals or the taking of other action prior to using or disposing of your Lot.

For Lots within Division 1, the First Supplemental Declaration to the Residential Declaration provides that all residential dwellings constructed on a Lot must contain a minimum of 2,200 square feet of interior floor space, excluding garages. However, any garage space over 450 square feet (as approved by the Design Review Committee) will count toward the interior floor space. The same requirement is contained in the Third Supplemental Declaration to the Residential Declaration for Lots in Division 2.

In addition to the above-referenced Declarations, the Design Guidelines also contain specific provisions governing construction on the Lots. Pursuant to the Design Guidelines, a "Homesite Diagram" applicable to each Lot will be provided at closing, which shows the approved improvement envelope for the Lot within which all improvements must be located, including all buildings, terraces, pools, autocourts and/or garages, with the exception of some landscape planting, driveways and associated walls. The area outside the approved improvement envelope must remain essentially in a natural state as "softscape" and may not contain buildings or any "hardscape" elements, such as terraces, pools, spas, fences, autocourts and/or landscape structures. The Design Guidelines also specify the setback lines applicable to each Lot and the maximum square footage of the dwelling that will be permitted on each Lot. A copy of the Design Guidelines will be provided at closing.

7. **Number of Lots.** There are 413 existing Lots within the Development. Approximately 115 additional lots may be added in Tract Z-1 as shown on the plat of MountainStar Division 1A, however, the Developer has not determined a schedule nor made any commitment for development of such lots within Tract Z-1. The Development is part of the MountainStar Master Planned Resort, which presently contains 413 existing lots. Under the current master plan, it is estimated the Master Planned Resort may include up to 3,485 residential units, of which 2,685 are anticipated to be single-family residential lots.
8. **Amenities.** In the Development, a recreational trail system will be available for use by all Lot owners. The trails will be paved for pedestrian and bicycle use. After the trails are completed and the plat within which the trails are located is recorded, the Developer will convey the trails within such plats to the Community Council as a Community Improvement.

The Developer is constructing an 18-hole golf course and driving range (the "Palmer Course") which is estimated to be available for use in July 2004. The Developer owns the Palmer Course and is responsible for all costs incurred in the construction of the course. Use

of the Palmer Course will require the payment of greens fees. Neither membership in the Association nor ownership of a Lot confers any ownership interest in or right to use the Palmer Course. The right to use the Palmer Course is granted by the Developer only to such persons and on such terms and conditions as may be determined by it, as the owner of the Palmer Course. The Palmer Course will be open to use by the general public and their use of the facilities may limit use of them by lot owners. The Developer has no present plans to transfer ownership of the Palmer Course to a third party, but reserves the right to do so.

The Developer may, but is not obligated, to construct additional recreational amenities including, but not limited to, pools, tennis facilities and a fitness center within the subdivision. If developed, these recreational facilities ("Club Facilities") would be operated as a private club and membership in the private club would be required to use the facilities. Access to and use of the Club Facilities may be subject to payment of an initiation and/or membership fee, membership dues, and/or other use or service fees. Although the Developer proposes to complete these Club Facilities, because plans are still tentative, the Developer is not contractually obligated to do so. There is no assurance that the Club Facilities will be completed and be available for your use.

9. **Access to Development By Others.** In addition to Lot owners, all members of the Community Council, including owners of Privately Owned Amenities and Commercial Areas, if any, employees of the Developer, as well as guests and family members of any of them, may use the trails in the Development. Pursuant to the Community Improvement Declaration, we or the Community Council may allow members of the public to use portions of the Community Improvements at such time and subject to such Policies and Procedures as the Community Council may establish. In addition, during the Development Period, we or the Community Council may designate certain portions of the Community Improvements as semi-public, recreational or service areas which may be used by members of the public on a free or fee-paying basis. The trails within the Development are not open to the public at this time.
10. **Owner Access to Other Property.** Developer will allow access across its property to the nearby Cle Elum River subject to any and all laws, rules, regulations and agreements applicable to the Development.
11. **Construction of Improvements.**
  - a) Roads: Access from the MountainStar Resort entrance to the Lots in the Development will be provided by private roads, specifically MountainStar Drive and MountainStar Circle, which have been granted and conveyed as Community Improvements to the MountainStar Resort Community Council ("Community Council"). All other private roads within MountainStar Division 1A and MountainStar Phase 1, Division 2 as shown on the respective plats will be conveyed to the Residential Association.

