

PUBLIC OFFERING STATEMENT
BY
HANSON HARBOR, INC.
FOR
HANSON HARBOR SUBDIVISION NO. 3

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.

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 HANSON HARBOR, INC. OR BY ANY PERSON IDENTIFIED IN THIS PUBLIC OFFERING STATEMENT AS HANSON HARBOR, INC.'S AGENT.

HANSON HARBOR, INC. IS REQUIRED TO GIVE EACH PURCHASER THIS PUBLIC OFFERING STATEMENT BEFORE A SALE OF A LOT. THE WASHINGTON LAND DEVELOPMENT ACT, CHAPTER 58.19 RCW ("THE ACT") PROVIDES THAT UNLESS A PURCHASER HAS BEEN GIVEN THIS PUBLIC OFFERING STATEMENT MORE THAN TWO DAYS BEFORE EXECUTION OF AN AGREEMENT FOR THE PURCHASE OF A LOT IN HANSON HARBOR SUBDIVISION NO. 3, THE PURCHASER, BEFORE CONVEYANCE, HAS THE RIGHT TO (A) CANCEL THE PURCHASE AGREEMENT WITHIN TWO DAYS AFTER FIRST RECEIVING THE PUBLIC OFFERING STATEMENT AND (B), IF NECESSARY TO HAVE TWO DAYS TO REVIEW THE PUBLIC OFFERING STATEMENT AND EXERCISE THE RIGHT TO CANCEL, TO EXTEND THE CLOSING DATE FOR THE PURCHASE OF THE LOT TO A DATE NOT MORE THAN TWO DAYS AFTER THE PURCHASER HAS FIRST RECEIVED THIS PUBLIC OFFERING STATEMENT. THE TWO-DAY TIME PERIOD DOES NOT INCLUDE SATURDAY, SUNDAY OR A LEGAL HOLIDAY.

A PURCHASER MAY EXERCISE ITS RIGHT OF CANCELLATION WITHIN THE TWO-DAY PERIOD SPECIFIED BY EITHER HAND-DELIVERY OR MAILING NOTICE OF CANCELLATION TO HANSON HARBOR, INC.'S ADDRESS AS DESIGNATED IN SECTION 1. IF MAILED, THE POSTAGE MUST BE PREPAID AND THE DATE OF THE POSTMARK WILL BE THE DATE OF CANCELLATION.

Section 1: Identification of Developer.

Hanson Harbor, Inc. ("HH") is the developer of Hanson Harbor Subdivision No. 3 (the "Subdivision"). Its address is:

This Public Offering Statement ("Statement") is prepared for and is applicable only to the Subdivision. The Subdivision is located in Lincoln County, State of Washington, adjacent to the Coulee Dam National Recreation Area ("CDNRA") and Lake Roosevelt approximately 15 miles north of City of Wilbur. The plat of the Subdivision was recorded on April 19, 1993 with the Lincoln County Auditor under Fee No. 392345 in Vol. B of Plats, page 43. Lots in previous subdivisions developed by HH have been sold. No other lots or tracts of real property have been, are now or

have been, are now or will in the future be offered for sale by HH as part of a common promotional plan of advertising and sale with the Subdivision.

Section 2: Agents of Developer.

The lots in the subdivision will be offered for sale only by HH or by F.W. Hanson Realty, its agent. Geraldine Hanson is the designated broker for F.W. Hanson Realty and is a Vice President of HH. She is the only person other than the President of HH, Frank W. Hanson, authorized to sign any written representation binding on HH.

Section 3: Interests Offered and Lots Available for Sale.

3.1 There are 39 lots in the Subdivision. All of such lots are available for sale until sold, or contracted to be sold or placed on informal hold pending a contract for sale. Previous subdivisions in the vicinity of the Subdivision included approximately 75 lots, all of which have been sold by HH. HH owns approximately 2,200 acres of unsubdivided lands adjacent to and surrounding the subdivision which are not part of this Subdivision. HH has not yet made any determination on when all or any part of such other lands will be subdivided and, if so, the maximum number of lots that will be included in any such future subdivisions.

3.2 HH is proposing to transfer title to the lots by deed or by real estate contract. The real estate contracts will provide for the delivery of a deed when the purchase price and other obligations of the purchaser are fully paid and performed.

