Kitsap County
*614 Division Street * Port Orchard, WA * 98366*
CONTRACT REVIEW SHEET

A. GENERAL INFORMATION

1. Contractor: Don Rasmussen and Kerma Peterson
2. Purpose: Purchase and Sale Agreement for Rolling Hills Golf Course
3. Contract Amount: N/A Receive ☐ Disburse ☐
4. Contract Term
5. Contract Administrator: Carolyn Siems Phone 337-4412

Approved: ______________ **Date** ______________
Department Head

B. AUDITOR - ACCOUNTING INFORMATION

1. Contract Control Number: KC-343-10
2. Fund Name: N/A
3. Payment from-Revenue to CC/Account Nbr
4. **Encumbered By** **Date**

C. ADMINISTRATIVE SERVICES DEPT – BUDGET MANAGER REVIEW

1. ☐ Approve ☐ Not Approve

Reviewer N/A **Date**

2. Comments:

D. DEPARTMENT OF ADMINISTRATIVE SERVICES - RISK MANAGER REVIEW

1. ☐ Approve ☐ Not Approve

Reviewer **Date**

2. Comments:

E. PERSONNEL DEPARTMENT – PERSONNEL DIRECTOR REVIEW

1. ☐ Approve ☐ Not Approve

Reviewer N/A **Date**

2. Comments:

F. PROSECUTING ATTORNEY REVIEW

1. Bidding Required ______ Yes/Type of Statute ☐ No
2. Public Works Project ☐ Yes ☐ No
3. County Resolutions Compliance ☐ Yes ☐ No ☐ N/A
4. ☐ **Approve** ☐ **Not Approve**

Reviewer **Date**

5. Comments:

G. CERTIFICATION BY CONTRACT ADMINISTRATOR. THIS CONTRACT IS READY FOR CONSIDERATION BY COUNTY COMMISSIONERS.

Contract Administrator ______________ **Date** ______________

Date Approved by Board of Commissioners 8/23/10

RETURN SIGNED ORIGINALS TO: **Carolyn Siems MS-4**

KC-343-10

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT is made and entered into by and between Rolling Hills Golf Course Partnership ("Seller"), and Kitsap County, a municipal corporation ("Buyer") as of the 23 day of August, 2010. In consideration of the respective agreements set forth below and for valuable consideration, the receipt and sufficiency of which is acknowledged, Seller and Buyer agree as follows.

1. PARTIES AND NOTICES

1.1 The address of the Seller is:

Don Rasmussen & Kerma Peterson
2485 NE McWilliams Road
Bremerton, WA 98311

1.2 The address of the Buyer is:

Kitsap County
c/o Clerk of Kitsap County Board of Commissioners
614 Division Street, MS-4
Port Orchard, WA 98366

1.3 Any notice under this Agreement must be in writing and be personally delivered, delivered by recognized overnight courier services, or given by mail. Any notice given by mail must be sent, postage prepaid, by certified or registered mail, return receipt requested at the above-listed addresses. Copies of any notices to Seller must be submitted to Seller's Attorney, Ronald C. Templeton, 3212 NW Byron Street, Suite 104, Silverdale, Washington 98383, and must be sent by electronic transmission to rctempleton@telebyte.com. Copies of any notices to Buyer shall be submitted to the Clerk of the Kitsap County Board of Commissioners.

2. PROPERTY

2.1 The Property. Seller agrees to sell and convey to Buyer and Buyer agrees to purchase from Seller subject to the terms and conditions set forth in this Agreement, real property located in Kitsap County, Washington, commonly known as Rolling Hills Golf Course. The sale will include the following property (collectively, the "Property"):

a. *Real Estate.* Tax Parcel Nos. 362501-1-002-2000; 362501-1-003-2009; and 362501-1-004-2008, consisting of approximately 107 ½ acres and Seller's leasehold interest in a 40-acre parcel currently leased from the Buyer to Seller (the "County Parcel"). The legal descriptions of the real estate owned by Seller are attached hereto as Exhibit A and incorporated herein by this reference.

b. All buildings and improvements on the Real Estate, including the Golf Shop, Restaurant and Bar, Office, 2 Maintenance Buildings and Mobile Home.

c. Water Well and DOE Water Rights Certificate.

d. Golf Course Equipment, Fixtures, Hand Tools, and Appurtenances.

e. Irrigation System.

f. Restaurant Fixtures and Equipment.

g. Office and Computer Equipment.

h. Trade Names for the Golf Course and Restaurant.

i. All of Seller's right, title and interest in and to any rights, licenses, privileges, reversions and easements pertinent to the real property, including, without limitation, all timber, minerals, oil, gas and other hydrocarbon substances on and under the real property as well as all development rights, air rights, water rights, water and stock relating to the real property and any other easements, rights of way or appurtenances used in connection with the beneficial use and enjoyment of the real property.

