

**Settlement Agreement Between
The North Capitol Hill Neighborhood Association
and
Seattle Preparatory School, Inc.**

THIS AGREEMENT is made and entered into on this 19th day of June, 1996 by and between SEATTLE PREPARATORY SCHOOL, INC. (Prep) and the NORTH CAPITOL HILL NEIGHBORHOOD ASSOCIATION (NCHNA), a not-for-profit Washington Corporation which is an association of residents of the neighborhood near the Prep campus.

Definitions

Neighborhood - The area bounded by East Boston Street to the south, 10th Avenue East to the west, Delmar Drive East and East Interlaken Boulevard to the north and a line drawn along 15th Avenue East to the east.

Community - The residents or property owners of the neighborhood or any portion thereof.

Prep Commuters - Those individuals who travel on a daily basis to Prep, including students, faculty, staff, and administrators.

Campus - That 3.6 acre portion of Seattle Prep's property located south of Delmar Drive East on which the Adelpia, Garrigan, McDonnell, Peyton buildings and the McHugh gymnasium are located.

Lower Lot - That parking area located to the north and northwest of Peyton Hall.

City - The City of Seattle

Major Event - Any extracurricular on-campus activity, or combination of activities, with a projected or actual total attendance of 350 or more individuals.

Minor Event - Any extracurricular on-campus activity, or combination of activities, with a projected or actual total attendance of more than 150 but less than 350 individuals.

Outside Event - Any extracurricular on-campus activity in which Prep is not a sponsor or participant.

Dances - Social dances, not dances performed for an audience.

Enrollment - Total number of students registered for any given academic term.

Prologue

Prep has advised the community of plans to file for a Master Use Permit for construction on its campus, with respect to which it has a conditional use permit in an otherwise residential zone. The broad outlines of that construction project include two phases, the first to involve replacement of an existing open parking lot for 119 vehicles with a two tier underground parking facility for approximately 227 cars, and the construction of a new two story academic building and an open green area atop that parking structure, the second to involve demolition of an existing structure (Garrigan Hall) along East Miller Street between 12th Avenue East and 13th Avenue East to be replaced by a theater facility and related remodeling of McDonnell Hall.

The community has expressed certain concerns regarding both the construction phase and subsequent use of Prep facilities including: continued concerns over compliance with an earlier (1981) agreement between Prep and an unincorporated entity known as Prep's Concerned Neighbors; design features of the project; environmental impacts; traffic and parking issues; and future enrollment at the school. NCHNA was formed to act as a vehicle for coordinating and expressing community concerns and interests, and for the purpose of providing a discrete formalized entity to represent the neighborhood in negotiations with Prep and in City hearings. NCHNA represents and warrants that it is a successor entity to Prep's Concerned Neighbors and is authorized to act in its stead.

Prep and NCHNA have mutually recognized that they have an interest in cooperation and good community relationships, and that the interests of all parties will be better served by reaching mutual and voluntary agreement than through confrontation in administrative or judicial processes which might fail to yield beneficial solutions for either party, and would almost certainly result in delays and expense.

Wherefore, the parties enter into the following covenants, agreements and undertakings:

Replacement of Former Prep's Concerned Neighbors Settlement Agreement

This agreement supersedes an earlier agreement between Prep and Prep's Concerned Neighbors. This agreement also resolves any and all disputes which arose thereunder.

PREP Undertakings:

Traffic Studies

Seattle Prep has hired Transpo, Inc. to prepare the transportation management plan required by the City as part of the Master Use Permit application. Transpo also prepared a transportation survey for Prep in December of 1993. It is the desire of both parties to base current and future discussions on accurate, objective information and criteria. Accordingly Prep shall:

1. Direct their transportation consultant(s) to make reports (including all Appendices) relating to present or future studies of the neighborhood available to NCHNA.
2. If requested by NCHNA, retain Transpo or a similar traffic consulting firm for a follow-up study during the first April after Phase I construction is complete, the scope of which shall be in effect a confirmation study aimed primarily at investigating the impacts of the traffic flow changes created by the 11th Avenue East closure, the new garage and drop-off zones and to propose where appropriate any additional mitigation needed to meet neighborhood parking & traffic goals. The study shall include an opportunity for input by NCHNA to the study designers, and a copy of all resulting data for NCHNA.
3. Commission traffic and parking management studies at any time enrollment increases by 5% over the level existent during the previous study if requested to do so by NCHNA. The enrollment baseline figure initially used for this purpose shall be 650.

