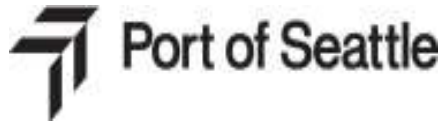




King County

Ron Sims

King County Executive



MEMORANDUM OF UNDERSTANDING

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

SECTION 1. Purpose. The Parties have envisioned and are working to complete a transaction for their mutual benefit and for the benefit of the public. The parties wish to set forth their understandings in this Memorandum of Understanding (referred to hereafter as “MOU”) with respect to the major deal points of the transaction. This MOU does not replace more detailed MOU’s that have been or may be entered into by the Parties. This MOU is a non-binding document that creates no rights and imposes no obligations on any Party. However, the Parties are committed to working cooperatively, expeditiously and efficiently to document the components of the transaction through binding agreements, using this MOU as a guide.

SECTION 2. Key Transaction Elements. The key elements of the transaction are as follows:

- King County acquires all of BNSF’s title and interest in the real and personal property comprising the portion of the Woodinville Subdivision between Renton and Snohomish (approximately mile posts 5.0 and 37.61), and the portion of the Redmond Spur between Woodinville and Redmond (approximately mile posts 0.0 and 7.3). The portion of the Woodinville Subdivision north of Woodinville and the Redmond Spur shall together be referred to as the "Northern Portion." The portion of the Woodinville Subdivision south of Woodinville shall be referred to as the "Southern Portion." The specific line segments and designated portions will be further defined in purchase and sale agreements.
- The Port acquires all of King County’s interest in the King County International Airport.
- BNSF will be paid \$103 million in cash in total for the Northern and Southern portions of the Woodinville Subdivision as described in Sections 3.1 and 3.2; and the Port will pay King County \$66 million to construct a trail on the portion of the Woodinville Subdivision in King County. If the actual cost of trail development on the Woodinville Subdivision is less than \$66 million, King County will refund the difference to the Port, with interest.

SECTION 3. King County - BNSF Components.

3.1. The Northern Portion of the Woodinville Subdivision

BNSF will transfer to King County, subject to the approval and conditions of the Surface Transportation Board (the "STB"), all of BNSF's title and interest in the real and personal property comprising the Northern Portion. At the closing, the Port, on behalf of King County, will pay BNSF an amount equal to the lesser of \$103 million or the fair market value of the Northern Portion. To the extent that the fair market value of the Northern Portion exceeds \$103 million, BNSF will make a charitable contribution to King County of such excess.

3.2. The Southern Portion of the Woodinville Subdivision

BNSF will transfer to King County, subject to the approval and conditions of the STB, all of BNSF's title and interest in the real and personal property comprising the Southern Portion. At the closing, the Port, on behalf of King County, will pay BNSF an amount equal to the difference, if any, between \$103 million and the amount the Port on behalf of King County paid BNSF for the Northern Portion. BNSF will make a charitable contribution to King County of the Southern Portion to the extent the fair market value of the Southern Portion exceeds the amount paid for the Southern Portion.

3.3. The Parties will establish a procedure to agree upon the appraised fair market value of the Northern Portion based upon a mutually acceptable basis. The parties will use reasonable diligence to complete the Purchase and Sale Agreements and related agreements by June 30, 2007, and, subject to the approval and conditions of the STB, the Metropolitan King County Council and the Port Commission of the Port of Seattle, to close by December 31, 2007.

3.4. King County will prepare the first draft of the Purchase and Sale Agreements, which shall be ready for BNSF review by March 15, 2007.

3.5. The Purchase and Sale Agreements shall permit BNSF to assign its rights under the agreements to a qualified intermediary for the purpose of effecting a like-kind exchange.

3.6. BNSF shall be responsible for preparing and filing at its expense all materials required for STB approval, which approval will be obtained prior to closing.

3.7. The portion of the Woodinville Subdivision that is included in the contemplated transaction begins at approximately milepost 5 in Renton, Washington. If BNSF ever determines to abandon the remaining portion of the Woodinville Subdivision between approximately miles posts 0-5 in Renton, King County shall have the right of first refusal to acquire that portion of the line at its fair market value.

3.8. The Parties anticipate that interim trail use will be established under 16 U.S.C. 1247(d) on at least the portion of the Woodinville Subdivision south of Woodinville. The Parties recognize that for any such portion, future local, regional or national transportation needs may require reconstruction and reactivation of the right-of-way for rail service.

3.9. The Parties shall cooperate to (i) reach agreement on press releases and other public announcements related to the transactions described herein, and (ii) make any

filings with the STB to the extent such filings are necessary to effectuate the transactions contemplated by this MOU.

SECTION 4. King County – Port of Seattle Components.

4.1. King County will lead negotiations with BNSF for the acquisition of the Woodinville Subdivision. The Port, on behalf of King County, will pay BNSF or its designee \$103 million in cash at the time of closing for the acquisition by King County of the property described in the transactions contemplated in Sections 3.1 and 3.2 above.

4.2. King County will receive title to the Northern and Southern Portions of the Woodinville Subdivision at closing.

4.3. The Port will pay King County \$66 million for King County to develop a walking and biking trail to King County standards on the portion of the Woodinville Subdivision in King County. If the actual cost of trail development on the Woodinville Subdivision is less than \$66 million, King County will refund the difference to the Port, with interest. King County will make all final decisions related to the scope of the development and the future use of the Woodinville Subdivision after a complete planning process, including environmental review and compliance with other applicable laws.

4.4. King County will transfer ownership of the King County International Airport (“KCIA”) to the Port upon the transfer of the Woodinville Subdivision to King County and the Port’s payment of \$66 million to King County.

4.5. The Port will continue operating KCIA as an airport, and will assume all of the County's Federal Aviation Administration ("FAA") obligations with regard to KCIA.

4.6. The transactions contemplated as between King County and the Port are subject to the approval and conditions of the FAA, the Metropolitan King County Council and the Port of Seattle Board of Commissioners.

4.7. King County and the Port shall cooperate to (i) reach agreement on press releases and other public announcements related to the transactions described herein and (ii) obtain approval of the FAA in order to effectuate the transactions contemplated by this MOU.

KING COUNTY, WASHINGTON

BNSF RAILWAY COMPANY

By: _____
Ron Sims
King County Executive

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

PORT OF SEATTLE

By: _____
Mic Dinsmore
Chief Executive Officer