2.2 Excluded Property. The sale shall not include supplies or consumables for the operation of the Golf Course; the Pro Shop inventory; the Restaurant inventory, supplies, or consumables; the furnishings and equipment in the offices of Don Rasmussen and Kerma Peterson (who shall be referred to as the General Partners); or any personal items of the General Partners.

2.3 Inventory of Included Property. An Inventory shall be made of the included property and a schedule shall be prepared and included with the Deed at Closing.

3. PURCHASE PRICE AND PAYMENTS

3.1 Payments. Commencing on October 31, 2011, and continuing on the same day of the same month of each subsequent year for a total period of 20 years, Buyer shall pay Seller annual payments (the "Payments") of $200,000.00 each. For excise taxes purposes, the purchase price shall be the present principal value of a stream of 20 annual payments of $200,000.00 each, as calculated by Scott Pinckney of Seattle at the lowest allowable rate under the imputed interest regulations of the Internal Revenue Code. The Payments shall be evidenced by a Promissory Note Buyer will execute at Closing. The Note and Buyer's other covenants shall be secured by a Deed of Trust and Security Agreement Buyer will execute at Closing. Unless otherwise provided to the contrary, hereafter, references to the "Purchase Price" shall mean the total sum of $4 million dollars being the total of the Payments due Seller. In the event the Purchase Price is not fully paid by October 31, 2031, the provisions of Section 3.4 shall apply.

3.2 Buyer's Payments. Notwithstanding Section 3.1, Buyer's obligation to make the Payments is subject to and contingent on Buyer's receipt of the annual Lease payments described in Section 4.3 below ("Lease Payments"). Buyer shall be relieved of the obligation to make the Payments until it actually receives Lease Payments from the Company. The Payments shall be due within 14 days of the Buyer's receipt of the Lease Payments. In the case of partial Lease payments Buyer accepts, Buyer shall remit such partial payments to the Seller.

3.3 Buyer's Right to Early Payoff. Notwithstanding any other provision, Buyer may make additional Payments toward the Purchase Price and payoff the Purchase Price early without any early payoff penalty. Notwithstanding the terms of Section 3.1 regarding the calculation of the "purchase price" for excise tax purposes, in the event of early payoff, Buyer shall pay the sum of $4,000,000.00 less the cumulative payments Buyer has paid to Seller as of the early payoff date.

3.4 Default.

a. Notwithstanding the provisions of Section 3.2, if any Payments have not been made within 120 days of the due date, Seller may send Notice of Default to Buyer. If Payments have not been made because Buyer has not received Lease Payments from the Company, the Buyer shall have the following options:

(i) Pay the resulting deficiency within 365 days of the due date.

(ii) Payoff the Purchase Price early.

(iii) If the Oversight Board is satisfied such inability is attributable to market conditions and not the fault or mismanagement of the Company, the Company shall be given the option to extend the Lease Term for an additional term of 5 years or such greater period as the Oversight Board deems reasonably necessary to enable the Company to pay sufficient lease payments so that the Buyer can pay the full Purchase Price and Reimbursable Transaction Costs.

(iv) If the Oversight Board determines such inability is attributable to the fault or mismanagement of the Company, the Buyer can terminate the Lease and assume direct control of the Golf Course and Restaurant Operation, in which case Buyer shall pay the deficiency through annual payments without interest, over a period of years equal to 25 minus the number of years that has elapsed between the date of Closing and the date the Buyer assumes direct control.

(v) Buyer may reconvey and transfer the Property to the Seller. If Seller elects this option, the Note and Deed of Trust shall be satisfied, the Perpetual Covenants described in Section 7 shall be rescinded, the Reversionary provisions of the Deed as described in Section 9(a) shall be rescinded, this Agreement shall be terminated and Buyer shall have no further liability to Seller. If any golf course or restaurant related assets have either been titled in Buyer's name or Buyer has acquired a security interest therein, all of Buyer's right, title and interest therein shall be transferred to Seller.

b. If, within 60 days of Seller's Default Notice, Buyer fails to transmit notice electing one of the above alternative options or having elected an option, fails to timely comply with any performance obligations required by an option elected by the Buyer, Seller may pursue any default remedies permitted by the Note, Deed of Trust and security interest Buyer will sign at recording.

