

**LAND LEASE
WITH OPTION TO PURCHASE**

COPY

This Land Lease With Option to Purchase (the "Lease") is made and entered into this 25 day of March, 1998, (the "Effective Date") by and between the MATANUSKA-SUSITNA BOROUGH (the "Borough") through the Borough Manager, pursuant to MSB Ordinance Serial No. 97-039, as amended by MSB Ordinance Serial No. 98-010, and HOMESTEAD RESORT PROPERTIES, LLC I ("HRP")

Section 1. Premises.

The real property which is the subject of this Lease consists of approximately three hundred twenty (320) acres of unimproved real property within a portion of Tract A, Section 7, and a Portion of Tract A, Section 18, according to ASCS 92-118 (the "Premises") more particularly described as follows:

[LEGAL DESCRIPTION OF 320 UNIMPROVED
ACRES within a portion of Tract A, Section 7, and a
Portion of Tract A, Section 18, according to ASCS 92-118],
Township 17 North, Range 3 East, Seward Meridian,
Palmer Recording District, Third Judicial District, State of
Alaska.

HRP shall coordinate with the Platting Officer and provide a specific legal description of the premises according to MSB 16.15.012 within three (3) weeks of the Effective Date. That specific legal description shall be substituted for the legal description listed above and in all other documents related to this Lease.

Section 2. Lease of Premises.

In consideration of the mutual covenants and agreements set forth in this Lease, and other good and valuable consideration, the Borough leases to HRP, and HRP leases from the Borough, the Premises. HRP shall peacefully and quietly hold and enjoy the Premises for the term of this Lease without hindrance or interruption by the Borough or any other persons validly claiming any rights by, through, or under the Borough, so long as HRP complies with the terms of this Lease.

Section 3. Term of Lease.

The term of this Lease (the "Term") shall be four (4) years commencing on the Effective Date unless earlier terminated as provided herein. If the Option to Purchase is timely exercised by HRP, then either party may extend the Term of this Lease for up to ninety (90) days to allow time for closing.

Section 4. Option to Purchase Premises.

HRP shall have the option to purchase the Premises on the terms and conditions set forth in this Lease. HRP must give the Borough notice of HRP's intent to exercise the option to purchase no later than thirty (30) days prior to the expiration of the Term of this Lease.

Section 5. Lease Payments.

For the first six (6) months of the Term, HRP shall pay to the Borough the sum of Five Hundred and No/100 Dollars (\$500.00) per month as the lease payment under this Lease. Thereafter, the monthly lease payment shall be one-twelfth (1/12) of six percent (6%) of the Purchase Price as determined under Section 13 of this Lease. Lease payments shall commence on the Effective Date and shall be due and payable on the fifteenth (15th) day of each month thereafter until the option to purchase the Premises under this Lease is exercised by HRP and the purchase transaction is closed, the Term of this Lease expires, or this Lease is otherwise terminated.

Section 6. Use of Premises.

The Premises shall be developed as a golf course, including compatible residential development. HRP presently has in full force a valid contract with Nicklaus Design (hereinafter "Nicklaus Design Contract") for the design of a Nicklaus Design golf course. The Borough and HRP agree that actual construction for the golf course on the Premises, other than construction relating to relocation of the Maud-Plumley Trail, will not commence until after HRP has exercised its option to purchase and has closed. HRP and its agents, employees, independent contractors, officers, investors, attorneys and other invitees may enter upon the Premises to inspect and test the Premises. Such inspections and tests may include, but shall not be limited to, entering the Premises to conduct soil and water tests and studies, obtain surveys, conduct construction studies, perform soil testing, and perform environmental studies or assessments. Prior to such testing and inspections, HRP shall post a one-time cash or an equivalent bond in the amount of One Thousand and No/100 Dollars (\$1,000.00) for the Borough's benefit to ensure reasonable restoration of substantially disturbed areas, if any, on the Premises. The Borough may record a notice of non-responsibility stating that the Borough shall have no responsibility for any lien recorded against the Premises. After receipt of a copy of such recorded notice from the Borough, HRP shall provide a copy of the notice to anyone retained by HRP thereafter and prior to closing whose services could give rise to a lien on the Premises.

