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May 20, 2004

Mr. Phil Logan, President
Whittier Marina Condominium Association, Inc.
1742 Morningtide Court
Anchorage, AK 99501

Subject: Confirmation of Start Up of Whittier Marina
PND Activities During Construction

Dear Mr. Logan:

This letter is written to advise you and the other Members of the Whittier Marina Condominium Association, Inc. (the "Association") of the start up of the Whittier Marina project and this firm's commitments to the Association Members during construction until the time the project is completed next spring.

As you know, under the Agreement for Purchase and Sale of Marina Condominium Unit (the "Purchase Agreement"), most of the Members of the Association have placed funds into escrow for the purchase of individual Units in the Whittier Marina. Under the terms of the Purchase Agreement, PND was to certify whether the developer, Passage Canal Development LLC ("PCD"), had met the two conditions precedent to payment of the funds from escrow prior to July 1, 2004.

This letter will certify that PCD has met these conditions, namely (1) PCD has filed the Declaration of record in substantially the form as attached to the Purchase Agreement on or before July 1, 2004, and (2) PCD has ordered floats, fingers and other project elements of the initial phase of Whittier Marina (J-M Floats as depicted on Exhibit C of the Declaration) by that date.

For your information, the Declaration was recorded last Friday, May 14, 2004 (Ref. 2004-034868-0, Anchorage Recording District). A copy of the recorded Declaration is available to all owners from PCD or PND, and it can be viewed on the Whittier Marina web site.

Additionally, recently PCD finalized an amendment to its existing Construction Contract with Swalling Construction of Anchorage, one of Alaska's premiere marine contractors, confirming the project design and commencing float design and construction and other project elements. Among other things, Swalling is required under the contract to provide a payment and performance bond, as well as appropriate insurance that names PCD and



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the City of Whittier as an additional insured. Swalling will also secure a five-year limited warranty from Shoreside Marinas of Bellingham, the recreational float manufacturer, available to both PCD and the Association.

I would also like to certify for the Association Members that PND will monitor the Construction Account established by PCD at Wells Fargo Bank to ensure that funds will not be used for any purpose except for expenses directly related to the design and construction of the Whittier Marina. This will continue until PND has certified that the construction of the initial phase of the Whittier Marina (J-M Floats as depicted on Exhibit C), which is the initial phase shown on Exhibit C-1 of the Declaration, is completed. PND will execute all checks drawn on the Construction Account until this certification has occurred.

Earlier this week PCD entered an agreement with this firm for it to complete the permitting, design, construction, inspection, certification of substantial completion, and final survey of this initial phase of the Whittier Marina until it is fully operational. This means that our Seattle office will routinely inspect the floats as they are constructed at Shoreside Marinas in Bellingham, and otherwise ensure that funds in the Construction Account are being properly expended. Our Anchorage office will be required to certify all invoices rendered by Swalling Construction to verify that the invoices are only paid for work performed, and that Swalling and its subcontractors and suppliers maintain its schedule for completion.

I am sure Swalling, PND, and PCD will prepare periodic reports to Association Members concerning construction status, particularly in the early stage when most work is being performed outside Whittier, and I expect these reports will be forwarded to all Members through PCD's normal email mechanism.

If you or any of the Association Members have questions concerning the foregoing, or PND's ongoing activities with this project, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis Nottingham', written over a large, light-colored circular scribble.

Dennis Nottingham, President

cc: James K. Barnett, PCD General Manager
Mike Swalling, Swalling Construction President
Bruce McCurtain, Alaska Recreational Management, Inc.
Sandra Donohue Morris, PND Project Engineer
Rick Hohnbaum, City Manager, City of Whittier