Traffic Management

Seattle Prep wishes to provide facilities conducive to the safe and efficient movement of its commuters to and from its campus. Prep also wishes to aid the community in minimizing the flow of campus related traffic along residential streets in the neighborhood. Accordingly Prep agrees to:

1. Advise Prep commuters in orientation materials of all rules and regulations and procedures regarding parking, pick-up and drop-off of students.
2. Require all vendors and delivery services, including but not limited to UPS, to deliver at the lower lot or in the garage, if feasible, and specifically advise them not to park illegally on East Miller Street or 11th Avenue East for such deliveries.

Parking Management

The parties recognize that the growth in on-street parking by Prep commuters has been a source of concern for the neighborhood, and has been a factor in the establishment of a limited Residential Parking Zone to become

effective August 29, 1996. Prep intends to provide adequate on-campus parking for its daily requirements by increasing its on-site capacity with a two level underground parking garage. Furthermore, Prep intends to manage its demand for parking once the garage is complete such that off-campus parking space is required only for pre-designated major events.

In recognition of current and prospective concerns, and in furtherance of its above stated objectives, Prep agrees as follows:

A. Effective August 29, 1996 through the life of this Agreement:

1. All Prep commuters will be required to register any vehicle used for commuting to or from school. Prep shall develop, and update each quarter, a database of these vehicles. A list of these vehicles' license plate numbers, sorted by state and number, shall be made available to NCHNA within 10 working days after a request by NCHNA.

2. Prep will institute whatever measures are necessary to eliminate all instances of Prep commuters utilizing the neighborhood on-street parking areas that are protected under the City's Residential Parking Zone (RPZ) program at any time during the day.

3. Prep will, upon report of a listed vehicle parked within the RPZ protected area of the neighborhood, confirm that report, and if accurate, take appropriate action with the responsible party.

B. Effective upon receipt of a certificate of occupancy for the underground parking garage:

1. Prep will make it a general practice to inform visitors, vendors and volunteers of the appropriate approach to the campus (via 11th Avenue East from Delmar Drive East), and request that they utilize the parking garage or the lower lot rather than park on neighborhood streets.

2. Prep will request that all visiting teams and student bodies be advised by their schools of the above appropriate approach to the campus, request that they advise students and staff to utilize the parking garage (or the lower lot for busses), and that they be asked not to park on neighborhood streets.

3. Prep will establish and maintain systems of incentives and disincentives designed to effectively limit future increases in its parking demand, including but not limited to increased use of the Metro transit system and higher density car-pools by Prep commuters.

Design Features - Parking Garage

To enable the elimination of daily on-street parking by Prep commuters, a parking garage will be constructed, which will require alterations of traffic patterns in the neighborhood. Prep and the neighbors agree that a primary garage design objective is to create a safe environment for garage users and to

avoid creating a haven for vandalism, trespass or other illegal activity. For these reasons, Prep agrees to permit and build the garage with the following features:

1. A single garage entrance from / exit onto 11th Avenue East with a traffic barrier constructed to prevent vehicles exiting the garage from turning left onto 11th Avenue East south-bound. Prep also agrees to permanently sign the exits to its garage and lower lot with signs permitting a right hand turn only upon departure.

2. A barrier constructed to prevent any north-bound traffic on 11th Avenue East between East Miller Street (North) and the garage entrance.

3. The parking garage design as submitted to the City will have capacity for 227 vehicles. It is recognized the City may require Prep to increase or decrease this number during its review.

