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PUBLIC OFFERING STATEMENT

READ THIS DOCUMENT
BEFORE SIGNING
ANYTHING

Pursuant to the Washington Land Development Act (RCW 58.19), the Developer must give each prospective purchaser a copy of this Public Offering Statement prior to a sale. RCW 58.19.045(3) PROVIDES THAT UNLESS A PURCHASER IS GIVEN THE PUBLIC OFFERING STATEMENT MORE THAN TWO (2) DAYS BEFORE EXECUTION OF A CONTRACT FOR THE PURCHASE OF A LOT, PARCEL, UNIT OR INTEREST, THE PURCHASERS, BEFORE CONVEYANCE, SHALL HAVE THE RIGHT TO CANCEL THE CONTRACT WITHIN TWO (2) DAYS AFTER FIRST RECEIVING THE PUBLIC OFFERING STATEMENT AND, IF NECESSARY TO HAVE TWO (2) DAYS TO REVIEW THE PUBLIC OFFERING STATEMENT AND CANCEL THE CONTRACT, TO EXTEND THE CLOSING DATE FOR CONVEYANCE TO A DATE NOT MORE THAN TWO (2) DAYS AFTER FIRST RECEIVING THE PUBLIC OFFERING STATEMENT. The time period of two (2) days does not include Saturdays, Sundays or legal holidays.

PURCHASER MAY NOT RELY ON ANY REPRESENTATION OR EXPRESS WARRANTY UNLESS IT IS CONTAINED IN THE PUBLIC OFFERING STATEMENT OR MADE IN WRITING SIGNED BY THE DEVELOPER OR ANY PERSON IDENTIFIED IN THE PUBLIC OFFERING STATEMENT AS THE DEVELOPER'S AGENT.

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 CREATE BINDING LEGAL OBLIGATIONS. YOU SHOULD CONSIDER SEEKING ASSISTANCE OF LEGAL COUNSEL.

YOU WILL BE REQUIRED TO PAY AN ANNUAL ASSESSMENT TO THE CORONADO HEIGHTS ASSOCIATION AS PROVIDED IN THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS OF CORONADO HEIGHTS, DIVISION NO. 2. THE AMOUNT OF THE ASSESSMENT AND THE DUE DATE HAS NOT YET BEEN ESTABLISHED BY THE BOARD OF DIRECTORS.

DO NOT SIGN ANY DOCUMENTS before you have thoroughly read it and this Public Offering Statement, and INSPECT THE PROPERTY if possible before making a purchase.

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LOCATION OF DEVELOPMENT: Whatcom County, Washington

DEVELOPER: NORMAN R. PENNINGTON, a married person, and
HAMILTON JOHNSTON, INC., a Washington corporation
P.O. Box 5503
Bellingham, Washington 98227
Phone: (206) 733-6000
Fax: (206) 733-6001

INTEREST BEING OFFERED FOR SALE: The Developer is offering for sale the ownership interest of each individual lot within Coronado Heights, Division No. 2.

PERMITTED USES: Lots within the development may be used for single family residences only. Use restrictions are set forth in the Declaration of Covenants, Conditions, Restrictions and Easements of Coronado Heights, Division No. 2, attached hereto as part of this Public Offering Statement. PURCHASERS ARE ADVISED TO READ THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS OF CORONADO HEIGHTS, DIVISION NO. 2, AND THE RULES AND REGULATIONS OF CORONADO HEIGHTS ASSOCIATION FOR BUILDING AND CONSTRUCTION RESTRICTIONS.

NUMBER OF LOTS IN SUBDIVISION: Coronado Heights, Division No. 2, consists of 29 lots. The Developer has reserved the right to add Coronado Heights, Division No. 2A and Division No. 3 as part of the overall development. The maximum number of lots that may be added to the development has not yet been determined.

AMENITIES: Other than a 10-foot wide pedestrian pathway for the benefit of property owners within Coronado Heights, Division No. 1 and Division No. 2, and their guests and invitees, there are no amenities in the development which materially affect the value of the development. At this time, no such amenities are planned with the proposed addition of Coronado Heights, Division No. 2A and Division No. 3.

CONSTRUCTION OF IMPROVEMENTS: Access to the entrance of Coronado Heights, Division No. 2 is by way of Coronado Street, a previously existing street owned and maintained by Whatcom County. Access to the lots within Division No. 2, with the exception of Lot 19B, is by way of Lewis Avenue. Lewis Avenue is a completed public roadway to be dedicated to Whatcom County. Access to Lot 19B is by way of Columbus Avenue, which is a completed public roadway within Coronado Heights, Division No. 1. Lot 19B is subject to Whatcom County Road Improvement District No. 5 assessment as are the lots in Division No. 1.

