

PURCHASE AND SALE AGREEMENT

Among

**GEORGIA-PACIFIC WEST, INC.,
an Oregon Corporation**

**GEORGIA-PACIFIC CORPORATION,
a Georgia Corporation**

and

**THE PORT OF BELLINGHAM,
a Washington municipal corporation**

Dated January 18, 2005

PURCHASE AND SALE AGREEMENT

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (“Agreement”) is made as of January 18, 2005, among **GEORGIA-PACIFIC WEST, INC.**, an Oregon corporation, **GEORGIA-PACIFIC CORPORATION**, a Georgia corporation (collectively, “Georgia-Pacific”), and the **PORT OF BELLINGHAM**, a Washington municipal corporation (“Port”).

RECITALS

A. Georgia-Pacific owns approximately one hundred and thirty-seven (137) acres of real property in Bellingham, Whatcom County, Washington, which consists of the following parcels:

Mill Property	Cornwall Avenue Property
Roeder Avenue Property	ASB

These four properties comprise all of the real property that Georgia-Pacific owns on the Bellingham waterfront in Bellingham, Washington, are legally described on Exhibit A attached hereto (collectively, “Property”) and are graphically displayed on the diagram attached hereto as Exhibit B (“Bellingham Waterfront Site Diagram”).

B. In 1979, Georgia-Pacific constructed a lagoon (“Aerated Stabilization Basin” or “ASB”) across the Whatcom Waterway from the Mill Property, as shown on the Bellingham Waterfront Site Diagram, to process wastewater from its mill and pulp operations and storm water from its Mill Property. Prior to completion of the ASB, process wastewater from the mill and pulp operations were discharged through various outfalls directly into the Whatcom Waterway.

C. Georgia-Pacific currently operates a tissue mill on the Mill Property, and Georgia-Pacific (or former owners or operators) have previously operated a pulp mill, saw mill, glue lamination mill, garbage dump, mercury cell chlorine plant, and chemical production facilities on the Mill Property, Roeder Avenue Property, and Cornwall Avenue Property.

D. The Port owns and operates a shipping terminal on property adjacent to the Mill Property on the Whatcom Waterway Site, as shown on the Bellingham Waterfront Site Diagram.

E. The Washington State Department of Ecology has designated several “sites” in and around Bellingham Bay that will require remedial action. Georgia-Pacific

and/or the Port have been designated “potentially liable parties” by the Department of Ecology for (i) the “Whatcom Waterway Site,” which includes the ASB, (ii) the Cornwall Avenue Landfill Site, and (iii) the Central Waterfront Site, which includes the Roeder Avenue Property. Georgia-Pacific has also been designated a “potentially liable party” for the Chlor/Alkali Site, which is located on a portion of the Mill Property.

F. Georgia-Pacific’s proposed remediation alternative for the Whatcom Waterway Site is to dredge a portion of the contaminated sediments and place the dredge spoils in the ASB. The remedial alternative contemplates that the balance of the contaminated sediments will be left in place and capped. The Port desires to acquire the ASB and convert it into a marina for public use. Without the ability to fill the ASB, Georgia-Pacific will not be able to implement its preferred remediation alternative.

G. On June 7, 2004, the Port commenced an eminent domain lawsuit against Georgia-Pacific entitled Port of Bellingham v. Georgia-Pacific Corporation, et al. (“Lawsuit”) to acquire the ASB through condemnation.

H. Shortly thereafter, the Port and Georgia-Pacific entered into a Tolling Agreement to suspend activity in the Lawsuit while they explored the possibility of the sale of Georgia-Pacific property on the Bellingham waterfront, including the ASB, to the Port in lieu of and in settlement of the condemnation of the ASB.

I. During the discussions the Port expressed interest in the acquisition of Georgia Pacific property along the Whatcom Waterway for use as a lineal marina. Georgia-Pacific has required that, as a condition of acquiring (i) the ASB and thereby settling the Lawsuit and/or (ii) acquiring any Georgia-Pacific Bellingham waterfront property, the Port take all of the Property so that Georgia-Pacific will be able to divest itself of all of its Bellingham waterfront real property and place the management of the environmental remediations for the various Department of Ecology designated sites with the Port.

J. As one of the conditions of settling the Lawsuit and acquiring the ASB, and to allow the Port to acquire critical waterfront property along the Whatcom Waterway and manage its environmental liabilities, the Port has agreed to acquire all of Georgia-Pacific’s Bellingham waterfront real property.

K. As the parties negotiated this definitive Agreement, the definition and allocation of risk for unknown environmental liabilities with respect to the Property and the Whatcom Waterway became a major obstacle to reaching a final agreement. To remove that obstacle and to provide a predictable funding model for environmental liabilities, the parties have agreed to purchase from American International Specialty Lines Insurance Company (“AIG”) a specially negotiated form of Pollution Legal Liability Select Clean-Up Cost Cap Insurance Policy that provides insurance against certain environmental liabilities and remediation cost overruns (“Environmental Insurance Policy”).

L. Having resolved their major obstacle to reaching a final agreement through procurement of the Environmental Insurance Policy, the parties desire to enter into this binding Agreement to memorialize the terms and conditions on which Georgia-Pacific shall convey the Property to the Port in exchange for the Port's assumption of certain related environmental liabilities, co-insurance participation percentage payments and ownership obligations with respect to the Property.

TERMS

Therefore, in consideration of the mutual promises contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Certain Defined Terms. As used herein:

1.1 “Acquired Assets” shall mean (i) the Leases identified in Schedule 1.39 as assigned to the Port, (ii) the Permits and Licenses identified in Schedule 1.45 as transferred to the Port, (iii) the Property, and (iv) all Buildings and Equipment, including below grade equipment and infrastructure, other than (a) Equipment that is owned by Georgia-Pacific and used in connection with operation of the Tissue Mill, including the Equipment described on Schedule 1.1 attached hereto, (b) rights reserved in the Reservation attached hereto as Exhibit 1.60, (c) the outfall pipe and associated permits described on Schedule 1.1, (d) the piping crossing the Whatcom Waterway and associated permits described in Schedule 1.1 and (e) all Buildings and Equipment scheduled for demolition and removal by Georgia-Pacific in the Demolition and Removal Plan attached hereto as Exhibit 1.21.

1.2 “Aerated Stabilization Basin” or “ASB” shall mean the approximately thirty (30) acre wastewater treatment lagoon that is located on the Property immediately north of the Whatcom Waterway and west of the Roeder Avenue Property, as shown on the Bellingham Waterfront Site Diagram.

1.3 “Agreement” shall mean this Purchase and Sale Agreement.

1.4 “AIG” shall mean American International Specialty Lines Insurance Company.

1.5 “Airport Landfill Property” shall mean the real property that is legally described on Exhibit 1.5 attached hereto.

1.6 “Ancillary Documents” shall mean the Lease Assignment and Assumption Agreement, Permit Assignment and Assumption Agreement, Statutory Warranty Deeds, Reservation, and Tissue Warehouse Lease.

1.7 “Anti-Prospecting Covenant” shall mean the post-Closing covenant more fully described in Section 4.3.4 herein against any inspection, audit or

testing of the Property or the Whatcom Waterway Site principally to identify or prospect for an Unknown Environmental Liability.

1.8 “**Assumed Environmental Liability**” shall mean the Environmental Liability of Georgia-Pacific that the Port shall assume as of the date of Closing in accordance with Section 4.1 of this Agreement.

1.9 “**Bellingham Bay**” shall mean the body of saltwater abutting the City of Bellingham, as shown on the Bellingham Waterfront Site Diagram.

1.10 “**Bellingham Waterfront Site Diagram**” shall mean the diagram of the Bellingham Waterfront, attached hereto as Exhibit B, that shows, among other things, the ASB, Bellingham Bay, Chevron Property, Chlor/Alkali Site, Cornwall Avenue Property, I & J Waterway, Roeder Avenue Property, Tissue Mill, Tissue Warehouse, and Whatcom Waterway.

1.11 “**Buildings and Equipment**” shall mean all buildings, improvements, fixtures, equipment, and other tangible personal property that is owned by Georgia-Pacific and located on the Property as of the Closing Date.

1.12 “**Central Waterfront Site**” shall mean the former Roeder Avenue Property and adjacent properties between the Whatcom Waterway and the I & J Waterway.

1.13 “**Chevron Property**” shall mean the property due east of the ASB and south of the Roeder Avenue Property as shown on the Bellingham Waterfront Site Diagram.

1.14 “**Chlor/Alkali Site**” shall mean the site of the former chlorine manufacturing plant that is located on the Mill Property, as shown on the Bellingham Waterfront Site Diagram and defined by Ecology Agreed Order DE02-TCPIS-472.

1.15 “**Claim**” shall mean any claim or demand for money due, compensatory damages, declaratory relief or injunctive relief, a penalty or fine, cleanup or remediation, or relief of any kind.

1.16 “**Clean-Up**” shall have the meaning specified in the Environmental Insurance Policy, which is incorporated herein by this reference.

