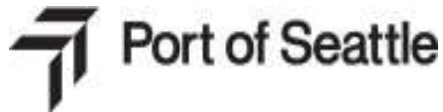




Ron Sims
King County Executive



MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING is made by and between the Port of Seattle, a Washington Municipal Corporation ("Port of Seattle"), King County, Washington, a Washington Municipal Corporation ("King County"), and BNSF Railway Company, a Delaware corporation ("BNSF"), as of the 26th day of February, 2007.

WHEREAS:

(A) A critical element to the competitiveness of the Port of Seattle, and King County, Washington in general, as well as the region, is the velocity and capacity of facilities and infrastructure for the transfer of international cargo ships to freight trains and its movement to the ultimate customer;

(B) The inability of double-stacked freight trains to traverse Stampede Pass constrains the mobility of the cargo arriving at the Port;

(C) King County and the Port of Seattle, working with the State of Washington, have announced their desires to bring certain multi-faceted transportation improvements (collectively, the "Improvements") to the residents of King County, which include clear-cutting Stampede Pass and the New Facility, as described below;

(D) Cooperation between the Parties will be required in order to implement the Improvements;

NOW, THEREFORE, the Parties have reached the following understanding:

1. Objective of Memorandum of Understanding

1.1 This Memorandum of Understanding outlines key principles on which the Parties will collaborate in certain aspects of the Improvements described herein.

1.2 This Memorandum of Understanding is a non-binding document that creates no rights and imposes no obligations on any Party. Upon agreement by the Parties upon all of the terms and conditions related to the Improvements described herein, the Parties would enter into a set of definitive agreements setting forth the Parties respective rights and obligations (the "Definitive Agreements").

1.3 Any public statement with respect to the transactions contemplated by this Memorandum of Understanding will be made on a joint, cooperative basis.

2. Stampede Pass

2.1 The parties believe that freight mobility is critical to the economic viability of the region, and it is vital that infrastructure improvements be implemented to enhance future freight mobility and enable growth prospects for intermodal freight service in the region and serving the Port. Toward that end, the parties agree that clear-cutting the railroad tunnel at Stampede Pass, Washington is vital to improving the competitiveness of the region and the Port, and that the parties will work toward achievement of that goal and actively support initiatives to accomplish that increase in capacity.

3. Intermodal Facility

3.1 The Parties agree that an additional intermodal facility (the “New Facility”) is needed to increase the volume of cargo that can be routed through the Port. To facilitate the creation of such a facility, the parties envision the following steps.

3.2. The Port of Seattle will assign staff to work with BNSF and King County to identify potential sites for a regional Intermodal facility and will present a list of potential sites to the parties within 120 days. BNSF and King County will provide input to the Port regarding site identification and selection criteria.

3.3. If an intermodal site is identified and acquired that meets King County’s intermodal solid waste needs, either as part of the New Facility or a separate site, King County will sell Fisher Flour Mill on Harbor Island to the Port of Seattle at fair market value subject to approval of the King County Council and the Port of Seattle Commission.

3.4 The Definitive Agreements will provide that the Port of Seattle will be responsible to acquire the land necessary for the New Facility and be the lead agency, with the cooperation of any interested entities, for any environmental review and to obtain all regulatory approvals that are necessary to construct the New Facility under timelines to be reflected in the Definitive Agreements.

3.5 The parties will develop a plan for construction of the New Facility under to be defined conditions as capacity is needed and under timelines to be set forth in the Definitive Agreements.

3.6 BNSF and the Port of Seattle will work with any other interested entities and agencies to develop a plan for financing the cost of acquiring property for and construction of the New Facility, with any remaining cost of the New Facility to be borne by user third parties as to be set forth in the Definitive Agreements.

3.7 The Definitive Agreements will provide for dedication of specified capacity of the New Facility to BNSF’s use, with the remaining capacity to be offered to BNSF or other third parties in exchange for such parties’ financing the remaining facility construction costs.

3.8 The Definitive Agreements will also set forth other terms and conditions related to the ownership, use and financing of the New Facility.

3.9 The Parties will endeavor to enter into the Definitive Agreements within 180 days of the date of this Memorandum.

PORT OF SEATTLE

By: _____
Mic Dinsmore
Chief Executive Officer

BNSF RAILWAY COMPANY

By: _____
Matthew K. Rose
Chairman, President and Chief Executive
Officer

KING COUNTY, WASHINGTON

By: _____
Ron Sims
King County Executive