

SETTLEMENT AGREEMENT

This AGREEMENT is entered by and between **TAYLOR UNITED, INC.**, a Washington Corporation, **TAYLOR RESOURCES, INC.**, a Washington corporation, and the **WASHINGTON STATE DEPARTMENT OF NATURAL RESOURCES**, an agency of the State of Washington, acting on behalf of the State of Washington. Taylor United, Inc. and Taylor Resources, Inc. are referred to collectively herein as “Taylor.” The Washington State Department of Natural Resources is referred to herein as “DNR.” Taylor and DNR are collectively referred to herein as “the Parties.”

I. RECITALS

1. Taylor and DNR are currently engaged in a dispute regarding the ownership, as well as the past, present and future use, of certain tidelands and shellfish in Totten Inlet, Thurston County, Washington. The tidelands that are the subject of the aforementioned dispute are hereinafter referred to as “the Disputed Area.” The Disputed Area is more fully described in Attachment A.

2. The dispute referenced in the preceding Paragraph is the subject of Thurston County Superior Court Cause No. 09-2-00431-2 (Taylor United, Inc. v. State, et al.), U.S. District Court, Western District of Washington, Cause No. C09-5113-RBL (Taylor United v. Goldmark) and a related administrative claim for damages filed by Taylor with the State of Washington (DRM No. 49070022). These causes of action and the related administrative claim for damages raise a number of issues, including, without limitation, title to the Disputed Area, damages for past actions related to the Disputed Area (claimed by both Taylor and DNR), title to (and disposition of) shellfish currently planted in the Disputed Area and substitution of tidelands.

3. Rather than litigate the various issues discussed in the preceding Paragraph, Taylor and DNR wish to resolve their disagreement on these issues by agreement. This AGREEMENT is entered into without any admission of liability on the part of any of the Parties.

II. AGREEMENT

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

A. Summary of Obligations. As more fully set forth in the sections that follow, under this Agreement Taylor will submit, and DNR will process, applications for two separate Use Authorizations related to the Disputed Area: 1) a Use Authorization that, if granted, would allow the harvest of oysters currently planted in the Disputed Area (“the Oyster Harvest Use Authorization”) and 2) a Use Authorization that, if granted, would allow the harvest of geoduck currently planted in the Disputed Area (“the Geoduck Harvest Use Authorization”). If and when the Geoduck Harvest Use Authorization becomes Final, as that term is defined in this Agreement, Taylor will relinquish any and all claims it has or may assert for ownership of the Disputed Area, and, in the manner described in this Agreement, will stipulate to an agreed order quieting title in the Disputed Area in favor of the State of Washington. Commensurate with Taylor’s stipulating to an agreed order quieting title in the Disputed Area in favor of the State of Washington, DNR will relinquish any and all claims it has or may assert to ownership of the geoduck and oysters currently located in the disputed area, and, in the manner described in this Agreement, will stipulate to an agreed order quieting title to the geoduck and oysters located in the

Disputed Area in Taylor. Finally, Taylor will make certain payments to DNR, the specific provisions of which are more fully discussed in the sections that follow. The Parties intend this Paragraph of the Agreement to provide a summary of the provisions that follow and do not intend that this Paragraph have any substantive effect. In the event of a conflict between this Paragraph and the sections that follow, the provisions of the sections that follow shall control.

B. Taylor's and DNR's Obligation With Respect to Applications for the Use of State-Owned Aquatic Lands to Remove Existing Shellfish Products:

1. Taylor's Applications. Taylor agrees to apply for, and DNR agrees to commence the process to consider, two (2) separate use authorizations, consistent with the provisions of this Paragraph, that will allow Taylor to conduct the separate harvest of the oysters and geoduck currently planted in various portions of the Disputed Area, which are physically proximate but involve independent aquaculture activities each of which can be completed without the completion of the other, as follows:

a. Oysters. Taylor shall submit a complete application, including a signed State Environmental Policy Act checklist, for a right-of-entry authorization for the purpose of harvesting all of the oysters it has placed in the Disputed Area ("Oyster Harvest Use Authorization") within three (3) business days following the execution of this Agreement or no later than May 15, 2009, whichever is earlier. The Oyster Harvest Use Authorization will be based upon Taylor's proposal to harvest oysters by hand as expeditiously as possible in order to avoid mortality losses in the portions of the Disputed Areas identified as "Oyster Harvest Areas" on Attachment B, attached hereto and incorporated herein by this reference. The application will also request access rights sufficient to provide Taylor ingress and egress to the Oyster Harvest Areas from either the waterward or landward boundaries of the Disputed Area. The application shall confirm that once the oysters have been harvested from the designated Oyster Harvest Areas no further oyster aquaculture activities will be conducted by Taylor absent a new application to and approval by DNR, and shall also set forth the anticipated timing of harvesting activities. The application shall acknowledge DNR's authority to send designated staff person(s) to observe the harvest activities to confirm compliance with any use authorization that is issued.

b. Geoduck. On or before June 1, 2009, Taylor shall submit a complete application, including a signed State Environmental Policy Act checklist, for a right-of-entry authorization for the purpose of harvesting all of the geoduck it has planted in the Disputed Area (Geoduck Harvest Use Authorization). The Geoduck Harvest Use Authorization will be based upon Taylor's proposal to harvest geoduck in the portions of the Disputed Areas identified as "Geoduck Harvest Areas" on Attachment C, attached hereto and incorporated herein by this reference. The application will also request access rights sufficient to provide Taylor ingress and egress to the Geoduck Harvest Areas from either the waterward or landward boundaries of the Disputed Area. The application shall confirm that once the geoduck have been harvested from the designated Geoduck Harvest Areas no further geoduck aquaculture activities will be conducted by Taylor absent a new application to and approval by DNR. The application shall acknowledge DNR's authority to send designated staff person(s) to observe the harvest activities to confirm compliance with any use authorization that is issued. The application will include a description of the anticipated scope of any ongoing maintenance activities that Taylor deems

necessary, in its best professional judgment, to preserve the value of the shellfish currently planted in the Disputed Area.

c. Right of Entry Expiration for Oysters. The Oyster Harvest Use Authorization, if issued, shall expire six (6) months after it becomes Final, as defined in Paragraph II.B.5., below. If, during the six (6) month period that the Oyster Harvest Use Authorization is in effect, the Oyster Harvest Area is closed to shellfish harvest by the Washington Department of Health based on public health concerns, the six (6) month period for the Oyster Harvest Use Authorization shall be extended for a period of time commensurate to the public health closure period.

d. Right of Entry Expiration for Geoduck. The Geoduck Harvest Use Authorization, if issued, shall expire five (5) years after it becomes Final, as defined in Paragraph II.B.5., below, provided that DNR may terminate the authorization for the Geoduck Harvest Areas that are fully harvested prior to the expiration of the five (5) year period. If the Geoduck Harvest Area is closed to shellfish harvest by the Washington Department of Health based on public health concerns in the final six (6) month period prior to expiration, the five (5) year time period for the Geoduck Harvest Use Authorization shall be extended for a period of time commensurate to the public health closure period.

e. DNR's Monitoring of Harvest Activities. DNR may monitor all activities authorized under any use authorization that is issued to confirm compliance with this Agreement and in the interest of protecting state-owned aquatic lands. Prior to each harvest activity, Taylor shall provide DNR with at least 24 hours advance notice and shall cooperate with DNR to allow DNR staff access to observe harvesting operations as deemed appropriate by DNR.

2. DNR's Priority Processing of Taylor's Applications. DNR shall give priority to the processing of Taylor's applications for Rights-of-Entry for the purposes of removing shellfish located in the Disputed Area, as follows:

a. Oysters. Within twenty-one (21) days of receipt of a complete application from Taylor, DNR shall issue a decision approving, approving with conditions, or denying Taylor's Proposed Oyster Harvest Use Authorization, provided that DNR can comply with the requirements of the State Environmental Policy Act, Ch. 43.21C RCW (SEPA) within this timeframe.

b. Geoduck. Within ninety (90) days of receipt of a complete application from Taylor, DNR shall issue a decision approving, approving with conditions, or denying Taylor's Proposed Geoduck Harvest Use Authorization, provided that DNR can comply with the requirements of the State Environmental Policy Act, Ch. 43.21C RCW (SEPA) within this timeframe.