We are responsible for constructing the interior roads, which will all be two-lane roads constructed in conformance with Kittitas County standards. The roads will vary in width from 20 feet to 26 feet, and will be paved with an asphalt surface. You will bear none of the

cost of construction of these roads. Construction of the roads in Division 1 commenced in September, 2002, is approximately 75% complete, and is estimated to be completed in May 2004. Construction of the roads in Division 2 commenced in October 2003, is approximately 10% complete, and is estimated to be completed In June 2004. The roads will be initially completed with a 2-inch asphalt layer; however, an additional asphalt layer will be laid by the end of November, 2005. Completion of the roads in the Development, including the additional 2-inch asphalt layer, is assured by a performance bond which has been posted in favor of Kittitas County.

b) Water: The subdivision will be served by a central water system. Water to supply the Lots in the Development will be derived from water rights owned by the Developer and will be diverted, treated and conveyed to the Development through a water supply system operated by the City of Cle Elum, 119 W. 1<sup>st</sup> Street, Cle Elum, Washington 98922, a municipal corporation. The water system operation and water quality are regulated by the Washington Department of Health. The City will divert, treat and convey the water through the City's water supply system to water distribution facilities within the Development which are connected to the City's system. The water distribution facilities within the Development will be operated by MountainStar Resort Resources, Inc., an affiliate of the Developer.

We are responsible for construction of the water delivery system to the Development, the reservoir for the water system, and the water distribution lines within the Development to locations in front of or adjacent to the Lots. Construction of these facilities, with the exception of the reservoir and installation of a booster pump, has been completed. Completion of the reservoir and installation of the booster pump is estimated for April 2004. Construction of the water distribution lines to Lots in Division 2 commenced in October 2003, is approximately 10% complete and is estimated to be completed in May 2004. Performance bonds have been posted in favor of Kittitas County to provide financial assurance of completion of the water delivery system to the Development, the reservoir, and water distribution lines within the Development to all Lots.

You will not be permitted to drill a well on your Lot or use individual water systems. Water will not be available to Lots until after the central water system has been extended to such Lots.

c) Sewer: The method of sewage disposal to be used for the lots in this subdivision is a central sewer system. Sewage disposal service in the Development will be provided by a connection of the sewage collection lines within the Development to the sewage treatment plant of the City of Cle Elum, 119 W. 1<sup>st</sup> Street, Cle Elum, Washington 98922, a municipal corporation. The operation of the wastewater treatment facility is regulated by the Washington Department of Ecology.

We are responsible for construction of the infrastructure necessary to transport wastewater from the Development to the City of Cle Elum's sewage treatment plant ("Off-site Collection Facilities"). Construction of the Off-site Collection Facilities commenced in August 2002, is approximately 40% complete and is estimated to be completed in June 2004. We are also responsible for construction of the sewage collection lines within the Development ("On-Site



Collection System") to locations in front of or adjacent to the Lots. We will bear the cost of construction of the Off-site Collection Facilities and the On-site Collection System. Construction of the On-Site Collection System to Lots in Division 1 is complete. Construction of the On-Site Collection System to Lots in Division 2 commenced in October 2003, is presently 10% complete and is estimated to be completed in May 2004. The On-Site Collection System will be owned and operated by MountainStar Resort Resources, Inc., an affiliate of the developer. A bond has been posted in favor of Kittitas County to provide financial assurance of completion of the Off-site Collection Facilities and the On-site Collection System.

You will be required to connect to the central sewage system, and will not be permitted to use individual on-site sewage disposal systems. Sewage disposal service will not be available to your Lot until the central sewer system has been extended to such Lots.

d) Electricity: Electricity will be available to the Development and will be supplied by Puget Sound Energy, Inc., P. O. Box 97034, Bellevue, Washington 98009-9734, a utility company which is regulated by the Washington State Utilities and Transportation Commission.

The electric company will extend primary electrical service lines in front of, or adjacent to, each of the Lots in the Development in conjunction with road construction and the installation of the other utilities. Construction of the electrical lines to Lots in Division 1 commenced in August 2002, is currently approximately 60% complete, and is estimated to be completed in May 2004, at which time service will be available. We estimate that conduits for electrical service lines will be extended to all Lots in Division 1 by April 2004. The only work then remaining with respect to the electrical distribution system to Lots in Division 1 is pulling the wiring through the conduits that have been installed. Construction of the electrical lines to Lots in Division 2 is estimated to commence in April 2004 and be completed in June 2004. We will bear the cost of construction of the electric lines by the electric company. A bond has been posted in favor of Kittitas County to assure completion of the trenching and conduit for the electric lines; however, the bond does not cover the extension of electrical service lines to the Lots.