4. The garage shall have a closure designed to prevent entry by individuals when the door is closed.

5. The garage design shall incorporate a combination of features to maximize user safety. This may include a combination of lighting, alarms, telephones, videos and locks as determined to be appropriate by the facility designers. The lighting will be designed in a manner to minimize glare impacts on residents living across from the garage entrance.

Design Features - Proposed Academic Building

Seattle Prep wants to minimize the impact of its proposed academic building on the neighborhood. Accordingly, Prep agrees to:

1. Utilize the 195 foot elevation level, or lower, as the base for its proposed structure, and to minimize the overall height of the structure, consistent with its intended use and integration with the character of the neighborhood.

2. Set the proposed structure back from 11th Avenue East a minimum of 20 feet and from East Miller Street a minimum of 13 feet 8 inches at all points and at least 20 feet averaged across the lineal frontage.

3. Modulate the frontal presentations and the elevation of the proposed structure to present an apparent mass similar to that of several residential sized structures from most street-based vantage points.

4. Vary the facade treatments and include architectural details intended to mitigate the structure's mass.

5. Include architectural features associated with a more residential character (such as dormers, pitched roofs, gabled roof ends, etc.) to integrate the proposed structure with residential structures and uses in the immediate area.

6. Route all new on-campus power supplies for the proposed academic building underground and locate all new on-campus transformers and circuit breakers in underground vaults. Further, Prep will request the City route all new off-campus power supplies underground and locate all new off-campus

transformers and circuit breakers in underground vaults in an effort to avoid adverse impacts on views.

7. Incorporate rooftop equipment into the overall building appearance by locating and orienting these elements away from neighboring residences and visually obscuring them.

Design Features - Proposed Theater

Seattle Prep wants to minimize the impact of its proposed theater on the neighborhood. Accordingly, Prep agrees to:

1. Minimize the overall height of the structure, consistent with its intended use and integration with the character of the neighborhood.

2. Set the proposed theater back from 11th Avenue East a minimum of 14 feet 11 inches.

3. Modulate the frontal presentations and the elevation of the proposed structure to reduce the apparent bulk and mass of the proposed structure.

4. Include architectural features consistent with the Academic Building, as feasible.

5. Route all new on-campus power supplies for the proposed theater underground and locate all new on-campus transformers and circuit breakers in underground vaults. Further, Prep will request the City route all new off-campus power supplies underground and locate all new off-campus transformers and circuit breakers in underground vaults in an effort to avoid adverse impacts on views.

6. Incorporate rooftop equipment into the overall building appearance by locating and orienting these elements away from neighboring residences and visually obscuring them.

7. Prep agrees that the new theater will contain fixed seating for no more than 350 persons.

Design Features - Proposed Plaza

Prep wishes to provide for a pleasant, attractive open space in the center of its campus, which is consistent with the neighborhood's desire to have off-hours/weekend access to the plaza. Accordingly, Prep agrees to:

1. Locate ventilation exhaust from the underground garage facility in the northeast quadrant of the garage.

2. In designing the plaza, Prep will consider the neighborhood's concerns, including safety in the layout, lighting and furnishing of the plaza and the provision of grass areas.

3. Retain the present appearance of the landscape in the vicinity of 12th Avenue East and East Miller Street.

Design Features - Landscaping

Since its 1981 building project Prep has maintained landscaped borders along the south and west sides of its campus which are conducive to and consistent with the residential atmosphere of the neighborhood, and it intends to repair, replace, and maintain such landscaping amenities in the future. To that effect Prep agrees to:

1. Include NCHNA in the review of its landscape plans.
2. Propose, to the extent feasible, equivalent landscaping amenities, including trees of comparable caliper to those currently in place, to maintain landscaping features as an element of its conditional use during the life of this agreement and to consider safety in the design and maintenance of all landscaped areas.

