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Skagit County Auditor

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WHEN RECORDED RETURN TO:

NWCC Investments IX, LLC
1420 Fifth Avenue, Suite 2200
Seattle, WA 98101

132943-80
LAND TITLE OF SKAGIT COUNTY

DOCUMENT TITLE(S):

Assignment of License Agreement Between Mount Vernon and NWCC Investments IX, LLC

REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:

GRANTOR:

City of Mount Vernon

GRANTEE:

NWCC INVESTMENTS, IX, LLC, a Washington limited liability company

ABBREVIATED LEGAL DESCRIPTION:

Ptn Lot 10, Mount Vernon Acreage.

TAX PARCEL NUMBER(S):

3746-000-010-0407, P53850

EXHIBIT 2

ASSIGNMENT OF LICENSE AGREEMENT BETWEEN MOUNT VERNON AND NWCC INVESTMENT IX, LLC

Effective Date: May 18, 2009

Assignor: City of Mount Vernon, a Municipal Corporation (Seller), located at 910 Cleveland Avenue, Mount Vernon, WA 98273

Assignee: NWCC Investment IX, LLC (Buyer), a limited liability company located at 1420 Fifth Avenue, Suite 2200, Seattle, WA 98101.

In consideration for the mutual promises, covenants, and Agreements made below, the parties, intending to be legally bound agree as follows:

1. General

The Assignor has executed a license with Tesoro West Coast Company, now known as Tesoro Refining and Marketing Corporation ("Tesoro") and Gull Industries, Inc. ("Gull Industries"), their contractors, consultants, representatives and agents a non-exclusive license through the Purchase and Sale Agreement Attached hereto and incorporated herein as Exhibit "A" (the "License"), to access the Property described in Exhibit "B" attached hereto and incorporated herein in order to perform assessment, removal, remediation, and/or monitoring of any Hazardous Materials in, on, at or under the Property. The license herein is a covenant that runs with the Property.

As indicated in Exhibit "A", the existing License was executed by Assignor as Buyer, and Tesoro as Seller of the Property and requires Assignor to take steps to ensure that the License runs with the Property and binds any and all persons and entities with any interest in the Property after Closing and that any assignment by Assignor must be memorialized in a separate document in a form reasonably acceptable to Tesoro.

The Assignor, as a condition for the contract for the Purchase and Sale of the Property entered into on April 23rd, 2009 between Assignor and Assignee has agreed to assign it rights, privileges, duties and obligations under the license to Assignee as purchaser of the Property. Assignee has concurrently agreed to assume all duties and obligations it is required to perform under the License, including Section 19 (a) of Exhibit "A" (i.e. the license granted to Tesoro and Gull Industries.)

2. Assignment of License

For value received, the Assignor assigns and transfers to the Assignee, all of the Assignor's rights, title, and interest in and to the license and Assignee assumes all the duties and obligations it is required to perform under the License; provided however, that if the Assignor and the Assignee fail to complete their Purchase and Sale of the Property



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by the closing date set forth in the Purchase and Sale of the Property this Assignment shall be void and shall have no further effect, and the Assignor shall remain liable for all the Assignor's right, title and interest in and to the License.

The Assignor represents that it has made no other Assignments and that no such Assignments exist in connection to the License.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

[ASSIGNEE]

Dated: 4-19, 2009

NWCC INVESTMENT IX, LLC

By [Signature]
Its Manager

[ASSIGNOR]

Dated: 4/23, 2009

CITY OF MOUNT VERNON,
WASHINGTON

By [Signature]
Bud Norris, Mayor

Approved as to Form:

Dated: _____, 2009

TESORO WEST COAST COMPANY,
NOW KNOWN AS TESORO REFINING
AND MARKETING COMPANY.

BY: TESORO REFINING AND
MARKETING COMPANY

By _____

Its:



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by the closing date set forth in the Purchase and Sale of the Property this Assignment shall be void and shall have no further effect, and the Assignor shall remain liable for all the Assignor's right, title and interest in and to the License.

The Assignor represents that it has made no other Assignments and that no such Assignments exist in connection to the License.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

[ASSIGNEE]

Dated: 4-19, 2009

NWCC INVESTMENT IX, LLC

By [Signature]
Its Manager

[ASSIGNOR]

Dated: 4/23, 2009

CITY OF MOUNT VERNON,
WASHINGTON

By [Signature]
Bud Norris, Mayor

Approved as to Form:

Dated: 5/18, 2009

TESORO WEST COAST COMPANY,
NOW KNOWN AS TESORO REFINING
AND MARKETING COMPANY.

BY: TESORO REFINING AND
MARKETING COMPANY

By [Signature]

Its: Claude P. Moreau
Sr. Vice President, Marketing



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EXHIBIT A

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into by and between Tesoro West Coast Company, now known as Tesoro Refining and Marketing Company ("Seller") and the City of Mount Vernon, Washington, a Washington municipal corporation ("Buyer"). Seller and Buyer are hereafter collectively referred to as the "Parties." The "Execution Date" shall be the date the last party to this Agreement executes this Agreement such that this Agreement is fully executed.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, Seller and Buyer agree as follows:

1. Property. Seller hereby agrees to sell, transfer and convey to Buyer, and Buyer hereby agrees to purchase and acquire from Seller, subject to the terms and conditions set forth herein, that certain fee simple real property commonly known as 401 East College Way, Mount Vernon, Washington, which is more particularly described in the legal description attached hereto as Exhibit A ("Property").