Section 7. HRP's Right of Termination.

At any time during the Term, HRP may determine that the Premises are unsuitable for its intended use and terminate this Lease by giving notice of such termination to the Borough and stating the reason for such termination. Upon such termination, HRP shall restore any substantially changed areas on the Premises to as

close to the natural condition as is reasonably feasible. The Borough shall retain all lease payments made by HRP, notwithstanding such termination of this Lease.

Section 8. Permits and Laws.

All activities authorized under this Lease shall be conducted in compliance with applicable federal and state constitutions, federal, state, and local laws and regulations. HRP shall provide evidence of all applicable licenses and permits to the Borough within fourteen (14) days of receipt.

Section 9. Taxes.

All taxes related to this Lease shall be paid by HRP in compliance with Borough Code.

Section 10. Defense and Indemnification.

HRP shall indemnify, defend, and hold the Borough, its elected and appointed officers, agents, and employees, harmless from any and all claims, demands, civil suits, or liability of any nature, kind, or character, including costs, expenses, and attorney's fees for or on account of any and all legal actions or claims of any character resulting from injuries, death, economic loss, damages, violation of statutes, ordinances, constitutions or other laws, rules or regulations, deprivation of constitutional rights, contractual claims, or any other kind of loss, tangible or intangible, sustained by any person or property arising from HRP's performance or failure to perform under the terms of this Lease. This defense and indemnification responsibility shall not include claims alleging acts or omissions by the Borough or its agents if the claims arise from or relate to (i) negligent, reckless, or intentionally wrongful acts or omissions of the Borough, its agents, or officials; or (ii) administrative, legislative, or other discretionary decisions by the Borough or its agents, including, without limitation, the Borough's entering into this Lease.

Section 11. Insurance.

Prior to entering the premises under this Lease, HRP shall comply with the insurance provisions set forth in Appendix "A."

Section 12. Encumbrance of Leasehold Estate.

HRP may not at any time mortgage, encumber or grant any deed of trust or mortgage covering the leasehold estate created under this Lease or any interest therein or any improvements thereon, without prior written consent from the Borough, which consent shall not unreasonably be withheld. No encumbrance shall constitute a lien on the fee title of the Borough, and the indebtedness secured thereby shall at all times be and remain inferior and subordinate to all of the conditions, covenants and obligations of this Lease and to all of the rights of the Borough hereunder.

The fee title to the Premises shall not be deemed in any way pledged or mortgaged by this Lease or by any other agreement executed in connection with this Lease, and the Borough, by execution of this Lease, shall not in any manner lend its credit to a private corporation, association, partnership or other person in connection with the execution of this Lease. This Lease shall in no way be construed as a joint venture between HRP and the Borough for any purposes, including liability or collateral.

The Borough, by approval of this Lease, does not bind itself or its successors or assigns to accept or assume any liability with respect to any indebtedness which may exist now or arise in the future with respect to any action of HRP required by this Lease or with respect to the actions of any mortgagee or contractor.

HRP and its successors hereunder warrant and covenant that at the termination of this Lease there will be no statutory, contractual or other lien existing as to the activities on the Premises by HRP.

Section 13. Purchase Price.

The purchase price of the Premises (the "Purchase Price") shall be the fair market value of the fee simple estate of the Premises on the Effective Date, in its unimproved condition without regard to its intended use by HRP, as determined by a fee appraiser, licensed and qualified in the state of Alaska. The Borough shall provide a list of all Borough-qualified appraisers from which HRP shall select the appraiser. The Borough shall provide the appraisal instructions to HRP for review and approval prior to the appraisal. HRP shall order the appraisal within six (6) months after the Effective Date. HRP shall pay the costs of the appraisal. The first eighteen (18) months of lease payments shall apply to the Purchase Price if HRP exercises the option to purchase. The balance of the Purchase Price shall be paid in cash, cashier's check, or other certified funds at closing. Good and marketable title to the Premises shall be conveyed by statutory warranty deed subject only to common and ordinary reservations, exceptions, easements, rights-of-way, covenants, conditions, and restrictions of record. If the Borough is unable to convey title due to a material defect in title that cannot be cured by the Borough within two (2) weeks, HRP, in its sole discretion, may either (i) enforce this Lease or (ii) terminate this Lease and have all of HRP's payments refunded and reimbursed.