You will not be responsible for any construction costs of extending electrical service lines to locations in front of or adjacent to your Lot. You will be required, however, to pay to Puget Sound Energy the usual, regulated connection fees to obtain service, as well as any costs charged by Puget Sound Energy for extending service lines from the Lot line to your dwelling.

In compliance with the requirements of the contract for electric service with Puget Sound Energy, electricity will be limited to service for lighting and appliances. Propane (or natural gas, if and when it becomes available) must be used for heat and hot water. However, exemptions from gas use may be granted by us, through the Design Review Committee, in our sole discretion. Consistent with the requirements of Puget Sound Energy, the total number of exemptions granted will not exceed 10% of all residential uses at any time. Exemptions from gas use will be considered at the time application is made to the Design Review Committee for design approvals for the home you intend to build on your Lot.



e) Telephone: Telephone service will be available to the Development and will be supplied by Inland Telephone Company, 103 South Second Street, Roslyn, Washington 98941, a utility company which is regulated by the Washington State Utilities and Transportation Commission.

The telephone company will extend telephone service lines in front of, or adjacent to, each of the Lots in the Development in conjunction with road construction and the installation of the other utilities. Construction of the telephone lines to Lots in Division 1 commenced in August 2002, is currently approximately 60% complete, and is estimated to be completed in May 2004, at which time service will be available. We estimate that conduits for telephone service lines will be extended to all Lots in Division 1 by April 2004. The only work then remaining with respect to the telephone system for Division 1 Lots is pulling the wiring through the conduits that have been installed. Construction of the telephone lines to Lots in Division 2 is estimated to commence in April 2004 and be completed in June 2004. We will bear the cost of trenching and conduit for the telephone lines. A bond has been posted in favor of Kittitas County to provide financial assurance of completion of trenching and conduit for the telephone lines to all Lots. The telephone company will bear the cost of extending the telephone lines to the Lots.

Telephone facilities will be extended to the Lots at no cost to the Lot owners. You will be required, however, to pay the usual, regulated connection fees to obtain service, as well as any costs charged by the telephone company for extending service lines from the Lot line to your dwelling.

f) Natural Gas or Propane: In compliance with the requirements of the contract for electric service with Puget Sound Energy, electricity will be limited to service for lighting and appliances. Propane (or natural gas, if and when it becomes available) must be used for heat and hot water. We have signed an agreement with Puget Sound Energy, Inc., P. O. Box 97034, Bellevue, Washington 98009-9734, a utility company which is regulated by the Washington State Utilities and Transportation Commission ("WUTC"), for the provision of natural gas service to the Development. See Section 14.a.(iii) in this document for information on a gas service fee payable by purchasers to the Developer at the closing of a Lot sale. We are not contractually obligated to you to provide natural gas service at this time as the contract with Puget Sound Energy has not been approved by the WUTC and the required easements and rights-of-way have not yet been obtained. Therefore, there is no assurance at this time that natural gas will be available to the Development. In order to be able to utilize natural gas, if and when it is available in the future, owners who wish to use propane gas on an interim basis until natural gas is available should consider purchasing gas appliances that can be converted from propane to natural gas.

Until natural gas may be available, propane gas is available as an alternative energy source from various suppliers in this area, including Northern Energy, AmeriGas and A-1 Petroleum, all located in Ellensburg, Washington. We recommend that you contact suppliers directly for their charges.

Above-ground propane tanks must be screened and the location of such tanks and the screening must be approved in writing by the Design Review Committee.

- 12. Annual Assessment.** Once assessments commence in accordance with Article 11 of the Residential Declaration, estimated assessments for each Lot will be \$1,200 per year. The assessments may be increased if the Board of Directors of the Residential Association determines that an increase in assessments is necessary to cover the estimated operating expenses and replacement reserves of the Residential Association, based upon the budget for the Association. The current level of assessments may not meet the anticipated operating expenses, including maintenance costs, of the Association and the allocation of Council Expenses from the Community Council discussed below, until such time as the various uses among which the Council Expenses are to be allocated are developed. Although the Declarant has no obligation to do so, the Declarant may reduce the General Assessments for any fiscal year by payment of a subsidy (in addition to any other amounts then owed by Declarant), which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Payment of a subsidy to the Association in any fiscal year does not obligate the Declarant to subsidize the deficit in any other fiscal year unless otherwise provided in a written agreement between the Association and Declarant. In the event we choose not to subsidize the deficit in operating funds in any fiscal year, the assessments may need to be increased to cover the deficit.