2. Purchase Price. The total purchase price of the Property is Two Hundred and Eighty-Nine Thousand and Two Hundred Dollars (\$289,200.00) ("Purchase Price") which shall be paid by Buyer to Seller, subject to prorations and Closing costs called for herein as follows:

a. Buyer represents and warrants to Seller that the Purchase Price has been deposited into the registry of the Superior Court for Skagit County, Washington, as the Possession and Use Deposit in Cause No. 08-2-00766-1 (the "Lawsuit")

b. At Closing, Seller shall convey the Property by a duly executed Special Warranty Deed, free and clear of all liens and encumbrances except for real property taxes not yet due and Exceptions (as later defined).

c. The Parties agree that any property valuations established by them for the Property are for purposes of (i) establishing an insured amount for the Title Policy, (ii) preparing the Closing statements and escrow instructions, (iii) preparing affidavits of value and transfer tax returns, and (iv) calculating recording fees and transfer taxes, if applicable. Such property valuations are not established necessarily for tax, financial or accounting purposes.

3. Representations and Warranties.

a. Representations and Warranties of Seller. Except as expressly otherwise stated below or elsewhere in this Agreement, Seller represents and warrants to Buyer as of the Execution Date, as of the date of Seller's execution of this Agreement and as of Closing the following:

(i) Organization and Standing. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business in Washington. Seller has full power and authority to enter into this



Agreement and to perform its obligations hereunder and has the corporate power to sell, assign and deliver the Property to Buyer.

(ii) Authorization. As of Closing, the execution and delivery of this Agreement and the performance by Seller of the transactions contemplated herein have been authorized by Seller's management, and all requisite corporate and other authorizations for the execution, delivery, and performance of this Agreement have been duly obtained by Seller.

(iii) Compliance. To Seller's knowledge, Seller is in compliance with all material applicable laws, ordinances, regulations, statutes, rules and restrictions relating to the Property, except to the extent pertaining to any Hazardous Materials (as later defined) that may be on, under or at the Property notwithstanding any previous issuance of a No Further Action ("NFA") Letter from the Washington Department of Ecology ("DOE").

(iv) Consents. To Seller's knowledge, no consent or approval of any governmental or regulatory authority is required for the due authorization, execution or delivery by Seller of this Agreement.

(v) Contracts. To Seller's knowledge, there is no breach or default on the part of Seller under any contracts related to the Property and Seller has no actual knowledge of any breach or default by any other party under any such contracts.

(vi) Litigation. Other than the Lawsuit, there is no litigation pending or, to Seller's knowledge, threatened affecting the Property which would constitute a lien, claim or obligation of any kind against the Property or which would materially and adversely affect the Property.

(vii) Taxes. All taxes and other assessments on or concerning the Property for which Seller is liable and all taxes, fees, or other levies measured by transactions or business activity conducted by Seller at the Property for the year of transfer, other than installments and assessments not yet due, have been paid in full and there are no penalties or delinquency charges; provided, however, that there may be such penalties or delinquency charges which Seller may be challenging in good faith and which Seller shall pay if Seller is unsuccessful in its challenge.

b. Representations and Warranties of Buyer. Except as expressly otherwise stated below or elsewhere in this Agreement, Buyer represents and warrants to Seller as of the Execution Date, as of the date of Buyer's execution of this Agreement and as of Closing the following:

(i) Authorization. The execution and delivery of this Agreement and the performance by Buyer of the transactions contemplated herein have been authorized by Buyer and all governing bodies (if any) of Buyer, and all requisite authorizations and approvals for the execution, delivery, and performance of this Agreement have been duly obtained by Buyer.

(ii) No Defaults. No provision of (i) any indenture, mortgage, deed of trust, or other agreement or instrument or understanding to which Buyer is a party or by which it



is bound, or (ii) any order, writ, injunction, decree, statute, rule or regulation applicable to Buyer, has been or will be violated by the execution of this Agreement or the performance or satisfaction of any agreement or condition herein contained upon its part to be performed or satisfied.

(iii) Consents. To Buyer's knowledge, no consent or approval of any governmental or regulatory authority, other than the Buyer itself, is required for the due authorization, execution or delivery by Buyer of this Agreement.

(iv) No Discovery, Etc. Upon full execution of this Agreement and continuing until Closing (or until any sooner termination of this Agreement as allowed hereunder), Buyer shall not propound any discovery upon Seller in the Lawsuit, take any depositions in the Lawsuit that may require the attendance of Seller's counsel, or take any other action in the Lawsuit that may cause Seller to incur more than nominal legal fees or costs in the Lawsuit. To that end, Buyer further agrees to grant (and/or stipulate to) any reasonable extensions of time to respond or otherwise act that may be reasonably requested by Seller in order to effectuate the intent of this provision.

4. Title Policy. It is a condition to Buyer's obligations under this Agreement that at Closing, Buyer's title to the Property is insured by an ALTA Owner's Standard Coverage Policy of title insurance issued by First American Title Insurance Company located at 2010 Fourth Avenue, Suite 800, Seattle, WA 98121 (the "Title Company" or "Escrow") in an amount equal to the Purchase Price, subject only to real property taxes not yet due and any Exceptions ("Title Policy"). As used in this Agreement, the phrase "Exceptions" shall mean all liens, encumbrances, matters of record, easements, restrictions, rights of way, covenants, conditions, mineral rights reserved by third parties and reservations, if any, affecting the Property that are identified on the Title Policy. Buyer shall bear all costs and expenses associated with securing the Title Policy, and Buyer agrees to exercise reasonable diligence and efforts to secure the Title Policy.

