

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made between and among the following entities, which are defined in more detail in Section 1 below: The City of Olympia (“the City”), Puget Sound Energy (“PSE”), Canray, LLC (“Canray”), Ronald Lindskog, and Joan F. Lindskog, as designated personal representative of the estate of Vernon L. Lindskog (“Joan Lindskog”). All of the above are hereinafter collectively known as the “Parties.” All Parties other than the City are hereinafter collectively referred to as “Defendants.”

RECITALS

- A. The City holds record title to an approximately 1.23-acre parcel of real property located in Olympia, Thurston County, Washington, and corresponding to present-day 601–609 4th Avenue East, with a legal description as set forth in Exhibit A (the “Property”). Exhibit B contains a figure depicting the Property. If there is a conflict between the legal description in Exhibit A and the figure in Exhibit B, the legal description in Exhibit A shall control.
- B. From December 2007 to the present, the City has owned the Property. The Property is currently occupied by the Olympia City Hall.
- C. Between 2008 and 2014, the City conducted various remediation activities at the Property, including removing and disposing of soil allegedly containing Hazardous Substances (as defined below) and conducting groundwater monitoring (collectively “Remediation Activities”). The City also conducted sampling efforts in the vicinity of the Property to help identify potential sources of those Hazardous Substances.
- D. On or about December 7, 2011, the City filed a Complaint against Canray, Ronald Lindskog, and Joan Lindskog (collectively, “the Lindskogs”) in Thurston County Superior Court, No. 11-2-02601-6. The City sought to recover costs incurred in connection with the investigation, identification, removal, and disposal of Hazardous Substances at the Property, under Washington’s Model Toxics Control Act (“MTCA”), as well as a declaratory judgment as to future costs. The City claimed that some of the Hazardous Substances detected at the Property originated from a manufactured gas plant (“MGP”) historically located at a parcel of land to the south of the Property, corresponding to present-day 712 Legion Way SE and 720 Legion Way SE, and with a legal description as set forth in Exhibit C (the “MGP Property”). The City asserted that the Lindskogs are liable under MTCA because they owned the MGP Property at the time the City brought suit.
- E. On or about March 6, 2012, the City filed an Amended Complaint, retaining its claims against the Lindskogs and adding similar claims against PSE (“Amended Complaint”). The City asserted that PSE is liable under MTCA because it also owned the parcel of land on which the MGP was located and allegedly is a successor to the companies that operated the MGP.
- F. Both PSE and the Lindskogs answered the Amended Complaint and asserted counterclaims (collectively, “Counterclaims” and, together with the Amended Complaint, the “Litigation”) against the City for contribution under MTCA.

G. The City claims that it has incurred: (1) costs investigating the source, nature, and extent of Hazardous Substances at and near the Property; (2) costs for conducting Remediation Activities at the Property; and (3) legal fees.

H. The Parties wish to avoid the expense and uncertainty of litigation and desire to settle and compromise all the claims asserted in the Litigation. This Agreement memorializes the terms of the Parties' settlement.

NOW THEREFORE, in consideration of the mutual promises set forth in this Agreement, the Parties agree as follows:

TERMS AND CONDITIONS

1. DEFINITIONS:

1.1 The City. "The City" shall mean The City of Olympia, a Washington municipality, including, but not limited to, all of its past and present affiliates, predecessors, successors, assigns, departments, divisions, and employees.

1.2 PSE. "PSE" shall mean Puget Sound Energy, Inc., including, but not limited to, all past and present parents, subsidiaries, affiliates, predecessors, insurers, successors, and assigns.

1.3 The Linskogs. "The Linskogs" shall mean Ronald Linskog, Canray, LLC, and Joan F. Linskog, as designated personal representative of the Estate of Vernon L. Linskog, as well as each of their respective heirs, parents, subsidiaries, affiliates, predecessors, successors, cognates, owners, members, and assigns.

1.4 The Parties. "The Parties" shall mean The City, PSE, and the Linskogs.

1.5 The Property. The "Property" shall mean the approximately 1.23-acre parcel of real property located at present-day 601-609 4th Avenue East in Olympia, Washington, described above and having a legal description set forth in Exhibit A to this agreement. A figure showing the boundaries of the Property is attached to this Agreement as Exhibit B.