3.5 Potential Gift Tax Deduction. Seller believes that the fair market value of the Property substantially exceeds the stated Price set forth in Section 3.1 and therefore intends to claim a gift tax deduction for any difference between fair market value and the stated Purchase Price. Seller reserves the right to procure an appraisal at Seller's expense to qualify for any potential gift tax deduction. The Seller also reserves the right to conclude the transaction through a Charitable Remainder Trust or other entity so as to maximize any available income tax deductions and/or minimize any potential estate taxes, respecting the General Partners and their respective estates. Buyer agrees to cooperate with Seller with respect to these alternatives so long as Buyer incurs no cost, fee or liability.

4. Lease Back.

4.1 Formation of Operating Entity. As a condition precedent to Buyer's obligation to close, prior to Closing, Seller will cause a separate entity (the "Company") to be formed consisting of the Club Pro, Greens Superintendent, and/or other key personnel acceptable to the General Partners for the purpose of assuming the responsibility to operate the Golf Course and Pro Shop and oversee the Restaurant operation. The shares of stock in the Corporation that operate the Restaurant will be transferred to the Company so that the Company controls both the operation of the Restaurant and the Golf Course.

4.2 Lease Back. At Closing, the existing lease for the County Parcel shall be canceled. At Closing, the County and the Company shall execute a new Lease by which the Company shall lease from the County the following:

(i) The County Parcel; and

(ii) The Property (as defined in Section 2.1) except that portion of Tax Parcel No. 362501-1-004-2008 that is not part of the Golf Course or used for the operation of the Golf Course consisting of approximately 21 acres. Hereafter, said excluded portion shall be referred to as the "Non-Developed Parcel".

All of the foregoing property shall sometimes be referred to as the "Golf Course Property". The new Lease shall be subject to the terms and conditions hereinafter set forth.

4.3 Lease Payments. The Lease Payments from the Company to Buyer shall be $200,000.00 per year plus any leasehold excise taxes due any unit of government on the Lease, both of which shall be payable on October 1 of each year beginning on October 15, 2011.

4.4 Due Date. The first Lease Payment shall be due on October 15, 2011 and be paid on October 1 of each succeeding year through the termination of the Lease.

4.5 Lease Reserve Payments. In addition to the above Lease payments, the Company shall make the following additional payments (the Lease Reserve Payments) to the Buyer:

Lease Years 6 through 10:	$10,000.00 per year
Lease Years 11 through 20:	$20,000.00 per year

The Buyer shall place the Lease Reserve Payments in a restricted Reserve Account which the Buyer may use to make any payments due Seller by reason of the Company's default under the Lease.

Once the Reserve Account reaches $200,000.00, the Company shall be relieved from the obligation to make any further Lease Reserve Payments so long as the Company continues to make all subsequent Lease payments due the Buyer.

In the final year of the Lease, the balance held in the Reserve Account shall be credited against the annual Lease payment due for such year.

4.6 Triple Net Charges. The Lease shall be a true triple net lease requiring the Company to pay all taxes, insurance premiums, utilities, maintenance, repair and replacement costs and all other costs associated with the operation and maintenance of the Golf Course Property and golf and restaurant business thereon.

4.7 Term. The lease term shall be five years with 3 renewal options for subsequent renewal terms of five years each. The right to renew the Lease for each five-year term shall be automatic, unless the Lease has been terminated for default or by the Company on 180 days advance notice. Buyer may grant additional extensions, either in conformance with Section 3.4 or otherwise.

4.8 Operating Terms. The Lease will require the Company to maintain and operate the Golf Course and Pro Shop and related facilities, fixtures and improvements in substantially the same or better condition and operating standards that now exist in conformance with acceptable industry standards for like-kind golf course operations, in conformance with all applicable local, state and federal laws, and to comply with all directives and requirements of the Oversight Board.

The Company shall maintain adequate reserves to cover operating expenses during lean operational periods, and to provide annual operating subsidies for the Restaurant Operation in accordance with the following paragraph.

The Company will be required to oversee and provide any required operating subsidies for the Restaurant Operation to ensure it continues to provide food and beverage amenities to augment the Golf Course operations substantially equivalent to the manner that the Restaurant is currently operated and maintained (including the fixtures and equipment), in conformance with all applicable local, state and federal laws and to comply with all directives of the Oversight Board.

In addition, the Company shall be required to maintain sufficient capital reserves to provide for the replacement or rehabilitation of capital assets at the end of their anticipated useful life in accordance with acceptable industry standards and generally acceptable accounting periods. The amount of the capital reserves to be established by the Company shall be consistent with historical operating standards and will be subject to the approval of the Oversight Board, which approval shall not be unreasonably withheld.

4.9 Default. The Lease can be terminated by the Buyer for default, which has not been cured following notice and an opportunity to cure.