1.17 “**Closing**” shall mean the consummation of the transaction contemplated in this Agreement, which shall take place in the offices of Chmelik Sitkin & Davis P.S. on January 20, 2005, subject to Port of Bellingham Commission approval no later than January 18, 2005.

1.18 “**Closing Conditions**” shall mean the conditions to Georgia-Pacific’s obligation to close, specified in Section 20, herein and the conditions to the Port’s obligation to close, specified in Section 21 herein.

1.19 “**Closing Date**” shall mean January 20, 2005, or on such other date as the parties mutually approve in writing in accordance with Section 2 herein.

1.20 “**Cornwall Avenue Property**” shall mean the portion of the Property that is legally described and labeled Cornwall Avenue Property within the attached Exhibit A and shown on the Bellingham Waterfront Site Diagram.

1.21 “**Demolition Plan**” shall mean the plan in the form attached hereto as Exhibit 1.21, which identifies the Buildings and Equipment that Georgia-Pacific will demolish and remove from the Property after the Closing.

1.22 “**Due Diligence Period**” shall mean the period from June 16, 2004 through midnight November 3, 2004.

1.23 “**Ecology**” shall mean the Washington Department of Ecology.

1.24 “**Effective Date**” shall mean the Closing Date.

1.25 “**Enforcement Action**” shall mean an action taken by any Person to enforce compliance with any Environmental Law.

1.26 “**Environment**” shall mean ambient air, surface water, groundwater, saltwater, tidelands, uplands, sediment, land surface or land subsurface strata or drinking water supply.

1.27 “**Environmental Assessments**” shall mean the environmental assessments that are described on the Disclosed Documents Endorsement to the Environmental Insurance Policy.

1.28 “**Environmental Claim**” shall mean any claim based on an Environmental Law for an Environmental Liability.

1.29 “**Environmental Insurance Policy**” or “**Policy**” shall mean the Pollution Legal Liability Select Clean-Up Cost Cap Insurance Policy to be issued by AIG in substantially the form attached hereto as Exhibit 1.29.

1.30 “**Environmental Law**” shall mean any federal, state, or local statute, regulation, judgment, administrative or judicial order that relates to (i) pollution, protection or cleanup of the Environment, (ii) a Release, or (iii) the use, treatment, storage, disposal, handling, manufacturing, transportation or shipment of Hazardous Substances including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq., as amended (“CERCLA”),

the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., as amended (“RCRA”), and the Model Toxics Control Act, Chapter 70.105D of the Revised Code of Washington, as amended (“MTCA”).

1.31 “Environmental Protection Standards” shall have the meaning specified in the Environmental Insurance Policy, which is incorporated herein by this reference.

1.32 “Environmental Liability” shall mean a liability based on or arising out of (i) an Environmental Claim, (ii) an Environmental Law, (iii) a Release, (iv) an Enforcement Action, or (v) a Remedial Action, in each case only to the extent it relates to Pollutants or other Hazardous Substances that are present on, under or migrated from the Property prior to or as of the Closing Date. Notwithstanding anything to the contrary herein, the term Environmental Liability shall not include any Natural Resource Damage Claims, except for the restoration of any natural resource as part of a Remedial Plan covered in the Environmental Insurance Policy.

1.33 “Excluded Assets” shall mean (i) all cash or cash equivalents of Georgia-Pacific, (ii) all claims and causes of action belonging to Georgia-Pacific arising prior to or after the Closing Date out of Georgia-Pacific’s ownership or operation of the Acquired Assets, the Tissue Mill Warehouse Lease or the Tissue Mill Reservation, (iii) all prepaid insurance and other prepaid expenses, (iv) all property tax and other refunds relating to periods prior to the Closing Date, (v) all Equipment that is owned by Georgia-Pacific and used in connection with operation of the Tissue Mill and “ASB”, including the Equipment described on Schedule 1.1 attached hereto, (vi) the outfall pipe and associated permits described on Schedule 1.1, (vii) the piping crossing the Whatcom Waterway and associated permits described in Schedule 1.1, (viii) all Buildings and Equipment scheduled for demolition and removal by Georgia-Pacific, (ix) all the Leases identified in Schedule 1.39 as not being assigned to the Port, and (x) the retained Permits and Licenses identified in Schedule 1.45.

1.34 “Georgia-Pacific” shall mean Georgia-Pacific West, Inc., an Oregon corporation, and Georgia-Pacific Corporation, a Georgia corporation, and their respective subsidiaries and affiliates.

1.35 “Governmental Authority” shall mean (i) the United States of America, (ii) any state, province, county, port district, municipality, or other government subdivision within the United States of America, and (iii) any court or any governmental department, commission, board, bureau, agency or other instrumentality of the United States of America or of any state, province, county, municipality or other government subdivision within the United States of America.

1.36 “Hazardous Substance” shall mean a hazardous substance as defined in Section 101(14) of the CERCLA, plus oil, petroleum and petroleum products, asbestos, lead, PCBs and any substance similarly classified or regulated as a “hazardous substance,” “dangerous substance,” “hazardous material,” “toxic substance,” “hazardous

waste,” “dangerous waste” or terms of similar import under any Environmental Law, including, but not limited to, RCRA and the MTCA.

1.37 “I & J Waterway” shall mean the waterway northwest of the Roeder Avenue Property abutting property as depicted on the Bellingham Waterfront Site Diagram.

1.38 “Lease Assignment and Assumption Agreement” shall mean the Lease Assignment and Assumption Agreement, in the form of attached hereto as Exhibit 1.38 to be executed by Georgia-Pacific and delivered to the Port as of the Closing Date, assigning Georgia-Pacific’s interest in the Leases to the Port, subject to the qualifications set forth in Section 10 herein.

1.39 “Leases” shall mean the leases identified on Schedule 1.39 attached hereto.

1.40 “Letter of Intent” shall mean the undated letter of intent between Georgia-Pacific and the Port with respect to Georgia-Pacific’s transfer of the Property to the Port in exchange for the Port’s assumption of certain related environmental liabilities.

1.41 “Losses” shall mean amounts that any Person is required to pay as a result of a Claim including, but not limited to, compensatory damages, remediation costs, fines or penalties, attorneys’ fees, environmental consulting and other professional fees, and court costs.

1.42 “Mill Property” shall mean the portion of the Property that is legally described and labeled Mill Property on Exhibit A and shown on the Bellingham Waterfront Site Diagram.

1.43 “Mill Property Assumed Ownership Obligations” shall mean those obligations of Georgia-Pacific that are identified on Schedule 1.43 attached hereto.

1.44 “Natural Resource Damage” shall have the meaning specified in the Environmental Insurance Policy, which is incorporated herein by reference.

1.45 “Permits and Licenses” shall mean the permits and licenses identified on Schedule 1.45 attached hereto.

1.46 “Permit Assignment and Assumption Agreement” shall mean the Permit Assignment and Assumption Agreement in the form attached hereto as Exhibit 1.46 to be executed by Georgia-Pacific and delivered to the Port as of the Closing Date conveying the Permits from Georgia-Pacific to the Port.

1.47 “Permitted Exceptions” shall mean (i) liens for current taxes, assessments or other governmental charges not yet delinquent, (ii) easements, covenants, conditions, reservations, licenses, rights-of-way, and other encumbrances or restrictions

of record that are accepted or deemed accepted by the Port in accordance with Section 8.4, (iii) any conditions and matters that a current, accurate survey, and physical inspection of the Property would disclose, (iv) zoning, building, land use, and environmental regulations and similar restrictions, (v) general or special exceptions to title that are disclosed in the Title Commitment and that the Port approves or has deemed to approve in accordance with Section 8.4.

1.48 “Person” shall mean an individual, partnership, joint venture, limited liability company, corporation, business trust, joint stock company, trust, unincorporated association, other business entity or Governmental Authority.

1.49 “Pollutants” shall have the meaning specified in the Environmental Insurance Policy, which is incorporated herein by this reference.

1.50 “Pollution Conditions” shall have the meaning specified in the Environmental Insurance Policy, which is incorporated herein by this reference.

1.51 “Port” shall mean the Port of Bellingham, a Washington municipal corporation.

1.52 “Port of Bellingham Commission Approval” shall mean the Port of Bellingham Port Commission approval of this Agreement, which is scheduled to occur on January 18, 2005.

1.53 “Property” shall mean the real property described on Exhibit A attached hereto, consisting of the Mill Property, ASB, Roeder Avenue Property and the Cornwall Avenue Property.

1.54 “Purchase Price” shall mean One Dollar (\$1.00) and other good and valuable consideration that the Port is providing to or for the benefit of Georgia-Pacific in exchange for the Acquired Assets including, but not limited to, the Port’s assumption of (i) the Assumed Environmental Liability in accordance with Section 4.1 below, (ii) the co-insurance participation percentage payment, remediation, reporting and other obligations of the named insured under the Remediation Stop Gap portion of the Environmental Insurance Policy, and (iii) the Mill Property Assumed Ownership Obligations, in each case, in lieu of any cash payment to Georgia-Pacific at the Closing.