Section 4: Permitted Uses and Restrictions.

4.1 Zoning and Public Land Use Controls. The lots in the Subdivision are currently zoned Lincoln County use classification "Recreational". Certain provisions of zoning and other land use controls applicable to the Subdivision are summarized in the following subparagraphs, but this summary is not intended as an exhaustive or detailed explanation of applicable governmental requirements and interpretations. These requirements and interpretations of them may vary over time and HH does not undertake to keep itself informed of such changes and include them in this Statement. A purchaser should not rely on this summary, but should obtain full, complete and detailed information concerning these matters from the appropriate officials of Lincoln County in Davenport, Washington. That inquiry should include the requirements currently applicable to an individual, on-site sewage disposal systems. The main provisions are:

4.1.1 Single-family residential uses are permitted.

4.1.2 Dwelling houses and other structures are not permitted within ten feet of any property line.

4.1.3 There are requirements affecting the location of septic tanks and drain fields. Contact the Lincoln County Health Department for the specifics.

4.2 Private Restrictions and Controls. A Declaration of Covenants, Conditions and Restrictions was recorded on April 8, 1993 under No. 392242 in the office of the Lincoln County, Auditor ("the Declaration"). The Declaration applies to and affects each lot in the Subdivision. A true copy of the Declaration, as it was recorded, has been or is being furnished to each purchaser. It shall be considered part of this Statement. If you did not receive a copy of the Declaration, please immediately request a copy from HH and one will be provided to you. Delivery of this Statement will not be considered complete until the copy of the Declaration has also been given to a purchaser.

The Declaration contains agreements restricting, limiting and regulating uses of and construction on the lots within the Subdivision. The subparagraphs of this paragraph 4.2 briefly describe the authorized uses and the use restrictions pertaining to the Subdivision and any purchaser's interest in the lots. The summary is intended only for quick reference and is not intended to completely set forth all the provisions of the Declaration. Therefore, a purchaser should not rely on the summary as fully describing the authorized uses and the use restrictions but should carefully read and fully understand the Declaration in its entirety before making a decision to purchase. The following summary is qualified by the full and complete text of the Declaration.

4.2.1 Only single-family residential uses and those uses considered appurtenant are permitted.

4.2.2 No improvement or grading of a lot may occur without first obtaining the approval of the Architectural Control Committee.

4.2.3 No mobile homes, trailers, recreational vehicles or temporary buildings may be used, occupied or erected except for temporary periods during the construction of a permanent dwelling house.

4.2.4 Lots must be kept neat, clean and presentable and in compliance with governmental requirements.

4.2.5 An absolute building height limit of 24 feet is established.

4.2.6 A dwelling house must have a fully enclosed living area of not less than 1,000 square feet and certain other restrictions concerning building coverage and height must be observed.

4.2.7 No tree or shrub may unreasonably impair the view from any other Lot.

4.2.8 No animals are permitted except for household pets.

4.2.9 A lot purchaser cannot become a nuisance or annoyance to surrounding property owners.

4.2.10 Fire hazards are not allowed to exist. Roofing materials must be non-combustible.

Section 5: Public and Common Amenities.

5.1 Improvements Generally. The improvements required to be built by HH for the Subdivision are listed in paragraphs 5.2 through 5.5 inclusive. At the date this Statement is delivered, the roads and the other Subdivision improvements have not been completed. The projected estimated time schedule for the beginning of construction and the completion of the particular improvements in the Subdivision is given in the separate paragraphs for each such improvement, but HH generally projects that construction of such improvements will be complete by approximately July 31, 1993. A bond assuring completion of the improvements to the required standards has been provided to Lincoln County.

5.2 Road Access. Road access to each lot within the Subdivision will be by graveled road constructed to Lincoln County standards. The roads within the Subdivision will be petitioned for acceptance by Lincoln County and, once accepted, will be maintained by it. HH estimates that the roads within the Subdivision will be complete by approximately July 31, 1993.

