

INTERLOCAL AGREEMENT

THIS INTERLOCAL AGREEMENT is made and entered into pursuant to Chapter 39.34 of the Revised Code of Washington, by and between Cowlitz County, Washington, a political subdivision of the State of Washington, acting by and through its Board of Commissioners, (the "County") and the Port of Longview, a municipal corporation organized under the laws of the State of Washington, and wholly situated in Cowlitz County, Washington, (the "Port"), on the date shown below.

RECITALS

1. County is eligible for and receives sales and use taxes for rural counties authorized in RCW 82.14.370 and imposed in Cowlitz County Code Chapter 3.21. Such tax is authorized for the purpose of financing public facilities serving economic development purposes in rural areas. County has agreed to pay over a portion of the proceeds of said tax revenues to assist the Port to upgrade and rehabilitate the former Long-Bell and International Paper corporate business office formerly known as the "White House", said improvements are more particularly described in the Project Information Sheet for Rural County Public Facility Funds, submitted by the Port, dated May 27, 2004. The contribution to the Port from tax proceeds for this project will be in the amount of \$350,000.00.

The project is listed as a "high priority" project in the Comprehensive Economic Development Strategy for Cowlitz and Lewis Counties.

2. The Cowlitz County Board of Commissioners desires to develop a self-sustaining economic development program, making funds available for economic development even after the County is no longer eligible to receive the sales tax rebate authorized in RCW 82.14.370 and Cowlitz County Code Chapter 3.21. Therefore, a portion of funds awarded by the County to the Port, pursuant to this agreement shall be treated as a loan, as more particularly described below.

3. The Port has the appropriate statutory authority pursuant to RCW Title 53, and is ready, willing, and able to complete the project described herein, and the parties are entering into this Agreement to carry out such purpose.

4. Entry into this Agreement is authorized under Chapter 39.34 of the Revised Code of Washington, the Interlocal Cooperation Act.

AGREEMENT

For and in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. Effective Date/Duration: This Agreement shall be effective upon execution by both parties.

2. Purpose: The purpose of this Agreement is to allow the County to provide funding assistance to the Port to upgrade and rehabilitate the former Long-Bell and International Paper corporate business office formerly known as the "White House", said improvements are more particularly described in the Project Information Sheet for Rural County Public Facility Funds, submitted to the County by the Port, dated May 27, 2004 (the "project").

3. Construction: The Port agrees to design, construct and complete the project described herein, no later than December 31, 2005. The County shall have no responsibility for the design, construction or project management of said project. The Port shall have the sole authority to determine its design, construction and project management, and to enter into partnerships, contracts, or other legal arrangements with potential investors and/or users thereof to assist in financing and/or construction and permitting, in the manner allowed by law.

4. Financing: Pursuant to this Agreement, County shall pay to the Port the sum of \$350,000.00 on or before March 31, 2005. Such funds shall be restricted solely for payment of costs incurred in connection with the project.

Port agrees to repay to County the principal sum of \$262,500.00 together with interest from the date of disbursement of funds at the rate of three per cent (3.0%) per annum on the declining balance thereof until fully paid. Said payments shall commence on July 1, 2009 in the amount of \$22,954.79 with a like amount, or more, paid on or before July 1 each and every year thereafter until paid in full. Notwithstanding the foregoing, the entire balance of principal and interest is due in full not later than July 1, 2024. Payments shall be applied first to accrued interest and then to principal. There shall be no pre-payment penalties applied.

Payments shall be made to Cowlitz County, at the Office of Financial Management, County Administration Building, Room 308, 207 4th Avenue North, Kelso, Washington 98626, or at such other place as the County may hereafter indicate in writing.

If Port fails to make any payments as herein required, the County may give written notice to the Port that unless the Port makes the delinquent payment(s) within fifteen days, the County shall be entitled to a late charge equal to five percent (5%) of the delinquent amount plus all costs and attorneys' fees incurred by the County in connection with collection of the amounts due and the County may declare all outstanding and unpaid amounts immediately due and payable.