Section 14. Closing; Escrow and Closing Costs.

After exercise of HRP's option to purchase, closing shall occur within five (5) days of notice to the Borough of HRP's readiness to close.

Within fourteen (14) days of the Effective Date of this Lease, HRP shall designate an escrow company to provide title insurance and escrow closing services necessary under this Lease, and the Borough shall provide draft escrow instructions to HRP for HRP's review and approval. The Borough shall deliver escrow instructions and a fully executed statutory warranty deed to the escrow company within thirty (30) days of the Effective Date.

HRP shall pay for any Owner's Policy of title insurance and all other closing costs.

Section 15. Conditions Precedent to Exercise of Option to Purchase by HRP.

The following conditions relating to the Premises must be performed by HRP prior to exercising its option to purchase:

a. HRP shall have in full force a valid contract with Nicklaus Design for the design of a Nicklaus Design golf course, which shall be evidenced by a letter from Nicklaus Design provided to the Borough Planning Department at the time HRP exercises its option to purchase.

b. HRP shall submit to the Borough Planning Department a projected investment schedule for the Nicklaus Design golf course, including projected phases.

c. HRP shall submit to the Borough Planning Department a projected development schedule for the Nicklaus Design golf course, including projected phases.

d. HRP shall provide the following to the Borough Manager: evidence of credit worthiness, letters of reference from financial institutions, proof of ability to finance the project, including phases, and ability to obtain any performance bonds and insurance necessary to complete the Nicklaus Design golf course. The terms "evidence" and "proof" as used in this section shall be met by HRP providing the certification from a financial institution, sworn affidavit of a Certified Public Accountant, or other commercially reasonable verification.

The specific, pre-agreed upon phase of development required by Section 3(5) of Ordinance Serial No. 97-039^{AM} to be satisfactorily completed prior to execution of the option to purchase by HRP shall be fully satisfied upon completion of Subsections (a) through (d) of this Section. ^W

Section 16. Relocation of Maud-Plumley Trail.

HRP shall coordinate with the Matanuska-Susitna Trails Committee on the design and location of the relocated Maud-Plumley trail. HRP and its agents, employees, independent contractors, officers, investors, attorneys and other invitees may enter upon the Premises and adjacent Borough land to perform any inspections, planning, testing, construction, or other activities reasonably necessary to design, locate, and construct the relocated Maud-Plumley trail. There is a bed rock butte in the northeastern corner of the Premises which may interfere with relocation of a portion of the trail. If HRP determines that relocation of the Maud-Plumley trail entirely on the Premises is impractical or unsafe because of topography or other considerations relating to this bed rock butte, then the relocated Maud-Plumley trail may cross the northern property boundary of the Premises onto the Borough-owned parcel of real property lying immediately to the north of the

Premises (the "Northern Parcel"). The Borough shall reserve a trail easement over the Northern Parcel or otherwise preserve the Borough's ability to allow a portion of the relocated trail to cross the Northern Parcel until it has been determined whether it will be reasonably necessary for a portion of the relocated Maud-Plumley trail to cross the Northern Parcel.

HRP shall not close the existing Maud-Plumley trail until a platting vacation approval is obtained and an equal or better alternate trail is conveyed from HRP to the Borough, constructed by HRP, and accepted by the Borough Platting Board guaranteeing that the use of that trail will be free of charge and open at all times for both motorized recreational vehicles under one thousand (1,000) pounds empty vehicle weight and non-motorized recreational uses in perpetuity. Because the Borough and HRP intend the relocated Maud-Plumley trail to be a trail and not a road, the term "motorized recreational uses" shall mean use by persons operating four-wheelers, three-wheelers, motorcycles, snowmobiles, and similar motorized vehicles less than four (4) feet in width that are designed for unlicensed off-road use and that are equipped with original manufacturer's or quieter noise suppression equipment. Use of the relocated Maud-Plumley trail by other motor vehicles, such as jeeps, trucks, automobiles, tractors, equipment, or other similar motor vehicles, shall be prohibited.