5. Buyer's Due Diligence.

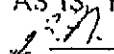
Seller will provide Buyer with copies of all environmental reports, data compilations and any other information, materials, and documents that Seller has submitted to or received from the Washington Department of Ecology ("DOE") regarding the Property within ten (10) days after the Execution Date. Seller makes no representations or warranties regarding the accuracy, or completeness, of any such information, materials or documents supplied or disclosed to the Buyer. Rather, Buyer shall rely exclusively on its own independent investigation and analysis of every aspect of the Property, and not on any information, materials or documents supplied or disclosed by Seller. Buyer shall have no right to terminate this Agreement based upon any information, materials and documents provided by Seller to Buyer pursuant to this Section 5.

6. "As Is" Sale.

BUYER ACKNOWLEDGES AND AGREES THAT NOTWITHSTANDING ANY PRIOR OR CONTEMPORANEOUS ORAL OR WRITTEN REPRESENTATIONS, STATEMENTS, DOCUMENTS OR UNDERSTANDINGS, AND EXCEPT AS MAY OTHERWISE BE EXPRESSLY STATED IN THIS AGREEMENT, SELLER HEREBY EXPRESSLY



DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY AND ANY MATTERS RELATED THERETO (INCLUDING ANY INFORMATION CONTAINED IN DOCUMENTS TRANSMITTED OR MADE AVAILABLE TO BUYER BY SELLER OR ANYONE ELSE), INCLUDING BUT NOT LIMITED TO ANY REPRESENTATIONS AND WARRANTIES REGARDING THE CONDITION OF THE PROPERTY (INCLUDING SOIL AND GROUNDWATER AT AND UNDER THE PROPERTY), THE FITNESS AND SUITABILITY (INCLUDING ZONING) OF THE PROPERTY FOR ANY PARTICULAR PURPOSE, ANY IMPROVEMENTS AT THE PROPERTY, SIGNAGE, THE ECONOMIC VALUE OF THE PROPERTY, ACCESS TO THE PROPERTY, WATER, SEWAGE AND OTHER UTILITIES SERVING OR NEEDED AT THE PROPERTY, INFRASTRUCTURE ON, NEAR OR CONCERNING THE PROPERTY, AND PRESENT AND FUTURE FEDERAL, STATE AND LOCAL LAWS, REGULATIONS AND ORDINANCES CONCERNING THE USE, DENSITY, ENVIRONMENTAL CONDITIONS AND SUITABILITY OF THE PROPERTY FOR ANY USE. BY CLOSING, BUYER FURTHER ACKNOWLEDGES AND AGREES IT HAS BEEN GIVEN ADEQUATE OPPORTUNITY TO FULLY REVIEW, ANALYZE, INVESTIGATE AND INSPECT ALL ASPECTS OF THE PROPERTY PURSUANT TO ANY SUCH RIGHTS IN THIS AGREEMENT. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT SELLER AND BUYER HAVE AGREED THAT, EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT, SELLER IS MAKING NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OF ANY MATERIALS PREPARED OR PROVIDED BY SELLER, SELLER'S AGENTS OR THIRD PARTIES AND BUYER IS TO UNDERTAKE AND RELY SOLELY UPON ITS OWN DUE DILIGENCE AS TO ANY MATTERS OF CONCERN OR IMPORTANCE TO BUYER. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT (i) NEITHER SELLER, NOR ANY PRINCIPAL, AGENT, ATTORNEY, EMPLOYEE, BROKER OR OTHER REPRESENTATIVE OF SELLER HAS MADE ANY WRITTEN OR ORAL REPRESENTATIONS, PROMISES OR WARRANTIES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY OR ANY MATTERS RELATED THERETO (INCLUDING ANY PROFIT THAT MAY BE DERIVED AT THE PROPERTY, THE CONDITION OF THE SOIL AND GROUNDWATER AT THE PROPERTY, AND ANY ACTUAL, INTENDED OR PLANNED USE OF THE PROPERTY NOW OR IN THE FUTURE) EXCEPT AS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT, (ii) BUYER IS NOT RELYING ON ANY WARRANTY, REPRESENTATION, OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY EXCEPT FOR ANY WARRANTIES, REPRESENTATIONS AND COVENANTS EXPRESSLY STATED HEREIN, AND (iii) BUYER IS ACQUIRING THE PROPERTY AND ANY IMPROVEMENTS EXISTING THEREON AS OF CLOSING IN AN "AS IS" CONDITION WITH ALL FAULTS, IF ANY. BY PLACING ITS INITIALS BELOW, BUYER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THIS SECTION 6, AND THAT IT WAS REPRESENTED BY COUNSEL WHO EXPLAINED THE CONSEQUENCES OF THIS "AS IS" PROVISION AT THE TIME THIS AGREEMENT WAS EXECUTED.


Buyer's Initials

7. Closing. The closing date for escrow shall occur on or before the thirtieth (30th) day after the Execution Date ("Close", the "Closing" or "Closing Date"), so long as this



Agreement has not been terminated prior to then pursuant to any provision hereof. The Closing shall take place at the offices of Escrow. Upon Closing, any warranties of title, claims, causes of action, suits, rights, demands, controversies and damages by Buyer against Seller will merge into the deed. Buyer's sole recourse for any defects in title or similar matters will be the Title Policy. Any right of the Parties to terminate this Agreement shall become null and void, and shall be deemed waived, once Closing occurs.