5.3 Domestic Water. The Subdivision has been annexed to the Hanson Harbor Homeowners Association ("the Association"). HH will construct and transfer to the Association a water storage facility and will construct a water distribution system within the Subdivision. It expects that the improvements constructed by it, once certified, will be connected to and made part of the water distribution system operated and administered by the Association. The water system improvements have been designed by David Evans & Assoc., and accepted by the Lincoln County Health Dept. and the Washington Dept. of Health. These improvements are estimated to be complete and water service available to the Subdivision by approximately July 31, 1993. The owner of a lot will not be charged any fee to connect to the Association's system, but the Association may charge the owner if the Association is required to incur any cost in accomplishing the physical hook up of the lot owner to its system. The Association assesses annual fees which the lot owner will be required to pay. These are described further in Section 7.

5.4 Electrical Power and Telephone Service. An underground electrical distribution system within the Subdivision will be installed by Washington Water Power ("WWP"). Each lot may connect to the electrical system at a transformer located at or near to the property line of

each lot. The distribution system and the transformers are being furnished at the cost of HH and will be the property of WWP. WWP has informed us that their current policy is to waive a connection fee or charge if the homeowner provides the trenching on the lot and certain materials necessary for electrical service. For the full particulars concerning WWP's policy at the current time or when the Purchaser is ready to proceed with construction, the Purchaser is urged to contact WWP. The policies and charges of WWP have varied in the past and can be expected to vary in the future. The lot owner will be required to pay all costs of bringing power from the transformer to its lot, including the costs of trenching and surface restoration. U.S. West will install underground telephone cable in the vicinity of the electrical power cable. Residential telephone service of the type offered by U.S. West in the locale will be available by paying U.S. West's customary charges for telephone installation when hookup is requested. These charges are currently approximately \$70, but may be changed at any time. The electrical and telephone systems are expected to be available for connection by approximately July 31, 1993.

5.5 Sewerage. No sewage disposal system or service is being provided by HH. Sewage disposal will be by means of individual on-site disposal systems provided by each lot owner and meeting governmental requirements in existence at the time of such installation. Each lot in the Subdivision is equal to or greater than the minimum area currently required by Lincoln County for on-site septic systems. However, the lot owner will be expected to design and construct the on-site sewage disposal system according to the requirements which exist at the time of the lot owner's construction of a dwelling house and there can be no assurance that such requirements will not change in the future.

5.6 Other Amenities. A purchaser of a lot will be entitled and required to join the Association. A member in good standing of the Association, is entitled to use, in common with other members, the common facilities owned by the Association. The common facilities are (a) pedestrian accessways shown on the plat for the Subdivision and for Hanson Harbor Subdivision No. 1 for access to the public, waterfront lands of the CDNRA and (b) the community dock and boat launch ramp located and existing on the property of the CDNRA pursuant to a permit issued in favor of the Association. Access to and use of the public waterfront lands in the CDNRA, including the dock and launch ramp itself, are regulated by the National Park Service. There is no assurance that the dock will be allowed to remain on such lands or that the federal regulatory agencies with jurisdiction over the CDNRA will permit use and enjoyment of such public lands in the same way as they are now being used and enjoyed by existing lot owners. The pedestrian accessways within the Subdivision will not be improved by HH, but will remain, after development of the Subdivision, in their natural state.

5.7 No Other Improvements or Amenities. Natural gas is not available. No improvements or amenities are required for or will be provided in connection with the Subdivision beyond those described in paragraphs 5.2 to 5.6 inclusive. There are no plans to provide any other improvements or amenities in the future.

Section 6: Access Rights Benefiting and Burdening the Subdivision.

6.1 Pedestrian Accessways. Members of the Association, which include lot owners in earlier subdivisions, will be entitled to use the pedestrian accessways shown on the plat for the Subdivision, in common with the lot owners in the Subdivision. Such use will be subject to whatever regulations may be established in the future by the Association.

6.2 Roadways. Members of the public will be entitled to use the roads within the Subdivision. In particular, members of the public (including lot owners in earlier subdivisions) will be entitled to use these roadways to gain access to the CDNRA and any improvements and facilities constructed or permitted to exist on such public property by the Natural Park Service and other governmental agencies. Such improvements and facilities include a public boat launch facility and appurtenant parking lot now under construction by the National Park Service. As part of that federal project, a roadway is planned by the National Park Service. The National Park Service and HH are currently discussing the grant of an easement across HH land which should make unnecessary the construction of a roadway along the public waterfront to serve the boat launch facility. If this transaction is completed, the National Park Service will probably close and abandon the existing roadway along the water's edge. But HH, of course, is not in a position to exercise control over the National Park Service and HH's expectations may not be realized. The terms of all public access are controlled by Lincoln County and by the National Park Service.