Design Review

The neighborhood will be affected by the design of the proposed facility and has a need to review the design during its development and prior to its submittal to the City. To facilitate this review Prep agrees to:

1. Direct their primary architect, Mahlum and Nordfors McKinley Gordon and its principal, Mr. Patrick Gordon, to provide NCHNA's designated representative copies of all design drawings at the time of milestone printings when they are presented to Prep (e.g. – 60%, 80%, 90%) and of all design submittals ten working days in advance of presentation to the City, or as soon thereafter as is feasible.
2. Keep NCHNA's designated representative informed of any developments in the application review process that may affect the nature or severity of project impacts on the neighborhood, through meetings scheduled not less often than once per month. In addition, timely notice of significant impacts will be by phone or by copy of correction sheets.
3. Include NCHNA in the architect's "user group" design review process.
4. Prep undertakes to give NCHNA timely notice of any restrictions imposed by the City on its construction plans or other plan changes, and to, upon request, further negotiate with NCHNA for modification of this agreement or other amelioration made necessary by any such change. In the event that such change is of major significance in terms of community impacts and resolution cannot be reached on an alternative solution acceptable to the City, then, to the extent of that modification and its impacts, but not otherwise, NCHNA shall be free of its commitments herein to support the project and not to oppose its details in the Master Use Permit Review process or otherwise. A deviation of 10 or fewer vehicles from the 227 spaces in the parking garage will not be considered of major significance under the terms of this paragraph.

Construction Impacts

The construction will have impacts on the neighborhood, but Seattle Prep will minimize these to the greatest extent feasible. Prep recognizes that commencing construction while school is in session, and especially in spring when parking problems are at their peak, will require the greatest amount of mitigation efforts to minimize the impacts on the neighborhood. In addition to standard mitigation efforts Prep therefore agrees to:

1. Give NCHNA at least 90 days notice of its elected commencement date, which will not be before March 15, 1997.
2. Utilize out of the area parking in combination with shuttle buses for construction workers, students, faculty, staff, and administrators to the extent on-site capacity is temporarily inadequate. Include in all construction contracts a requirement that parking of construction vehicles shall not be permitted within the neighborhood.
3. Establish a single 24-hour telephone point of contact (a hotline) to respond to construction related problems, such as illegal parking, improper construction vehicle routing, noise violations, and other remediable impacts.
4. Restrict construction traffic to inbound along East Miller Street from 10th Avenue East and outbound north from the site along 11th Avenue East to Delmar Drive East and direct all contractors to keep personnel from utilizing neighborhood non-arterial streets south of East Miller Street.
5. Require the contractor to provide effective traffic control (radio control scheduling, flaggers, temporary signage, etc.) of construction vehicles to prevent "stacking up" and congestion on neighborhood streets.
6. Limit as possible loading or unloading of vehicles while on city streets.
7. Keep streets adjacent to the Prep campus open at all times during construction, to the extent feasible.
8. Restrict exterior construction (and any interior construction which generates noise at the nearest residences in excess of ambient levels or involves delivery or removal of materials) to non-holiday weekdays between the hours of 7:30AM and 5:00PM.
9. Restrict all other construction activity to non-holiday weekdays between the hours of 7:00AM and 5:00PM, provided, however, that interior construction will be allowed, provided that it has no noticeable impact. Prep will immediately halt construction which is having a negative impact, outside of the hours described in this section, once reported to the hotline (ref. paragraph #3 above).
10. Require that all operations involving the removal of dirt, soil or debris will be conducted using best practices of eliminating dust in the air and dirt on roadways, including but not limited to washing all truck tires in both directions, covering loads, dust suppression spraying in dry weather, tarpaulins to trap dust during building demolition, and ground covering should open dirt be left exposed for any extended period during construction delays. These amelioration efforts are to apply not only at the 2400 East Miller Street site, but

at any dump or fill site utilized by Prep or its contractors on Prep property north of Delmar Drive East.

11. Make the foregoing limitations terms of its contracts and require them to be repeated in all sub-contracts for the project and provide NCHNA with a copy of Prep's instruction to its general contractor to this effect.

Future Operations - Activities and Events

It is recognized that extracurricular on-campus activities have the potential for adversely impacting the neighborhood. To control these impacts Prep agrees to:

1. Not permit activities simultaneously in its cafeteria, library, gymnasium or theater except for normal school use, where the expected attendance at such activities together would exceed six hundred (600) persons.