8. Conditions to the Closing. The following shall be conditions precedent ("Conditions Precedent") to the obligations of the Parties to Close hereunder:

a. Conditions Precedent to Buyer's Obligations. Buyer's obligations to Close under this Agreement are subject to the fulfillment of each of the following conditions which are included herein for the sole benefit of Buyer and may be waived or asserted solely by Buyer:

(i) Seller's Performance. Seller shall have timely performed and complied with all obligations required of it under this Agreement, and executed and delivered any documents required by Escrow in furtherance of the transaction contemplated hereby. However, in no case shall Seller be required to approve any change in zoning, permitting, tract maps, parcel maps, water fees or any other similar matter, nor will it be required to support any changes in the same that Buyer may seek or propose to any governmental agency. Furthermore, in no case shall Seller be required to perform or act on any plans or actions proposed by Buyer, nor record changes in any Property entitlements, that Seller reasonably believes might not be acceptable to another buyer should Closing not occur.

(ii) Seller's Representations and Warranties. Except as otherwise provided herein, each representation and warranty made by Seller herein shall be true and correct in all material respects as of the Execution Date, as of the date of Seller's execution of this Agreement and as of Closing.

(iii) Title Policy. Title Company is committed to issue to Buyer, on the Closing Date, the Title Policy in the amount of the Purchase Price, subject to real property taxes not yet due and any Exceptions.

b. Conditions Precedent to Seller's Obligations. Seller's obligations to Close under this Agreement are subject to the fulfillment of each of the following conditions which are included herein for the sole benefit of Seller and may be waived or asserted solely by Seller.

(i) Buyer's Performance. Buyer shall have timely performed and complied with all obligations required of Buyer under this Agreement, and executed and delivered any documents required in furtherance of the transaction contemplated hereby.

(ii) Buyer's Representations and Warranties. Except as otherwise provided herein, each representation and warranty made by Buyer herein shall be true and correct in all material respects as of the Execution Date, as of the date of Buyer's execution of this Agreement and as of Closing.



c. Failure of Conditions Precedent.

(i) Failure of Buyer's Conditions Precedent. If any of the Conditions Precedent set forth in Section 8.a above are not satisfied or waived by Buyer on or prior to the Closing, Buyer may elect, at its option, (a) to terminate this Agreement, or (b) to waive the unsatisfied condition(s) and proceed to Closing as if the Conditions Precedent have been fully satisfied. If Buyer elects to terminate this Agreement pursuant to the provisions of this Section 8.c(i), the Agreement shall be deemed terminated. In the event of such termination of this Agreement, Buyer agrees to return all information, materials and documents given by Seller to Buyer forthwith, the Parties hereto shall be released from all further obligations and liabilities under this Agreement, and Seller shall pay all cancellation fees imposed by Escrow.

(ii) Failure of Seller's Conditions Precedent. If any of the Conditions Precedent set forth in Section 8.b above are not satisfied or waived by Seller on or prior to the Closing, Seller may elect, at its option, (a) to terminate this Agreement, or (b) to waive the unsatisfied condition(s) and proceed to Close. If Seller elects to terminate this Agreement pursuant to the provisions of this Section 8.c(ii), Buyer shall return all information, materials and documents given by Seller to Buyer forthwith, the Parties hereto shall be released from all further obligations and liabilities under this Agreement, and Buyer shall pay all cancellation fees imposed by Escrow.

9. Seller's Obligations at Closing. On or before Closing, Seller shall, at Seller's expense, deliver the following materials to Escrow:

a. An original copy of a Special Warranty Deed conveying to Buyer all of Seller's title and interest in and to the Property, free and clear of any liens and encumbrances, except for real property taxes not yet due and Exceptions.

b. State of Washington Real Estate Excise Tax Affidavit or other similar property transfer fee document appropriately completed and executed by Seller.

c. One half of the escrow fees, its share of prorated items, such funds or documents as are necessary to clear from the title to the Property those liens and encumbrances which are to be cleared by Seller prior to Closing, costs of drafting the Special Warranty Deed, recording fees for the release of any encumbrances to be removed by Seller, and such other funds as are necessary to cover any other costs or expenses which are to be paid by Seller hereunder. Seller may, as an alternative to providing such funds, deposit with Escrow written authorization to Escrow providing for the deduction of such amounts out of escrow funds to be disbursed to Seller at Closing.

10. Buyer's Obligations at Closing. On or before Closing, Buyer shall do the following:

a. Execute all of the documents described in Section 9 above to be executed by Buyer. Buyer and Seller agree that said documents may be executed in counterparts and such execution is acceptable to both Buyer and Seller.



b. Deliver to Escrow funds (either in cash or via wire transfer) in the amount of the Purchase Price, the premium costs for the Title Policy, funds to pay the State of Washington Real Estate Excise Tax or other similar property transfer fee if applicable, fees to record all of the documents to be recorded (except for any release of any encumbrance), one half of the escrow fees, its share of prorated items, and such other funds as are necessary to cover any other costs and expenses which are to be paid by Buyer under this Agreement.

11. Defaults, Remedies.

(a) If the Purchase Price has not been withdrawn from the court registry prior to Closing, Buyer shall execute and deliver to Escrow an order, executed and approved by the Court for entry in the Lawsuit, authorizing disbursement of the Purchase Price to Seller at Closing.

(b) Within three (3) days after Closing, Buyer shall, at its sole cost and expense, prepare and cause to be filed any and all documents necessary to effectuate a dismissal of the Lawsuit with prejudice without further costs or fees to Seller (*i.e.*, each party to bear their own fees and costs in the Lawsuit).

(c) In the event Closing does not occur because of non-performance, default or breach by Buyer, then the Seller may: (a) file suit for damages, or (b) seek specific performance of this Agreement and the transactions provided for herein by all means available at law or in equity.