1.6 The MGP Property. The "MGP Property" shall mean the approximately 0.86-acre parcel of real property located at present-day 712 Legion Way SE and 720 Legion Way SE in Olympia, Washington, described above and with a legal description as set forth in Exhibit C.

1.7 Claim. "Claim" shall mean any and all past, present or future federal, state, or common law claims, suits, actions, causes of action, cross-claims, counterclaims, third-party actions, or demands, including but not limited to any of the foregoing that are pursued in a court of law or court of equity, in arbitration or mediation, or by demand letter. "Claim" includes but is not limited to investigation costs; cleanup costs; response, removal or remedial action costs; attorneys' fees; natural resource damage; common law torts; diminished property value; toxic torts; lost profits; loss of goodwill, business interruption, and any other economic loss or damage. The term "Claim" also includes, but is not limited to, those brought by any

governmental entity charged now or in the future with protection of human health or the environment or in any way having the authority to demand or require cleanup of the Property.

1.8 Hazardous Substance. "Hazardous Substance" shall mean those substances designated as hazardous under any federal, state, or local statute, regulation, judgment, or 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"), the Clean Water Act ("CWA"), 33 U.S.C. § 1251 et seq., the Clean Air Act ("CAA") 42 U.S.C. § 7401, and the Model Toxics Control Act, Chapter 70.1050 of the Revised Code of Washington.

1.9 Effective Date. With respect to the City's claims against PSE, the "Effective Date" of this Agreement shall mean the date on which both the City and PSE have executed this Agreement. With respect to the City's claims against the Linskogs, the "Effective Date" of this Agreement shall mean the date on which the City and representatives of all of the Linskogs all have executed this Agreement.

2. SETTLEMENT PAYMENT

Within thirty (30) days of the Effective Date of this Agreement with respect to the City's claims against PSE, PSE shall pay the City \$1,700,000 to resolve its actual or alleged liability for any past, present, or future fees, costs, expenses, other expenditures, and damages, associated with: (1) investigating the source, nature, and extent of Hazardous Substances at and near the Property; and (2) costs for conducting Remediation Activities at the Property. Payment shall be made in the form of a check payable to the City of Olympia.

3. RELEASE

In consideration of the promises set forth in this Agreement and except as necessary to enforce the terms of this Agreement, the Parties and their successors and assigns agree to release with prejudice any and all Claims, whether past, present, or future, contingent or accrued, known or unknown, against each other related to or arising from the presence or alleged presence of Hazardous Substances located on, at, under, or emanating from the Property, including but not limited to those asserted in this Litigation. The Parties and their successors and assigns further agree that this release does not include any Claims based on the presence of Hazardous Substances on the Property that originated at a location or source other than, or that are unrelated to, the MGP or MGP Property and that were introduced into the environment after the Effective Date of this Agreement. This Agreement is not intended to provide and will not be construed to provide a release of any person or entity other than the Parties as those parties are defined in Section 1.1, 1.2 and 1.3. The releases contained herein shall not include a release or modification of that certain Settlement Agreement and amendments thereto entered into by the Linskogs and PSE on November 15, 2013.

4. DEFENSE, HOLD HARMLESS, AND INDEMNITY

4.1 Indemnification. In consideration of the promises set forth in this Agreement, the City agrees to hold harmless, indemnify, and defend Defendants, with counsel acceptable to Defendants (consent not to be unreasonably withheld), against and from any Claims of any nature whatsoever, whether past, present, or future, known or unknown, that arise out of or in any way relate to Hazardous Substances at, on, under, or emanating from the Property, including, but not limited to, any subrogation claims by insurers of the City or claims by the Washington State Department of Ecology. The City is not obliged to hold harmless, indemnify, or defend Defendants with respect to claims based on the presence of Hazardous Substances on the Property that originated at a location or source other than, or that are unrelated to, the MGP or MGP Property and that were introduced into the environment after the Effective Date of this Agreement. The City's obligations under this Agreement, including in this Section 4, shall continue without modification, regardless whether the City sells or leases any portion of the Property.

4.2 Notice. Defendants, or any of them, shall be entitled to the defense, indemnification, or hold harmless provided in this Section, after receiving notice of a Claim for which they are entitled to be indemnified, upon providing prompt, reasonable written notice of the Claim. Notice shall be provided to the City as provided in Section 6.2 below.