1.55 “Release” shall mean any spill, leak, pumping, pouring, emission, discharge, injection, escape, leaching, migration, disposal, or other release into the Environment of any Pollutant or other Hazardous Substance at, in, on, under, from or related to the Property (including the ASB) and/or the Whatcom Waterway Site.

1.56 “Remedial Action” shall mean any action required pursuant to any Environmental Law to clean-up or contain or otherwise ameliorate or remedy any Release or contamination of the Environment.

1.57 “**Remediation Alternative J**” shall mean Alternative J of the draft Ecology Whatcom Waterway Site RI/FS, which is attached hereto as Exhibit 1.57.

1.58 “**Remedial Plans**” shall be the remedial plans under Coverages K and L of the Environmental Insurance Policy.

1.59 “**Removal of Contingencies**” shall mean the removal of the Port’s due diligence contingency in accordance with Section 7 herein.

1.60 “**Reservation**” shall mean the agreement between the parties in the form attached hereto as Exhibit 1.60 with regard to the use of the reserved property by Georgia-Pacific.

1.61 “**Retained Environmental Liability**” shall mean Environmental Liability that Georgia-Pacific specifically retains in accordance with Section 4.2 of this Agreement.

1.62 “**Roeder Avenue Property**” shall mean the portion of the Central Waterfront Site due southeast of the ASB, as shown on the Bellingham Waterfront Site Diagram and legally described on Exhibit A attached hereto.

1.63 “**Survey**” shall mean the survey of the Property to be performed in accordance with Section 8.5 herein.

1.64 “**Statutory Warranty Deeds**” shall mean the statutory warranty deeds, in the forms attached hereto as Exhibit 1.64, to be executed by Georgia-Pacific and delivered to the Port as of the Closing Date conveying the ASB and remaining Property from Georgia-Pacific to the Port as of January 20, 2005.

1.65 “**Tissue Mill**” shall mean the tissue mill that Georgia-Pacific is operating on the Mill Property, that is outlined in red on the Bellingham Waterfront Site Diagram.

1.66 “**Tissue Mill Reservation**” shall mean the reservation in the Statutory Warranty Deeds pursuant to the Reservation.

1.67 “**Tissue Warehouse**” shall mean the warehouse that Georgia-Pacific is using and has used to store finished goods inventory produced at the Tissue Mill, that is outlined in blue on the Bellingham Waterfront Site Diagram, and that is located on the Tissue Warehouse Property legally described on Exhibit A attached hereto.

1.68 “**Tissue Warehouse Lease**” shall mean the lease in the form attached hereto as Exhibit 1.68 to be executed as of the Closing Date by the Port, as landlord, and Georgia-Pacific, as tenant, of the Tissue Warehouse.

1.69 “**Title Commitment**” shall mean the Title Company commitment under its Commercial Services No. 04-188795-SEA and Whatcom County Land Title

No. W-73496, as supplemented from time-to-time, for a standard owner's policy of title insurance in the amount of \$30,000,000 insuring the Port's fee simple interest in the Property, subject only to the exceptions disclosed therein.

1.70 "**Title Company**" shall mean Land America/Transnation Title Insurance Company, 1200 Sixth Avenue, Suite 100, Seattle, Washington.

1.71 "**To the extent of available coverage within the limits of liability**" shall mean to the extent that AIG pays or is obligated to pay under the Policy.

1.72 "**Unallocated Environmental Liability**" shall mean all Environmental Liability that has not been specifically allocated in this Agreement.

1.73 "**Unknown Environmental Liability**" shall mean any Environmental Liability other than a Known Environmental Liability, including, but not limited to, Environmental Liability for Unknown Pollutants within the meaning of Coverage L, On-Site Clean-Up of Pre-Existing Conditions within the meaning of Coverage A and Third-Party Claims within the meaning of Coverages C, D, F, G, H and I of the Environmental Insurance Policy.

1.74 "**Unknown Pollutants**" shall mean Pollutants and Hazardous Substances within the meaning of Coverages A and L of the Environmental Insurance Policy.

1.75 "**Whatcom Waterway**" shall mean the waterway that is located immediately south of the ASB and Chevron Property, as shown on the Bellingham Waterfront Site Diagram, which represents a portion of the Whatcom Waterway Site designated by Ecology in the Whatcom Waterway Site RI/FS.

1.76 "**Whatcom Waterway Site RI/FS**" shall mean the Draft Whatcom Waterway Remedial Investigation and Feasibility Study that is dated October 2004, and was prepared by Anchor Environmental for Ecology.

2. Closing. Subject to Removal of Contingencies, issuance of the Environmental Insurance Policy, and fulfillment or waiver of the other Closing Conditions, the Closing of the purchase and sale described in this Agreement shall take place in the offices of Chmelik Sitkin & Davis P.S. at 11:00 a.m., Pacific Standard Time, on January 20, 2005, or on such other date, time or place as the parties shall mutually approve in writing ("Closing Date").

3. Purchase and Sale of Property. At the Closing, and subject to the terms and conditions in this Agreement, Georgia-Pacific shall sell, transfer, and convey to the Port, and the Port shall purchase and accept from Georgia-Pacific, the Acquired Assets in exchange for the Purchase Price, payable solely by the Port's assumption of (i) the Assumed Environmental Liability in accordance with Section 4.1 below, (ii) the co-insurance participation percentage payment, environmental remediation, reporting and other

obligations of the named insured under the Remediation Stop Gap portion of the Environmental Insurance Policy, and (iii) the Mill Property Assumed Ownership Obligations, in each case, in lieu of any cash payment to Georgia-Pacific at the Closing.

4. Allocation of Environmental Liability. After the Closing, the parties shall allocate responsibility for Environmental Liability with respect to Pollutants or other Hazardous Substances that are present on, under or migrated from the Property prior to or as of the Closing Date as hereinafter provided.

4.1 Port's Assumption of Environmental Liability. After the Closing, and in consideration of the conveyance of the Property and other Acquired Assets from Georgia-Pacific, the Port shall assume the following Environmental Liability.

4.1.1 ASB Environmental Liability. The Port shall assume all Environmental Liability of Georgia-Pacific for the Clean-Up or other remediation of all Pollutants, known or unknown, that are located at, in, or under the ASB, regardless of coverage or exhaustion of the limits of liability under the Environmental Insurance Policy, including the Environmental Impairment Liability insurance for the ASB.

4.1.2 Whatcom Waterway Site Environmental Liability. The Port shall assume all Environmental Liability of Georgia-Pacific for the Clean-Up or other remediation of all Pollutants, known or unknown, in the Whatcom Waterway, that would have been addressed through dredging, capping or other active remediation in accordance with the Remediation Alternative J, regardless of coverage or exhaustion of the limits of liability under the Environmental Insurance Policy.

4.1.3 Bellingham Waterfront Environmental Liability. Only to the extent of available coverage within the limits of liability under the Environmental Insurance Policy, the Port shall assume all Environmental Liability of Georgia-Pacific for the Clean-Up or other remediation of all Pollutants, known or unknown, that are present on or under the Mill Property, Cornwall Avenue Property, and Roeder Avenue Property, or that have migrated from the Roeder Avenue Property onto the Chevron Property or the Gaasland property, as depicted on the Bellingham Waterfront Site Diagram, and from the Chlor/Alkali Site onto the Port's property.

4.1.4 Airport Landfill Property Environmental Liability. Only to the extent of available coverage within the limits of liability under the Environmental Insurance Policy, the Port shall assume all Environmental Liability of Georgia-Pacific for the Clean-Up or other remediation of the Airport Landfill Property, including post-closure monitoring and maintenance. In addition, after the Closing, the Port hereby releases Georgia-Pacific from, and covenants not to sue Georgia-Pacific on, its prior indemnity against losses, liabilities, or expenses associated with the Airport Landfill Property.

4.1.5 Deviation from Environmental Protection Standard. The Port shall assume all Environmental Liability of Georgia-Pacific for the Clean-Up or other remediation of all Known Pollutants addressed in Remedial Plans that are not covered by the Environmental Insurance Policy and that result from any violation of the Environmental Protection Standards, regardless of coverage or exhaustion of the limits of liability under the Environmental Insurance Policy.

4.1.6 Limitations on the Port's Assumption of Environmental Liability. Notwithstanding anything to the contrary herein, the Port shall not assume Environmental Liability of Georgia-Pacific for Natural Resource Damages, except for natural habitat restoration that the Port undertakes incident to the Remedial Plans or Natural Resource Damages that the Port causes in executing the Remedial Plans. Georgia-Pacific shall have no obligation to fund any portion of the Remedial Plans. The Port will retain ownership of any Natural Resource Damages credits arising from the Remedial Plans and/or the conversion of the ASB to a marina. In addition, notwithstanding anything to the contrary herein, the Port shall not assume Environmental Liability of Georgia-Pacific for third party Claims to the extent such Claim (other than remedial actions subject to Coverage K) arises from a Pollution Condition that existed prior to the Closing Date.

