

MEMORANDUM OF UNDERSTANDING

April 13th, 1999

A Memorandum of Understanding for cooperative development in the expanded Cle Elum urban growth area between the City of Cle Elum, Town of South Cle Elum, JELD-WEN and JELD-WEN development companies, Trendwest Properties, Inc., and Trendwest Resorts, Inc.

I. Introduction

Kittitas County plans under the Washington State Growth Management Act. The City of Cle Elum and the Town of South Cle Elum have adopted the County GMA policies in their vision of future growth and long range planning. Urban growth areas jointly agreed to by county governments, cities and the Washington State Department of Community Trade and Economic Development enable agreements on where urban density growth shall or shall not be encouraged.

The "Cle Elum" Urban Growth Area, located adjacent to the West boundary of the City of Cle Elum and mostly owned by JELD-WEN has been developed through the ~~G~~GMA-process. The following Memorandum of Understanding is to create the foundation for implementing all the principles of ~~G~~GMA in the "Cle Elum" UGA and to affirm the commitment of the City and Trendwest to a process for appropriate development. This is not a Development Agreement.

II. Purpose:

The City of Cle Elum and Trendwest have an interest in establishing a mutually benefitting public/private partnership within the expanded UGA of the City. This memorandum is intended to define and establish a common framework of the fundamental points for future agreements in the cooperative effort to develop the expanded UGA. This memorandum does not create binding legal obligations on the parties, but will serve only as a guide. This memorandum will be the road map and basis for pursuit of later agreements.

III. Expanded UGA

The property in the expanded UGA will be developed consistent with an urban zone to be adopted by Kittitas County, and possibly the City of Cle Elum, and a sub area plan to be adopted by Cle Elum. The County and the City as lead agencies will complete an environmental impact statement which will be funded by Trendwest. Development in the expanded UGA w

be governed by pre-annexation and/or development agreements. Development will also be subject to interlocal agreements with Kittitas County and affected jurisdictions and agencies. At the option of Cle Elum, no protest annexation agreements will be entered into by Trendwest and Cle Elum that provide for the annexation to Cle Elum some or all of the JELD-WEN property in the expanded UGA. If requested by Cle Elum annexations must be preceded by a master plan or other development agreements/approvals by the County or Cle Elum for this property. Nothing in this memorandum is meant to preclude Trendwest's ability to plan in the UGA.

While both parties agree that other uses may need to be analyzed, Cle Elum and County land use analyses and JELD-WEN's water planning for the expanded UGA have identified the following urban uses as appropriate:

- Washington State Horse Park;
- City water plant and water supply diversion;
- Expansion of public school campus;
- Multi-use community center;
- Business/office park;
- Apartments;
- RV park;
- Golf course;
- Residential units and employee housing element;
- Hotel facilities and timeshare condominiums;
- Cemetery expansion

IV. Trendwest's Role:

As a proponent of the development of the UGA Trendwest will fund all necessary planning and permitting costs directly associated with its development including appeals, and the cost of interim capacity on facilities (water and sewer).

V. Infrastructure

It is mutually recognized that development within the UGA must be coordinated with the City of Cle Elum's and the Town of South Cle Elum's infrastructure. Infrastructure is a key planning element for all parties. It is also agreed that regionalizing infrastructure wherever feasible is a goal of all parties to serve the UGA, proposed master planned resort, and other parties that might legitimately participate in the regional systems.

The primary infrastructure issues are water and sewer. Agreements will be necessary to provide comprehensive regional systems for water supply and sewage treatment along with

agreements for water rights, withdrawal agreements, upsizing, easements, treatment facilities, transmission, storage and distribution needs, and operation and maintenance. City infrastructures within the expanded UGA will also require easements, access and specific agreements for development, operations and maintenance. Additional entities or parties can participate in the regionalized infrastructure by formal action of the Cle Elum City Council and, if appropriate, the Town of South Cle Elum. Trendwest will be involved in any process to add parties to water and sewer agreements. If additional parties are allowed as participants they will pay their share of planning, design and construction costs. Wherever possible, additional parties choosing to participate in any infrastructure, shall be subject to "latecomer" agreements. These agreements shall be used by Cle Elum and South Cle Elum to reimburse Trendwest, Cle Elum, and South Cle Elum.

Each infrastructure development will require a separate agreement to establish responsibilities and ownership. The City of Cle Elum and the Town of South Cle Elum will retain sole ownership and operation of their respective municipal water and sewer systems.

Cle Elum and South Cle Elum have selected its engineers for the regional water and sewer projects, and such engineers will work under contracts with Cle Elum and the Town of South Cle Elum for the completion of the projects. Trendwest will provide engineering and architectural assistance and input where appropriate with respect to such projects. All parties will participate in the review of all plans and specifications, schedules, and budgets for the projects. The responsible engineers shall keep the parties regularly advised of engineering and construction progress.