2. Hire a professional security guard or off-duty police officer, or assign qualified staff, on the occasion of all major events to control traffic, littering, noise and spectator conduct outside of its structures, and to assure that the parking areas are cleared in a timely fashion following such events. The security person shall enforce right-hand only turns for traffic exiting the garage. Such security person shall be on duty thirty (30) minutes before such event until at least thirty (30) minutes after its completion, or generally until the garage is closed and parking areas are cleared.

3. Schedule all activities and events to occur between the hours of 8:30AM and 11:00PM, except that as many as three (3) events plus as many as six (6) dances may be scheduled per academic year to occur between 4:00PM and midnight.

4. Not permit any city-wide dances on its campus. Prep further agrees that any dances permitted to occur on the campus shall be for Prep students or alumni and their guests only, that it shall permit no more than six (6) such dances per year, and that on the occasion of a dance, it shall hire a security guard.

5. Limit the number of major events held each academic year to 45.

6. Limit the number of minor events held each academic year to 30.

7. Not lease or loan its gymnasium, theater or garage to any outside (other than Prep) group or entity more than six (6) times per year for athletic events and up to six (6) additional times for non-athletic minor events.

8. Not permit any basketball (or other sport of equivalent or greater crowd drawing power) tournament, semi-final or final championship game, or meet on its campus, except that such activity may be scheduled if it is counted as an outside event. This provision shall not apply to games in which Prep is a participant.

9. Not permit utilization of the East Miller Street entrance to the theater for pre-event entry or post event egress, in the interest of discouraging neighborhood parking and encouraging utilization of the parking garage by event attendees.

Future Operations - Garage and Parking Lot

The parties recognize that an underground parking facility, while it has a number of distinct advantages, also presents risks and concerns not previously present in this neighborhood. To ensure that such concerns are minimized and that safety and security of persons using the garage and of neighborhood residents are given the fullest possible protection, Prep agrees to:

1. Keep the garage closed and unavailable to pedestrians or vehicles during hours when school is not in session and extra-curricular activities are not on-going.
2. At the time of garage closing on all other occasions, have appropriate staff personnel ensure that no individuals remain in the garage after it is secured.
3. On the occasion of all events it shall direct its faculty, staff and students to park their vehicles in Prep's parking facilities.

Other Commitments of Mutual Benefit

1. Prep agrees to publish a newsletter to be distributed to the NCHNA area (without limitation) at least quarterly which will, along with any other news it wishes to impart, at a minimum include a schedule of all anticipated major events and all outside minor events.
2. Prep agrees to work with NCHNA in developing a local Natural Disaster Recovery Plan, and to make such Prep facilities as may remain operational following a major disaster available to the neighborhood for emergency shelter and recovery.
3. Prep agrees to establish a Campus Council with representatives from the administration, faculty, student body, parent's organization, Prep's board of directors and NCHNA to meet semi-annually to review the effectiveness of the elements of this agreement and modifications that Prep intends to make in its enrollment or operations that may impact the neighborhood, and negotiate in good faith any necessary mitigating measures.
4. Prep agrees to continue trash patrols (within the area bounded by 10th Avenue East on the west, East Boston on the south, Everett Avenue East, 13th Avenue East, and the trail leading from 13th Avenue East down to East Interlaken Boulevard on the east, and East Interlaken Boulevard and Delmar Drive East on the north) on a regular basis during the school year. Prep agrees to meet and further negotiate elements of this requirement upon request by NCHNA.
5. Prep will maintain, for its premises, an active graffiti control program whereby it will repaint or otherwise clean any surfaces upon which graffiti appears within one week of its discovery or report. Prep will also notify the appropriate City authorities of any graffiti on public property in the areas bordering Prep's campus.

6. Prep will make no objection to the community's use, following a written request from NCHNA and at their own risk, of the proposed plaza when school is not in session and extra-curricular activities are not ongoing, subject to reasonable regulation.

7. Prep agrees that the gymnasium shall continue to contain fixed seating for no more than seven hundred twenty (720) persons.