Lots 17 through 29, inclusive, have been provided with a separate, secondary access in the form of a private, paved alleyway

along the southerly property line of said lots. The alleyway is not constructed to Whatcom County urban arterial standards and there are no future plans to improve the alleyway to public road standards or dedicate it to Whatcom County. Whatcom County is not responsible for maintaining or upgrading this alleyway. The Developer has installed the roadway and alleyway within the development and property owners will not share in the cost of construction. The lots benefiting from the alleyway are subject to a road maintenance agreement recorded under Whatcom County Auditor's File No. 940920084, and owners of said lots will share in the cost of upkeep and repair of said alleyway in accordance with said road maintenance agreement.

Utilities are installed within Lewis Avenue to each lot. Individual purchasers will be responsible for installing utilities onto their lots and hook up.

COMMON PROPERTY: When you purchase a lot in this development you will also be purchasing an interest in certain common property located within the development. Ownership is by means of membership in the Coronado Heights Association, a homeowners' association. The common property within the development consists of the 10-foot wide pedestrian pathway between Lots 12 and 13, being 5-feet on either side of said lots, situated within the 20-foot sewer easement between Lots 12 and 13 as shown on the final plat map, and the water retention/detention pond or ponds as shown on the map.

BLANKET ENCUMBRANCES: There is a blanket encumbrance against the property comprising Coronado Heights Division No. 2. The development loan mortgage holder has agreed to release each lot sold by the Developer upon receipt of the net proceeds of sale or 80% of the appraised retail value of the lot sold in accordance with an agreed upon schedule, whichever sum is higher. The closing escrow agent will be given specific instructions for obtaining a release of the blanket encumbrance.

PHYSICAL HAZARDS KNOWN TO DEVELOPER: Some of the lots within Coronado Heights Division No. 2 contain steep slopes that will require specially designed and engineered foundations as a condition of Whatcom County building permit approval.

DOCUMENTS ACCOMPANYING PROPERTY REPORT: The Declaration of Covenants, Conditions, Restrictions and Easements of Coronado Heights Division No. 2 is considered to be a part of this disclosure report and is to accompany this Public Offering Statement.

HOMEOWNERS' ASSOCIATION: Membership in the CORONADO HEIGHTS ASSOCIATION is mandatory when you purchase a lot in this

development. You will automatically lose the membership and your interest in the common property when you sell your lot or home, as your interest in this common property will be transferred with your fee ownership in the lot.

(A) The Association. The CORONADO HEIGHTS ASSOCIATION is responsible for the upkeep and maintenance of the common property. CORONADO HEIGHTS ASSOCIATION is a Washington Non-Profit Corporation. AS A NON-PROFIT CORPORATION, THE ASSOCIATION CANNOT MAKE A PROFIT FOR DISTRIBUTION TO ITS MEMBERS, OFFICERS OR DIRECTORS. WERE IT TO ATTEMPT TO DO SO IT MIGHT LOSE ITS LEGAL STANDING, BE SUBJECT TO SUIT, OR LOSE CERTAIN MEMBER IMMUNITIES AND TAX BENEFITS. ITS PRIMARY PURPOSE IS TO OWN AND MANAGE THE COMMON PROPERTY FOR THE BENEFIT OF ITS MEMBERS.

(B) Number of Members. Coronado Heights Division No. 1 consists of 19 lots and Coronado Heights Division No. 2 consists of 29 lots, for a total of 48 lots, and the owners of these lots constitute the membership of CORONADO HEIGHTS ASSOCIATION and share in the ownership of the common property.

(C) Board of Directors and Officers. The initial Board of Directors of the Association is appointed by the Developer and shall serve, without compensation, until termination of the development period. The Board shall consist of three members. The initial Board members are:

RODNEY JOHNSTON
P.O. Box 5503
Bellingham, Washington 98227
(206) 733-6000

NORMAN R. PENNINGTON
c/o Pennington Construction
2275 Lake Whatcom Boulevard
Bellingham, Washington 98226
(206) 733-4396

STANLEY N. HAMILTON
467 Sudden Valley
Bellingham, Washington 98226

Association officers are elected annually by the Board of Directors. Officers may not receive monetary compensation for their services. The present officers are:

President - Rodney Johnston
Vice-President - Norm Pennington
Secretary-Treas. - Stanley Hamilton

- (D) The Registered Agent. The registered agent of the Association is Richard J. Langabeer of Langabeer, Tull & Cuillier, P.S., Attorneys at Law, 2084 Alder Street, Ferndale, Washington. The purpose of this agent is to accept service on behalf of the Association were the Association to be named as a defendant in a lawsuit.
- (E) The Official Address. The Association's official address is P.O. Box 5503, Bellingham, Washington 98227.
- (F) Classes of Membership and Voting Rights. The governing documents provide for only one (1) class of membership with all lot owners having one (1) vote for each lot owned. Each member shall be entitled to vote provided his/her voting privileges have not been suspended by the Association for failure to pay any assessments or special assessments and any charges associated therewith.
- (G) Control of the Association. Control of the Association is with the Developer until all lots within the development are sold; provided, however, that the Developer may give written notice of termination of the development period any time after two-thirds of the lots have been sold as provided in the covenants. IF LOT OWNERS DO NOT ASSERT THEIR VOTING PRIVILEGES THE DEVELOPER COULD IN FACT RETAIN CONTROL OF THE ASSOCIATION FOR A LONGER PERIOD OF TIME.
- (H) Procedure for Removing/Replacing Directors and Officers. There presently is no procedure for the removal of Directors and Officers. All vacancies on the Board, however, whether caused by resignation, incompetency, death or otherwise shall be filled by the remaining Directors.
- (I) Amending the Governing Documents. The Developer has retained the right to amend the covenants for the respective divisions during the development periods. Thereafter, the covenants may be amended with approval of 75% of the lot owners in the respective divisions. The rules and regulations of the Association may be amended as set forth in the Bylaws.
- (J) Annual Meetings. Annual meetings are to be held on the second Monday of September of each year. The Association's budget, finances and voting for Directors are always on the agenda for these meetings. YOU ARE TO RECEIVE ADVANCE WRITTEN NOTICE OF EACH MEETING. Each notice shall describe the agenda and any matters to be presented for a vote.
- (K) Books, Records and Financial Reports of the Association. The Association's books and records are required to be available

for member inspection at any reasonable time for any reasonable purpose. The Treasurer of the Association is required to keep the financial records of the Association and the Treasurer shall cause an annual audited financial statement to be made available to the Association. Association funds and other valuable effects in the name of the Association are deposited in such depositories as designed by the Board.

- (L) Annual Assessments. You will be required to pay an annual assessment to the Association as provided in the covenants. The amount of the assessment and the due date have not yet been established by the Board. THE AMOUNT OF ANNUAL ASSESSMENTS MAY BE INCREASED FROM TIME TO TIME AS A RESULT OF INADEQUATE CASH RESERVE CAUSED BY ANY REASON INCLUDING NONPAYMENT OF ASSESSMENTS BY MEMBERS. Payment is to be in U.S. funds and sent to CORONADO HEIGHTS ASSOCIATION, P.O. Box 5503, Bellingham, Washington 98227.
- (M) Special Assessments. The governing documents provide that special assessments for capital improvements and repair and other property purposes may be established by the Board.
- (N) Enforcement of Assessment Collections. Effective collection of assessments is an important and necessary part of Association management and your common ownership. Unpaid assessments may result in financial problems for the Association and a greater financial burden being placed upon other members. Unpaid accounts, including interest thereon and costs, if any, become a lien upon such lot from and after the time the same becomes due and payable until paid in full. THE ASSOCIATION IS AUTHORIZED TO TAKE SUCH ACTION AS PROVIDED BY LAW TO COLLECT UNPAID ACCOUNTS, INCLUDING BUT NOT LIMITED TO LIEN FORECLOSURE ACTION.
- (O) Club Liability, Insurance Coverage. The Association could be responsible to third parties for its acts or omissions or for injury caused to others through use of Association property. For that purpose, the Association carries a policy of liability insurance. This liability coverage will not cover injuries to others through your own acts while on Association property. YOU SHOULD CARRY YOUR OWN LIABILITY INSURANCE FOR SUCH PROTECTION.

The undersigned, NORMAN R. PENNINGTON and JOAN M. PENNINGTON, and HAMILTON JOHNSTON, INC., the Developer of CORONADO HEIGHTS, DIVISION NO. 2, do hereby state that to the best of their knowledge and belief, all statements contained in this Public Offering Statement are true and correct.