VI. Land Use

The concept of an Urban Growth Area is to allow Kittitas County and the City of Cle Elum to jointly develop land use, zoning, phasing, development regulations, open space and other potential land use categories for future annexation.

Kittitas County and the City of Cle Elum, in coordination with Trendwest will work cooperatively and collaboratively to develop appropriate and acceptable land uses in the Cle Elum UGA.

VII. Impacts of Development

Development of the UGA will create impacts. These impacts should be identified early in the planning process through the EIS, and appropriate agreements for mitigation be developed at the earliest opportunity. Identified impact mitigation costs will be borne by the party creating the impacts as provided by state law.

VIII. Payment Process

It is recognized that appropriate and timely payment procedures, administrative charges, interest issues, and penalties are areas of concern that must be resolved in every agreement document. All agreements required by this memorandum must specifically address fiscal procedures, payment process, and business related agreements. All agreements must be in accordance with the requirements of the State Auditor.

IX. Dispute Resolution

In the complex process of UGA development, disputes over payments, agreements, mitigation and other issues may arise. Timely resolution to any dispute is imperative. All parties will make a "good faith" effort to resolve the issue internally. When any dispute is deemed unresolvable or at impasse by any party to this memorandum, a dispute resolution process must be implemented within 15 days of declaration of impasse. This declaration must be in writing to the other party. The resolution of any dispute must not detract from the authority of the respective Town or City Councils, but should be framed around an agreed upon mediation process. It is also mutually understood that failure of the mediation process may result in litigation.

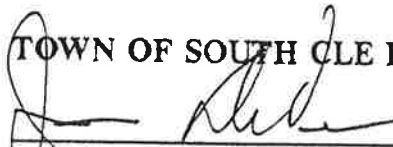
In the event there is a need for clarification concerning a required Trendwest payment for consultant services of any kind (including engineering, architectural, legal, planning and environmental) hereunder, Trendwest, the appropriate municipality and any such consultant(s) shall first meet and make an effort to resolve the dispute. If the clarification or dispute is not satisfactorily resolved as a result of this meeting, a dispute resolution process must be agreed to. This process will involve the City or Town, the affected consultant, and Trendwest. Litigation will be only a last resort to resolve City or Town consultant issues.

X. Legal Issues

Predictability and stability for the City of Cle Elum and Town of South Cle Elum, JELD-WEN, and Trendwest is necessary. Agreements entered into subsequent to this memorandum must be binding to all parties. Municipalities have legal constraints, an obligation to their citizens, and statutory requirements to their constituents that must be adhered to in any agreement or contract. Corporations have responsibilities to their shareholders. Nothing in this memorandum or future agreements can compromise those obligations.

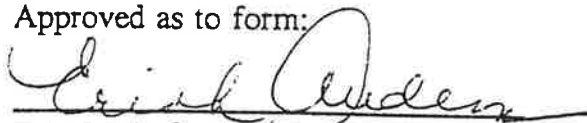
Any sale of JELD-WEN's or Trendwest's interest with the UGA will be subject to any contracts or agreements with the City of Cle Elum or Town of South Cle Elum existing at or prior to the time of sale and such contracts and agreements shall be assigned, as appropriate, to any buyer.

TOWN OF SOUTH CLE ELUM



James De Vere, Mayor

Approved as to form:



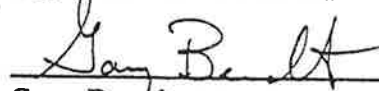
Erin L. Anderson, Town Attorney

ATTESTATION:



Sarah Nelson, Town Clerk

CITY OF CLE ELUM

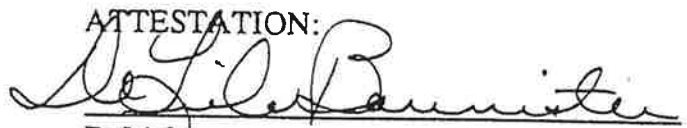


Gary Berndt, Mayor

Approved as to form:

Erin L. Anderson, City Attorney

ATTESTATION:



DeLida Bannister, Town Clerk

JELD-WEN

By:
Its:

TW

~~TOWN PROPERTIES, INC.~~

By:
Its:

TW

~~TRENDWEST~~ RESORTS, INC.

By:
Its:

For JELD-WEN, inc

By ITS Development Companies, Trendwest Resorts, Inc. and Trendwest Properties, Inc.

J. Michael Moyer

J. Michael Moyer

Sr. V.P., Trendwest Resorts, Inc.

Exec. V.P., Trendwest Properties, Inc.