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MATANUSKA-SUSITNA BOROUGH
350 East Dahlia Avenue, Palmer, Alaska 99645-6488
LAND MANAGEMENT DIVISION
PHONE: (907) 745-9863 FAX: (907) 745-9876

December 21, 1998

Victor Trygstad
Homestead Resort Properties, LLC I
4201 Tudor Centre Drive, Suite 310
Anchorage, AK 99508

Dear Mr. Trygstad:

Your lease with the Borough, dated March 25, 1998, requires you to order and pay the costs of an appraisal to determine the purchase price of the property (Section 13). Lease payments after the first six months are to be recalculated from the purchase price determined by appraisal (Section 5). You notified the Borough in September that the appraisal had been ordered and that Richard Follett, MAI, was the appraiser selected. Mr. Follett has notified me that you told him not to proceed with the appraisal and, as a result, he no longer can complete the appraisal within the required timeframe (December 18, 1998). You have neither informed the Borough of alternative plans for an appraisal nor returned my calls to address this matter.

Thus, this letter serves as notice that you are in default in your lease, according to Section 20b, by failing to timely perform your duty to provide and pay for a fee appraisal. You have 30 days, until January 20, 1999, by 5pm, to provide the Borough with an appraisal, based upon the appraisal instructions provided by the Borough and performed by an appraiser on the list of Borough-qualified appraisers. If the appraisal is not provided by that date, the Borough will terminate this lease (Section 21).

Additionally, First National Bank has not received your lease payment for December. Thus, this letter also serves as notice that you are also in default per Section 20a for failure to timely pay the lease payments when due. Unless payment is made by 5pm, January 20, 1999, the Borough will terminate the lease.

Respectfully


Jill Parson, Land Management Officer

cc. John Tindall, Esq.
Kenneth D. Albertson, Esq.
Michael J. Scott, Borough Manager

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;