

**PRELIMINARY  
DEVELOPMENT AGREEMENT**

Hawkins Companies LLC (“Hawkins”) has approximately 204 acres of land under contract to purchase near the state line on the North side of SR 270 (“Hawkins Land”). Hawkins has a Conditional Use Permit to construct a commercial retail shopping center containing 714,000 square feet of retail space on the Hawkins Land (“Development”). Whitman County (“County”) has an interest in the Economic Development of the SR 270 Corridor (“Corridor”) and therefore desires to build infrastructure to attract business in the Corridor. Hawkins and the County therefore enter into this Preliminary Public/Private Development Agreement (“Preliminary Development Agreement”) as follows:

1.
  - a. Hawkins shall cause to be constructed roads curb gutter and sidewalks, water and sanitary sewer utility systems. The exact scope of work to be done will be detailed by final construction plans approved by the county, but shall generally include the items listed on the attached cost estimates. This work shall be known as the “Improvements.” Any sidewalks which are built will be built at Hawkins’ expense and shall remain the property of Hawkins. Also, while both parties currently anticipate that the Improvements will include water and sewer systems, the list of Improvements to be built and purchased under this agreement may be modified, if an alternative source of water and or sewer system(s) is found and both parties agree to this change.
  - b. Hawkins shall enter into a contract with a qualified contractor or contractors to build the Improvements. Such contract(s) shall be let in compliance with applicable Washington State Laws governing public contracting.
  - c. County shall reimburse Hawkins for the cost of the Improvements. Such reimbursement shall be based on the actual cost of such Improvements. Hawkins represents that the budget attached hereto as Exhibit “A” is a good-faith estimate of the expected costs. Such reimbursement may be made at Hawkins’ request in progress payments based on engineer certified percentage of Improvements completed (similar to the AIA G704), after the construction of the Improvements is at least ten percent (10%) complete and not sooner than 90 days after the start of construction. The County will withhold five percent (5%) of the reimbursement until the Improvements are completed and accepted by the County. However, such reimbursement shall have an overall cap of \$9,100,000.00 and if the total costs of the Improvements exceed such cap, Hawkins shall pay the difference between the cap and the actual costs, without reimbursement from the County.
  - d. The Improvements shall be the property of the County. Hawkins and the County shall execute such documents (including a Final Development Agreement) as may be necessary to effect this intent.

- e. The Final Development Agreement referenced above shall terminate upon completion of the Improvements and acceptance thereof by the County. Public utility systems shall be constructed and permitted if necessary through the appropriate state agencies (e.g. Department of Health and Department of Ecology).
  - f. The County's obligations under the Final Development Agreement shall be contingent upon Hawkins providing satisfactory evidence that Hawkins has firm commitments from Lowes (or reasonably suitable replacement) to either Lease or purchase a portion of the Development.
  - g. The County's obligations under the Final Development Agreement shall also be contingent upon Hawkins obtaining final approval of water rights sufficient to serve the Development after the expiration or waiver of any applicable appeal periods for the water rights transfers.
2. It is contemplated that the County will finance the cost of the Improvements through a public bond offering as determined by the County, or in other manner determined by the County ("Bond Debt"). If the County issues bonds and incurs any arbitrage rebate liability with respect to the bonds, Hawkins will reimburse the County for any arbitrage penalty assessed against the County.
  3. Hawkins will dedicate to the County without reimbursement all roads shown and labeled as "Right of Way" on the site plan. The County will accept such dedication.
  4. Hawkins will transfer its interest in sufficient water rights for use in the Development to the County at no charge to the County. Hawkins shall also facilitate the regulatory transfer of the water rights. It is anticipated that the county will create a water district to supply water for the development.
  5. The county will enter into a "Will Serve" agreement with Hawkins wherein the County agrees to permanently serve the Development with sufficient water from the water obtained through the Hawkins water rights, not to exceed the amount of water transferred to the County pursuant to the provisions of item 4 above, for so long a time as the County can use that water. Such agreement shall also include provisions allowing for the contribution of future water rights to the Water District to be used by Hawkins in the Development or future developments by Hawkins.
  6. Hawkins will guarantee, during years 3 through 7 after the start of construction for the Development ("Guarantee Period"), that one percent (1 %) of the yearly sales tax, when combined with \$1.50 per \$1,000.00 of assessed value of Real Property Tax in the Development shall be adequate to service the Bond Debt. This guarantee will take the form of a personal guarantee of Mr. Gary Hawkins, the Owner of the Hawkins Companies LLC. If the sales tax and property tax are not sufficient to service the Bond Debt during any year within the Guarantee Period, Mr. Gary Hawkins will pay such insufficiency in a cash payment to the County due within 60

days of the date that it is determined that the revenue for the year has not met the guaranteed level. If Mr. Gary Hawkins does pay some amount to the County pursuant to this guarantee, the County shall pay that amount back to Mr. Gary Hawkins within 60 days of the date that funds in excess of the funds needed to service the bond debt are received by the County.

7. On the Development site, Hawkins will build a rural fire station and donate the land and building to Fire District 12.
8. Hawkins Companies LLC and the County shall enter into a Final Development Agreement and other such Agreements as are necessary to reflect the intent of this Preliminary Development Agreement. The parties agree to work in good faith to complete the Final Development Agreement promptly. If, however, a Final Development Agreement has not been completed and executed by the parties by *June 1, 2008* (or such later date as the parties shall mutually agree in writing), then this Preliminary Development Agreement shall terminate with no further obligation on the part of either party.
9. This Preliminary Development Agreement is intended to bind the parties in accordance with the terms hereof.

Executed this \_\_\_\_\_ day of February, 2008.

WHITMAN COUNTY, a Municipal Corporation  
of the State of Washington

\_\_\_\_\_  
Michael Largent, District 3 and Chairman of the  
Board of County Commissioners,

\_\_\_\_\_  
Greg Partch, Commissioner District 1

\_\_\_\_\_  
Jerry Finch, Commissioner, District 2

Attest: \_\_\_\_\_

HAWKINS COMPANIES LLC, an Idaho limited  
Liability company,

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By: Jeffrey A. De Voe, Authorized Representative

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