5. DISMISSAL OF LAWSUIT

Upon payment of all amounts set forth in Section 2 above, the Parties shall file a stipulation of dismissal with prejudice (and without fees or costs to any Party) of all Claims, counterclaims, and/or cross-claims made or that could have been asserted in the Litigation related to or arising from Hazardous Substances located at, on, or under the Property.

6. MISCELLANEOUS:

6.1 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

6.2 Notices. Any notices required to be made under this Agreement shall be made in writing as set forth below and shall be deemed duly given: (a) upon hand delivery, (b) upon email transmission when the recipient confirms receipt of such transmission by return email, or (c) two (2) business days after being sent by registered mail. Any Party may alter or modify its notice address by delivery of written notice pursuant to the terms of this Agreement.

To the City:

City of Olympia
Attn: Steve Hall, City Manager
601 4th Ave E
Olympia, WA 98507
Phone: (360) 753-8447
Email: shall@ci.olympia.wa.us

Darren Nienaber
Deputy City Attorney
601 4th Ave E

Olympia, WA 98507
Phone: (360) 753-8044
Email: dnienabe@ci.olympia.wa.us

Stephen Tan
Cascadia Law Group
1201 Third Avenue, Suite 320
Seattle, WA 98101
Phone: (206) 292-2657
Email: stan@cascadialaw.com

To PSE:

Puget Sound Energy, Inc.
Attn: Steve Secrist, General Counsel
10885 NE 4th Street, PSE-12
Bellevue, WA 98004
Phone: (425) 462-3178
Email: steve.secrisat@pse.com

J. Christopher Baird
Perkins Coie LLP
1201 Third Avenue, Suite 4900
Seattle, WA 98101
Phone: (206) 359-8082
Email: jbaird@perkinscoie.com

To the Lindsdogs:

Mark A. Peternell
Bean, Gentry, Wheeler & Peternell, PLLC
910 Lakeridge Way SW
Olympia, WA 98502
Phone: (360) 918-5213
Email: mpeternell@bgwp.net

6.3 Applicable Law. This Agreement shall be interpreted, and any dispute arising hereunder shall be resolved, in accordance with the substantive laws of the State of Washington, without reference to choice of law rules.

6.4 Integration. This Agreement represents the entire agreement among the Parties. The Parties acknowledge that this Agreement supersedes and replaces any and all prior agreements between the Parties regarding the subject matter herein. No modification of the terms hereof shall be effective unless in writing and duly executed by the authorized representatives of the respective Parties.

6.5 Jointly Drafted Agreement. This Agreement shall be construed without regard to the Party or Parties responsible for its preparation and shall be deemed to have been prepared jointly by the Parties hereto. The Parties agree that any rule of construction to the effect that any ambiguities are to be or may be resolved against the drafting Party shall not be employed in the interpretation of this Agreement to favor one Party against another. The provisions of this

Agreement shall be interpreted in a reasonable manner to effect the purpose of the Parties and this Agreement.

6.6 No Admission of Liability. The Parties acknowledge and agree that neither this Agreement, the act of entering into it, or any act or omission pursuant hereto shall be construed as an admission of any nature. Moreover, this Agreement is without value as precedent and shall not be used in any proceeding or hearing to create, prove, or interpret the obligations under, or terms and conditions of, any other agreement or any insurance policy.

6.7 Prevailing Party. If any legal action or other proceeding is brought to enforce this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs incurred in that legal action or other proceeding.

6.8 Captions. The captions and headings used throughout this Agreement are for convenience or reference only, and the words contained therein shall in no way be held or deemed to define, limit describe, explain, modify, amplify or aid in the interpretation, consideration or meaning of any provisions or the scope or the intent of this Agreement.

6.9 Binding Effect. This Agreement is intended by the Parties for their sole and exclusive benefit and shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, parent companies, subsidiaries, affiliates, predecessors, successors, and assigns. Successors and assigns shall include future owners of the Property and future owners of the MGP Property.

6.10 Warranty of Authorized Signatories. Each of the authorized signatories hereto warrants and represents that he or she is competent and is authorized to enter into this Agreement on behalf of the Party for which he or she purports to sign.

6.11 Good Faith. The Parties acknowledge that the settlement set forth in this Agreement is entered into in good faith, as a result of arms' length negotiations, and to resolve and compromise disputed Claims between them.

