

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 16th day of September, 1992, by and between HELEN MEEHAN and ERMA WEBB ("Plaintiffs"), EDWARD MADIGAN, LAVERNE AUSMAN, EARL TILLY, JACKIE GLEASON, and FARMERS HOME ADMINISTRATION ("FmHA") (collectively "Federal Defendants"), CRAIGMONT ASSOCIATES and SUHRBIER COMPANY ("Private Defendants"), and WASHINGTON STATE INVESTMENT BOARD ("WSIB").

WHEREAS, Plaintiffs, Federal Defendants, Private Defendants and WSIB are all parties to a lawsuit pending in the United States District Court for the Western District of Washington, Civil Action No. C91-1472R, involving a low-income apartment project known as Craigmont Apartments; and

WHEREAS, the Private Defendants have agreed to sell the Craigmont Apartments to the SNOHOMISH COUNTY HOUSING AUTHORITY ("Housing Authority") and FmHA has approved financing for this transaction in accordance with an appraisal of the property obtained by FmHA; and

WHEREAS, the Private Defendants and the Housing Authority entered into an Agreement Of Purchase And Sale dated June 2, 1992 establishing a purchase price of

\$1,650,000, and subsequently entered into Amendment No. 1 to that Agreement Of Purchase And Sale reducing the purchase price to \$1,550,000; and

WHEREAS, there is existing a WSIB loan secured by the Craigmont Apartments, which would be repaid upon sale of the apartments to the Housing Authority, and consent of WSIB to the sale of the apartments and repayment of its loan is required; and

WHEREAS, WSIB claims that a prepayment premium would be due from the Private Defendants as a result of the sale to the Housing Authority and repayment of the WSIB loan, while the Private Defendants maintain that the loan agreement requiring such a prepayment penalty is unenforceable; and

WHEREAS, the inability of WSIB and the Private Defendants to agree upon the amount of a payment to WSIB could jeopardize the sale to the Housing Authority; and

WHEREAS, it is in the best interest of all parties to this Agreement, and in the best interest of persons in need of subsidized housing, that the above-referenced litigation be settled and the sale of the Craigmont Apartments to the Housing Authority be consummated; and

WHEREAS, the Private Defendants and the Housing Authority have executed or will execute an Amendment No. 2 to the Agreement of Purchase and Sale extending the time for closing, and providing for payment of a revised purchase price determined in accordance with this Agreement;

NOW, THEREFORE, without admission of liability by any party, the parties hereby covenant and agree as follows:

1. All parties to the above-referenced litigation agree to a complete stay of all proceedings in the litigation for 45 days.

2. Subject to formal approval by WSIB, WSIB will consent to the sale of Craigmont Apartments to the Housing Authority at such time as the Private Defendants agree to pay WSIB \$80,000, plus the entire unpaid principal amount of the loan and all accrued interest due as of the date of closing of the sale of Craigmont Apartments to the Housing Authority. WSIB staff and counsel will strongly recommend approval of this sale to the Board for its formal approval on or before October 16, 1992. Upon such approval, WSIB further agrees to execute and approve all closing documents necessary to register its consent to the sale and to clear title to the Craigmont Apartments of any claim of WSIB.

3. FmHA hereby agrees that it shall promptly initiate a reappraisal of the Craigmont Apartments, and shall increase the amount of the loan previously committed to the Housing Authority for payment to the Private Defendants by the full amount of the increase in appraised value, if any, resulting from such reappraisal, up to \$1,630,000 (\$1,550,000 plus \$80,000) plus any operating capital advanced by FmHA to the Housing Authority. FmHA further agrees that it shall make its best effort to advise all parties to this Agreement of the amount of such increase, if any, no later than October 16, 1992. Funding of the increased loan amount is contingent upon FmHA receiving authorization and appropriation from Congress for FmHA's Section 515 Program, and upon formal approval of any increased loan amount by FmHA.

4. Upon receipt of the above-described notification from FmHA, the Private Defendants shall have five (5) days to accept or reject a sale of the Craigmont Apartments at the revised purchase price equal to any such reappraisal amount FmHA will loan to the Housing Authority. The Private Defendants shall notify the Housing Authority and all other parties to this Agreement, in writing, of their acceptance

or rejection of such revised sale price within said five days.

(a) If the Private Defendants elect not to proceed with the purchase and sale of the Craigmont Apartments at the revised purchase price, the parties shall promptly move the court to vacate the stay of the above-referenced litigation and the parties shall proceed with the litigation.

(b) If the Private Defendants elect to proceed with the purchase and sale of the Craigmont Apartments at such revised purchase price, the parties to this Agreement shall proceed as expeditiously as possible to take all steps necessary to close the sale at the revised price.

5. FmHA hereby agrees that the current financing it has committed to the Housing Authority shall remain available for 45 days from the date hereof.

6. The parties to the above-referenced litigation agree to dismiss with prejudice all claims, cross-claims and counterclaims which have been or could have been asserted in this litigation upon closing of the sale of the Craigmont Apartments to the Housing Authority. Each party also agrees to bear its own costs and attorney's fees. Immediately upon

notification by the Private Defendants that they will consent to the sale of the Craigmont Apartments at the revised purchase price, the parties to the litigation shall execute and approve all documents necessary to dismiss the lawsuit so as not to interfere with the closing of the sale of the Craigmont Apartments to the Housing Authority.


7. The Plaintiffs hereby stipulate and agree that they will waive all claims they might otherwise have for attorneys' fees and costs arising from the above-referenced litigation upon closing of the sale to the Housing Authority.

8. This Agreement may be executed by some or all of the parties in counterpart, and all such counterparts shall constitute a single document.

DATED this 30th day of September, 1992.

HELEN MEEHAN and ERMA WEBB
Plaintiffs

EVERGREEN LEGAL SERVICES,
Counsel for Plaintiffs

By: 
Gregory B. Provenzano

EDWARD MADIGAN, Laverne
AUSMAN, EARL TILLY, JACKIE
GLEESON

Federal Defendants

DEPARTMENT OF JUSTICE
Counsel for Federal Defendants

By: _____
Lois B. Osler

WASHINGTON STATE INVESTMENT
BOARD

By: *Jeffery J. ...*, A.A.G.
Its: *Attorney of Record*

SUHRBIER COMPANY

CRAIGMONT ASSOCIATES

By: _____
Edwin Suhrbier
Its President

By: _____
Suhrbier Company,
General Partner

EDWARD MADIGAN, Laverne
AUSMAN, EARL TILLY, JACKIE
GLEESON
Federal Defendants

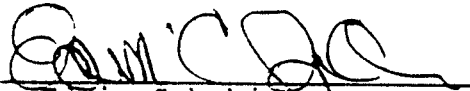
DEPARTMENT OF JUSTICE
Counsel for Federal Defendants

By: _____
Lois B. Osler


WASHINGTON STATE INVESTMENT
BOARD

By: _____
Its: _____

SUHRBIER COMPANY

By: 
Edwin Suhrbier
Its President

CRAIGMONT ASSOCIATES

By: 
Suhrbier Company,
General Partner

EDWARD MADIGAN, Laverne
AUSMAN, EARL TILLY, JACKIE
GLEESON
Federal Defendants

DEPARTMENT OF JUSTICE
Counsel for Federal Defendants

By: Lois B. Osler
Lois B. Osler

WASHINGTON STATE INVESTMENT
BOARD

By: _____
Its: _____

SUHRBIER COMPANY

CRAIGMONT ASSOCIATES

By: _____
Edwin Suhrbier
Its President

By: _____
Suhrbier Company,
General Partner