4.10 General Terms. The Lease will have typical commercial boilerplate provisions dealing with alterations, improvements, maintenance, repairs, insurance, utilities, restrictions on assignment and subleasing, licensing requirements, liabilities and indemnification provisions, default, remedies, attorney fees, and other standard clauses, including the following clauses:

* A clause defining events of default which will include not only monetary defaults but also the Company's failure to comply with its obligations under Section 4.8 and all other obligations under the lease, including failure to undertake its duties with respect to maintenance, repairs, insurance and liabilities.

* In the event the Company is in default, the Company agrees to pay the expenses of the Oversight Board as provided in Section 6.5.

* In the event any proceeding or action is instituted on account of this Agreement, the prevailing party shall be entitled to the recovery of its reasonable litigation expenses, including costs incurred by the Oversight board pursuant to Section 6.5 or advanced by the Company or Lessor.

4.11 Lease Includes Equipment. The Lease shall include the lease of all the Golf Course equipment. The Lease will include provisions dealing with the maintenance, repair, and replacement of all the equipment, fixtures, appurtenances, and improvements. The parties shall make a good faith effort to negotiate satisfactory provisions dealing with undepreciated capital costs incurred by Lessee if the Lease is terminated. The Lease shall be mutually approved prior to the expiration of the Second Contingency Period defined in Section 8.2(b) and, if not approved, this Agreement shall terminate.

5. **Buyer's Initial Term Covenants**. Buyer makes the following covenants for the benefit of the General Partners and/or the Pink Light Foundation, a charitable foundation founded by Don Rasmussen, which is the beneficiary of a portion of his estate:

5.1 So long as they desire to continue to maintain offices at the Main Building, General Partners shall be entitled to use and occupy on an exclusive basis their existing offices within the Building, together with all personal property located therein. They shall be entitled to use the common areas in common with the Company and its successor. They shall be provided a phone connection, but will be responsible for their phone service and long distance charges. In addition, they shall pay $100.00 per month to the Company or its successor as a utility and common area expense contribution.

5.2 Subject to the provisions of Sections 4, 5.3, 5.6, 6, and 7, Buyer will ensure the Golf Course and related improvements and facilities are used and maintained as an affordable golf course for the benefit of the residents of Kitsap County persons and in accordance with the provisions and standards set forth in Section 4.8.

5.3 Notwithstanding the provisions of Section 4, Buyer shall be free to develop and improve the Non-Developed Parcel for parks and recreational purposes.

5.4 Unless or until either an arborist or the Oversight Board, by unanimous vote, determines the old growth fir tree, whose top was damaged by lighting, becomes a "danger tree" (i.e., a tree that poses a material risk of blowing down and causing injury or damage to persons or property), such tree shall be maintained.

5.5 Until the Purchase Price is fully paid, Buyer shall not pledge or encumber the Property without the written approval of the General Partners or the Pink Light Foundation.

5.6 The covenants set forth in Sections 5.1 through 5.4 ("Initial Term Covenants") shall terminate on the earlier of (i) the date the Property ceases to be used for golf course purposes in accordance with the provisions of Section 7; (ii) 20 years from the date of Closing, or~~,~~ (iii) the date Buyer has fully paid the Purchase Price.

5.7 In the event of a breach of these covenants, at the option of Seller (or its successors) the Property will revert to the General Partners, or, if deceased, to the Pink Light Foundation.

6. Oversight Board.

6.1 Formation and Composition. Prior to Closing, the Parties shall jointly approve the governing documents for the on-going maintenance of an Oversight Board. Service as a member of the Oversight Board shall be without compensation. The Initial Oversight Board shall consist of the following persons:

a. The General Partners, who shall have three (3) votes to be allocated between them as they determine.

b. The Golf Pro, so long as the Company continues to lease the Property.

c. The Greens Superintendent, so long as the Company continues to lease the Property.

d. The Kitsap County Parks and Recreation Director or its designee.

e. One Commissioner designated by the Kitsap County Board of Commissioners or its designee.

f. A member from the Kitsap community at large with a background and interest in recreation, sports, and/or land conservation. Said member shall be selected by the Kitsap County Board of Commissioners.

g. A member of the Kitsap community with financial expertise. Said member shall be selected by the Kitsap County Board of Commissioners.

6.2 Voting. Except for the General Partners, who shall have 3 votes between them, all other members of the Oversight Board shall have one (1) vote. If the interest of one General Partner passes to the other General Partner, the transferee General Partner shall continue to be vested with three (3) votes. Following the death or incapacity of both General Partners, the Board or Director (if no Board exists) of the Pink Light Foundation shall replace the General Partners on the Oversight Board, but the Pink Light Foundation will only have one (1) vote. If the Company ceases to lease the Property, (i) the Golf Pro and Green's Superintendent shall cease to be members of the Oversight Board; and (ii) the remaining Board Members shall have, at any time, the option of either electing successors or not electing successors. Except as elsewhere provided to the contrary herein, all decisions of the Oversight Board shall be made by simple majority vote.