6.12 Third Party Beneficiaries. Provided that PSE has signed this Agreement, and until such time as all of the Linskogs have signed the Agreement, all of the Linskogs shall be third-party beneficiaries solely with respect to Sections 3, 4 and 5 of the Agreement.

[No further text; signature page follows]

CITY OF OLYMPIA:

Dated: December 5, 2017

CITY OF OLYMPIA,
a Washington municipality

By: [Signature]
Name: Steven R. Hall
Its: City Manager

PUGET SOUND ENERGY, INC.:

Dated: Nov. 27, 2017

PUGET SOUND ENERGY, INC.,
a Washington corporation

By: [Signature]
Name: Lorna Luchini
Its: Assistant General Counsel

CANRAY LLC:

Dated: _____, 2017

CANRAY LLC,
a Washington Limited Liability Company

By: _____
Name: _____
Its: _____

ESTATE OF VERNON L. LINDSKOG:

Dated: _____, 2017

ESTATE OF VERNON L. LINDSKOG, a
Washington estate

By: _____
Name: _____
Its: _____

RONALD LINDSKOG:

Dated: _____, 2017

RONALD LINDSKOG,
a single man

By: _____
Name: _____
Its: _____

CITY OF OLYMPIA:

Dated: _____, 2017

CITY OF OLYMPIA,
a Washington municipality

By: _____
Name: _____
Its: _____

PUGET SOUND ENERGY, INC.:

Dated: _____, 2017

PUGET SOUND ENERGY, INC.,
a Washington corporation

By: _____
Name: _____
Its: _____

CANRAY LLC:

Dated: 11/13, 2017

CANRAY LLC,
a Washington Limited Liability Company

By: J. A. L.
Name: JACK B. LINDSKOG
Its: PRESIDENT

ESTATE OF VERNON L. LINDSKOG:

Dated: _____, 2017

ESTATE OF VERNON L. LINDSKOG, a
Washington estate

By: _____
Name: _____
Its: _____

RONALD LINDSKOG:

Dated: _____, 2017

RONALD LINDSKOG,
a single man

By: _____
Name: _____
Its: _____

CITY OF OLYMPIA:

Dated: _____, 2017

CITY OF OLYMPIA,
a Washington municipality

By: _____
Name: _____
Its: _____

PUGET SOUND ENERGY, INC.:

Dated: _____, 2017

PUGET SOUND ENERGY, INC.,
a Washington corporation

By: _____
Name: _____
Its: _____

CANRAY LLC:

Dated: _____, 2017

CANRAY LLC,
a Washington Limited Liability Company

By: _____
Name: _____
Its: _____

ESTATE OF VERNON L. LINDSKOG:

Dated: 11-14-17, 2017

ESTATE OF VERNON L. LINDSKOG, a
Washington estate

By: Joan F. Lindskog
Name: Joan F. Lindskog
Its: Executrix

RONALD LINDSKOG:

Dated: 11-14-, 2017

RONALD LINDSKOG,
a single man

By: [Signature]
Name: RONALD LINDSKOG
Its: _____

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

BLOCK 5 OF SWANS ADDITION, AS RECORDED IN VOLUME 1 OF PLATS, PAGE 37,
THURSTON COUNTY RECORDS, TOGETHER WITH THE VACATED ALLEY, CITY OF
OLYMPIA ORDINANCE NO. 3200 AND NO. 6524.

IN THE CITY OF OLYMPIA, THURSTON COUNTY, WASHINGTON.

TAX PARCEL NOS. 78200500100, 78200500500, and 78200500700.

EXHIBIT C

LEGAL DESCRIPTION OF MGP PROPERTY

LOTS 6 TO 10 IN BLOCK 14 OF SWANS ADDITION, AS RECORDED IN VOLUME 1 OF PLATS, PAGE 37, THURSTON COUNTY RECORDS, TOGETHER WITH THE VACATED SOUTHERLY 10 FEET OF ALLEY ADJOINING LOTS 6 AND 7 ON THE NORTH AND WITH THE SOUTH HALF OF THE ALLEY VACATED BY ORDINANCE NO. 138 RECORDED MARCH 29, 1890 UNDER FILE NO. 6373.

IN THE CITY OF OLYMPIA, THURSTON COUNTY, WASHINGTON.

TAX PARCEL NOS. 78201400600 AND 78201400800.