

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

Tesoro Companies, Inc.
19100 Ridgewood Parkway
San Antonio, Texas 78259
Attention: Brooks Meltzer



201301080048
Skagit County Auditor

1/8/2013 Page 1 of 10 11:59AM

**MEMORANDUM OF GROUND LEASE, TENANT'S OPTION TO PURCHASE;
RIGHT OF FIRST REFUSAL AND OPTION AGREEMENT**

Ground Lease and Tenant's Option to Purchase

GRANTOR: TESORO REFINING & MARKETING COMPANY
LLC, a Delaware limited liability company, formerly
known as Tesoro Refining and Marketing Company,
a Delaware corporation

GRANTEE: TESORO LOGISTICS OPERATIONS LLC,
a Delaware limited liability company

Right of First Refusal and Option to Purchase

GRANTOR: TESORO LOGISTICS OPERATIONS LLC,
a Delaware limited liability company

GRANTEE: TESORO REFINING & MARKETING COMPANY
LLC, a Delaware limited liability company

**LEGAL
DESCRIPTION:**

Abbreviated: A portion of Sections 28, 29, and 32, Township 25 North,
Range 2 East, W.M.

Full: See Exhibit A attached hereto

**TAX PARCEL
NUMBERS:** 32989, 32990, 32991 and 32992

THIS MEMORANDUM OF GROUND LEASE, TENANT'S OPTION TO PURCHASE, RIGHT OF FIRST REFUSAL AND OPTION AGREEMENT is made and entered into as of this 14 day of December 2012, by and between TESORO LOGISTICS OPERATIONS LLC, a Delaware limited liability company ("TLO"), and TESORO REFINING & MARKETING COMPANY LLC, a Delaware limited liability company, formerly known as Tesoro Refining and Marketing Company ("TRMC").

RECITALS

A. TLO and TRMC entered into that certain Ground Lease with an effective date of November 15, 2012 (the "Ground Lease"), the terms, provisions and conditions of which are incorporated herein by reference to the same extent as if recited in their entirety herein. The legal description of the property that is the subject of the Ground Lease is more particularly described on Exhibit A attached hereto.

B. Pursuant to the terms of the Ground Lease, TRMC has granted to TLO an option to purchase the rail facility ("Rail Facility") located in Skagit County, Washington, that is the subject of the Ground Lease.

C. Additionally, and also pursuant to the terms of the Ground Lease, there is a Right of First Refusal, Option Agreement and Agreement of Purchase and Sale (the "Right of First Refusal and Option Agreement") that becomes operative in the event that TLO has exercised its option to purchase the Rail Facility.

D. The parties desire to give notice of the term of the Ground Lease and the various rights and options granted thereunder.

NOW, THEREFORE, special reference is hereby made to the following terms and provisions of the Ground Lease and the Right of First Refusal and Option Agreement:

1. Ground Lease. The term of the Ground Lease commenced on November 15, 2012 and continues for ninety-nine (99) years after the commencement date. There are no options to extend the term of the Ground Lease.

2. Tenant's Option to Purchase. Pursuant to the terms of the Ground Lease, TLO has an option to purchase the Rail Facility property that is the subject of the Ground Lease.

3. Right of First Refusal. If TLO has previously purchased the Rail Facility property, and thereafter elects to sell the Rail Facility during any period of time that the Track Use Agreement and/or the MUTA (each as defined in the Right of First Refusal and Option Agreement) is in effect, and TLO receives a bona fide offer from a third party that it considers



acceptable (the "Purchase Offer"), then TLO shall provide written notice to TRMC of the Purchase Offer, which notice shall include a copy of the Purchase Offer. TRMC shall have thirty (30) days following receipt of such notice from TLO in which to give written notice to TLO that TRMC is exercising its Right of First Refusal, agreeing to purchase the Rail Facility on the same terms and conditions as are contained in the Purchase Offer.

4. Option to Repurchase. If TLO has previously purchased the Rail Facility property, TRMC shall have a right to exercise its Option to Repurchase the Rail Facility for so long as the Track Use Agreement and/or the MUTA remains in effect, TLO fails to operate the Rail Facility in accordance with the provisions of the Track Use Agreement or the MUTA, and TLO thereafter fails to cure such default within the time period provided by the terms of the Track Use Agreement or the MUTA after written notice specifying the nature of the default is provided by TRMC to TLO.