6.3 Duties. The Oversight Board shall have the following responsibilities:

a. Approval of all golf fee increases and changes.

b. Approval of any changes in the composition of the principals of the Company.

c. Monitor Golf Course, Pro Shop and restaurant operations to ensure the operations and facilities are being properly maintained and operated in accordance with the Operating Terms of Section 4.8.

d. Approval of any proposed material changes to the Property, improvements or golf and restaurant operations, including changed uses as may be permitted by the terms of Section 7.

e. Periodic review of the books and records of the Company and Corporation (and their successors) to ensure adequate reserves are being maintained and the Reserve Account is being maintained in accordance with the provisions of Section 4.8 and that operational expenses are being paid in the ordinary course.

f. Monitor Lease compliance.

6.4 Mission. The mission of the Oversight Board shall be to fulfill the duties described in Section 6.3 and act in a manner that advances the public's interest. In fulfilling its Mission, the Oversight Board shall give due consideration to the following goals:

a. Payment of the Purchase Price in full.

b. Maintaining the Golf Course as an affordable golf course for the benefit of the general population of Kitsap County in accordance with the provisions and standards set forth in Section 4.8.

c. Oversight of the Company to ensure the Golf Course is operated as a going concern, that it will continue in operation for the foreseeable future and that it will be able to discharge its liabilities in the normal course of operations.

d. If the Oversight Board determines that it is not reasonably feasible to continue to maintain and operate the Golf Course, the Property should be used for other parks and recreation purposes, including ball fields, play fields, picnic areas, trails, open spaces, community center use, camping and/or open space for the benefit of the residents of Kitsap County.

6.5 Oversight Board Costs. In the event the Company is in default and the Oversight Board determines that it is necessary to incur expenses in connection with the fulfillment of its duties described in Sections 6.3 and 6.4, the expenses shall be paid by the Company.

6.6 Cessation. The Oversight Board shall disband on the earlier of (i) cessation of use of the Property for golf course use as provided in Section 7 below; or (ii) the expiration of the "Initial Term Covenants" as defined in Section 5.6.

7. Perpetual Covenant. The Property shall be used and maintained solely for parks and recreation purposes in perpetuity. The Buyer shall make a good faith effort to operate the golf course in conformance with the standards and principals set forth in Sections 4.8 and 5.2 above. However, if the Oversight Board, during the "Initial Term Covenants", or thereafter the Buyer, determines that it is not reasonably feasible to continue to maintain and operate the golf course, the Property may be used for other parks and recreation purposes, including ball fields, play fields, picnic areas, trails, open spaces, community center use, camping and/or open space. This Covenant shall continue in perpetuity for the benefit of the residents of Kitsap County.

8. Contingencies and Conditions.

8.1 Enumeration. Buyer's obligation to purchase the Property is subject to the satisfaction or waiver of the following contingencies and conditions:

a. Buyer's receipt of an ALTA standard coverage owner's policy of title insurance to be issued by Escrow Agent, in form and substance acceptable to Buyer, in the amount of the Purchase Price, insuring that title to the Property will vest in Buyer upon close of escrow subject only to those exceptions which are agreed to in writing by

Buyer. All monetary encumbrances other than nondelinquent ad valorem property taxes will be deemed to be disapproved. If Seller elects not to remove any exceptions not agreed to by the Buyer, Buyer may elect either to proceed with the purchase and take the property subject to those exceptions, or to terminate this Agreement.

b. Approval for Transfer of Water Rights Certificate and Maintenance of Liquor and Gambling Licenses for the Restaurant operation, which approval is a condition precedent to Closing.

c. Buyer's completion of a Phase I environmental assessment, plus sampling of the well and inspection of physical assets for hazardous materials.

d. Buyer's completion to Buyer's satisfaction such other testing, inspections, investigation and review of the Property assets and financial records as deemed appropriate by Buyer.

e. Buyer's investigation of financial feasibility satisfactory to Buyer.

f. Buyer's approval of the Company organizational documents including the formation documents described in Section 4.1.

g. Buyer's approval of a Lease Agreement pursuant to Section 4.

h. Within 30 days from Mutual Acceptance, Seller shall provide to Buyer for Buyer's review and approval, copies of any existing and proposed easements, covenants, restrictions, agreements or other documents that, to Seller's knowledge, affect title to the Property and that are not disclosed by the preliminary commitment for title insurance.

i. Seller shall provide notice of any existing or threatened litigation affecting or relating to the Property and copies of any pleadings with respect to that litigation, which is an on-going duty and covenant of Seller.

j. Receipt of an independent real estate appraisal of the Property ensuring that the Purchase Price does not exceed the fair market value of the Property.

k. Approval of Buyer's Board of Commissioners at an Open Public Meeting.