8. Prep will advise NCHNA promptly when and if it elects to proceed with planning for Phase III of the presently envisioned project or any future capital improvement of substance on its North Capitol Hill site, and to bargain in good faith with NCHNA with regard to any concerns which such future projects may cause to arise.

Enrollment

The parties recognize that the construction of a new academic building and renovation of others creates an increased physical capacity that may lead to eventual increases in enrollment, with additional impacts upon the neighborhood. Significant changes in the utilization of the facility may create unforeseen impacts even with the above agreements in place, for which reason, and based upon its current operational plans and intentions, Prep agrees to:

1. Limit enrollment for the 1995-1996 school year to 650 students.

2. Limit cumulative enrollment increases beyond the base-line established in paragraph 1 above to at the rate of five students per year.

3. Limit enrollment during the life of this agreement (25 years) to 720 students once that allowance is reached under the formula set forth in paragraph 2 above.

4. Provide NCHNA upon request with data on student enrollment, by class, for the current year annually, on or before October 1, beginning with the 1996-97 school year.

5. In the event that it contemplates any major academic restructuring of its Collegio based program, the fixed class size it attempts to recruit in the freshman year (180 students), or the continuation of the Matteo Ricci program, Prep agrees to give early notice to NCHNA that it is considering such a move, to consult with NCHNA about the proposed changes and impacts, and to bargain in good faith any concerns or suggestions which NCHNA may put forward with respect to neighborhood impacts and means of ameliorating such impacts.

6. In the event of an unforeseen increase in enrollment due to a high number of juniors not electing the Matteo Ricci program option, a waiver to the enrollment limits will be granted for a single year before the 720 student allowance is reached. This one time only waiver shall not affect the enrollment limits in any future year.

NCHNA Undertakings:

In consideration of and in reliance upon Prep's undertakings herein above set forth, NCHNA shall, without cost or charge to Prep:

1. Submit a statement in support of the Master Use Permit application filed by Prep, and any supplements thereto which may be required by Phase II of the described project as presented at the time of this agreement, including a copy of this agreement and a statement of its corporate status, by-laws, and ratification procedures attendant hereon.

2. Use its best efforts to obtain the necessary traffic diversion modification at 11th Avenue East and East Miller Street to make the garage entrance proposed herein feasible, including the submittal of signed petitions from the affected neighborhood to the City for this partial street closure and traffic diversion.

3. Submit a statement in support of Prep's application for an additional drop-off and pick-up zone on the south side of Delmar Drive East as it leads into East Interlaken Boulevard and the provision of a stair case leading to Prep's lower lot, in the event that Prep pursues this with the city as part of its traffic management plan.

4. Advise the residents of its incorporated area of this agreement and its support of Prep's M.U.P.

5. Provide representatives to testify about this agreement and in favor of the application should a hearing be required.

6. Participate in the development of a local Natural Disaster Recovery Plan.

7. Support Prep in its application for an administrative variance regarding a higher than standard proportion of compact parking spaces in the proposed parking garage.

8. Support Prep in its request for a height variance regarding the addition of an elevator penthouse to enable access to the fifth floor of McDonnell.

9. Bargain in good faith with Prep in a timely fashion regarding amelioration of impacts resulting from programmatic changes as set forth in paragraph 5 of the enrollment section.

Mutually Undertaken Administrative Provisions

This is intended to be a fully binding and enforceable agreement between the parties. To that end, the following procedures are adopted to ensure open communications and for resolution of any disputes or claims of breach which herein arise:

1. The parties agree to a semi-annual Campus Council meeting in October and April of each year at which each side will attend by responsible representatives to discuss problems, plans, and mutual concerns in an effort to alleviate problems or potential problems through communication before they reach the grievance point. During the period of construction, these meetings will be held quarterly.

2. In the event that either party feels the other has breached the terms of the Agreement or failed to comply with the spirit thereof, it may within

ninety days of notice of the issue, serve upon the other party in writing a Notice of Dispute, which document shall contain a clear statement of the complaint, indication of when it first came to the attention of the complaining party, reference to the appropriate agreement clause or clauses, an initially proposed resolution, and at least two proposed meeting dates and times within 14 days of the notice.