4.2 Georgia-Pacific's Retained Environmental Liability. After the Closing Date, Georgia Pacific shall retain Environmental Liability for all Natural Resource Damages to the extent such Claim arises from a Pollution Condition that existed prior to the Closing Date except for natural habitat restoration that the Port undertakes incident to the Remedial Plans.

4.3 Unallocated Environmental Liability. Other than as specifically provided herein or after exhaustion of the limits of liability under the Environmental Insurance Policy, Environmental Liability shall be allocated between the Port, Georgia-Pacific, and other liable parties under the then applicable law, including Environmental Law, subject to the following limitations.

4.3.1 Determining the Remedy. The Port and Georgia-Pacific shall endeavor to agree on a remedy for Unallocated Environmental Liability. If the Port and Georgia-Pacific are unable to agree on a remedy, then the Port may submit the issue to Ecology for selection of the remedy that is the most cost-effective alternative that implements permanent solutions to the maximum extent practicable under a consent decree or an agreed order. If the Port elects to proceed without agreement of Georgia-Pacific or the selection by Ecology then Georgia-Pacific shall have no responsibility for any share of the cost.

4.3.2 Determining the Cost Allocation. The Port and Georgia-Pacific shall endeavor to agree on the proper allocation of the remedial costs under Environmental Law, including but not limited to, length of the respective ownership of the affected property, economic benefit from the historic use and the redevelopment of the property, contribution to the release of applicable Pollutants, and other relevant factors. If the Port and Georgia-Pacific

are unable to agree on the proper allocation of remedial costs under Environmental Law, they reserve the right to mediate, arbitrate or litigate the issue.

4.3.3 Exclusion of Development Costs. In any event, Georgia-Pacific shall not be responsible to pay for any costs exclusively related to development on the Property. In the event that a particular cost is both a development cost and a remedial cost, Georgia-Pacific shall not be responsible for that portion related to the development. In this regard, development costs shall include costs that are excluded under Part II (1) (K) 1A, 1D, 1E, 2B, 2C and 2D of the Policy. The Port and Georgia-Pacific shall endeavor to agree on the proper allocation of the costs between development and remediation. If the Port and Georgia-Pacific are unable to agree on the proper allocation of the costs between development and remediation, they reserve the right to mediate, arbitrate or litigate the issue.

4.3.4 Anti-Prospecting Covenant. Notwithstanding anything to the contrary herein, the Port shall not be entitled to indemnification from Georgia-Pacific for any Environmental Liability that the Port, or any of its agents, identifies during inspection, audit or testing of the Environment at, in, or under any of the Property or the Whatcom Waterway Site unless such inspection, audit, or testing of the Environment was (i) required to comply with applicable law or Department of Ecology order, direction or decree, or (ii) conducted in accordance with a study, creation, adoption or implantation of any preliminary or final development plans, (iii) or otherwise conducted in good faith, pursuant to a reasonable business purpose that would have been undertaken irrespective of the indemnification provisions set forth in this Agreement.

4.4 Lines of Demarcation. For purposes of this Agreement, the line of demarcation between the ASB and the Whatcom Waterway shall be the ordinary high water mark that lies on the outer berm of the ASB, and the line of demarcation between the ASB and the adjacent Roeder Avenue Property shall be the top of the inner edge of the berm line located near the existing fence line.

4.5 Environmental Indemnity. Subject to the notice and tender of defense hereinafter provided, the party responsible for the Environmental Liability hereunder (“Responsible Party”) shall, to the extent permitted by law, indemnify, defend, and hold the other party (“Benefited Party”) harmless from and against all Environmental Claims made by any third party arising out of or relating to such Environmental Liability.

4.5.1 Notification. In the event a Benefited Party becomes aware of an Environmental Claim or Environmental Liability with respect to which such party is entitled to indemnification (“Indemnification Event”), the Benefited Party shall promptly give notice of such Indemnification Event to the Responsible Party. The failure of any Benefited Party to give such notice to the Responsible Party within a reasonable period of time shall relieve the Responsible Party of its obligations with respect to such Indemnification Event only to the extent that it has been materially prejudiced by the lack of timely and adequate notice. Further, with respect to discovery of any Environmental

Claim relating to an Unknown Environmental Liability, the Benefited Party shall notify the Responsible Party (i) as soon as reasonably practicable after discovery of the Unknown Environmental Liability, and (ii) before notifying or communicating with a Governmental Authority about the substance of the Claim, except where an applicable provision of Environmental Law explicitly requires immediate reporting or agency notification, in which case the Benefited Party shall notify the Responsible Party and Governmental Authority simultaneously. The failure of any Benefited Party to give such notice to the Responsible Party prior to notifying the Governmental Authority shall relieve the Responsible Party of its obligations with respect to such Indemnification Event only to the extent that it has been materially prejudiced by the failure to provide prior or simultaneous notice.

4.5.2 Actions of Responsible Party. The Responsible Party shall be obligated, to the extent permitted by law, to defend, contest, settle or otherwise resolve any third party Indemnification Event using counsel reasonably acceptable to the Benefited Party; provided, however, that the Responsible Party shall not settle or compromise any third party Indemnification Event without the Benefited Party's prior written consent thereto, unless the terms of such settlement or compromise discharge and release the Benefited Party from any and all Environmental Liabilities thereunder. Notwithstanding the foregoing, the Benefited Party may participate, at its own expense and through legal counsel of its choice, in any such legal action; and provided further that the Benefited Party may assume control of the defense, contest or related legal action in the event that either (i) the Responsible Party fails to proceed diligently to fulfill its indemnity obligations hereunder, (ii) the Responsible Party waives, in writing, its right to defend, as herein provided, or (iii) the Benefited Party waives, in writing, the indemnity obligation of the Responsible Party for the specific Indemnification Event involved in the defense, contest or related legal action.

4.5.3 Actions by Benefited Party. In the event that the Benefited Party assumes the defense or settlement of any Indemnification Event under clauses (i) or (ii) of the preceding section, the Responsible Party shall be bound by any defense or settlement that the Benefited Party may make as to such Indemnification Event. In addition, the Benefited Party shall be entitled to recover its reasonable costs (including consultant fees and costs) and attorney fees' and costs.

4.5.4 Exclusivity. Except for rights under the Environmental Insurance Policy, the rights of indemnity provided in this Section 4 shall be exclusive of all other rights or recourse for indemnity, contribution, breach of contract, breach of warranty or otherwise, either before or after the Closing, relating in any way to (i) the Port's Assumed Environmental Liability, and (ii) Georgia-Pacific's Retained Environmental Liability or related Remedial Actions with respect to the Property and the Whatcom Waterway.

5. Environmental Insurance Policy Covenants. Each party agrees to the following covenants with respect to the Environmental Insurance Policy.

5.1 Payment and Performance Obligations. Each party shall pay and perform all of its obligations as a named insured or an additional named insured under the Environmental Insurance Policy in order to preserve the benefits of insurance coverage for both parties. Without limiting the generality of the foregoing, the parties agree (i) that the Port shall pay for all co-insurance participation percentage payments due under Coverages K and L of the Policy, (ii) Georgia Pacific shall pay the premium for risk transfer portion of the Environmental Impairment Liability insurance (\$80 million dedicated limit for Coverages K & L and a \$25 million dollar dedicated limit for Coverages A, C, D, F, G H and J) to the extent provided in Section 5.2, (iii) the Port and Georgia-Pacific shall each pay fifty percent (50%) of the deductibles for unknown Pollutants within the meaning of Coverage A of the Environmental Insurance Policy and for deductibles for Coverage A of the Environmental Insurance Policy for regulatory changes, (iv) Georgia-Pacific shall pay one hundred percent (100%) of the deductibles for third party claims under the Environmental Impairment Liability portion of the Policy to the extent such Claim arises from a Pollution Condition that existed prior to the Inception Date of the Policy, and (v) the Port shall pay one hundred percent (100%) of the deductibles for third party claims under the Environmental Impairment Liability portion of the Policy to the extent such Claim arises from a Pollution Condition that first existed after the Inception Date of the Policy.

5.2 Payment of Premium. The Port shall be responsible to pay the entire premium for the Policy, when due, to AIG, subject to a premium contribution payable from Georgia-Pacific to Title Company on or before January 19, 2005, in the amount of \$4,970,000, plus the Washington state surplus lines premium tax ("Surplus Lines Tax") of \$119,280 due on the amount of Georgia-Pacific's premium contribution. The Port shall pay all other Surplus Lines Tax due in connection with the purchase of the Policy.

5.3 Tax Appeal. Promptly after payment of the Surplus Lines Tax, the Port, at its expense, shall seek a refund or prosecute an appeal of the tax before the Washington State Department of Revenue and, if the Port so elects, a judicial review. If the Port is successful, the refund shall be first used to pay the cost of the appeal and then prorated between Georgia-Pacific and the Port on the basis of the tax paid.