8.2 Time. The contingencies shall be satisfied or waived during the following periods:

a. *First Contingency Period.* Within 60 days of Mutual Acceptance, Buyer shall have either acknowledged satisfaction of or waived the Contingencies set forth in Paragraphs (a), (c), (d), (e), (h), (i), (j) and (k) of Section 8.1 (the "Initial Contingencies"). If Buyer has not waived or satisfied said contingencies within said time period (as the same may be extended by mutual agreement), this Agreement shall terminate.

b. *Second Contingency Period.* Within 21 days from the date of Buyer's receipt on an initial draft of a proposed Lease, Buyer shall have either acknowledged satisfaction of or waived the contingency set forth in Paragraph (g) of Section 8.1 (the "Secondary Contingency"). If Buyer has not waived or satisfied said contingency within said time period (as the same may be extended by mutual agreement), this Agreement shall terminate.

c. *Final Contingency Period.* Within 21 days from the later of Buyer's receipt of the organization documents, Buyer shall have either acknowledged satisfaction of or waived the contingency set forth in Paragraph (f) of Section 8.1. If Buyer has not waived or satisfied said contingency within said time period (as the same may be extended by mutual agreement), this Agreement shall terminate.

d. *Satisfaction Of Condition.* If the condition precedent set forth in Paragraphs (b) and (k) of Section 8.1 are not satisfied (or waived) by the Closing Date (as the same may be extended, but only by mutual agreement), this Agreement shall terminate.

8.3 Due Diligence And Feasibility Documents. Buyer shall provide Seller with copies of all appraisals, title reports, and reports, studies and tests related to or arising from any surveys, testing, inspection, investigation or review undertaken by or for the benefit of Buyer, including specifically, any documents completed or procured in connection with the contingencies set forth in Sections 8.1(a), (b), (c), (d), (e) and (j) (hereafter "Due Diligence Documents") when and as procured by Buyer. If the sale fails to close for any reason, Buyer shall deliver, assign and transfer to Seller all such Due Diligence documents at no cost to Seller.

9. Title. Seller shall convey to Buyer at Closing the following:

a. Title to the Property by Warranty Deed containing a reversionary clause and covenant incorporating the terms of Sections 4, 5, 6 and 7 herein;

b. A Note and Deed of Trust containing the terms described in Section 3 herein;

c. A Lease in accordance with Section 4 herein; and

d. Governing documents for the Oversight Board in accordance with Section 6 herein.

10. Closing. So long as the Contingencies and Conditions are satisfied or waived, Closing shall occur on December 31, 2010. Title and Escrow services to be furnished by Pacific Northwest Title Insurance Company.

11. Transaction Costs and Prorations.

11.1 Seller's Transaction Costs. The Seller shall pay the following Transaction Costs:

a. Title Premiums for Title Insurance;

b. Real Estate Excise Taxes;

c. UCC Search Fees;

d. Escrow Fees;

e. Recording Fees;

f. UCC-1 Filing Fee;

g. Costs and fees incurred as a consequence of Section 8.1 (a), (b), (h), and (i) above; and

h. Seller's attorney fees incurred in the negotiation and consummation of this transaction through closing and all other costs and fees incurred by or at the direction of Seller.

11.2 Buyer's Transaction Costs. Buyer shall pay all costs and fees Buyer incurs in satisfying the Contingencies set forth in Sections 8.1(c), (d), (e), (f), (g), (j) and (k) and all other costs or fees incurred by or at the direction of Buyer.

11.3 Pro-rations. Taxes, utilities and operating costs shall be prorated as of Closing.

12. Liabilities. Seller shall save, indemnify and hold Buyer harmless from all liabilities incurred or accruing through Closing. The Company shall save, indemnify and hold Seller and Buyer harmless from all liabilities incurred or accruing following Closing. The Buyer shall save, indemnify and hold Seller harmless from all liabilities incurred or accruing after Closing.

13. Seller's Covenants.

13.1 Seller has full power and authority to enter into this Agreement and to transfer and convey all right, title and interest in and to the Property in accordance with this Agreement.

13.2 To the best of Seller's knowledge, there is no suit, action, arbitration, legal, administrative or other proceedings or inquiry pending or threatened against the Property, or any portion thereof, or pending or threatened against Seller which could affect Seller's title to the Property, or any portion thereof, affect the value of the Property, or any portion thereof, to liability.

13.3 To the best of Seller's knowledge, there are no intended public improvements or private rights which will result in the creation of any liens upon the Property or any portion thereof which affects the Property or any portion thereof which will not be removed at closing.