3. DNR's Reservation of Authority. Nothing in this Agreement is intended in any way to expand or diminish any existing authority or to confer or consent to any approval authority that does not already exist under applicable state law or diminish the deference due under applicable law or to constrain DNR's decision making discretion in processing Taylor's applications for the Oyster Harvest

Use Authorization or the Geoduck Harvest Use Authorization. DNR does not warrant that Taylor's applications will be approved, and Taylor acknowledges that DNR's decision on Taylor's application for the Oyster Harvest Use Authorization and the Geoduck Harvest Use Authorization will be based on applicable statutory authorities.

4. Taylor's Reservation of Termination Rights. Taylor reserves the right to reject any Oyster Harvest Use Authorization or Geoduck Harvest Use Authorization offered by DNR if Taylor is dissatisfied with the terms and conditions of either Authorization. If Taylor rejects any Oyster Harvest Use Authorization or Geoduck Harvest Use Authorization offered by DNR, Taylor may elect to terminate this Agreement. If DNR denies either the Oyster Harvest Use Authorization application or the Geoduck Harvest Use Authorization application, Taylor may elect to terminate this Agreement.

5. Date of Finality of DNR Decisions on Right-of Entry Applications. In the event that either the Oyster Harvest Use Authorization or the Geoduck Harvest Use Authorization is not appealed or challenged within the time limits established by law, the unchallenged Authorization(s) will become Final ten days after said time limits elapse. If an Authorization is appealed or challenged and said appeal or challenge results in a favorable decision (i.e. the Authorization is affirmed as a result of the appeal or challenge), that Authorization will become Final ten days after the final resolution of any appeals or challenges (including judicial appeals). If an Authorization is appealed or challenged and said appeal or challenge results in an unfavorable decision (i.e. the Authorization is overturned as a result of an appeal or challenge), Taylor shall have no further obligation to make any payments under this Agreement, the payment submitted under C.1.a. shall be refunded, and the provisions of Paragraph II.E. shall apply.

C. Settlement Amount, Timing of Payments, and Releases.

1. Settlement Amounts and Timing. Taylor agrees to make the following payments to DNR on the following schedule, for a total of ONE MILLION FIVE HUNDRED FIFTEEN THOUSAND SIX DOLLARS (\$1,515,006):

a. Taylor shall make a payment to DNR in the amount of FIVE HUNDRED FIVE THOUSAND TWO DOLLARS (\$505,002), which includes five thousand two dollars (\$5,002) for fifty percent (50%) of the leasehold excise tax, within twelve (12) months of the earlier of: 1) the date on which the Geoduck Harvest Use Authorization becomes Final, as defined in Paragraph II.B.5. above, or 2) the date on which Taylor actually commences the harvest of geoduck from the Disputed Area pursuant to the Geoduck Harvest Use Authorization.

b. Taylor shall make an additional payment to DNR in the amount of FIVE HUNDRED FIVE THOUSAND TWO DOLLARS (\$505,002), which includes five thousand two dollars (\$5,002) for fifty percent (50%) of the leasehold excise tax within twelve (12) months after making the payment discussed in Paragraph II.C.1.a., above.

c. Taylor shall make an additional and final payment to DNR in the amount of FIVE HUNDRED FIVE THOUSAND TWO DOLLARS (\$505,002), which includes five thousand two dollars (\$5,002) for fifty percent (50%) of the leasehold excise tax within twelve (12) months after making the payment discussed in Paragraph II.C.1.b., above.

2. Release of All Claims. The Parties agree that the mutual obligations set forth herein fully satisfy any and all obligations, including without limitation, damages, staff costs, fees, and back rent, that the Parties have against each other with regard to the Disputed Area, including Taylor's past use of the Disputed Area. Within ten (10) days of receipt by DNR of the final payment related to Taylor's harvest pursuant to the Geoduck Harvest Use Authorization, if issued, Taylor and DNR shall sign a full mutual release of any and all claims related to the subject matters of the State and Federal Claims, substantially in the form attached hereto as Attachment D.