6.3 Association Facilities. Lot owners in the Subdivision will, as members in the Association, be entitled to use, in common with other members, the accessways, the community dock and other common areas, if any, of the Association. Such use will be subject to any rules and regulations established by the Association.

6.4 CDNRA. As members of the public, lot owners in the Subdivision will be entitled to use Lake Roosevelt and the lands within the CDNRA, but access to and use of the Lake and the lands in the CDNRA, including lands immediately in front of the Subdivision, will be subject to such limitations and regulations as the National Park Service and other federal regulators may establish from time to time. The National Park Service currently regulates, and is expected in the future to regulate, the uses made of and access to the CDNRA and Lake Roosevelt. Improvements constructed on lands within the CDNRA in front of or near to the subdivision, including existing or future roadways, are subject to control, regulation and discontinuance by the National Park Service.

6.5 Surrounding Lands. Purchasers of lots within the Subdivision will not have any right of access to real property located outside the Subdivision beyond the rights described earlier. In particular, HH is not granting to any purchaser any right of access to or license to use HH's real property surrounding the Subdivision.

Section 7: Association and Association Obligations.

7.1 Mandatory Membership. Each purchaser of a lot in the Subdivision will be required to sign a document by which the purchaser becomes a member of the Association, subjects the lot being purchased to the obligations of membership, subjects the lot being purchased to a continuing lien securing payment of those obligations and agrees to be liable for the assessments and charges of the Association. The document which must be signed by the purchaser and which will be recorded against the purchaser's lot is listed as item (g) in paragraph 9.8. A copy of the recorded document is included as item (h).

7.2 Rights and Obligations of Membership. The assessments, fees and charges of the Association for which the lot purchaser and the lot will be liable are detailed in the Articles of Incorporation and Bylaws of the Association and the document which the purchaser will be required to sign on closing of the purchase of the lot. All of these documents are listed in paragraph 9.8. The purchaser is referred to these documents for the full particulars of the obligations and rights of a member of the Association and any estimates or summaries of HH appearing in this Section are subject to the full details appearing in those documents, which the purchaser is urged to read and fully understand. HH is not in control of the Association; therefore, any statements in this Statement concerning the Association are based on HH's knowledge and expectations, are not binding on the Association and may not be accurate predictions of the Association's policies.

7.3 Right to Connect to Water System. HH has the right to cause the water system on the Subdivision to be connected to and become part of the Association's system without obligation to pay any assessment or charge for the connection. Therefore, the purchaser will not be obliged to pay for the right to connect to the Association's water system but will, of course, be responsible for the work needed to physically connect to the Association's system.

7.4 Association's Annual Charges. Each lot and lot owner will be liable for the Association's annual charges. Currently, the Association has two annual charges. The first charge is payable only by those lot owners who are actually drawing water from the system and is intended to cover the actual cost of operating and performing routine maintenance on the water system. The annual charge to those drawing water from the system during 1991 was \$100. For 1992, the user charge for the water recipients is estimated to be about \$100. The second charge

is made against all lot owners who are members of the Association, regardless of whether they draw water from the system. A purchaser of a lot within the Subdivision will be immediately liable for this second charge. The current, annual charge fixed by the Association is \$50 per lot. Without membership approval, this amount cannot be increased over that charge which prevailed in the preceding year beyond an increase justified by any increase in the cost of living. HH will request that the Association prorate its annual fee charged to all lot owners so that the purchaser will be required to pay only a pro rata portion of the \$50 charge appropriate to the period of the purchaser's actual ownership during the year. If the Association does not agree to HH's request, the annual fee payable to the Association for the year in which the lot purchase occurs will be prorated between HH and the lot purchaser based on the portion of the year in which each owned the lot.