13.4 To the best of Seller's knowledge, there are no toxic or hazardous materials on or under the Property.

13.5 This Agreement and all documents executed by the Seller that are to be delivered at the closing are, or at the time of closing will be, (i) duly authorized, executed and delivered by Seller, (ii) legal, valid and binding obligations of Seller, (iii) sufficient to convey title, and (iv) in compliance with all provisions of all agreements and judicial orders to which Seller is a party or to which Seller or all or any portion of the Property is subject.

14. CONTINUATION AND SURVIVAL OF REPRESENTATIONS AND WARRANTIES

14.1 All representations and warranties made by the Seller are material and are relied upon by Buyer, and will survive the execution and delivery of this Agreement and the delivery of the Deed and transfer of title.

14.2 If, before the close of escrow, Seller discovers any information or facts that would materially change the foregoing representations and warranties, Seller shall immediately give notice to Buyer of those facts and information. If any of the foregoing representations and warranties cease to be true before the close of escrow, Seller shall be obligated to remedy the problem before the close of escrow. If the problem is not remedied before close of escrow, Buyer may elect to terminate this Agreement in which case Buyer shall have no obligation to purchase the Property. Buyer's election in this regard shall not constitute a waiver of Buyer's rights in regard to any loss or liability suffered as a result of a representation or warranty not being true.

15. SUCCESSORS AND ASSIGNS

This Agreement shall be binding not only upon the parties, but also upon their respective heirs, personal representatives, assigns, and other successors in interest.

16. ENTIRE AGREEMENT; MODIFICATION

This Agreement constitutes the entire agreement between Seller and Buyer pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings. No supplement, modification, or amendment of this Agreement shall be binding and no waiver of any provision in this Agreement effective, unless executed in writing by Seller and Buyer. In the event of conflicts and/or inconsistencies between this Agreement and the Promissory Note, Deed of Trust, Security Agreement, and/or Lease Agreement, the terms of this Purchase and Sale Agreement shall control.

13.3 To the best of Seller's knowledge, there are no intended public improvements or private rights which will result in the creation of any liens upon the Property or any portion thereof which affects the Property or any portion thereof which will not be removed at closing.

13.4 To the best of Seller's knowledge, there are no toxic or hazardous materials on or under the Property.

13.5 This Agreement and all documents executed by the Seller that are to be delivered at the closing are, or at the time of closing will be, (i) duly authorized, executed and delivered by Seller, (ii) legal, valid and binding obligations of Seller, (iii) sufficient to convey title, and (iv) in compliance with all provisions of all agreements and judicial orders to which Seller is a party or to which Seller or all or any portion of the Property is subject.

14. CONTINUATION AND SURVIVAL OF REPRESENTATIONS AND WARRANTIES

14.1 All representations and warranties made by the Seller are material and are relied upon by Buyer, and will survive the execution and delivery of this Agreement and the delivery of the Deed and transfer of title.

14.2 If, before the close of escrow, Seller discovers any information or facts that would materially change the foregoing representations and warranties, Seller shall immediately give notice to Buyer of those facts and information. If any of the foregoing representations and warranties cease to be true before the close of escrow, Seller shall be obligated to remedy the problem before the close of escrow. If the problem is not remedied before close of escrow, Buyer may elect to terminate this Agreement in which case Buyer shall have no obligation to purchase the Property. Buyer's election in this regard shall not constitute a waiver of Buyer's rights in regard to any loss or liability suffered as a result of a representation or warranty not being true.

15. SUCCESSORS AND ASSIGNS

This Agreement shall be binding not only upon the parties, but also upon their respective heirs, personal representatives, assigns, and other successors in interest.

16. ENTIRE AGREEMENT; MODIFICATION

This Agreement constitutes the entire agreement between Seller and Buyer pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings. No supplement, modification, or amendment of this Agreement shall be binding and no waiver of any provision in this Agreement effective, unless executed in writing by Seller and Buyer. In the event of conflicts and/or inconsistencies between this Agreement and the Promissory Note, Deed of Trust, Security Agreement, and/or Lease Agreement, the terms of this Purchase and Sale Agreement shall control.

17. CHOICE OF LAW, JURISDICTION AND VENUE

This Agreement will be construed as having been made and delivered within the State of Washington, and will be governed by the laws of the State of Washington, both as to its interpretation and performance. Any action at law, suit in equity or other judicial proceeding arising under or out of this Agreement may be instituted and maintained only in a court of competent jurisdiction in Kitsap County, Washington.