12. Prorations. All real and personal property taxes and assessments, utility charges, and expenses shall be prorated as of the Closing Date. All prorations shall be calculated on a calendar day basis for when Closing occurs and, if applicable, shall be credited against the Purchase Price. If Closing shall occur before taxes are finally fixed for the then current year for the Property, the apportionment of taxes at Closing shall be upon the basis of the latest tax rate applied to the latest assessed valuation for the Property. To the extent that the amounts of such charges or expenses referred to in this Section are unavailable at the Closing Date or in the event of prorations made on the basis of erroneous information or clerical errors, a readjustment of these items shall be made within thirty (30) days after Closing or as soon as practical after discovery of any erroneous information or clerical error, except that no adjustments shall be made after six (6) months following Closing. Seller shall, on or before Closing, furnish to Buyer and the Escrow all information necessary to compute the prorations provided for in this Section.

13. Brokerage. Seller and Buyer each represents and warrants to each other that they have employed no brokers, finders and other real estate agents in connection with this transaction, and each party agrees to indemnify, defend and hold the other party harmless from and against all claims, losses, expenses and damages (including reasonable attorneys' fees) resulting from a breach of this representation and warranty.

14. Instruments of Further Assurance; Good Faith. Each of the Parties hereto agrees, at their own expense, to execute and deliver to the other before, at or after the Closing, as



requested by Escrow. any and all further instruments and documents Escrow may reasonably request in order to carry out any of the provisions of this Agreement and/or comply with applicable law. Seller and Buyer shall act in good faith in all respects relative to the transactions contemplated hereby, but in no event shall Buyer or Seller be required to produce, disclose or deliver any documents protected by the attorney-client communication privilege and/or attorney work product doctrine unless this Agreement expressly otherwise provides for the same. In the event Escrow requires the Parties to execute any escrow instructions or other similar documents, the terms and conditions of this Agreement shall control over any conflicting terms and conditions in such escrow instructions or other similar documents.

15. Notices. Any notices, approvals, rejections, terminations or the like required or permitted hereunder shall be in writing and shall be deemed made, delivered, provided or received, as required by the applicable provision. (i) when delivered if personally delivered, (ii) upon written fax confirmation if sent via fax before 5:00 p.m. on any business day (otherwise, the next business day), or (iii) the next business day if sent via overnight carrier for guaranteed delivery the next business day with delivery confirmation. Any notices, approvals, rejections, terminations or the like required or permitted hereunder shall be sent as follows:

If to Seller: Tesoro Refining and Marketing Company
5230 Las Virgenes Road, 2nd Floor
Calabasas, CA 91032
Attn: Doug Elston,
Fax: 818-577-2678

With a copy to:

Tesoro Refining and Marketing Company
300 Concord Plaza Drive
San Antonio, TX 78216
Attn: Legal Department
Fax: 210-569-5272

If to Buyer: City of Mount Vernon, Washington
1024 Cleveland Avenue
Mount Vernon, WA 98273
Attn: Public Works Department
Fax: 360-336-6299

With a copy to:

City Attorney
City of Mt. Vernon, Washington
1024 Cleveland Avenue
Mt. Vernon, WA



If to Escrow: First American Title Insurance Company
2010 Fourth Avenue, Suite 800
Seattle, WA 98121
Fax: (253) 671-5826

The foregoing addressees may be changed from time to time by any party, or by Escrow, by written notice to the other party and Escrow in a manner in compliance with this Section.

If this Agreement does not specify to whom any notice, approval, rejection or termination shall be provided, it shall be deemed to require the same be given only to Escrow.

If any notice is received by the recipient on a Saturday, Sunday, legal holiday or after 5:00 p.m. on a business day, it shall be deemed made, delivered, provided and/or received, as required by the applicable provision, on the next business day.

If the last day to provide any notice, approval, rejection or termination, or any deadline or date specified herein, falls or occurs on a Saturday, Sunday or legal holiday, such day, deadline or date shall be deemed to fall or occur the next business day.

16. Intentionally Omitted.

17. Casualty. If the Property or a material portion thereof shall have been damaged by fire, vandalism, acts of God or other casualty prior to Closing, Buyer may either (i) elect to terminate this Agreement prior to Closing, in which event both Parties shall be relieved and released of any further liability hereunder, Seller and Buyer shall each pay one-half (1/2) of any applicable cancellation fees imposed by Escrow, or (ii) shall proceed to Close and take the Property as diminished by such event(s). If Buyer elects to proceed with Closing, Seller's rights in and to any third party insurance carrier proceeds attributable to such casualty shall be assigned to Buyer at Closing and the Purchase Price shall be reduced by the amount of any deductible due from Buyer.

18. Intentionally Omitted.

19. Environmental Contamination. Buyer agrees and understands that (i) a service station previously operated at the Property, (ii) notwithstanding the previous issuance of an NFA letter from DOE in or about June of 2003 regarding soils at the property, there may be additional Hazardous Materials in soils at the Property, (iii) there is and has been groundwater assessment, remediation and/or monitoring activities at the Property, and (iv) notwithstanding any information contained or not contained in any reports or documents provided to Buyer, there may be Hazardous Materials emanating from the Property, and Buyer agrees that Seller makes no representation or warranty regarding any of the foregoing and/or any Hazardous Materials in the soil and/or groundwater in, on, at, under and/or emanating from the Property. Buyer further understands and agrees that it may encounter Hazardous Materials during any construction at the Property following Closing, or at any other time following Closing. As used in this Agreement, the term "Hazardous Materials" shall mean any toxin, material, substance, waste, contaminant, radioactive material, polychlorinated biphenyl (PCB), asbestos, natural resource, hydrocarbon,



chemical, gas and other material that is regulated by any Environmental Laws, including but not limited to all "hazardous substance(s)" as such phrase is defined in 42 U.S.C. § 9601(14) or RCW 70.105D.020(10). The term "Environmental Laws" means all environmental laws, statutes, ordinances, rules, orders, directives and regulations, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendment and Reauthorization Act and otherwise, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, the Federal Water Pollution Control Act, the Oil Pollution Act, the Hazardous Materials Transportation Act, the Occupational Safety and Health Act, the Washington Model Toxics Control Act, as such acts may be amended or supplemented from time to time hereafter, all other existing and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as any other laws relating to the environment, health or safety, and any permit, license, order, inquiry, decree, or communication, from any person or entity (including but not limited to a governmental authority, agency, body, jurisdiction or entity) concerning Hazardous Materials (collectively, the "Environmental Laws").

