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Subject: Prospective lawsuit against Pope Resources  
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Dear Mr Wallace

The following is the written summary you asked me to prepare after our conference call on August 14, 2008. If you have any questions or need additional detail, please contact me by email or call [360 437-7718](tel:3604377718). I will be on a boat trip the next 10 days. If you need any further detail on the zoning administrative hearing, please call Bruce Schmitz who was on the conference call. He can be reached at [360 437 7675](tel:3604377675).

Please excuse my delay in getting this to you - my mother and my wife's mother have both been here and I did not properly judge the time which would be available to prepare this.

Randall Shelley

#### OUTLINE OF A PROSPECTIVE CLASS-ACTION LAWSUIT AGAINST POPE RESOURCES

Introduction - I am a retired litigator from the Los Angeles area. I have lived in Port Ludlow, Washington for the last 10 years. My wife and I purchased the land we built our retirement home on from an individual who had purchased it from Pope Resources. I believe the following information is accurate.

Outline:

I. Since the 1800's Pope has owned thousands of acres of forest land in Washington, part of which is now Port Ludlow. PL is a "Master Planned Resort" which, as I understand it, was a concept created by Pope and, at its urging, passed by the Legislature. Part of the timberland around PL is still owned by Pope and through it passes a 4.5 mile hiking trail, secured by an easement in favor of the community. This trail circumnavigates the south west perimeter of PL. There are in PL two large community centers, a marina, hotel, 27 hole golf course, tennis courts, parks and numerous other amenities. The motto created by Pope for the community is "A village in the woods by the sea." It was marketed to all of us by Pope as a quiet, peaceful community and very livable community. A large majority of the residents are retired, though younger, working families are well represented.

The community is designed for 2200 homes of which 1600 have been built. PL has two parts, North Bay and South Bay. North Bay was developed first and most of the newer construction is in South Bay.

In 2000 or 2001 Pope sold what it still owned in PL to Port Ludlow Associates (PLA), which is now operating the resort and building and marketing homes.

II. Now living in this tranquil, bucolic setting, you can imagine our shock to learn that Pope has leased its contiguous forest land to the south and west to an outfit known as IRON MOUNTAIN for purposes of creating a hard rock, surface mining operation. The concerns in PL and the communities and homes originally owned by Pope to the east of the proposed

quarry, are the blasting, dust, heavy truck traffic and possible disturbance of the quality of the water from our aquifer which also underlies the proposed quarry. The aquifer is very fragile and community wells have failed in the past due to silting.

- III. The proposed quarry would be a nonconforming use and hearings are currently in process. In order to prevail Pope must prove that it intended to develop the land in question as a quarry before the zoning, which it now wants to abrogate, was put in place. The hearing officer has found that Pope always intended to develop the land in question as a quarry and that is currently being challenged.
- IV. The problem is, Pope never disclosed to the people who bought its land and houses in and around PL its intention to develop a contiguous quarry. If it had been disclosed, I would not have bought here. Everyone home owner in the area I have talked to who has said the same. This is certainly something that a prospective buyer would want to know in making the decision to purchase or not and should have been disclosed.

I do not have a comprehensive knowledge of disclosure law as it has developed in Washington in the last decades. I am aware of RCW 64.06.020 Titles 7 and 10 and RCW 64.06.021 Titles 7 and 9.

- V. I believe that anyone in the area who now wishes to sell property would be required to disclose and assuming someone were willing to buy in the face of such a disclosure, the price would undoubtedly be severely reduced. Home values in the area range from several hundred thousand to well over two million. The average is probably in the range of \$400,000 to \$500,000. Using an average of \$500,000, and considering just the homes in PL, I calculate a value of \$800 million. (If we were to add in the land which has not yet been built on and the homes and property in the area outside PL, the number would be much higher.)

Using the \$800 million number, if property values are reduced 25% , which I believe is a very conservative number, the damages would be \$200 million. If all the affected properties are taken into consideration, the number could be much higher. The diminution in quality of life would push the number even higher.

- VI. I believe there are several different types of prospective plaintiffs:

- 1) Those who purchased homes and undeveloped home sites directly from Pope;
- 2) Those who purchased homes and undeveloped home sites directly from PLA (a small percentage of the total);
- 3) Those who purchased homes and undeveloped home sites on the secondary market.

Since Pope did not disclose its quarry intentions to individual purchasers or PLA, they did not have that knowledge to disclose to buyers they, in turn, sold to. So, it seems that all are equally affected by Pope's breach of its disclosure obligation, and would have a right of action directly against Pope.