Although not a property owners association, we have also incorporated a Washington non-profit corporation called the MountainStar Resort Community Council, which is responsible for administering the Declaration of Covenants and Easements for MountainStar Resort Community Improvements ("Community Improvements Declaration"). The Community Improvements are the real and personal property within MountainStar Resort which are for the common use and enjoyment of all owners and occupants within MountainStar Resort. The Community Council has no members. Assessments imposed by the Community Council, including costs related to the management and maintenance of the Cle Elum River Corridor property to the extent such costs are included in the assessments of the Community Council, are included as line items on the common expense budget of the Residential Association and will be collected by the Residential Association and paid to the Community Council.

- 13. Assessment Due at Closing.** Association dues are assessed annually, and will be collected on a schedule determined by the Association Board of Directors. At this time, assessments are due and payable quarterly in advance on January 1, April 1, July 1 and October 1. At the closing of a sale of a Lot, assessments will be collected for the remaining days in the current calendar quarter, plus for one additional calendar quarter in advance. For example, if the closing of a sale of a Lot occurs on March 15<sup>th</sup>, assessments will be collected for the remaining days in the first calendar quarter and for the next calendar quarter through June 30<sup>th</sup>.

## 14. Other Fees.

a. Utility Connection and Other Charges. The Developer is responsible for construction of service lines for water, sewer, power and telephone within the Development to locations in front of or adjacent to the Lots. In addition to the usual, regulated (if applicable) connection fees to obtain service, as well as any costs charged by the service provider for extending service lines from the Lot line to your dwelling, the following utility charges currently apply to Lots in the Development:

(i) Water.

Capital Recovery Charge (payable to Developer at closing of the Lot sale and deemed to be part of the purchase price of the Lot):

\$3,777.00

Meter Drop (payable to utility company upon connection for regular service; fees subject to change from time to time):

\$300.00

Ready-to-serve fee (payable to utility company; fees subject to change from time to time):

Estimated at \$10 per month, beginning after the utility connection is installed to your property line, estimated to be May 2004.

(ii) Sewer:

Capital Recovery Charge (payable to Developer at closing of the Lot sale and deemed to be part of the purchase price of the Lot):

\$3,773.00

Connection Fee (payable to utility company upon connection for regular service; fees subject to change from time to time):

\$100.00

Ready-to-serve fee (payable to utility company; fees subject to change from time to time):

Estimated at \$10 per month, beginning after the utility connection is installed to your property line, estimated to be May 2004.

Installation of sewage pump: Due to topographic constraints, some homes may be sited at an elevation below the roadway and therefore below the gravity sewer main. Such homes may require a pressure sewer service connection to the gravity sewer main and will be required to install a sewage pump and pressure sewer service connection to the sewer main. The following Lots will require a sewage pump and pressure sewer service connection to the sewer main: Division 1 Lots 56, 58-66, 138-186, 216, 229-234, 246 and 247; and Division 2 Lots 1-18, 31, 44-53, 69-71, 82-86, 106, 109, 138, and 142-159.

The following Lots will be serviceable by gravity sewage service, but may require a sewage pump and pressure sewer service connection to the sewer main depending on the

specific location of the home. If the Lot owner chooses to build a home on a portion of the Lot below the elevation required for gravity sewer service, then a sewage pump and pressure sewer service connection to the sewer main as described above may be required: Division 1 Lots 15-18, 34-36, 82 and 83; and Division 2 Lots 19, 29, 30, 77, 110, 111 and 130. On these Lots, construction of plumbing fixtures at the lowest portion of the Lot could prohibit standard gravity service. Sewage pumps and pressure sewer service connection to the sewer main may be required unless the home and plumbing fixtures are carefully designed.

Estimated cost of any individual lift stations with sewage pumps installed on your Lot as described above is approximately \$2,500 to \$3,500.