D. The Pending Litigation. Because this Agreement requires certain prerequisites prior to submitting an agreed order, the Parties agree to the following schedule to address the pending litigation:

1. Joint Submission of Motion Seeking Stay of Pending Litigation. Within five (5) days of the issuance of the Oyster Harvest Use Authorization described in B.1.a.above, if issued, Taylor and DNR shall jointly seek a stay of the following pending litigation during the effectiveness of this Agreement and hold the following administrative claims in abeyance:

a. Thurston County Superior Court Cause No. 09-2-00431-2, Taylor United, Inc. v. State, et al. (State Claims);

b. Taylor United v. Goldmark, U.S. District Court, Western District of Washington, Cause No. C09-5113-RBL (Federal Claims); and

c. The administrative claim for damages filed by Taylor with the State of Washington (DRM No. 49070022), to the extent it can be stayed by the Office of Financial Management (OFM) upon notice to OFM by Taylor that Taylor gives OFM permission to hold it in abeyance.

2. Stipulated Order Quieting Title and Dismissal of Related Claims. Within ten (10) days of the date that the Geoduck Harvest Use Authorization becomes Final, as defined in Paragraph II.B.5. above:

a. Taylor and DNR shall jointly seek an order quieting title of the Disputed Area in favor of ownership by the State, quieting title to the oysters and geoduck in the Disputed Area in favor of ownership by Taylor, and dismissing with prejudice all other claims and counterclaims filed in Thurston County Superior Court Cause No. 09-2-00431-2;

b. Taylor shall dismiss Taylor's Federal Claims with prejudice, and Taylor agrees that this dismissal releases any and all claims that Taylor has asserted with respect to substitute productive tidelands as those claims relate to the Disputed Area; and

c. Taylor shall notify OFM that it will withdraw its Notice of Claim under DRM No. 49070022 and shall not further pursue any claim or cause of action related to said claim.

E. Effectiveness of Agreement. This Agreement shall be effective from the date of mutual execution until the date that the release required by Paragraph II.C.2. has been mutually executed, unless any of the following events occur:

1. DNR does not execute the Oyster Harvest Use Authorization on or before June 15, 2009, provided that Taylor submits a complete application by May 15, 2009, and provided further that Taylor and DNR do not extend these deadlines by mutual agreement.

2. DNR does not execute the Geoduck Harvest Use Authorization on or before October 15, 2009, provided that Taylor submits a complete application on or before June 1, 2009, and provided further that Taylor and DNR do not extend these deadlines by mutual agreement.

3. DNR executes the Oyster Harvest Use Authorization and the Geoduck Harvest Use Authorization but either is appealed or challenged and said appeal or challenge results in an unfavorable decision requiring DNR to cancel the use authorization (i.e. the authorization is overturned as a result of an appeal or challenge).

4. Taylor fails to obtain the agreement of Helen G. Senff, within ten (10) days of the date that the Geoduck Harvest Use Authorization becomes Final, as that term is defined in Paragraph II.B.5., above, to 1) stipulate to the order quieting title in the State for the Disputed Area in accordance with Paragraph II.D.2.a., above, 2) dismiss her Federal Claims with prejudice as discussed in Paragraph II.D.2.b., above, and 3) sign the release required under Paragraph II.C.2., above.

If 1), 2) or 3) occurs, this Agreement may be terminated at the option of Taylor. If 4) occurs, this Agreement may be terminated at the option of DNR. In the event this Agreement terminates, the Parties will be free to renegotiate or litigate all aspects of the dispute.

F. Miscellaneous Provisions.

1. Attorneys' Fees. The Parties shall bear their own attorneys' fees and costs, including all attorneys' fees and costs incurred in connection with the preparation and execution of this Agreement.

2. Amendment. This Agreement may only be amended or modified by mutual agreement of the Parties expressed in writing.

3. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington. Venue shall be in Thurston County.

4. Additional Documents. The Parties agree to cooperate fully and to timely execute any and all supplementary documents and to timely take all additional actions which may be necessary or appropriate to give full force and effect to the basic terms and intent of this Agreement.

5. No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement is for the benefit of the Parties only and is not intended to benefit any other person or entity, and no person or entity not a party to this Agreement shall have any third-party beneficiary or other rights whatsoever hereunder.

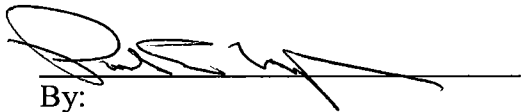
6. Authority. The Parties each represent and warrant that they have the respective power and authority, and are duly authorized to execute, deliver and perform the obligations under this Agreement.