7.5 Association's Special Assessments. The Association has the right to levy special assessments to cover capital costs incurred by the Association. Any such levy requires membership approval. Since HH will bear the capital costs for the expansion of the water distribution system and the increase of the Association's water storage capabilities, HH does not foresee any need for any capital assessment by the Association and does not anticipate that the lot owner will have any liability for any such assessment in the year of sale.

Section 8: Physical Hazards for Features Affecting the Subdivision or the Immediate Vicinity of the Subdivision.

8.1 No Particular Physical Hazards. HH does not know of any particular hazards to the Subdivision or its immediate vicinity which are unique to the Subdivision or not readily ascertainable by the purchaser. However, the purchaser should consider the information in paragraphs 8.2 through 8.5 in coming to a decision on the purchase a lot within the Subdivision.

8.2 Lake Roosevelt Fluctuations. Lake Roosevelt is a manmade reservoir only one use of which is public recreation. The level of the lake commonly fluctuates between the levels of 1,225 feet, and 1,290 feet as power and irrigation needs require. During the construction of the third powerhouse of Grand Coulee Dam, the lake was drawn down to a level of 1,110 feet. During this period, temporary facilities to maintain a water supply were required. HH is unaware of any firm plan to again lower Lake Roosevelt to that level or below, but the possibility cannot be entirely foreclosed. If it is again lowered to that level or below, HH expects that temporary measures to maintain a water supply will again be required. It has no reason to believe that such measures will not again be successful in maintaining an adequate water supply.

8.3 Water Quality. There have been some reports in the press of the presence of certain toxic chemicals in water samplings taken at various locations on Lake Roosevelt. HH has

received no information concerning the specific presence of contaminants in Lake Roosevelt water in the immediate vicinity of the Subdivision.

8.4 Fire. The dry season in eastern Washington brings with it the risk of fire. The Subdivision and the lands in the immediate vicinity are not immune from the risk. Small fires, some or all of which were started by lightening strikes, have occurred in the vicinity of the Subdivision on lands now owned by HH.

8.5 Wild Animals. The Subdivision is attractive, in part, because of the opportunity to encounter and observe wild animals. Most species of mammal and reptile native to or found in Eastern Washington have been observed nearby. Caution is always in order when approaching or encountering wild animals.

Section 9: General and Miscellaneous.

9.1 Lot Prices Inclusive. The obligations to the Association referred to in Section 7 are the only amounts currently payable for the use of the Common Areas owned by the Association. The lot prices are inclusive of all payments due to HH for the improvements constructed by it in the Subdivision except insofar as sums are due the Association or are payable to utilities as described in Section 5.4.

9.2 Liens in Favor of Governmental Agencies. HH has not agreed to nor is it aware of any assessments which, if unpaid, may constitute a lien on any portion of the Subdivision in favor of any governmental agency.

9.3 Maintenance Obligations Beyond Lot. A purchaser shall not individually have any responsibility for maintaining any part of the Subdivision beyond the owner's lot.

9.4 Blanket Encumbrances. No blanket encumbrance, as defined in the Act, exists on the Subdivision.

9.5 Construction Warranties. No construction warranties are being provided by HH to any lot purchaser.

9.6 Building Code Violations. HH has not been cited for any building code violations in connection with the Subdivision.

9.7 Judgments. There are neither unsatisfied judgments nor pending suits against the Association.

9.8 Included Documents. The documents listed in this paragraph are included as part of this Statement and are to be delivered to each purchaser either before or along with this State-

ment. If any person receiving this Statement does not also receive on or more of the listed documents, he or she should request a copy and one will be promptly delivered. Until all of the documents included in the listing have been delivered, the two-day period referred to on the first page of this Statement will not start running. The documents are:

- (a) The Declaration;
- (b) A copy of the map of the Subdivision;
- (c) The Articles of Incorporation of the Association;
- (d) The Bylaws of the Association;
- (e) The current budget of the Association;
- (f) The balance sheet of the Association;
- (g) The "Joinder in Supplemental Declaration" by which a lot and a lot purchaser will become part of the Association; and
- (h) The Supplemental Declaration of Covenants, Conditions and Restrictions referred to in item (g).

Dated: April 19, 1993.

Hanson Harbor, Inc.

By: Hanson Harbor, Inc
Name: Terrell Davis McCombs
Title: Director