(iii) Gas Service

Qualifying Payment (payable to Developer at closing of the Lot sale as a deposit and not as part of the purchase price of the Lot—see below for more information):

\$3,900.00

Connection and Service Fees (payable to utility company upon connection for regular service; fees subject to change from time to time):

TBD

An agreement has been signed with Puget Sound Energy, Inc. for the provision of natural gas service to the subdivision. As provided in the agreement, there will be a requirement of a “Qualifying Payment” to be made by all residential connections within the subdivision, and that a rate surcharge may be charged by Puget Sound Energy. The utility company, which is regulated by the Washington State Utilities and Transportation Commission (“WUTC”), will be submitting a rate proposal to the WUTC to include the requirement for a “Qualifying Payment” to be made by all residential connections within the subdivision, which means you would be responsible for payment of the Qualifying Payment. The WUTC rate filing will also include a rate surcharge.

In anticipation of the approval of the Qualifying Payment by the WUTC, you will deposit with us a Qualifying Payment in the amount of \$3,900 to be collected at closing of your Lot purchase. This amount will be held by us in a segregated account until such time as the Qualifying Payment is approved by the WUTC, at which time the Qualifying Payment will be paid to Puget Sound Energy. In the event the WUTC approves a Qualifying Payment in an amount less than \$3,900, the difference between the \$3,900 payment and the approved Qualifying Payment will be refunded to you. In the event the WUTC approves a Qualifying Payment in an amount greater than \$3,900, the difference between your \$3,900 payment and the approved Qualifying Payment will be paid to Puget Sound Energy by us.

In the event the WUTC does not approve the Qualifying Payment or we have not entered into a service agreement for a central propane tank system as described below by December 31, 2004, we will refund the Qualifying Payment to you as further described in



an addendum to your purchase and sales agreement. If, after the WUTC has approved the Qualifying Payment, Puget Sound Energy is not able to deliver natural gas to lots within the subdivision as scheduled in their WUTC rate filing, you may seek a refund of the Qualifying Payment directly from Puget Sound Energy.

We are not contractually obligated to you to provide natural gas lines at this time as the required rate filing has not been approved by the WUTC and the required easements and rights-of-way have not yet been obtained. Therefore, there is no assurance at this time that natural gas will be available to the subdivision.

In the event the WUTC does not approve the natural gas agreement and rate filing or the natural gas lines are not extended to the Development as provided in the agreement, we may pursue the provision of propane gas service to lots in the subdivision from a central propane tank system delivered by a new utility. We anticipate that a qualifying payment similar to that required by Puget Sound Energy would be required by the proposed utility for such gas service. Therefore, as further described in the gas service fee addendum to your purchase and sale agreement, your Qualifying Payment of \$3,900 may be applied to such proposed utility or refunded to you under the same terms and conditions as described previously for the Puget Sound Energy Qualifying Payment.

We are not contractually obligated to you to provide a distribution system for propane from a central propane tank system as a contract with a utility company providing such service has not been executed. Therefore, there is no assurance at this time that a central distribution system for propane gas will be available to the subdivision.

(iii) Propane Gas.

Until natural gas is available, propane gas is available as an alternative energy source from various suppliers in the area of the Development, including Northern Energy, AmeriGas and A-1 Petroleum, all located in Ellensburg, Washington. We recommend you contact the suppliers for their charges for tank lease or purchase.

b. Other Association and Community Council Fees. Pursuant to the terms of The Covenant for Community Enhancement of MountainStar Resort recorded in Kittitas County, Washington (the "Covenant"), the person acquiring title upon the subsequent sale or transfer of title to your Lot will be responsible for the payment to The MountainStar Resort Fund for Community Enhancement (the "Fund") of a community enhancement fee ("Community Enhancement Fee"). The Community Enhancement Fee is not payable by you upon the initial purchase of the Lot by you from the Developer.

The Fund will have the authority to determine the amount and method of calculating the Community Enhancement Fee which may vary depending upon the use of the real property (i.e. residential, commercial, private amenity, etc.) For residential lots, the Community Enhancement Fee will be collected from the person or entity acquiring title upon each transfer of title to a Lot within the Development, unless the transfer is exempt. The Community Enhancement Fee for residential Lot acquisitions will, in no event, be greater

than one-half percent (1/2%) of the gross purchase price for any such acquisition as reported on the applicable real estate excise tax affidavit for the transfer.