a. Seller's Covenant to Assess, Remove, Remediate and Monitor Contamination Existing at the Property As of Closing; License. Should Closing occur, Seller hereby covenants, at its sole cost and expense, to continue fully and promptly assessing, removing, remediating and monitoring any Hazardous Materials existing on, at, under or emanating from the Property as of Closing ("Existing Contamination"), to levels mutually agreed upon between Seller and DOE unless, except and to the extent that the presence of the Hazardous Materials is the result of a New Release. Seller may satisfy this obligation, by, without limitation, obtaining a "No Further Action" letter (or comparable document) from the DOE or a declaration by a court of competent jurisdiction. "New Release" means any release, deposit, discharge, emission, leaking, spilling, seeping, injecting, pumping, pouring, emptying, escaping, dumping, disposing of Hazardous Materials that occurs after Closing but does not include (i) the migration of Existing Contamination or (ii) any movement of Existing Contamination as a result of development or construction activities by Buyer or its assigns. Should Closing occur, Buyer also hereby grants Seller and Gull Industries, Inc. ("Gull Industries") and both of them, their contractors, consultants, representatives and agents a non-exclusive license, to be effective upon Closing, at no cost, expense or rent, to access the Property and perform any and all assessment, removal, remediation and/or monitoring of any Hazardous Materials in, on, at or under the Property that Seller is required to perform under this Agreement or that Seller or Gull Industries is required by any Environmental Law or governmental agency to perform, including but not limited to the placement and retention of remediation equipment on the Property, temporary storage of investigation or remediation-derived wastes at the Property, equipment operation and maintenance at the Property, and installing, operating, sampling from and abandoning wells, trenches and other equipment. The license granted herein shall run with the Property, and Buyer will advise any purchaser(s) of the Property of the same before any sale of the Property, and take any and all steps to ensure the license granted herein runs with the Property and binds any and all persons and entities with any interest in the Property after Closing. Buyer may assign its rights and privileges under this Section 19(a) (*i.e.*, Seller's obligation to Buyer to assess, remove, remediate and monitor Existing Contamination as stated above in this Section 19(a)) to any purchaser of the Property provided Buyer concurrently assigns/delegates its duties and obligations under this Section 19(a) (*i.e.*, the license granted



herein) to the same assignee. In the event of any such assignment, Buyer shall not be relieved from performing under this Section 19(a) notwithstanding such assignment/delegation, and shall remain responsible for any breach of this Agreement by the assignee. Any assignment by Buyer of this Section 19(a) shall be memorialized in a separate document in form reasonably acceptable to Seller. Seller and/or Gull Industries, as the case may be, will provide Buyer a minimum of three (3) calendar days advanced notice of entry upon the Property pursuant to this license via telephone or facsimile transmission, except for turn-key sampling of any wells at the Property, which may occur upon forty-eight (48) hours advanced notice via telephone or facsimile transmission to Buyer. Buyer understands and agrees that any such assessment, removal, remediation and monitoring pursuant to the license granted herein may result in the closing of business activities at the Property, and consents to the same. Should any such assessment, removal, remediation and monitoring pursuant to the license result in the closing of City streets or other impact to City vehicular traffic, Seller and/or Gull Industries shall provide Buyer a minimum of three weeks advanced notice and further provide for traffic control of the area. Buyer hereby agrees that neither Seller nor Gull Industries, nor its contractors, consultants, representatives and agents, shall be responsible or liable for any lost income, profits or rents, business disruption, or other economic damages caused by any assessment, removal, remediation, monitoring or other activities at the Property pursuant to this license, and Buyer hereby waives, releases, acquits and discharges the same. Seller and/or Gull Industries may record a Short Form Memorandum of Access, or similar document, to put all other persons and entities on notice of the license granted herein. Seller shall leave the Property and any improvement thereon in as good a state and condition as they were any time Seller enters and remains on the Property to perform any and all assessment, removal, remediation and/or monitoring of any Hazardous Materials, damages by the elements excepted, unless such damage to the Property or any improvements thereon could not have been prevented by the exercise of ordinary care on the part of Seller or Gull Industries. Seller shall perform any and all assessments, removal, remediation and/or monitoring of any Hazardous Materials using due diligence and reasonable best efforts to perform such activities so as to minimize any impact to Buyer's quiet use and enjoyment of the Property. Seller shall indemnify, defend and hold Buyer harmless for any claims for personal injury or property damage occurring as a result of entry to the Property under the license granted in this section.

b. Replacement of Remediation and Monitoring Equipment. After Closing, if it is necessary by reason of any development at the Property (including but not limited to any street widening and/or reconfiguration) to remove, relocate, abandon, close or destroy any assessment, removal, remediation and/or monitoring equipment (including but not limited to any wells) (the "Remediation Equipment") at the Property, Buyer shall conduct the same and promptly reimburse Seller for any and all costs and expenses incurred by Seller in connection with such removal, relocation, abandonment, closure and/or destruction. Before conducting any removal, relocation, abandonment, closure or destruction of any Remediation Equipment, however, Buyer shall provide Seller with sufficient advanced written notice of its intention to effectuate the same so as to provide Seller with an opportunity to cause the same should Seller so desire. Buyer shall then reimburse Seller for the cost of such work upon Buyer's receipt of the paid invoices for the work. Buyer's duty and obligation to promptly reimburse Seller for any and all costs and expenses incurred by Seller in connection with any removal, relocation,



abandonment, closure and/or destruction shall not be conditioned upon Seller causing, or not causing, any such removal, relocation, abandonment, closure and/or destruction.