HRP shall provide a vegetative buffer for the relocated Maud-Plumley trail by reasonably preserving or replacing natural vegetation on the Premises that is immediately adjacent to and within five (5) feet of either side of the relocated Maud-Plumley trail.

Section 17. Requirements in Course of HRP's Development of Golf Course.

In the course of development of the golf course on the Premises, HRP shall perform the following:

a. HRP shall develop and submit for approval to the Borough Platting Board a master plan that provides a detailed schematic and narrative description of the proposed development on the Premises.

b. HRP shall obtain all relevant permits from federal, state, and Borough agencies for development of the Premises. HRP shall obtain each permit prior to the development for which the applicable permit is required.

c. HRP shall install a ground water monitoring system on the Premises.

d. HRP shall develop and submit to the Borough Planning Department a storm water, drainage, erosion, and flood control plan, to include McRoberts Creek, based on the master plan, in compliance with federal, state, and Borough regulations, along with copies of appropriate federal, state, and Borough permits.

e. HRP shall submit to the Borough Planning Department a fertilizers and pesticides management plan, in compliance with federal, state, and Borough regulations, along with copies of appropriate federal, state, and Borough permits.

f. HRP shall, together with the master plan, submit to the Borough Platting Board a site rehabilitation plan describing how sites on the Premises disturbed by construction or development activities will be rehabilitated.

Section 18. Requirement of Golf Course Development on the Premises.

The Premises shall be developed as a golf course, including compatible residential development. This requirement of golf course development shall survive the closing by a covenant that runs with the land. HRP shall prepare the document creating this covenant for review and approval by the Borough, and the Borough shall record the document in the Palmer Recording District at the closing.

At the time of the execution of this Lease, the Borough shall execute and place in escrow a memorandum in recordable form stating that the covenant enumerated in this Section and the other requirements of this Lease have been fulfilled and are void and of no further force or effect. This memorandum shall be held in escrow until the constructed golf course on the Premises is certified as grassed (seeded and sodded) by letter from Nicklaus Design or the golf course construction contractor, at which time the covenant in this Section shall be extinguished by recording the memorandum in the Palmer Recording District.

Section 19. Notice.

All notices required or allowed under this Lease shall be in writing and shall be delivered personally or sent by certified mail, postage prepaid, return receipt requested. If delivered personally, notices shall be effective when received. If mailed, notices shall be effective when received, rejected, or returned unclaimed. Notices shall be delivered or addressed as follows:

Borough: Director of Planning
Matanuska-Susitna Borough
350 E. Dahlia Avenue
Palmer, AK 99645

with a copy to:

Land Management Officer
Matanuska-Susitna Borough
350 E. Dahlia Avenue
Palmer, AK 99645

HRP: Victor W. Trygstad
4201 Tudor Centre Drive, Suite 310
Anchorage, AK 99508

with a copy to:

John Tindall, Esq.
Tindall Bennett & Shoup
510 L Street, Suite 500
Anchorage, AK 99501

and another copy to:

Kenneth D. Albertsen, Esq.
P.O. Box 4368
Palmer, AK 99645

Either party's address may be changed from time to time by giving the other party notice of such address change.

Section 20. Events of Default of HRP.