5. Effect of Memorandum. This Memorandum is executed for the purpose of recordation in the Official Records of Skagit County, Washington, in order to give notice of the terms and provisions of the Ground Lease and Right of First Refusal and Option Agreement, and is not intended and shall not be construed to define, limit or modify the Ground Lease or the Right of First Refusal and Option Agreement. In the event of a conflict between the terms hereof and the terms of the Ground Lease or the Right of First Refusal and Option Agreement, the terms of the Ground Lease and/or the Right of First Refusal and Option Agreement shall control. This Memorandum may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Ground Lease, Tenant's Option to Purchase, Right of First Refusal and Option Agreement as of the day and year first above written.

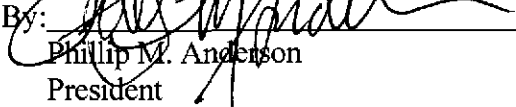
[SIGNATURE BLOCKS ON FOLLOWING PAGE]



TLO:

TESORO LOGISTICS OPERATIONS LLC,
a Delaware limited liability company

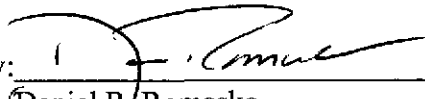
Date: December 19, 2012

By: 
Phillip M. Anderson
President

TRMC:

TESORO REFINING & MARKETING
COMPANY LLC, a Delaware limited
liability company, formerly known as Tesoro
Refining and Marketing Company

Date: December 19, 2012

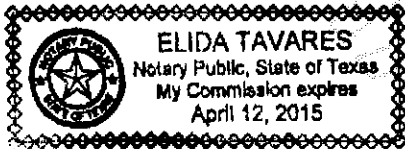
By: 
Daniel R. Romasko,
Executive Vice President Operations



STATE OF TEXAS)
) ss.
COUNTY OF BEXAR)

On this 19th day of December 2012, before me personally appeared PHILLIP M. ANDERSON, to me known to be the President of TESORO LOGISTICS OPERATIONS LLC, a Delaware limited liability company, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned, and on oath stated he was authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Elida TAVARES
(Signature)

ELIDA TAVARES
(Please print name legibly)

Notary Public in and for the
State of TEXAS
My commission expires 4/12/15



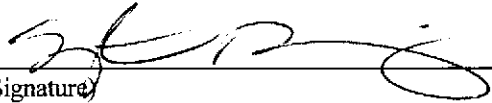
STATE OF TEXAS)

) ss.

COUNTY OF BEXAR)

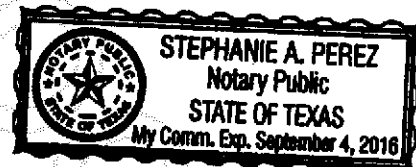
On this 19th day of December, before me personally appeared DANIEL R. ROMASKO, to me known to be the Vice President, Operations of TESORO REFINING & MARKETING COMPANY LLC, a Delaware limited liability company, formerly known as Tesoro Refining and Marketing Company, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned, and on oath stated he was authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.


(Signature)

Stephanie Perez
(Please print name legibly)

Notary Public in and for the
State of Texas
My commission expires 9-4-16



**EXHIBIT A
TO
MEMORANDUM OF RIGHT OF FIRST REFUSAL AND OPTION AGREEMENT**

Legal Description of Rail Facility

A portion of Sections 28, 29 and 32, all in Township 35 North, Range 2 East, W.M., in Skagit County, Washington, being more particularly described as follows:

Commencing at Monument 30 per Shell Survey Control Points Map No. 40RA-100, dated February 26, 1964, located at the intersection of "G" Street and 8th Street;
Thence South, along said "G" Street, a distance of 1999.69 feet as depicted on that certain Record of Survey recorded under Auditor's File Number 200101080077, Records of Skagit County, Washington, to Monument 26 of said Control Points Map, located at the intersection of "G" Street and 11th Street;
Thence South 49°12'55" West a distance of 3276.59 feet to the Point of Beginning;