5. Budget: The total estimated cost for the project is \$530,000.00, which project is anticipated to be completed not later than December 31, 2005. Actual construction costs will be based upon contracts let for public bid pursuant to law. The Port has developed a budget for said project, will maintain the budget, and will account for all expenditures made for the project. In consideration of the above described transfer of funds, the Port hereby warrants and guarantees that the said project shall be completed for use as described herein notwithstanding any cost overruns incurred in the course of design, construction or project management.

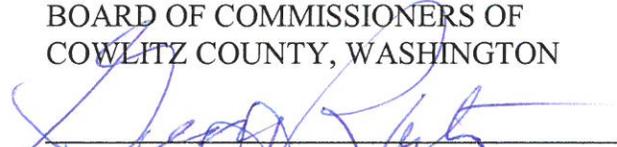
6. Repayment Guarantees: In the event that tax proceeds have been disbursed to the Port and the project does not proceed or is not completed as anticipated, the Port hereby guarantees that it will refund to the County all such proceeds disbursed to it, together with accrued interest at the same rate as if the funds had been invested with the Washington State Local Government Investment Pool, provided that the Port may deduct such amounts as it shall have applied to the project through the date on which a decision is made not to proceed with or to abandon the project. PROVIDED FURTHER, that in the event the project is not completed or is abandoned, the amounts refunded by the Port to the County pursuant to this paragraph shall be applied to the amounts owing pursuant to Paragraph 4 above.

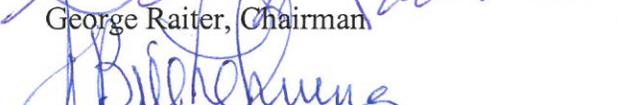
7. Termination: Neither the County nor the Port may terminate this Agreement until the project is complete and payment for said project is fully satisfied.

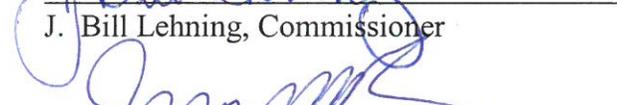
8. Indemnification: The Port shall be solely responsible for administration of the project. In further consideration of the above described transfer of tax proceeds, the Port shall defend, indemnify and hold harmless the County from and against all claims, whether sounding in contract or in tort, arising out of or in any way related to the project. This paragraph shall survive the completion, expiration, and/or termination of this Agreement.

9. Duty to Submit Agreement to Jurisdictional State Officer or Agency: The requirements of R.C.W. 39.34.050 do not apply to this Agreement as no State Officer or Agency has control over the subject matter of this Agreement.

BOARD OF COMMISSIONERS OF
COWLITZ COUNTY, WASHINGTON


George Raiter, Chairman

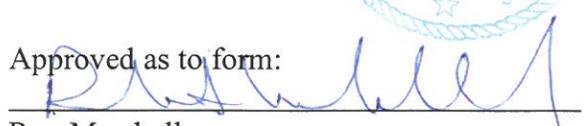

J. Bill Lehning, Commissioner


Jeff M. Rasmussen, Commissioner

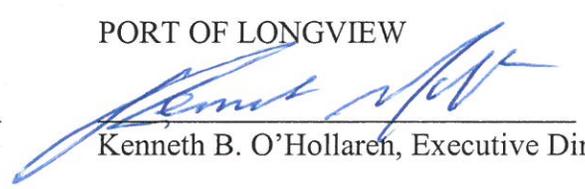
Attest:


Vickie M. Musgrove,
Clerk of the Board

Approved as to form:

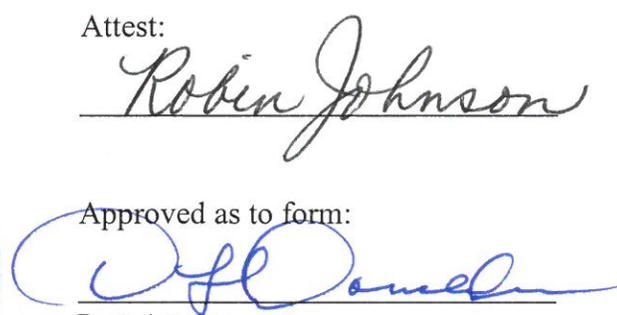

Ron Marshall,
Deputy Prosecuting Attorney

PORT OF LONGVIEW


Kenneth B. O'Hollaren, Executive Director

Attest:

Approved as to form:


Port Attorney