7. Execution of Agreement. A Party may deliver executed signature pages to this Agreement by PDF or facsimile transmission to any other Party, which PDF or facsimile copy shall be deemed to be an original executed signature page. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the Parties had signed the same signature page.

8. Joint Drafting. The Parties agree that they have all participated in the drafting of this Agreement, that it results from the efforts of each party and that it shall not be construed against any party based on the party having assisted in drafting this Agreement.

IN WITNESS WHEREOF, this Agreement has been entered into among the Parties and will be effective as of the last date of signature by the Parties below.

TAYLOR RESOURCES, INC.


By: _____

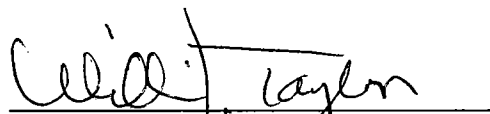
Its: President
Date: May 6, 2009

**WASHINGTON DEPARTMENT OF
NATURAL RESOURCES**


PETER GLOMARK
COMMISSIONER OF PUBLIC LANDS

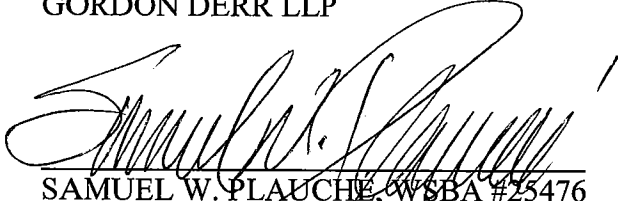
Date: May 6, 2009

TAYLOR UNITED, INC.


By: President

Its:
Date: May 6, 2009

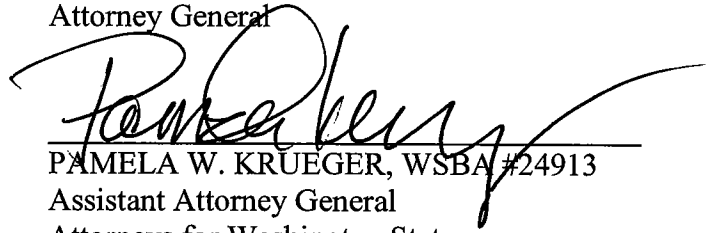
GORDON DERR LLP



SAMUEL W. PLAUCHE, WSBA #25476
Attorney for Taylor Resources, Inc. and
Taylor United, Inc.

ROBERT M. MCKENNA

Attorney General



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Assistant Attorney General
Attorneys for Washington State
Department of Natural Resources

ATTACHMENT A
LEGAL DESCRIPTION OF DISPUTED AREA (FROM EXHIBIT A TO STATE COMPLAINT)

TAYLOR DISPUTED AREA

That portion of Second Class Tidelands in front of Government Lots 2, 3 and 4 of Section 5, Township 19 North, Range 2 West, W.M. in Thurston County, Washington, more particularly described as follows:

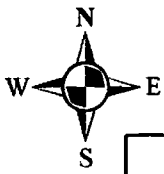
BEGINING at the North one quarter corner of said Section 4; Thence N 89° 13' 33" W, 1,033.13 feet to the meander corner on the North line of said Section 4; Thence continuing N 89° 13' 33" W, 187.86 feet to the West line of a tract of second class tidelands suitable for the cultivation of oysters conveyed by the State of Washington to H.R. Weatherall as described in Volume 7, Page 120 of Tideland and Shoreland Deeds on file at the office of the Commissioner of Public Lands in Olympia, Washington; Thence S 13° 48' 57" W along said West line, 3.56 feet and S 44° 54' 37" W, 2,649.63 feet to the TRUE POINT OF BEGINNING; Thence continuing S 44° 54' 37" W along said West line, 519.07 feet and S 36° 54' 40" W, 1,979.84 feet and S 47° 54' 35" W, 1,461.33 feet; Thence N 42° 17' 04" W, 91.98 feet more or less to the line of extreme low tide in Totten Inlet; Thence Northeasterly along the line of extreme low tide to a point which bears N 40° 57' 39" W from the TRUE POINT OF BEGINNING; Thence S 40° 57' 39" E, 254.74 feet more or less to the TRUE POINT OF BEGINING.