Thence North 27°41'18" West a distance of 142.50 feet;
Thence North 02°43'48" West a distance of 142.35 feet;
Thence North 08°13'26" West a distance of 62.72 feet;
Thence South 87°53'37" West a distance of 351.62 feet;
Thence North 07°57'53" West a distance of 588.00 feet;
Thence North 12°40'21" West a distance of 419.68 feet;
Thence North 10°51'23" West a distance of 42.59 feet;
Thence North 12°46'03" West a distance of 343.75 feet;
Thence North 14°57'04" West a distance of 399.03 feet;
Thence North 15°29'32" West a distance of 376.45 feet;
Thence North 15°04'14" West a distance of 383.67 feet;
Thence North 15°24'26" West a distance of 433.60 feet;
Thence North 10°49'17" West a distance of 42.44 feet;
Thence North 89°49'13" West a distance of 43.25 feet;
Thence North 08°33'55" West a distance of 66.61 feet;
Thence North 06°42'39" West a distance of 34.17 feet;
Thence North 03°56'14" West a distance of 39.28 feet;
Thence North 00°03'22" East a distance of 77.09 feet;
Thence North 07°43'23" East a distance of 827.07 feet;
Thence North 46°53'42" East a distance of 195.68 feet;
Thence North 87°11'02" East a distance of 32.81 feet;
Thence South 45°23'07" East a distance of 14.46 feet;
Thence South 10°54'22" East a distance of 8.04 feet;
Thence South 89°49'30" East a distance of 24.22 feet;
Thence North 15°02'02" East a distance of 7.74 feet to the beginning of a 55.00 foot radius tangent curve to the right;
Thence northerly, along said curve, through a central angle of 30°17'53" and an arc distance of 29.08 feet;
Thence North 45°22'45" East a distance of 199.32 feet;
Thence North 52°24'28" East a distance of 22.71 feet;
Thence South 66°00'31" East a distance of 18.24 feet;
Thence North 17°12'18" East a distance of 38.30 feet;

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Thence North 68°07'36" East a distance of 22.10 feet;
 Thence North 35°32'57" East a distance of 148.86 feet to the beginning of a 95.00 foot radius
 tangent curve to the left;
 Thence northerly, along said curve, through a central angle of 21°55'06" and an arc distance of
 36.34 feet;
 Thence North 13°37'51" East a distance of 3.31 feet;
 Thence North 87°51'28" East a distance of 7.74 feet;
 Thence North 44°37'36" East a distance of 8.19 feet;
 Thence North 00°47'17" East a distance of 18.74 feet;
 Thence North 62°02'53" East a distance of 12.30 feet;
 Thence North 30°31'05" East a distance of 221.44 feet to the beginning of a 1170.00 foot
 tangent radius curve to the left;
 Thence northeasterly, along said curve, through a central angle of 6°52'19" and an arc distance
 of 140.33 feet;
 Thence North 23°38'46" East a distance of 77.07 feet;
 Thence North 23°51'48" East a distance of 142.95 feet;
 Thence North 22°27'24" East a distance of 630.86 feet;
 Thence South 67°32'23" East a distance of 8.55 feet;
 Thence North 22°27'37" East a distance of 115.57 feet to the beginning of a 613.11 foot radius
 tangent curve to the right;
 Thence northeasterly, along said curve, through a central angle of 54°39'15" and an arc
 distance of 584.85 feet;
 Thence North 12°53'08" West a distance of 1.21 feet to the beginning of a 575.00 foot radius
 non-tangent curve to the right with a radius point which bears South 11°43'18" East;
 Thence easterly, along said curve, through a central angle of 11°41'21" and an arc distance of
 117.31 feet;
 Thence North 89°58'03" East a distance of 258.33 feet;
 Thence South 02°03'47" West a distance of 29.39 feet;
 Thence South 89°51'49" West a distance of 266.22 feet to the beginning of a 360.00 foot
 radius tangent curve to the left;
 Thence westerly, along said curve, through a central angle of 11°37'04" and an arc distance of
 73.00 feet;
 Thence South 78°14'45" West a distance of 38.85 feet;
 Thence South 81°21'39" West a distance of 10.12 feet;
 Thence South 66°50'45" West a distance of 10.13 feet;
 Thence South 74°15'36" West a distance of 10.77 feet to the beginning of a 500.00 foot radius
 tangent curve to the left;
 Thence southwesterly, along said curve, through a central angle of 16°27'19" and an arc
 distance of 143.60 feet;
 Thence South 57°48'17" West a distance of 70.59 feet;
 Thence South 53°33'20" West a distance of 42.75 feet;
 Thence South 46°59'00" West a distance of 49.34 feet;
 Thence South 40°13'36" West a distance of 58.51 feet;
 Thence South 24°16'16" West a distance of 30.70 feet;
 Thence South 03°18'21" West a distance of 9.16 feet;
 Thence North 84°12'06" West a distance of 7.88 feet;
 Thence South 27°39'18" West a distance of 86.24 feet;
 Thence South 23°39'41" West a distance of 86.65 feet;
 Thence South 49°07'35" East a distance of 20.60 feet;