EXHIBIT "A"
TO
DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
OF
CORONADO HEIGHTS, DIVISION NO. 2

PARCEL A:

LOT 19A AS DELINEATED ON THE PLAT OF AMENDED CORONADO LOT LINE ADJUSTMENT TO THE AMENDED PLAT OF GENEVA ON LAKE WHATCOM AS PER THE MAP THEREOF, RECORDED IN VOLUME 17 OF PLATS, PAGE 30, IN THE AUDITOR'S OFFICE OF SAID COUNTY AND STATE, TOGETHER WITH THOSE PORTIONS OF VACATED COLUMBUS AVENUE ABUTTING SAID PREMISES, AS WOULD ATTACH BY OPERATION OF LAW, PURSUANT TO FINAL ORDER OF VACATION RECORDED MAY 12, 1993, UNDER WHATCOM COUNTY AUDITOR'S FILE NO. 930512001.

SITUATE IN WHATCOM COUNTY, WASHINGTON.

PARCEL B:

LOTS 16 THROUGH 24, INCLUSIVE AND THE SOUTH HALF OF LOTS 132 AND 133, BLOCK 7, LOTS 13 THROUGH 21, INCLUSIVE, AND THE SOUTH HALF OF LOTS 130 AND 131, BLOCK 14, LOTS 1 THROUGH 6, INCLUSIVE, AND THE NORTH HALF OF LOTS 120 THROUGH 123, INCLUSIVE, BLOCK 15, LOTS 1 THROUGH 12, INCLUSIVE, BLOCK 16, ALL IN THE "AMENDED PLAT OF GENEVA ON LAKE WHATCOM, W.T.," AS PER THE MAP THEREOF, FILED FOR RECORD IN VOLUME 2 OF PLATS, PAGE 14, RECORDS OF WHATCOM COUNTY, WASHINGTON, ALSO TOGETHER WITH THE SOUTH HALF OF THAT PORTION OF LIVINGSTON AVENUE AS VACATED PER FINAL ORDER OF VACATION, RECORDED UNDER AUDITOR'S FILE NO. 911016004, RECORDS OF WHATCOM COUNTY, WASHINGTON.

ALSO TOGETHER WITH THAT PORTION OF STANLEY AVENUE AS VACATED PER THAT FINAL ORDER OF VACATION, RECORDED UNDER AUDITOR'S FILE NO. 911016004, RECORDS OF WHATCOM COUNTY, WASHINGTON.

ALSO TOGETHER WITH THAT PORTION OF LEWIS AVENUE ABUTTING A PORTION OF SAID PREMISES, AS WOULD ATTACH BY OPERATION OF LAW, PURSUANT TO FINAL ORDER OF VACATION RECORDED MAY 12, 1993, UNDER WHATCOM COUNTY AUDITOR'S FILE NO. 930512001.

SITUATE IN WHATCOM COUNTY, WASHINGTON.

WHATCOM COUNTY
BELLINGHAM, WA
11/08/94 12:53 PM
REQUEST OF: PACIFIC S
Shirley Forslof, AUDITOR
BY: LR, DEPUTY
334.00 D/RC

EXHIBIT B

THAT CERTAIN DRAINAGE EASEMENT LOCATED OVER, UNDER AND ACROSS THE SOUTHERLY APPROXIMATELY TEN (10) FEET OF LOTS 6 THROUGH 12A, CORONADO HEIGHTS DIVISION NO. 1, TOGETHER WITH THE WATER CONTROL PONDS LOCATED ON THE SOUTHERLY APPROXIMATELY THIRTY-FIVE (35) FEET OF LOTS 15A, 16A, 17A AND 18A; AS SHOWN ON THE FACE OF THE AMENDED CORONADO LOT LINE ADJUSTMENT TO THE "AMENDED PLAT OF GENEVA ON LAKE WHATCOM, W.T." AS RECORDED UNDER AUDITOR'S FILE NO. 910703048, AND THE AMENDED CORONADO LOT LINE ADJUSTMENT RECORDED UNDER AUDITOR'S FILE NO. 920206075, RECORDS OF WHATCOM COUNTY, WASHINGTON

AND

THAT CERTAIN STREET WITHIN CORONADO HEIGHTS DIVISION NO. 1 REFERRED TO AS COLUMBUS AVENUE.

WHATCOM COUNTY
BELLINGHAM, WA
02/12/92 3:19 PM
REQUEST OF: /WLT
Shirley Forslof, AUDITOR
BY: LR, DEPUTY
\$30.00 D/RC