The following acquisitions of residential property will be exempt: (a) those made by the Developer or its affiliates; (b) those made by any person or entity acquiring residential property from the Developer or its affiliates; (c) those made by a commercial builder for purposes of development and resale; (d) those made by a co-owner to any person who was a co-owner immediately prior to the transfer; (e) those made by a family trust or partnership controlled by the grantor; (d) those made by an owner's estate, surviving spouse, or child upon the death of the owner; (f) those made by any entity wholly owned by the grantor, provided that any subsequent acquisition of an interest in the entity will be subject to the Community Enhancement Fee; and (g) those made by an institutional lender pursuant to a mortgage or upon foreclosure of a mortgage.

Proceeds of the Community Enhancement Fee may be utilized by the Fund for educational, environmental, and other activities, services and programs intended to enhance the MountainStar Resort community and to promote the common good and general welfare of MountainStar Resort and surrounding areas. A copy of the recorded Covenant is available from the Developer upon request.

Other than General Assessments, Council Expenses and Community Enhancement Fees as described previously, there are no other fees charged at this time by the Developer or the Association for access to the Development. The Association and Community Council, however, have rights to establish use charges for Common Areas and Community Improvements and create various classes of services accompanied by appropriate charges for such services. See the Residential Declaration and the Community Improvements Declaration for more information.

**15. Governmental Assessments.** The following assessments have been agreed to or are known by Developer which, if not paid or performed, may constitute a lien against the Lots or the Common Area in favor of a governmental agency:

a) Real property taxes assessed by Kittitas County, at a 2003 millage rate of \$9.3727 per \$1,000 of assessed value. The County will set the 2004 millage rate in the first calendar quarter of 2004.

b) Purchaser should, however, be aware of the following mitigation fees payable upon issuance of a building permit for each Lot: NONE

**16. Maintenance of Development by Purchaser.** Except for each Owner's Lot, no Owner is responsible for maintenance of any portion of the Development, except through the Association assessments.

**17. Blanket Encumbrances.** The following is a brief description of any blanket encumbrance subject to the provisions of RCW 58.19.180: NONE.

- 18. Physical Hazards.** Developer is aware of the following physical hazards which particularly affect the Development or immediate vicinity in which the Development is located which are not readily ascertainable by the purchaser:

Abandoned coal mines underlie portions of the MountainStar property.

Several existing high-tension overhead electrical transmission lines cross the southern portion of MountainStar Division 1A. The easements for these lines are shown on the final plat of MountainStar Division 1A.

As a golf course will be located within the Development, the risk of personal injury or property damage from errant golf balls due to the proximity of Lots to the golf course will exist, when the golf course is operating.

Timber stands are located near the Development and, therefore, the Development may be subject to the threat of forest fires. The local jurisdiction has a rating system for fire hazard, and has assigned an ISO rating of 9 to the Development. The rating system ranges from 1 to 10, with 10 being the greatest hazard, and is based on the availability of water and the distance of the subdivision from the nearest staffed fire station.

No portion of the Development has been formally identified by any Federal, state, or local agency as being subject to the frequent occurrence of natural hazards.

- 19. Warranties.** There are no express or implied construction warranties of the Lots.
- 20. Building Code Violations.** The following are uncorrected building code violations received by Developer in connection with the Development: NONE.
- 21. Legal Proceedings.**

- (a) The following are unsatisfied judgments or pending suits against the Association: NONE.
- (b) The following are pending suits material to the Development of which the Developer has actual knowledge: NONE.

- 22. Purchase Documents.** Prior to commencement of the rescission period, the purchaser is entitled to receive from the Developer the documents described on the attached "Acknowledgment."

If any such documents are not available because they have not been executed, adopted or recorded, drafts of such documents shall be provided. Before closing the sale of a Lot, the purchaser shall be given copies of any material changes to such drafts.

- 24. Additional Information.** Additional information and cross-references which Developer believes helpful in describing the Development:

The Property Report having an effective date of September 25, 2003, furnished to purchaser pursuant to the rules and regulations of the Office of Interstate Land Sales Registration, U.S. Department of Housing and Urban Development.

DATED for reference purposes \_\_\_\_\_, 2004.

**DEVELOPER:**

MOUNTAINSTAR RESORT DEVELOPMENT,  
LLC, a Delaware limited liability corporation

By: Easton Ridge Investors, LLC, a Delaware  
limited liability company, its Managing Member

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_