20. a. Indemnification by Seller. Should Closing occur, and in addition to any other provision in this Agreement, Seller shall, at its sole cost and expense, protect, defend, indemnify and hold harmless Buyer and all of its agents and employees from and against any and all Losses arising out of, related to, connected with or caused, in whole or in part, by any breach of Seller's representations, warranties, obligations or duties under or in this Agreement.

b. Indemnification by Buyer. Should Closing occur, and in addition to any other provision in this Agreement, Buyer shall, at its sole cost and expense, protect, defend, indemnify and hold harmless Seller and Gull Industries, all past, present and future parent and affiliated companies and subsidiaries of Seller and/or Gull Industries, and all of their officers, directors, shareholders, agents, employees, insurers, successors and assigns, from and against any and all Losses arising out of, related to, connected with or caused, in whole or in part, by (i) any use of, activity at, or any act or omission of Buyer regarding the Property after Closing (including but not limited to any violation of any Environmental Laws after Closing and/or any New Release), and/or (ii) any breach of any of Buyer's representations, warranties, obligations or duties under or in this Agreement. As used in this Agreement, the term "Losses" means any and all claims, causes of action, suits, liabilities (including, without limitation, strict liabilities), judgments, demands, proceedings, obligations, liens, debts, damages, injuries (including, without limitation, death or physical injury to any person and other personal injuries of any type or nature), losses, response costs, natural resource damage, directives, orders, fines, penalties, diminution in value, expenses, assessments, awards, amounts paid in settlement, and damages in whatever kind or nature including, without limitation, attorneys' fees, court costs, expert witness fees, engineering fees, remediation costs, consultant fees, and other costs of defense.

21. Release. In further consideration of Seller selling the Property to Buyer, should Closing occur, and except for any of Seller's obligations under this Agreement, Buyer hereby forever and fully releases, acquits and discharges Seller, Gull Industries, all past and present parent and affiliated companies and subsidiaries of Seller and Gull Industries, and all of their officers, directors, shareholders, agents, employees, insurers, successors and assigns from any and all claims, rights, demands, liens, agreements, contracts, warranties, covenants, actions, suits, causes of action, obligations, controversies, debts, costs, fees (including attorney and consultant fees), expenses, accounts, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether known or unknown, suspected or unsuspected, anticipated or unanticipated, liquidated or unliquidated, and whether or not concealed or hidden, which exist, may exist or may have existed regarding, based upon, arising from or related to, directly or indirectly, the Lawsuit and/or the Property, including but not limited to Hazardous Materials in, on, at or under the Property at Closing.

Without limiting what other terms and provisions are material and essential, all of the terms and provisions of Sections 19, 20 and 21, as well as any representations and warranties of the Seller or Buyer in any other Sections of this Agreement, are material and essential, this Agreement would not have been entered into by either Seller or Buyer without such terms and provisions.



and none of these terms or provisions shall merge in any Closing or any conveyance instruments delivered at any Closing, but rather shall survive any Closing.

22. Miscellaneous.

- a. Parties in Interest. This Agreement, and each and every term and provision hereof, shall inure to the benefit of, and be binding upon and enforceable against, Buyer and Seller hereto and their respective legal representatives and successors.
- b. Incorporation of Exhibits. Exhibit "A" attached hereto shall be construed with and as an integral part of this Agreement.
- c. No Third-Party Benefits. This Agreement is not intended, and shall not be deemed or construed to confer any rights, powers or privileges on any person, firm, partnership, corporation or other entity not a party hereto, except for Gull Industries and except as otherwise provided for herein.
- d. Assignment. Except as otherwise expressly provided in this Agreement, including but not limited to section 19(a), this Agreement may not be assigned by Buyer. Seller may assign this Agreement to any person or entity acquiring all or substantially all of the assets or liabilities of the Seller.
- e. Titles and Headings. Titles and headings to sections and subsections herein are for the purpose of convenience and reference only, and shall in no way limit, define or otherwise affect the provisions thereof.
- f. Severability. If any term, provision, covenant or condition of this Agreement should be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby, except that if the provisions of Section 19, or the release in Section 21 is/are deemed to be invalid, void or unenforceable, then Seller shall have the right to rescind this Agreement.
- g. Time Is of the Essence. Time is specifically declared to be of the essence of this Agreement and of acts required to be done and performed by Buyer and Seller.
- h. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, and all disputes involving this Agreement shall be resolved in Washington. Venue of any claims arising under this Agreement shall be Skagit County, Washington. Seller and Buyer consent to the jurisdiction of the courts of the State of Washington.
- i. Attorneys' Fees. Should either party hereto institute any action or proceedings after the Execution Date to enforce or interpret any provision hereof, for damages by reason of any alleged breach of any provision of this Agreement, for a declaration of such party's rights or obligations hereunder or for any other judicial remedy hereunder, then the



prevailing party in any such action or proceeding shall be entitled to be reimbursed by the other party for all costs and expenses incurred in connection therewith, including, but not limited to reasonable attorneys' fees for the services rendered to such prevailing party.