18. SEVERABILITY

If a court of competent jurisdiction holds any provision of this Agreement to be illegal, invalid or unenforceable, in whole or in part, the validity of the remaining provisions will not be affected, and the parties' rights and obligations will be construed and enforced as if the Agreement did not contain the particular provision held to be invalid. If any provision of the Agreement conflicts with any statutory provision of the State of Washington, the provision will be deemed inoperative to the extent of the conflict or modified to conform to statutory requirements.

19. MISCELLANEOUS

19.1 If the Lease with the Company is terminated and the Buyer assumes direct control of the golf course operation, either directly or through another lessee, it is Seller's hope that the Golf Course operator will provide discounted rates for Kitsap County residents who have lived and worked in Kitsap County during the majority of their working lives.

19.2 Mutual Acceptance shall be the last day either party has executed this Agreement.

Adopted this 23 day of August, 2010.

BOARD OF COMMISSIONERS · STATE OF WASHINGTON · KITSAP COUNTY

BOARD OF COUNTY COMMISSIONERS
KITSAP COUNTY, WASHINGTON

____
JOSH BROWN, Chair

____
STEVE BAUER, Commissioner

____
CHARLOTTE GARRIDO, Commissioner

ATTEST:

____
Opal Robertson, Clerk of the Board

The Next Page Is A Signature Page For The Seller.

Accepted this _____ day of __________, 2010 by the Rolling Hills Golf Course Partnership by its General Partners.

DON RASMUSSEN

KERMA PETERSON

Meeting Date: August 23, 2010
Agenda Item No: 8B

<table>
<tr><td colspan="2"><u>Kitsap County Board of Commissioners</u></td></tr>
<tr><td colspan="2">Office/Department: Kitsap County Commissioners
Staff Contact & Phone Number: Carolyn Siems; Jacquelyn Aufderheide
Agenda Item Title: Agreement Accepting Gift of Rolling Hills Golf Course</td></tr>
<tr><td colspan="2">Recommended Action: Move to execute agreement (KC-343-10) between Kitsap County and Don Rasmussen and Kerma Peterson accepting gift of Rolling Hills Golf Course.</td></tr>
<tr><td>Summary:</td><td>Don Rasmussen and Kerma Peterson are gifting the Rolling Hills Golf Course to Kitsap County. Under the structured agreement, the County will acquire the property at no cost other than its own due diligence costs prior to the acquisition's closing. The property includes over 107 acres of recreational land, irrigation system, well water rights, and all golf course and restaurant buildings and equipment.

The gifting of the golf course to Kitsap County also results in a gift of $4 million to the Pink Light Foundation, which supports "Meals on Wheels" programs throughout the Puget Sound region. Under the agreement's terms, the County will lease back the golf course and restaurant to a company owned by the current management of Rolling Hills Golf Course, Golf Professional Tedd Hudanich and Greens Superintendent Greg Peterson, ensuring continuity and providing the same quality of management. The company will make $200,000 lease payments to the County for 20 years along with excise lease hold tax payments (equal to 12.84% of the rental payments). The County will then pay $200,000 to the Sellers who will gift the payments to the Pink Light Foundation. After $4 million has been gifted to the Pink Light Foundation over a 20 year period, the anticipated profit from Rolling Hills Golf Course will then be used to support parks and recreation programs throughout Kitsap County.

An oversight board will supervise golf course operations/restaurant property, operations, and the lease, to ensure that the property is operated and maintained to industry standards. The members of the oversight include representatives of the Sellers, County representatives, and members from the community with financial and recreational expertise.

This unique agreement provides Kitsap County the opportunity to permanently acquire a recreational amenity at no capital cost to county taxpayers, while at the same time secures critical funding for "Meals on Wheels" programs to serve seniors in need. This agreement was made possible through the community spirit, generosity and kindness of Don Rasmussen and Kerma Peterson whose gift to the people of Kitsap County is an inspiration.</td></tr>
<tr><td>Attachments:</td><td>1. Purchase and Sale Agreement.</td></tr>
<tr><td colspan="2">Fiscal Impact for this Specific Action</td></tr>
<tr><td>Expenditure required for this specific action:</td><td>$25,000 (estimate)</td></tr>
</table>

Related Revenue for this specific action:	$
Cost Savings for this specific action:	$
Net Fiscal Impact:	$25,000 (estimate)
Source of Funds:	General Fund (GA & O)
Fiscal Impact for Total Project	
Project Costs:	$
Project Costs Savings:	$
Project Related Revenue:	$
Project Net Total:	$
Fiscal Impact (DAS) Review	

Departmental/Office Review & Coordination		
Department/Office	**Elected Official/Department Director**	
Parks & Recreation		
Prosecuting Attorney		

Contract Information			
Contract Number	**Date Original Contract or Amendment Approved**	**Amount of Original Contract Amendment**	**Total Amount of Amended Contract**
KC-343-10			