Each of the following acts, omissions, or occurrences shall constitute an "Event of Default" of HRP:

- a. Failure or refusal by HRP to timely pay the lease payments when due hereunder and the continuance of such failure for thirty (30) days after notice to HRP specifying such failure;
- b. Failure or refusal by HRP to timely perform or observe any other covenant, duty or obligation of HRP under this Lease and the continuance of such failure for thirty (30) days after notice to HRP specifying such failure. In the event such covenant, duty or obligation of HRP reasonably requires more than thirty (30) days for the curing thereof, such failure shall not constitute an Event of Default if HRP shall have commenced the curing of such failure within such thirty (30) day period and having commenced such curing, carries same forward to completion with due diligence;
- c. A fraudulent representation by HRP (either prior to or following execution of this Lease) with respect to the intended use of the Premises for development of a golf course, including compatible residential development;
- d. The entry of a decree or order for relief by a court having jurisdiction over HRP's obligations hereunder in an involuntary case under the federal bankruptcy laws to appoint a receiver to liquidate all of HRP's assets and wind up HRP's affairs;

e. The commencement by HRP of a voluntary case under the federal bankruptcy laws for liquidation of HRP's assets, or the consent by HRP to the appointment of a receiver to liquidate all of HRP's assets and wind up HRP's affairs.

Section 21. Remedies Upon Default.

This Lease and the term and estate hereby granted and the demise hereby made are subject to the limitation that if and whenever any Event of Default shall occur, after such notice, if any, as is provided herein, the Borough may, at its option, in addition to all other rights and remedies given hereunder or by law or equity, terminate this Lease, in which event HRP shall immediately surrender possession of the Premises to the Borough.

Prior to commencing any legal action for specific performance or other remedies, HRP will give the Borough written notice specifying such default with particularity, and the Borough shall thereupon have a reasonable period, but in no event more than thirty (30) days, in which to cure any such default.

Section 22. Non-Waiver.

The failure of either party to this Lease at any time to enforce a provision of this Lease shall in no way constitute a waiver of the provision or the right thereafter to enforce the provision.

Section 23. Cause Beyond Control.

In the event either party is prevented by a cause or causes beyond the party's control from performing any obligation of this Lease, the non-performance resulting from such cause or causes shall not be deemed to be a breach of this Lease. However, if and when such cause or causes cease to prevent performance, the non-performing party shall exercise all reasonable diligence to resume and complete performance of the obligation with the least possible delay. The phrase "cause or causes beyond control," as used in this section, means any one or more of the following causes which are not attributable to the fault or negligence of the non-performing party and which prevent the performance of that party: fire, explosion, acts of God, war, orders or law of duly constituted public authorities, and other major uncontrollable and unavoidable events, all of the foregoing which must actually prevent the non-performing party from performing the terms of this Lease.

The inability or unwillingness of Jack Nicklaus to perform design services for HRP under the Nicklaus Design Contract shall be deemed to be a cause beyond HRP's control and shall entitle HRP to substitute another notable golf course designer to provide the design services required under this Lease. In such event, the substitute golf course designer shall be substituted for Nicklaus Design throughout this Lease.

Section 24. Environmental Provisions.

The Borough represents to HRP that the Borough has no knowledge of hazardous wastes, hazardous substances, toxic chemicals, pollutants, or contaminants (as those terms are defined pursuant to any federal, state, or local statute, ordinance, rule, code, or regulation) (hereinafter "Hazardous Material") located on, in, or adjacent to the Premises or in the soils or groundwater on the Premises. The Borough has neither received nor has knowledge of any claims, notices, or directives from any governmental entity with respect to any of the foregoing. To the Borough's knowledge, there have been no underground storage tanks on the Premises.

HRP, to the best of its knowledge, is unaware of any environmental contamination on or near the Premises. HRP will maintain the property in such a manner as to prevent the occurrence of environmental contamination. HRP, at all times during the Lease Term, at its own expense, and with all due diligence, shall observe and comply with all environmental laws, ordinances, rules, and regulations which are now in effect or may later be adopted by any governmental authority and which may be applicable to the Premises or any improvement on it or any use of it.

In the event any discharge, leakage, spillage, emission or pollution of any type occurs upon or from the Premises during the Term or any holdover thereafter, HRP shall immediately notify the Borough and shall, at HRP's own expense, clean and restore the Premises to the satisfaction of any governmental body or court having jurisdiction of the matter. If the discharge, leakage, spillage, emission or pollution occurs as a result of public use of the original or relocated Maud-Plumley Trail, the Borough shall, at the Borough's own expense, clean and restore the affected area to the satisfaction of any governmental body or court having jurisdiction of the matter.