j. No Party Deemed Drafter. The Parties agree that no party shall be deemed to be the drafter of this Agreement and further that in the event that this Agreement is ever construed by a court of law, such court shall not construe this Agreement or any provision of this Agreement against any party as the drafter of this Agreement.

k. Counterparts. This Agreement, as well as other documents between Buyer and Seller as required by this Agreement, may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

l. Facsimile Signatures. Facsimile copies of this executed Agreement shall be fully binding and effective for all purposes whether or not originally executed documents are transmitted to the other party. Facsimile signatures on documents will be treated the same as original signatures. However, each party agrees they will promptly forward original executed documents to the other party.

m. Entire Agreement. This Agreement constitutes and contains the entire Agreement between Seller and Buyer and supercedes any and all prior and contemporaneous negotiations, correspondence, statements, representations, warranties, understandings and agreements between the Parties respecting the subject matter hereof, whether oral or written.

n. Amendment. This Agreement may be modified or amended only by a writing signed by each of the Parties hereto.

o. No Partnership. Seller and Buyer are not and shall not be considered joint venturers or partners of each other, and neither shall have the power to bind, obligate or represent the other. Furthermore, neither this Agreement nor any acts pursuant thereto creates any franchise(s) under any local, state or federal law, including but not limited to the Federal Petroleum Marketing Practices Act and any state franchise or dealer laws, acts or regulations.

p. Grammar. The necessary grammatical changes required to make the provisions of this Agreement apply in plural sense and to governmental entities, corporations, partnerships, limited liability companies, individuals, males or females, shall in all instances be assumed.

q. Publicity. Except as otherwise agreed in writing by the Parties, no advertisement, press release, or other similar publicity concerning this transaction will be disseminated by or at the request of either party. Nothing in this Section shall prevent either party from furnishing information to any governmental agency or complying with any applicable law or regulation.



r. Authority to Sign. Each person signing below represents and warrants he or she has the full authority to sign this Agreement on behalf of the party for whom he or she is signing.

s. Expenses. Except as otherwise expressly provided for in this Agreement, each party hereto shall bear all costs and expenses they incur in connection with this Agreement and/or the Lawsuit.

[SIGNATURES ON THE FOLLOWING PAGE]



IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

SELLER

**TESORO WEST COAST COMPANY, NOW KNOWN AS
TESORO REFINING AND MARKETING COMPANY**

BY: TESORO REFINING AND MARKETING COMPANY

By: John R. Ramsey
John Ramsey

Its: Vice President, Retail Marketing

Date: 6/27/08

BUYER

**CITY OF MOUNT VERNON, WASHINGTON,
A WASHINGTON MUNICIPAL CORPORATION**

By: [Signature]

Its: Mayor

Date: 7/28/08

APPROVED AS TO FORM

[Signature]

COUNSEL ATTORNEY

Attest: Alison Delaney



EXHIBIT "A"

The West 120 feet of Lot 10. "PLAT OF MOUNT VERNON ACREAGE, SKAGIT COUNTY, WASHINGTON", according to the plat recorded in Volume 3 of Plats, page 102, records of Skagit County, Washington; EXCEPT the South 10 feet thereof conveyed to the City of Mount Vernon by Deed recorded April 25, 1979 under Auditor's File No. 816622



Exhibit "B"
(The Property)

The West 120 feet of Tract 10, "Plat of Mount Vernon Acreage, Skagit County, Wash.", as per plat recorded in Volume 3 of Plats, page 102, records of Skagit County, Washington.

EXCEPT the South 10 feet thereof conveyed to the City of Mount Vernon by Auditor's File No. 816622:

AND ALSO EXCEPT that portion conveyed to the City of Mount Vernon for road right-of-way recorded under Skagit County Auditor's File No. 200902020157, which lies Southerly and Westerly of the following described line:

Commencing at the Southwest corner of the Northwest 1/4 (West 1/4 corner) of Section 17, Township 34 North, Range 4 East, W.M.;

thence South 87°37'00" East along the South line of said Northwest 1/4 for a distance of 275.04 feet;

thence North 0°40'15" West for a distance of 30.00 feet, more or less, to the Southeast corner of Tract B Short Plat No. MV-26-76, approved September 10, 1976 and recorded September 23, 1976 in Volume 1 of Short Plats, page 175 under Auditor's File No. 843161;

thence continue North 0°40'15" West along the East line of said Short Plat NO. MV-26-76 for a distance of 10.00 feet, more or less, to the North line of the South 40.00 feet of said Northwest 1/4 and being the TRUE POINT OF BEGINNING of said line description;

thence North 74°32'14" West for a distance of 29.71 feet;

thence North 88°30'23" West for a distance of 158.19 feet;

thence North 44°36'10" West for a distance of 47.07 feet;

thence North 2°57'41" West for a distance of 75.83 feet;

thence North 2°57'41" West for a distance of 92.27 feet;

thence North 0°40'15" West for a distance of 37.19 feet;

thence North 89°19'45" East for a distance of 2.00 feet;

thence North 0°40'15" West for a distance of 17.65 feet;

thence North 2°51'58" West for a distance of 241.29 feet;

thence North 89°19'45" East for a distance of 2.00 feet;

thence North 2°51'58" West for a distance of 129.48 feet, more or less, to the North line of Tract 6, "PLAT OF MOUNT VERNON ACREAGE, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 102 records of Skagit County, Washington, at a point bearing North 89°19'45" East a distance of 8.80 feet from the Northwest corner of said Tract 6 and being the terminus of said line description.

AND ALSO SUBJECT TO and TOGETHER WITH easements, reservations, restrictions, covenants, liens, leases, court causes and other instruments of record.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

Containing 9,973 square feet



201112220140
Skagit County Auditor