5.4 Information Sharing. Each party authorizes AIG to share all information relating to the Environmental Insurance Policy, irrespective of the source of the information, including, but not limited to, all notices, claims, statements of account, estimates, engineering data, test results, written reports and objections. Additionally, the Port agrees to provide Georgia-Pacific with concurrent copies of all written reports and other written communications submitted by the Port to AIG. In addition, Georgia-Pacific agrees to provide the Port with concurrent copies of all written reports and other written communications submitted by Georgia-Pacific to AIG.

5.5 Commutation Notice and Replacement Coverage. The Port acknowledges (i) that Georgia-Pacific has paid a substantial premium for thirty (30) years of Environmental Impairment Liability ("EIL") protection under the Environmental

Insurance Policy, (ii) that a thirty (30) year EIL policy is only offered with the Remediation Stop Gap (“RSG”) and Finite Risk Transfer (“FRT”) programs under the Environmental Insurance Policy, (iii) that the Port has the option to commute or terminate the RSG and FRT programs under the Policy and obtain a return of its prepaid co-insurance payments, and (iv) that commutation of the RSG and FRT programs may result in a termination of the EIL protection. Therefore, the Port agrees to give Georgia-Pacific at least sixty (60) days’ prior written notice of any election to commute the Policy and, in the event of a termination of the EIL protection as a result of any election to commute the Policy, to secure no less favorable, alternative or replacement EIL coverage for Georgia-Pacific. Without securing no less favorable, alternative or replacement coverage reasonably acceptable to Georgia-Pacific, the Port shall not commute the Environmental Insurance Policy without the written permission of Georgia-Pacific, which shall not be unreasonably conditioned, withheld or delayed.

5.6 Notice of Default and Opportunity to Cure. Further, in the event that either the Port or Georgia-Pacific becomes aware of a breach of an obligation, as a named insured or additional insured under the Environmental Insurance Policy, it shall promptly give the other party notice of the breach. Unless the breaching party is diligently proceeding to cure the breach, the other party shall have the option (but not the obligation) to assume and discharge those obligations on behalf of the breaching party in order to cure any such breaches and preserve the benefits of coverage under the Environmental Insurance Policy. The breaching party shall, to the extent permitted by law, save, defend, and hold the non-breaching party harmless from all costs associated with curing the breach.

5.7 Waiver of Subrogation. The Port and Georgia-Pacific each waive any right of subrogation against the other party and their respective subsidiaries and affiliates with respect to Claims or Losses that are covered by the Environmental Insurance Policy. Georgia-Pacific shall subordinate its third-party subrogation rights to the Port’s rights to seek recovery of its remedial costs from third parties.

5.8 Execution of Remedial Plans. After the Closing, but only to the extent of available coverage within the limits of liability under the Environmental Insurance Policy or as otherwise provided herein, the Port shall diligently execute the Remedial Plans.

6. Access and Due Diligence. During the Due Diligence Period, the Port and Georgia-Pacific have been working to conduct due diligence with respect to the Property, and Georgia-Pacific has granted the Port access to the Property to conduct such inspections and other due diligence as the Port considers appropriate, given the length of the Due Diligence Period.

7. Removal of Due Diligence Contingencies. On or before the expiration of the Due Diligence Period, the Port has given Georgia-Pacific written notice removing its due diligence contingency and electing to proceed with the acquisition of the Acquired Assets under the terms contained in this Agreement (“Removal of Contingencies”).

8. Due Diligence Materials. As informally agreed upon in their Letter of Intent, and as confirmed in this Agreement, Georgia-Pacific has agreed to provide, and has provided, the following materials to the Port solely for its use in conducting due diligence with respect to the Property:

8.1 Relevant and Non-Privileged Materials. Georgia-Pacific has made available to the Port all of its relevant and non-privileged documents and materials relating to the Property, and the Port hereby acknowledges access to and receipt of the documents that Georgia-Pacific has made available to it.

8.2 Chlor/Alkali Site Feasibility Study. On or before July 20, 2004, Georgia-Pacific provided the Port with the draft feasibility study for the Chlor/Alkali Site, receipt of which the Port hereby acknowledges. That study is attached hereto as Exhibit 8.2.

8.3 Phase II Sampling Plan. Georgia-Pacific has provided to the Port for review a true and complete copy of Georgia-Pacific's Phase II sampling plan for the environmental study of the pulp and tissue mill areas of the Mill Property, review of which the Port hereby acknowledges. After a seven (7) day review of the foregoing sampling plan, the Port requested that the plan include provisions for additional sampling to delineate areas of contamination found in the first round of sampling.

8.4 Title Commitment. Except as otherwise expressly provided in Schedule 8.4, by executing this Agreement, the Port hereby approves the Title Commitment and each supplement that the Port has had more than forty-five (45) days to review. All exceptions to title that are contained in the Title Commitment and any supplement thereto that the Port approves or is deemed to approve hereunder shall constitute "Permitted Exceptions."

8.5 Survey of Property. The Port and Georgia-Pacific shall share equally in the cost of a Survey of the Property that has been performed on the Property and attached hereto as Exhibit 8.5. The Port acknowledges that the legal description of the Property, as depicted in Exhibit A attached hereto, may change as a result of the Survey, and Georgia-Pacific acknowledges that the Property is intended to include all of Georgia-Pacific's real property in Bellingham, Washington. If there is a change in the legal description of the Property as a result of the Survey, the parties shall substitute the corrected legal description of the Property as Exhibit A to this Agreement.

8.6 Representation of Due Diligence Materials. In furnishing the foregoing due diligence materials, Georgia-Pacific states that, to the best of its knowledge without further inquiry beyond the current management employees of Georgia-Pacific working at the Bellingham plant, including Chip Hilarides and the former plant manager, Glen Taylor, the documents made available to the Port are all of the non-privileged documents concerning Environmental Liabilities and environmental conditions affecting the Property.

9. Confidentiality. Except as otherwise expressly provided in this Agreement, each party shall preserve the confidentiality of information that it obtains from the other party unless and until such information (i) is or becomes a matter of public knowledge through no fault of such party, (ii) is lawfully acquired from a third person without restrictions of confidentiality, or (iii) is required to be disclosed pursuant to applicable law. Notwithstanding the foregoing, either party may disclose any information it receives from the other party to its attorneys, accountants, environmental consultants, and other professional advisors, so long as each Person to whom such information is delivered has a “need to know,” is advised of this covenant, and agrees to maintain the information so provided in confidence and deal with it as required in this Agreement. If this Agreement is terminated, or if the transactions contemplated in this Agreement are not closed, each party shall return or destroy, at the election of the other party, all documents that contain confidential information and that were obtained from such other party in connection with this Agreement, and the confidentiality covenants in this paragraph shall survive the termination or Closing of this Agreement.

10. Consents and Approvals. Georgia-Pacific and the Port each shall use its best efforts to obtain all necessary consents and approvals from all Persons whose consent is required for Georgia-Pacific’s assignment of rights and the Port’s assumption of obligations under the Leases and Permits; provided that “best efforts” shall not require Georgia-Pacific or the Port to pay a third party any amount that is not already required under the applicable Lease or Permit. To the extent that any of the Leases or Permits is not assignable without the consent of another party thereto, this Agreement shall not constitute an assignment or an attempted assignment thereof. To the extent reasonably possible, all such consents shall be obtained prior to Closing. If such consents and approvals are not obtained by the Closing, the Port may elect to proceed with Closing, and Georgia-Pacific and the Port shall use their best efforts after the Closing to obtain such consents. If any such consents and approvals are not obtained prior to the Closing Date, Georgia-Pacific shall diligently pursue resolution of the issue. If, despite its diligent efforts, Georgia-Pacific is unable to secure such consents and approvals Georgia-Pacific shall cooperate with the Port in any reasonable arrangements designed to provide the Port with the full benefits of any Lease or Permit with respect to which a required third party consent cannot be obtained, including enforcement of any and all rights that Georgia-Pacific has against the other party to such Lease or Permit arising out of the breach or cancellation thereof by such other party. If and to the extent such arrangements cannot be made to give the Port the full benefit of any Lease or Permit that can not be assigned by Georgia-Pacific after Closing, the Port shall have no obligation with respect to such Lease or Permit.

11. Whatcom Waterway Site RI/FS Standby Arrangement. Georgia-Pacific and the Port shall cooperate and jointly seek the agreement of Ecology to accept and issue for public review and comment Alternative “K” proposed by the Port for the remediation of the Whatcom Waterway Site. Neither Georgia-Pacific nor the Port shall publicly or privately, directly or indirectly, advance, promote or attempt to influence any other remediation plan for the Whatcom Waterway Site.

12. Tolling Agreement. During the Due Diligence Period and thereafter until the Closing Date, neither party shall give notice to the other party to terminate their Tolling Agreement with respect to the Port's eminent domain action against Georgia-Pacific to acquire the ASB through condemnation.