Section 25. Choice of Law; Mediation; Jurisdiction.

The rights and obligations of the parties under this Lease shall be governed by the laws of the state of Alaska. Any dispute which may arise between the parties under this Lease, with respect to any matter or thing governed hereby, shall be addressed in non-binding mediation prior to filing suit if HRP and the Borough can agree on a third party to decide the dispute. Any civil action arising from this Lease shall be filed in the Palmer Superior Court, Third Judicial District, State of Alaska.

Section 26. Severability.

If any provision of this Lease is found by a competent court to be in violation of law, that portion of the Lease shall be stricken and the remainder of the Lease shall remain in full force and effect, unless the change in terms of the Lease would prevent HRP from using the Premises for its intended purposes.

Section 27. Modification.

This Lease shall be modified only in a writing signed by both parties.

Section 28. Interpretation.

This Lease has been jointly drafted by the parties and therefore shall not be construed more strictly against one party than the other. The titles of sections in this Lease are only for identification and for the convenience of the parties and shall not be construed to limit or define the terms of this Lease. In the event that there is any conflict between the terms of this Lease and any Appendix or other attachment hereto, the terms of this Lease shall control.

Section 29. Assignment.


Neither party shall assign its rights under this Lease without the prior written consent of the other party, unless such assignment is between HRP and another limited liability company whose stated purpose includes the development of a golf course and compatible residential development and who meets the requirements of MSB 23.10.090 (Qualifications of Applicants and Bidders). The stated purpose of another limited liability company shall be verified to the Borough by the submission of a certified copy of the appropriate portion of the "Purpose" Section of the assignee limited liability company Operating Agreement. Such consent shall not be unreasonably withheld. In the event of an assignment by HRP pursuant to this section, the closing documents shall be modified, at HRP's expense, to substitute the name of the new limited liability company for the name of HRP.

Section 30. Integration of Entire Agreement.

This Lease contains the entire agreement between the parties hereto. All negotiations, statements, representations, warranties, and assurances, whether oral or written, which related to the subject matter of this Lease and the performance of either party hereto, are merged and integrated herein.

MATANUSKA-SUSITNA BOROUGH
A Municipal Corporation

3-25-98
Date


By: Michael J. Scott, Borough Manager

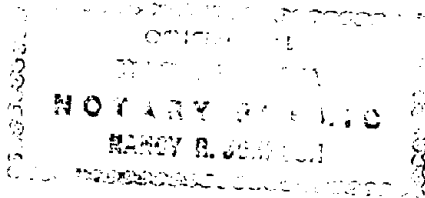
HOMESTEAD RESORT PROPERTIES, LLC I
An Alaska Limited Liability Company

March 25, 1998
Date

Victor W. Trygstad
By: Victor W. Trygstad, Managing Member

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 25th day of March, 1998, MICHAEL J. SCOTT, manager of the MATANUSKA-SUSITNA BOROUGH, who is personally known to me, appeared and acknowledged before me that he signed the above Land Lease With Option To Purchase on behalf of the municipal corporation.



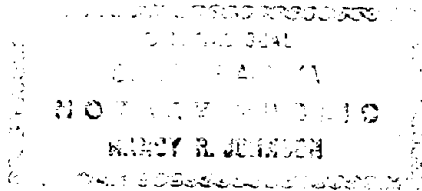
Nancy R. Johnson
Notary Public in and for Alaska
My Commission Expires: 10-10-98

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this 25th day of March, 1998, VICTOR W. TRYGSTAD,
managing member of HOMESTEAD RESORT PROPERTIES, LLC I, [check one]

- who is personally known to me;
- whose identity I proved on the basis of _____;
- whose identity I proved on the oath/affirmation of _____,
a credible witness;

appeared and acknowledged before me that he signed the above for the purposes stated therein, and that he was authorized to execute said document.



Nancy R. Johnson
Notary Public in and for Alaska
My Commission Expires: 10-10-98