3. The parties will meet by their respective chosen representatives at Prep within fourteen days, unless by mutual agreement delayed, to discuss the concern, to attempt to resolve it, and, if applicable to negotiate in good faith for such resolution as may be mutually agreed upon. If the parties are unable to agree, and cannot agree to hold further meetings to discuss the matter, then the party feeling itself aggrieved may, within thirty days of the parties' last meeting on the issue, notice the matter for binding arbitration. However, should the issue separating the parties involve a dispute as to facts, at the impetus of either party at this point, the parties may by mutual agreement first submit the matter to an impartial fact finder, who shall be jointly selected, shall have full access to the records and information of each side on a confidential basis and shall issue a finding of facts relevant to the dispute within 30 days of his/her selection which the parties shall accept as binding and shall utilize as a basis for resolution of the dispute, or, if arbitration still remains necessary as the factual record before the arbitrator

4. Should a demand for arbitration be served, the party serving shall at the same time request that the American Arbitration association (AAA) furnish the parties a list of five arbitrators from the Seattle area from which the parties shall select one to serve as arbitrator of the dispute. The method of selection shall be by alternative striking from the list, the first strike to be made by the party which loses a coin toss. The selection of arbitrators shall be made by the parties or their representatives within ten days of the receipt of the list. The party requesting the list from AAA shall be responsible for any fee it charges for this service.

5. Should NCHNA request arbitration, it shall deposit into an escrow account the sum of \$1,000 to verify its ability to meet its financial responsibility for the arbitrator's fee as a condition precedent to the selection process.

6. Upon selection of the arbitrator, he/she will be contacted and asked to advise the parties of his/her first available date within thirty days of his/her selection. Said date shall be the date of hearing unless the parties otherwise mutually agree to an alternate date acceptable to the arbitrator.

7. All arbitrations shall take place at Prep unless the parties agree otherwise, and no fee shall be charged by Prep for use of its facility for this purpose.

8. At least five days prior to the arbitration hearing, each side shall furnish to the arbitrator, with copy to the opposing party a written submission statement concerning the issue or issues involved, the portion of the agreement which is alleged to have been violated and the remedy or relief requested or

opposed as applicable. Where possible, the parties will attempt to provide a joint statement for this purpose.

9. The procedure at the hearing shall be as follows:

(a) The party demanding arbitration shall have the burden of establishing its case and shall also have the obligation to present its case first.

(b) Upon close of the moving party's case, the other party shall have the right to defend.

(c) In presenting their cases, the parties may offer such trial memoranda, testimony, and evidence as they deem appropriate subject to the rulings on admissibility by the arbitrator and further subject to the limitation on presenting evidence should the parties have first undergone fact finding as above set forth. Formal rules of evidence need not be followed by the arbitrator, however, he/she is empowered to exclude evidence that he/she does not believe to be relevant or material.

(d) At the close of the hearing, each party shall have the right to make closing arguments. Should either party wish to present argument in writing, it shall present such written argument prior to the close of hearing. The party with the burden of proof shall be entitled to close last. There will be no post-hearing briefs.

(e) The arbitrator is empowered to make such rulings as are necessary for the orderly conduct of the hearing. Continuances shall be granted only in extreme cases and for the minimum practicable time.

10. The power and authority of the arbitrator shall be to hear and decide the dispute and render an opinion and award thereon, which opinion and award shall be consistent with the finding of facts if a fact finder has been used, and shall be strictly limited to a determination whether the terms of the agreement have been violated and what the remedy should be should there be a finding that a breach of the agreement has occurred.

(a) The arbitrator shall have no power to add to or subtract from or modify, amend, or change any of the terms and conditions of the agreement.

(b) The arbitrator's decision shall be final and binding upon the parties.

(c) The arbitrator shall issue his/her decision within thirty days of the closing of the hearing.

11. The expense of the arbitrator shall be borne equally by the parties. Any costs, expenses, or attorney's fees connected with the arbitration shall be borne by the respective sides incurring them regardless of outcome.