SENF FF DISPUTED AREA

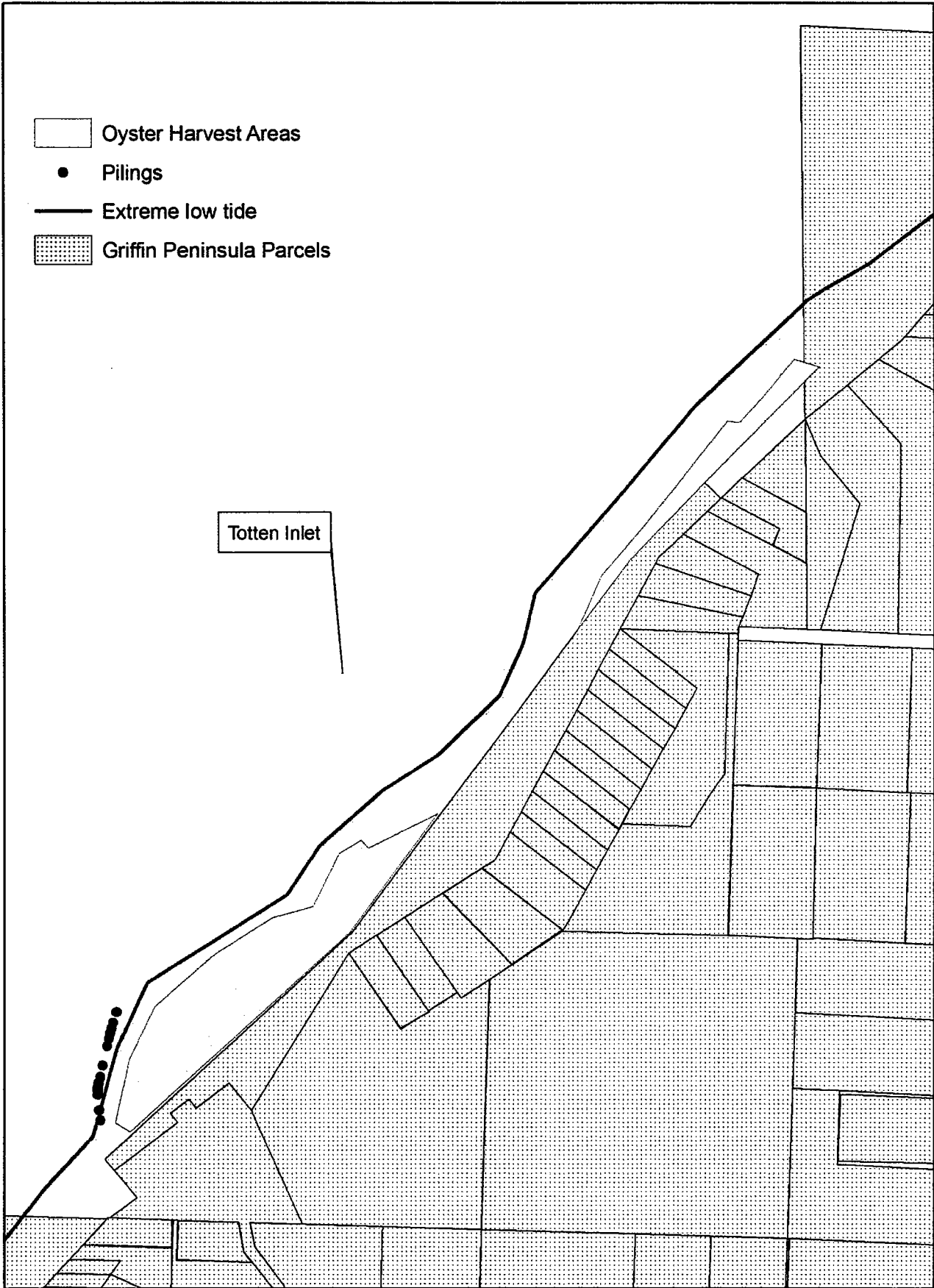
That portion of Second Class Tidelands in front of Government Lots 1 and 2 of Section 4 and Government Lot 2 of Section 5, all in Township 19 North, Range 2 West, W.M., in Thurston County, Washington, more particularly described as follows:

BEGINNING at the North one quarter corner of said Section 4; Thence N 89° 13' 33" W, 1,033.13 feet to the meander corner on the North line of said Section 4; Thence continuing N 89° 13' 33" W, 187.86 feet to the West line of a tract of Second Class Tidelands suitable for the cultivation of oysters conveyed by the State of Washington to H.R. Weatherall as described in Volume 7, Page 120 of Tideland and Shoreland Deeds on file at the office of the Commissioner of Public Lands in Olympia, Washington and the TRUE POINT OF BEGINNING; Thence S 13° 48' 57" W along said West line, 3.56 feet and S 44° 54' 37" W, 2,649.63 feet; Thence N 40° 57' 39" W, 254.74 feet more or less to the line of extreme low tide in Totten Inlet; Thence Northeasterly along the line of extreme low tide to a point which bears N 89° 13' 33" W from the TRUE POINT OF BEGINNING; Thence S 89° 13' 33" E, 280.87 feet more or less to the TRUE POINT OF BEGINNING.

ATTACHMENT B
DESIGNATION OF OYSTER HARVEST AREAS
(From Holman Survey)



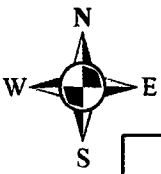
Attachment B "Oysters Harvest Areas"



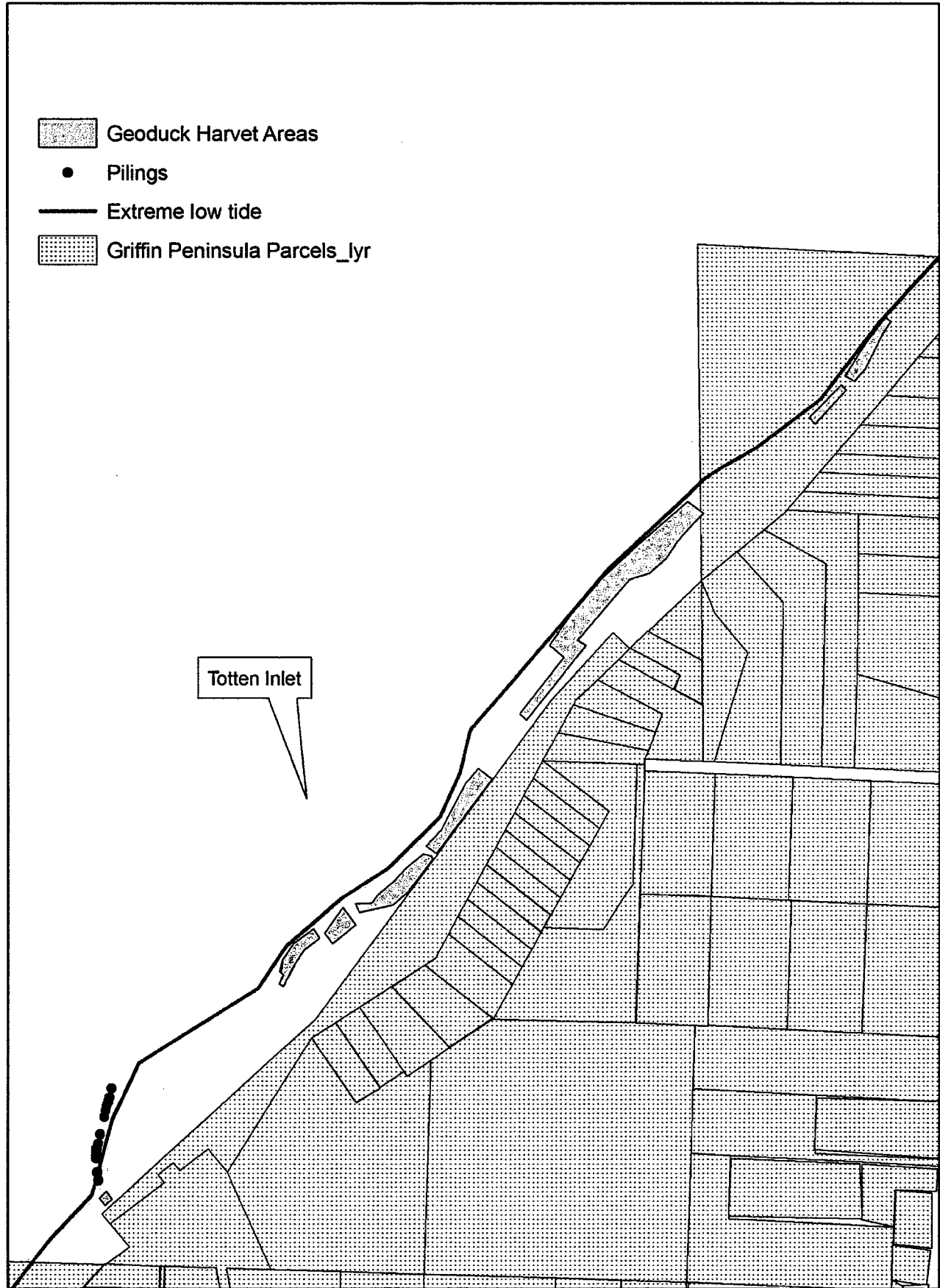
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ATTACHMENT C
DESIGNATION OF GEODUCK HARVEST AREAS
(From Holman Survey)