13. Tissue Mill Reservation. Notwithstanding its agreement to sell and convey the Property to the Port, Georgia-Pacific shall reserve in the Statutory Warranty Deeds the exclusive rights and non-exclusive rights as defined in the Reservation until June 30, 2008 for Georgia-Pacific to retain, occupy, operate and maintain the Tissue Mill, and to use the ASB, and related effluent discharge lines and equipment in both the Tissue Mill building and the ASB without any obligation to pay rent, license fees or other amounts to the Port for so long as Georgia-Pacific desires to operate the Tissue Mill during that reservation period. Upon the conclusion (including voluntary early termination) of that reservation, Georgia-Pacific shall execute, deliver and record a Quitclaim Deed. Georgia-Pacific shall have the option, exercisable upon at least six (6) month's written notice prior to the expiration the Reservation, to lease the Tissue Mill for a term of up to eighteen months at the rate of \$350,000 per year plus applicable state leasehold excise tax provided that Georgia-Pacific (i) shall only have the right to utilize the ASB in a manner as approved by the Port that does not interfere with the Port's remedial plans for the ASB and (ii) relocate the electrical substation. Thereafter, Georgia-Pacific shall be allowed to lease the Tissue Mill for its then fair rental value determined by mutual agreement or, failing agreement, by an MAI appraiser mutually acceptable to the parties or appointed by the Presiding Judge of the Whatcom County Superior Court. Georgia-Pacific shall be responsible for the payment of all taxes on the personal or real property so reserved and all real estate excise tax occasioned by the termination of the reservation.

13.1 Use of the ASB and Outfall Pipe by the Port. The Port may utilize the ASB and the Outfall Pipe for the purpose of disposing of the leachate from the Airport Landfill and for the ASB remediation so long as such use is consistent with Georgia-Pacific NPDES permit and any modification to the permit necessary to accommodate the Port's use shall be at the expense of the Port.

14. Tissue Warehouse Lease. At the Closing, the parties shall enter into the Tissue Warehouse Lease by which the Port shall lease back the Tissue Warehouse to Georgia-Pacific from the Closing Date for a term of eighteen (18) months as therein provided, at a base annual rent for the entire Tissue Warehouse of Three Hundred Fifty Thousand Dollars (\$350,000.00), plus applicable Washington State leasehold excise tax, payable monthly, in advance, commencing on the Closing Date and continuing until the Tissue Warehouse Lease is terminated in accordance with its terms; provided, that Georgia-Pacific shall have the option, exercisable upon at least six (6) month's written notice prior to expiration of the initial eighteen (18) month term, to extend the Tissue Warehouse Lease for an additional term of twelve (12) months at a base annual rent of \$350,000 per year. The Port will be granted reasonable non-exclusive access across the parking lot for the purpose of access to the ASB to deposit the leachate from the Airport Landfill.

15. Demolition Plan. The Port and Georgia-Pacific have agreed on the Demolition Plan.

16. Ecology Orders. After Closing, the Port shall complete Georgia-Pacific's obligations under the Ecology agreed orders listed on Exhibit 16 attached hereto (including any payments due Ecology for charges arising after the Closing Date, but only to the extent of available coverage within the limits of liability under the Environmental Insurance Policy. Notwithstanding the foregoing, the Port shall not be responsible for any payments due Ecology for charges arising prior to the Closing Date

17. No Opposition to Port's Governmental Applications. After Closing, Georgia-Pacific shall not oppose, directly or indirectly, any application submitted by the Port for any government approval, grant, decision, reclassification, land use designation, or other permission related to any development or to conduct any remedial activities on the Acquired Assets.

18. Georgia-Pacific's Representations and Warranties. Georgia-Pacific represents and warrants to the Port that, as of the Closing:

18.1 Status. Georgia-Pacific West, Inc. is a corporation duly incorporated, validly existing, in good standing under the laws of the State of Oregon, qualified to do business in the State of Washington, and has all requisite power to enter into and perform its obligations under this Agreement. Georgia-Pacific Corporation is a corporation duly incorporated, validly existing, in good standing under the laws of the State of Georgia, qualified to do business in the State of Washington, and has all requisite power to enter into and perform its obligations under this Agreement.

18.2 Authorization. Georgia-Pacific's execution, delivery, and performance of this Agreement have been duly authorized by all requisite corporate action; the individual or individuals executing this Agreement and the Ancillary Documents to be executed on behalf of Georgia-Pacific are duly authorized to do so; and this Agreement and the Ancillary Documents to be executed by Georgia-Pacific constitute or will constitute valid and legally binding obligations of Georgia-Pacific, enforceable in accordance with their respective terms.

18.3 No Required Consents. No consent or approval of any third party is required in connection with Georgia-Pacific's lawful execution, delivery, and performance of this Agreement except as stated on Schedule 18.3 attached hereto.

18.4 No Violations. Georgia-Pacific's execution, delivery, and performance of this Agreement shall not violate, breach or constitute an event of default (with or without notice, time lapse or both) under any contract or other instrument to which Georgia-Pacific is a party or by which the Property is bound.

18.5 Title to Property. Georgia-Pacific owns good and marketable title to the Property in fee simple, free and clear of liens and exceptions other than the Permitted Exceptions.

18.6 FIRPTA Status. Georgia-Pacific is not a “foreign person” within the meaning of the Foreign Investment in Real Property Tax Act of 1986, the 1984 Tax Reform Act, or Section 1445 of the Internal Revenue Code and applicable regulations.

18.7 No Brokers. Georgia-Pacific has not employed any Person who is entitled to any brokerage fee or real estate commission in connection with the transaction described in this Agreement other than CB Richard Ellis. Georgia-Pacific shall be responsible for any fees owed to CB Richard Ellis.

18.8 Environmental Insurance Policy. All information provided by Georgia-Pacific in connection with the Environmental Insurance Policy is to Georgia-Pacific’s best knowledge complete, true and accurate.

18.9 Assigned Leases and Permits. Georgia-Pacific is (i) not in default under any term or condition of the assigned Leases listed in Schedule 1.39 and (ii) not in default under any term or condition of the transferred Permits and Licenses in Schedule 1.45. Georgia-Pacific shall be solely responsible for and indemnify the Port from all claims arising from its breach of any term of any assigned Lease or its breach of any condition of any transferred Permit and License. Georgia-Pacific shall be solely responsible for all payments due under any assigned Lease or transferred Permit and License prior to the Closing without proration.

18.10 Disclaimer. Except as otherwise expressly provided in this Agreement, Georgia-Pacific makes no representations and warranties regarding the Property or other Acquired Assets whatsoever, disclaims all express and implied representations and warranties with respect to the title, condition, value, zoning or operating history of the Acquired Property, and shall transfer the Property and other Acquired Assets only AS IS, WHERE IS, AND WITH ALL FAULTS. This disclaimer shall survive the Closing indefinitely.

18.11 Survival. Except as otherwise expressly provided in Section 18.10, Georgia-Pacific’s representations and warranties in this Agreement shall survive the Closing for the applicable period of limitations.

19. The Port’s Representations and Warranties. The Port represents and warrants to Georgia-Pacific that, as of the Closing:

19.1 Status. The Port is a municipal corporation duly incorporated, validly existing, in good standing under the laws of the State of Washington, and has all requisite power to enter into and perform its obligations under this Agreement.

19.2 Authorization. The Port's execution, delivery, and performance of this Agreement have been duly authorized by all requisite corporate action; the individual or individuals executing this Agreement and the Ancillary Documents to be executed on behalf of the Port are duly authorized to do so; and this Agreement and the Ancillary Documents to be executed by the Port constitute or will constitute valid and legally binding obligations of the Port, enforceable in accordance with their respective terms.

19.3 No Required Consents. No consent or approval of any third party is required in connection with the Port's lawful execution, delivery, and performance of this Agreement.

19.4 No Violations. The Port's execution, delivery, and performance of this Agreement shall not violate, breach or constitute an event of default (with or without notice, time lapse or both) under any charter, resolution, contract or other instrument to which the Port is a party or by which it is bound.

19.5 No Brokers. The Port has not employed any Person who is entitled to any brokerage fee or real estate commission in connection with the transaction described in this Agreement.

19.6 Acknowledgment. The Port acknowledges and accepts the fact that, except as otherwise expressly provided in this Agreement, Georgia-Pacific makes no representations and warranties regarding the Property or other Acquired Assets whatsoever, disclaims all express and implied representations and warranties with respect to the title, condition, value, zoning or operating history of the Property, and shall transfer the Property and other Acquired Assets only AS IS, WHERE IS, AND WITH ALL FAULTS. This acknowledgment shall survive the Closing indefinitely.

19.7 Environmental Insurance Policy. All information provided by the Port in connection with the Environmental Insurance Policy is to the Port's best knowledge, complete, true and accurate.

19.8 Assigned Leases and Permits. The Port shall be solely responsible for and indemnify Georgia-Pacific from all claims arising from its breach of any term of any assigned Lease or its breach of any condition of any transferred Permit and License. The Port shall be solely responsible for all payments due under any assigned Lease or transferred Permit and License after the Closing without proration.

19.9 Survival. Except as otherwise expressly provided in Section 19.6, the Port's representations and warranties in this Agreement shall survive the Closing for the applicable period of limitations.