Thence South 10°58'36" West a distance of 25.06 feet to the beginning of a 90.61 foot radius non-tangent curve to the left with a radius point which bears South 28°06'27" East;
 Thence southerly, along said curve, through a central angle of 42°46'00" and an arc distance of 67.63 feet; to the beginning of a non-tangential line;
 Thence South 19°03'25" West a distance of 7.00 feet;
 Thence North 76°26'03" West a distance of 6.50 feet;
 Thence South 22°31'21" West a distance of 910.40 feet;
 Thence South 28°03'12" West a distance of 236.70 feet;
 Thence South 25°43'25" West a distance of 73.64 feet;
 Thence South 29°07'30" West a distance of 91.66 feet;
 Thence South 38°40'22" West a distance of 146.12 feet;
 Thence South 13°12'30" West a distance of 58.97 feet;
 Thence South 62°09'25" West a distance of 49.52 feet;
 Thence South 42°50'55" West a distance of 30.10 feet;
 Thence South 24°05'46" West a distance of 89.90 feet;
 Thence South 11°34'27" West a distance of 165.26 feet;
 Thence North 89°53'59" West a distance of 9.89 feet;
 Thence South 00°06'01" West a distance of 22.87 feet;
 Thence South 89°53'59" East a distance of 9.79 feet;
 Thence South 00°06'01" West a distance of 188.41 feet;
 Thence North 89°53'59" West a distance of 9.94 feet;
 Thence South 00°06'01" West a distance of 23.36 feet;
 Thence South 89°53'59" East a distance of 9.94 feet;
 Thence South 00°06'01" West a distance of 215.61 feet;
 Thence North 89°53'59" West a distance of 9.51 feet;
 Thence South 00°06'01" West a distance of 23.35 feet;
 Thence South 89°53'59" East a distance of 4.66 feet;
 Thence South 00°06'01" West a distance of 175.70 feet;
 Thence North 89°53'59" West a distance of 4.45 feet;
 Thence South 00°06'01" West a distance of 32.76 feet;
 Thence South 89°53'59" East a distance of 9.56 feet;
 Thence South 00°06'29" East a distance of 268.66 feet;
 Thence South 89°06'33" East a distance of 64.79 feet;
 Thence South 01°22'30" East a distance of 352.96 feet to the beginning of a 560.00 foot radius non-tangent curve to the left with a radius point which bears South 82°58'57" East;
 Thence southerly, along said curve, through a central angle of 32°25'38" and an arc distance of 316.94 feet;
 Thence South 19°11'45" East a distance of 319.42 feet;
 Thence South 17°53'32" East a distance of 140.54 feet;
 Thence South 13°49'16" East a distance of 96.00 feet;
 Thence South 16°38'49" East a distance of 159.08 feet;
 Thence South 17°56'53" East a distance of 145.44 feet;
 Thence South 23°04'05" East a distance of 132.54 feet;
 Thence South 17°37'05" East a distance of 297.68 feet;
 Thence South 16°17'47" East a distance of 147.08 feet to the beginning of a 2094.73 foot radius non-tangent curve to the right with a radius point which bears South 70°28'19" West;
 Thence southerly, along said curve, through a central angle of 8°06'59" and an arc distance of 296.74 feet;
 Thence South 10°43'16" East a distance of 68.77 feet to the beginning of a 37.00 foot radius non-tangent curve to the right with a radius point which bears South 66°22'40" West;



Thence southerly, along said curve, through a central angle of $49^{\circ}12'54''$ and an arc distance of 31.78 feet;

Thence South $03^{\circ}09'27''$ East a distance of 49.90 feet;

Thence South $11^{\circ}37'14''$ East a distance of 250.61 feet to the beginning of a 1340.00 foot radius tangent curve to the right;

Thence southerly, along said curve, through a central angle of $9^{\circ}26'37''$ and an arc distance of 220.86 feet;

Thence South $02^{\circ}10'37''$ East a distance of 160.11 feet;

Thence South $04^{\circ}24'30''$ East a distance of 176.30 feet to the Point of Beginning.

Containing 37.53 acres, more or less.



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