Attachment C "Geoduck Harvest Areas"



ATTACHMENT D
FULL RELEASE OF ALL CLAIMS

FOR AND IN CONSIDERATION of mutual obligations set forth in the Settlement Agreement mutually executed on _____, 2009 between and among the State of Washington, Department of Natural Resources, Taylor Resources, Inc. and Taylor United, Inc., a copy of which is attached hereto as Exhibit A and incorporated herein by this reference (Settlement Agreement), Taylor and Helen G. Senff (Senff) on behalf of themselves and their respective successors and assigns do hereby release and forever discharge the STATE OF WASHINGTON and its officers, agents, employees, agencies and departments from any and all existing and future claims, damages and causes of action of any nature whatsoever arising out of occurrences, or events described in their respective claims previously filed by the claimants herein against the Department of Natural Resources of the STATE OF WASHINGTON, and the lawsuits filed in Thurston County, under Thurston County Superior Court Cause No. 09-2-00431-2 (Taylor United, Inc. v. State, et al.) , U.S. District Court, Western District of Washington, Cause No. C09-5113-RBL (Taylor United v. Goldmark) and a related administrative claim for damages filed by Taylor with the State of Washington (DRM No. 49070022).

FOR AND IN CONSIDERATION of the mutual obligations set forth in the Settlement Agreement, the STATE OF WASHINGTON, acting by and through the Department of Natural Resources, hereby releases and forever discharges Taylor and Senff, and each of their respective officers, agents, employees, successors and assigns, from any and all existing and future claims, damages and causes of action of any nature whatsoever arising out of occurrences or events described in its counter-claims previously filed by the Department of Natural Resources against Taylor and Senff, and the lawsuits filed in Thurston County, under Thurston County Superior Court Cause No. 09-2-00431-2 (Taylor United, Inc. v. State, et al.) and U.S. District Court, Western District of Washington, Cause No. C09-5113-RBL (Taylor United v. Goldmark).

DATED this _____ day of _____, 20____.

TAYLOR RESOURCES, INC.

**WASHINGTON DEPARTMENT OF
NATURAL RESOURCES**

By: _____

PETER GOLDMARK

COMMISSIONER OF PUBLIC LANDS

Its: _____

Date: _____

Date: _____

TAYLOR UNITED, INC.

By: _____

Its: _____

Date: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

I, the undersigned, a notary public in and for the State of Washington, hereby certify that on this ____ day of _____, personally appeared before me _____, to me known to be the individual described and who executed the foregoing instrument, and acknowledged that he/she signed and sealed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal the day and year last written.

NOTARY PUBLIC in and for the State
Washington, residing at _____
My Commission expires _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

I, the undersigned, a notary public in and for the State of Washington, hereby certify that on this ____ day of _____, personally appeared before me _____, to me known to be the individual described and who executed the foregoing instrument, and acknowledged that he/she signed and sealed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal the day and year last written.

NOTARY PUBLIC in and for the State
Washington, residing at _____
My Commission expires _____