20. Georgia-Pacific's Closing Conditions. The obligation of Georgia-Pacific to close the purchase and sale of Acquired Assets in accordance with this Agreement is subject to the satisfaction or waiver, in writing, by Georgia-Pacific of the following conditions on or before the Closing Date.

20.1 Truth of the Port's Representations. The representations and warranties of the Port in this Agreement shall be true and complete in all respects as of the date hereof and on and as of the Closing Date as though then made.

20.2 No Breach of the Port's Covenants. All of the terms, covenants, and conditions of this Agreement to be complied with and performed by the Port on or before the Closing Date shall have been complied with and performed in all respects.

20.3 Officer's Certificate from the Port. Georgia-Pacific shall have received a certificate from an executive officer of the Port, dated as of the Closing Date, certifying that (i) the enabling resolutions of the Port Commission (attached to or quoted in the certificate) authorizing the Port's execution, delivery, and performance of this Agreement and the Ancillary Documents to which the Port is a party, have been duly adopted and remain in full force and effect, (ii) the officer or officers of the Port who executed this Agreement and any Ancillary Documents to which the Port is a party are the duly elected and incumbent officer or officers they purport to be, (iii) subject to any necessary qualifications, the Port's representations and warranties in Section 19 of this Agreement are true and complete as of the Effective Date and as of the Closing Date as though then made, and (iv) subject to any necessary qualifications, the Port has complied with and performed, in all material respects, all the terms, covenants, and conditions of this Agreement to be complied with and performed by the Port on or before the Closing Date.

20.4 Title Commitment. The Title Company shall be prepared to issue a seller's policy and/or a lender's policy of title insurance to Georgia-Pacific insuring its interests as a seller of the Property.

20.5 Litigation. No pending action, suit, injunction, order, proceeding or investigation by or before any court, administrative agency, or other governmental authority shall have been instituted to restrain, prohibit or invalidate any of the transactions contemplated by this Agreement.

20.6 Ancillary Documents and Closing Obligations. The Port shall have executed each of the Ancillary Documents to which it is party and shall have fulfilled or be prepared to fulfill all of its other Closing obligations set forth in Section 22 herein.

20.7 Issuance of the Environmental Insurance Policy. AIG shall have issued the Environmental Insurance Policy in form and content reasonably satisfactory to Georgia-Pacific.

21. The Port's Closing Conditions. The obligation of the Port to close the purchase and sale of Acquired Assets in accordance with this Agreement is subject to the satisfaction or waiver, in writing, by the Port of the following conditions on or before the Closing Date.

21.1 Truth of Georgia-Pacific's Representations. The representations and warranties made by Georgia-Pacific in this Agreement shall be true and complete in all respects as of the date hereof and on and as of the Closing Date as though then made.

21.2 No Breach of Georgia-Pacific's Covenants. All the terms, covenants, and conditions of this Agreement to be complied with and performed by Georgia-Pacific on or before the Closing Date shall have been complied with and performed in all respects.

21.3 Georgia-Pacific Officer's Certificate. The Port shall have received a certificate from an executive officer of Georgia-Pacific, dated as of the Closing Date, certifying that (i) the corporate resolutions (attached to or quoted in the certificate) authorizing Georgia-Pacific's execution, delivery, and performance of this Agreement and the Ancillary Documents to which Georgia-Pacific is a party, have been duly adopted and remain in full force and effect, (ii) the officer or officers of Georgia-Pacific who executed this Agreement and any Ancillary Documents to which Georgia-Pacific is a party are the duly elected and incumbent officer or officers they purport to be, (iii) subject to any necessary qualifications, Georgia-Pacific's representations and warranties in Section 18 of this Agreement are true and complete as of the Effective Date and as of the Closing Date as though then made, and (iv) subject to any necessary qualifications, Georgia-Pacific has complied with and performed, in all material respects, all the terms, covenants, and conditions of this Agreement to be complied with and performed by Georgia-Pacific on or before the Closing Date.

21.4 Litigation. No pending action, suit, injunction, order, proceeding or investigation by or before any court, administrative agency, or other governmental authority shall have been instituted to restrain, prohibit or invalidate any of the transactions contemplated by this Agreement.

21.5 Title Commitment. The Title Company shall be prepared to issue an owner's policy of title insurance to the Port insuring its interests as the owner of the Property in accordance with the Title Commitment.

21.6 Ancillary Documents and Closing Obligations. Georgia-Pacific shall have executed each of the Ancillary Documents to which it is a party, and shall have fulfilled or be prepared to fulfill all of its other Closing obligations set forth in Section 22 herein.

21.7 Issuance of the Environmental Insurance Policy. American International Specialty Lines Insurance Company shall have issued the Environmental Insurance Policy in form and content reasonably satisfactory to the Port.

21.8 Port Commission Approval. The Port of Bellingham Port Commission shall have approved the Port's execution, delivery and performance of this Agreement and the related ancillary agreements.

22. Georgia-Pacific's Closing Obligations. At the Closing, Georgia-Pacific shall deliver to the Title Company for the benefit of the Port (i) the duly executed Statutory Warranty Deeds, (ii) a duly executed counterpart of the Permit Assignment and Assumption Agreement, (iii) a duly executed counterpart of the Lease Assignment and Assumption Agreement, (iv) a duly executed counterpart of the Tissue Warehouse Lease, (v) a duly executed counterpart of the Reservation, (vi) the Georgia-Pacific Officer's Certificate described in Section 21.3 herein, (vii) the funds necessary to pay the real estate excise tax on all of the Acquired Assets, other than the ASB, which has an allocated value of \$15,000,000, (viii) the funds necessary to pay the tax due upon termination of the special use and withdrawal from such special use classification of any of the Property, (viii) the funds necessary to pay one-half (1/2) of the standard owner's title insurance policy for the Port, and (ix) the funds necessary to pay the sum of \$5,089,280 to AIG as Georgia-Pacific's full share of the premium expense for the Environmental Insurance Policy and the tax thereon; and (x) such transfer tax affidavits, escrow instructions, and related documents as the Title Company may reasonably request.

23. The Port's Closing Obligations. At the Closing, the Port shall deliver to the Title Company for the benefit of Georgia-Pacific (i) a duly executed counterpart of the Permit Assignment and Assumption Agreement, (ii) a duly executed counterpart of the Lease Assignment and Assumption Agreement, (iii) a duly executed counterpart of the Tissue Warehouse Lease, (iv) the Officer's Certificate of the Port described in Section 20.3 herein, (v) a duly executed counterpart of the Reservation, (vi) the funds necessary to pay the real estate excise tax, if any, on the transfer of the ASB, based on an allocated value of \$15,000,000, (vii) the funds necessary to pay one-half (1/2) of the standard owner's title insurance policy for the Port, and (viii) the funds necessary to pay the sum of \$8,038,400 to AIG as the Port's Inception Date contribution toward the premium expense for the Environmental Insurance Policy and the tax thereon; and (ix) such transfer tax affidavits, escrow instructions, and related documents as the Title Company may reasonably request.

24. Transfer Taxes, Proration, and Closing Costs. At the Closing, Georgia-Pacific shall pay (i) the real estate excise tax as provided above, (ii) all fees for recording the Statutory Warranty Deed, and (iii) one-half (1/2) of the premium for a standard owner's policy of title insurance on the Property in accordance with the Title Commitment. The Port shall pay (i) any real estate excise tax due on the transfer of the ASB with a value of Fifteen Million Dollars (\$15,000,000), and (ii) one-half (1/2) of the premium for a standard owner's policy of title insurance on the Property in accordance with the Title Commitment. Real estate taxes, assessments, and related governmental charges for the current year, together with prepaid rent under the Leases shall be prorated between the parties as of the Closing, and each party shall pay one-half (1/2) of any escrow fee and costs due to the Title Company upon Closing of the transaction.

25. Possession. The Port shall be entitled to possession of the Acquired Assets upon Closing, subject to (i) Georgia-Pacific's reservation of rights under Section 13 with respect to the Tissue Mill, (ii) its leasehold interest under the Tissue Warehouse Lease, (iii) any license granted from time-to-time, pursuant to the Demolition Plan for Georgia-Pacific to enter the Property and remove fixtures, equipment, and other tangible personal property, and (iv) any other license granted from time-to-time to enter upon the Property for the purposes provided in this Agreement. The Port shall grant the licenses without cost, unreasonable delay or unreasonable condition. In so entering, Georgia-Pacific shall save, defend, and indemnify the Port from any claim, loss or damage to the Port, Georgia-Pacific or any other Person occasioned by the presence of Georgia-Pacific, its employees or agents on the Property.

26. Termination of Agreement. Georgia-Pacific and the Port may terminate this Agreement as hereinafter provided.

26.1 Termination by Mutual Agreement. They may terminate this Agreement by mutual written consent at any time prior to the Closing.