12. Hearings will be stenographically or electronically recorded unless both parties agree to waive such procedure with the approval of the arbitrator. Stenographic recording will be undertaken only by mutual consent, in which event the parties will equally share the cost, and each side may decide whether to purchase transcripts thereof. In the event of electronic recording, the tape will be provided to the arbitrator, and either party may also make copies at its own expense.

13. Should the losing party fail to comply with the award of the arbitrator, the prevailing party may seek enforcement of the award in Superior Court of King County after demand. The party which prevails in the court action is entitled to attorney's fees.

14. Appropriate remedies for breaches of this agreement cannot in all cases be foreseen and will be largely within the discretion of the arbitrator dependent on the severity, impact, and good or bad faith involved in the breach. However, as a guide to the arbitrator and to more specifically address a few foreseeable situations, the following remedies are hereinafter set forth as appropriate in the event of the breaches described:

(a) In the event of any substantial breach by NCHNA of its obligation to support the Prep construction project as described herein, the agreement may otherwise be rendered null and void for a lack of consideration.

(b) In the event of any breach of this agreement by Prep, the arbitrator shall issue an injunction against continuance or repetition of breaches of similar nature. He/she may also, in his/her reasonable discretion, where appropriate as a deterrent, where the specific impacts of the breach cannot now be undone by injunctive action, or in the event of repeated breaches of a parallel nature, and taking into account the severity of the breach and the nature of its impact upon the neighborhood and NCHNA award a financial penalty payable by Prep to NCHNA in a reasonable and appropriate amount not to exceed \$10,000 for any given breach.

15. For the purpose of service of process under the foregoing arbitration procedures and for all other contacts or communications with respect hereto, except as otherwise mutually agreed or specifically set forth herein, the agents of the parties shall be as follows, subject to written notice by certified mail of any future change:

Seattle Preparatory School, Inc.
2400 11th Avenue East
Seattle, WA 98102

and

North Capitol Hill Neighborhood Association
c/o Art Brochet
2336 11th Avenue East
Seattle, WA 98102

16. This instrument contains the entire agreement between the parties with respect to the subject matter hereof and shall not be modified or amended in any way except in writing signed by the parties hereto or their successors in interest. Notwithstanding the foregoing, the Parties acknowledge that this agreement may require modification due to changed conditions during its term and agree to negotiate modifications as necessary.

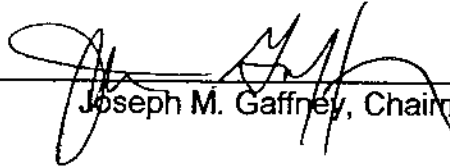
17. The term of this agreement is from the date of mutual signature below set forth for a term of the lesser of 25 years or so long as Prep continues to operate an educational institution at the campus which is the subject hereof, provided further, that, in the event Prep elects to sell, donate, or otherwise

transfer the premises to any other entity for the purposes of continuing the operation of any educational institution on the site, Prep makes acceptance of the continued full force and effect of this agreement a term of any such sale, gift, or transfer, and Prep shall equally remain liable, subject to any right of subrogation it may retain for any breach thereof, for which purpose it shall be obliged to provide NCHNA with a subsequent address for its registered agent. The parties contemplate that this agreement will be filed by Prep in support of its 1996 application for a Master Use permit and that the City will incorporate into any Master Use Permit it issues the applicable portions thereof, but the parties recognize that beyond the construction phase they will only expect City enforcement of provisions which may be specifically adopted into the conditions of the M.U.P.

Signed and agreed to in Seattle, Washington this 19th day of June, 1996.

Seattle Preparatory School

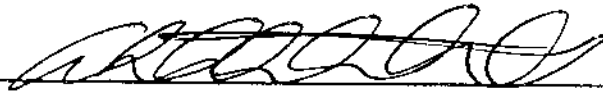
By



Joseph M. Gaffney, Chairman of the Board

North Capitol Hill Neighborhood Association

By



Arthur W. Brochet