26.2 The Port's Right to Terminate. The Port may terminate this Agreement by giving written notice to Georgia-Pacific at any time prior to the Closing if (i) Georgia-Pacific has materially breached any of its representations and warranties in Section 18 of this Agreement, (ii) Georgia-Pacific has failed to remedy any material breach of this Agreement after at least thirty (30) days' prior written notice specifying the alleged breach, unless the breach is not capable of being cured in such thirty (30) day period, in which event Georgia-Pacific has not commenced the remedy within such thirty (30) day period and thereafter diligently prosecutes it to completion, (iii) the parties have failed to agree on all schedules and exhibits to this Agreement, or (iv) the Closing shall not have occurred by January 20, 2005 for any reason other than a default on the part of the Port.

26.3 Georgia-Pacific's Right to Terminate. Georgia-Pacific may terminate this Agreement by giving written notice to the Port at any time prior to the Closing if (i) the Port has materially breached any of its representations and warranties in Section 19 of this Agreement, (ii) the Port has failed to remedy any material breach of this Agreement after at least thirty (30) days' prior written notice specifying the alleged breach, unless the breach is not capable of being cured in such thirty (30) day period, in which event the Port has not commenced the remedy within such thirty (30) day period and thereafter diligently prosecutes it to completion, (iii) the parties have failed to agree on all schedules and exhibits to this Agreement, or (iv) the Closing shall not have occurred by January 20, 2005, for any reason other than a default on the part of Georgia-Pacific.

26.4 Effect of Termination. If any party terminates this Agreement pursuant to this Section 26, all rights and obligations of the parties hereunder shall terminate without any liability of any party to any other party, except for any liability of

any party then in breach and except for any indemnity, confidentiality, and any other obligations that expressly survive the termination of this Agreement.

27. Enforcement Expenses. In the event of any litigation, arbitration, or other legal proceeding to enforce, interpret, or recover damages for breach of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs incurred in the proceeding from the non-prevailing party, in addition to any other relief to which the prevailing party is entitled.

28. Other Fees and Expenses. Except as otherwise specifically provided herein, the parties shall pay their own expenses including, but not limited to, accountants' and attorneys' fees incurred in connection with the negotiation and consummation of the transactions contemplated by this Agreement.

29. Notices. All notices, demands, requests, and other communications required or permitted hereunder shall be written and given by (i) personal delivery, (ii) first class, registered or certified mail, postage prepaid and return receipt requested, (iii) overnight receipted courier delivery, or (iv) telephonically confirmed facsimile transmission along with a mailed hard copy, addressed or transmitted to the recipient at the address or facsimile number specified below or at such other address or facsimile number as the recipient may specify by notice, as herein provided:

To Georgia-Pacific: Georgia-Pacific Corporation
Attn: Carol A. Stephens
133 Peachtree Street, N.E.
Atlanta, Georgia 30303
Office: (404) 652-6420
Fax: (404) 584-1461

With a copy to: Lane Powell Spears Lubersky LLP
Attn: Michael D. Dwyer
1420 5th Avenue, Suite 4100
Seattle, WA 98101-2338
Office: (206) 223-7057
Fax: (206) 223-7107

To the Port: Port of Bellingham
Attn: James S. Darling, Executive Director
1801 Roeder Avenue
Post Office Box 1677
Bellingham, Washington 98227-1677
Office: (360) 676-2500
Fax: (360) 671-6411

With a copy to:

Chmelik Sitkin & Davis P.S.
Attn: Frank J. Chmelik
1500 Railroad Avenue
Bellingham, Washington 98225
Office: (360) 671-1796
Fax: (360) 671-3781

Notices that are personally delivered shall be effective upon delivery, and personal delivery shall include delivery by overnight-receipted courier or facsimile at the facsimile numbers indicated above, or such other number as the recipient may designate by notice in writing. Mailed notices shall be effective three (3) days after deposited in the United States postal system.

30. Assignment. This Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and permitted assigns. However, it shall not be assigned by any party without the prior written consent of the other party, whose consent may be withheld in its sole discretion, and any attempted assignment, without such consent, shall be null and void. Without limiting the generality of the foregoing, the obligations in this agreement, including but not limited to, the indemnification obligations of Georgia-Pacific shall not be binding on or assignable to private developers or other Persons who acquire portions of the Property from the Port. The obligations of Georgia-Pacific herein shall be binding on any person that acquires substantially all of the assets or substantially all of the common stock of Georgia-Pacific.

31. Further Cooperation. After the Closing, the parties shall cooperate with each other to give full effect to the consummation of the purchase and sale of the Property and to the allocation and assumption of Environmental Liability hereunder by making available to each other such books, records, correspondence, post-Closing environmental assessments, and other information as either party may reasonably request to remain informed and to conduct ongoing risk management assessments. Without limiting the generality of the foregoing, the Port shall not undertake post-Closing environmental studies or assessments of the Property (including the ASB) or Whatcom Waterway Site without at least thirty (30) days' (unless a shorter timeframe is mandated by Ecology) prior written notice to Georgia-Pacific and without promptly providing Georgia-Pacific with a copy of each draft and final written report of such environmental studies and assessments as soon as they become available.

31.1. As Built Plans, Maintenance Manuals and Other Documents. By the Closing Date, Georgia-Pacific shall make available copies of all as built plans, maintenance manuals, diagrams and other documents related to the Buildings and Equipment retained by the Port.

31.2. Property Descriptions. The parties recognize that the title to the Property owned by Georgia-Pacific on the Bellingham waterfront is complex. Therefore, the parties will cooperate to correct Exhibit "A" as may be needed to delete incorrect legal descriptions and cooperate to add Bellingham waterfront property later determined to belong to Georgia-Pacific subject to the Port agreeing to accept the additional property.

32. No Third Party Beneficiaries. Nothing contained in this Agreement shall be deemed to create a third party beneficiary contract with respect to any third Person including, but not limited to, any Governmental Authority, successor to the Port's interest in all or any portion of the Property, or any Person other than the parties to this Agreement.

33. Survival. All promises and obligations of the Port and Georgia-Pacific contained in this Agreement shall survive the Closing and shall not merge with the deed conveying the Acquired Assets to the Port. Either party may enforce any term, promise or obligation of this Agreement.

34. Miscellaneous Matters. This Agreement (i) contains the entire understanding of the parties on the matters addressed, (ii) supersedes all prior understandings on those matters, (iii) may only be amended in writing signed by duly authorized representatives of both Georgia-Pacific and the Port, (iv) shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties, except as otherwise expressly provided herein, (v) may be executed in counterparts, each of which shall be deemed a fully binding original of the same instrument, (vi) shall be governed by and construed in accordance with the laws of the State of Washington without giving effect to its conflict-of-laws principles, and (vii) jurisdiction and venue for any action arising from this Agreement shall be solely in the courts of Whatcom County, Washington.

EXECUTED as of the date first above written.

PORT OF BELLINGHAM

GEORGIA-PACIFIC CORPORATION

By _____
Commissioner

By _____
Its _____

By _____
Commissioner

GEORGIA-PACIFIC WEST, INC.

By _____
Commissioner

By _____
Its _____

**EXHIBITS AND SCHEDULES
TO PURCHASE AND SALE AGREEMENT
BETWEEN PORT OF BELLINGHAM AND GEORGIA-PACIFIC**

EXHIBIT A	LEGAL DESCRIPTION OF PROPERTY
EXHIBIT B	BELLINGHAM WATERFRONT SITE DIAGRAM
SCHEDULE 1.1	GEORGIA-PACIFIC RETAINED EQUIPMENT LIST, OUTFALL PIPE DESCRIPTION AND LIST OF RELATED PERMITS
EXHIBIT 1.5	AIRPORT LANDFILL LEGAL DESCRIPTION
EXHIBIT 1.21	DEMOLITION AND REMOVAL PLAN
SCHEDULE 1.29	ENVIRONMENTAL INSURANCE POLICY
EXHIBIT 1.38	FORM OF LEASE ASSIGNMENT AND ASSUMPTION AGREEMENT
SCHEDULE 1.39	LIST OF LEASES AND A COPY OF EACH ASSIGNED LEASE
SCHEDULE 1.43	MILL PROPERTY ASSUMED OWNERSHIP OBLIGATIONS BY PORT
SCHEDULE 1.45	LIST OF PERMITS AND LICENSES
EXHIBIT 1.46	FORM OF PERMIT ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT 1.57	ALTERNATIVE “J” OF THE DRAFT ECOLOGY WHATCOM WATERWAY SITE RI/FS
EXHIBIT 1.60	FORM OF RESERVATION
EXHIBIT 1.67	FORM OF STATUTORY WARRANTY DEEDS

EXHIBIT 1.68	FORM OF TISSUE WAREHOUSE LEASE
EXHIBIT 8.2	DRAFT FEASIBILITY STUDY FOR THE CHLOR/ALKALI SITE
SCHEDULE 8.4	LIST OF THE PORT'S UNACCEPTABLE TITLE EXCEPTIONS
EXHIBIT 8.5	SURVEY OF PROPERTY
EXHIBIT 16	ECOLOGY AGREED ORDERS
SCHEDULE 18.3	GEORGIA-PACIFIC'S REQUIRED THIRD-PARTY CONSENT/APPROVAL